

# Visas and Work Permits: Can GATS/WTO help or is a New Global Entity needed?<sup>1</sup>

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## Abstract:

We discuss how to move forward globally with initiatives intended to ameliorate some of the problems created by current visa and work permit systems used by national governments around the world. We first describe and try to document what some of these problems are, noting the relative lack of other research work on these issues. We then discuss proposals for a new and supplemental global visa structure which have been made as part of the Mode 4 GATS negotiations in the WTO, suggesting that the GATS/WTO may be an imperfect institutional house for negotiating on these matters. We then evaluate other approaches, including what realistically might be expected of a new body created specifically for global negotiation in the area.

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## 1. **Introduction**

Prior to 1913, visas were not required for transit between most countries, and work permits were also not required for employment of foreigners. Passports were largely used as proof of identity and/or citizenship once inside national borders in case help were needed, typically from an embassy or ambassador abroad. Border formalities focused on revenue collection via tariffs from those crossing borders with goods in transit, not on documentary proof of identity. In contrast, today in our allegedly globalized world, individuals crossing borders not only need passports, but also often visas and work permits and obtaining them can involve documentary requirements that depending on the case, can take months or years to assemble. The web is rife with horrendous tales of delays and bureaucratic impenetrability of simultaneously comic and horrifying proportions. A wide range of problems span escalating visa fees, delays in issuance, randomness in decisions, complexities such as transit visas, collateral (add-on) costs (such as added costs to airlines), photograph and medical requirements for issuance, bureaucratic impediments (some countries are now requiring dental records for some types of visas), and the use in some countries of visas as an inefficient tax mechanism.

We discuss how global negotiations focused on mitigating some of these effects might proceed, noting the security concerns that have intensified these problems in the last few years. We suggest that there may be a choice to be made between seeking remedy primarily within the present global institutional structure embodied in existing organizations such as WTO, OECD and others not formed specifically to address these

problems, or in using some new specially designed problem-oriented visa/work permit international negotiating entity. This would of course would add to the many other international bodies which already exist, and may be viewed as unattractive on these grounds. While it is possible to use the two approaches simultaneously, coordination across the two would clearly be an issue, and we assume for our discussion one will predominates.

The negative of using existing organizational forms (such as the WTO) for visas and work permit problem is that any such discussions within these organization of necessity have to fit into a preexisting structure and the focus of these entities may not fit the issues to be discussed. The WTO, for instance, stresses non-discrimination while most visa practices are highly discriminatory and will likely remain so. The WTO also focuses on bindings and reductions in trade barriers, and less on removing unnecessary bureaucratic impediments which are specific to visas and work permits. A positive of using existing organizations is the saving in set up and initial transaction costs as institutions evolve. There is also the possibility that negotiations on visa and work permit problems might be speeded by cross bargaining with other issues (and vice versa) in such forum as the WTO. We discuss all of these and other considerations involved informality on general approach.

We also discuss recent proposals made in the GATS in the WTO by India for a special and new GATS Visa system which would provide an additional avenue for visa issues beyond current procedures. The two weaknesses of the GATS visa approach are

that OECD countries will likely not be accommodating, and that it does not centrally confront the many problems which exist in day to day administrative practice. Bringing visas and work permits into the GATS, as has been proposed in the GATS visa proposals under Mode 4 of the GATS also will bring another non-trade global economic issue to the WTO and serve the corporatist interest of the WTO as a global all encompassing agency. We also suggest that the WTO/GATS may not be the best venue for visa/work permit negotiating activity since the preexisting GATS structure does not fit the issue to be discussed.

We then discuss what a new entity might do. Efforts to codify recent country based visa and work permit practices and move toward a more common internationally agreed structure may be a useful start; as would efforts to introduce more transparency into country practices through an annual World Labour Mobility Report. We also see a possible investigative role in attempting to identify non-security and seeming inefficient objectives in national practices, such as the use of visas for revenue raising. Such practices could then be replaced by more efficient instruments. Also, the exploitative use of visas and work permits, say where a national government visa issuing agency requires purchase of insurance by travelers from an agency or company they control could also be investigated. Such practices could potentially be mutually agreed to be eliminated. Finally, where visa retaliation is occurring, an international body could help in identifying such cases, and even in proposing cooperative improvements.

Despite all the current popular concern with this situation, we have been able to find relatively little academic research on visas and work permits and their impacts on the global economy. We thus also attempt to classify some of the problems which current visa and work permit practices around the world create. Our list includes cumbersome and costly application procedures (form completion, document collection, photo and medical examination requirements, application fees and legal fees for notarizing documents), lengthy processing time and delay, complex bureaucratic and administrative processes (multiple assessment stages, interviews), rejection of application and costs of reapplying, quantitative limits on visa and work permits, and strict eligibility conditions for visa and work permit applications.

We also make efforts to provide some possible ranges for the potential global costs of this system of restrictions on global labour flows which might be involved both by drawing on earlier literature on the global costs of misallocation of labour across countries which visa and work permit arrangements in part support, and making some new calculations. Data and information on these restrictions are surprisingly sparse, with anecdotal information available on some costs, and some data on rejection rates for some countries. Available information largely relate to the number of border crossings and the fees and average time required for processing visa applications by country. We use a series of assumptions to use this information in some simple calculations to provide some initial global cost estimates for visa and work permit practices.

In an era of globalization we often think that we are moving remorselessly to an ever more globalized world economy. This may be true of goods and capital flows, but labour movement across national borders seems to get ever more restricted. The restrictions which now apply to both long term and short term movement of labour involve both visa and work permit restrictions, and cover both inter OECD and OECD and non-OECD labour movement. Current efforts to provide partial remedy to the current situation centre on GATS Mode 4 discussions in WTO, and we suggest that much more may be needed and a new initiative may be in order. Bringing labour mobility issues into the WTO/GATS structure may also potentially restrict the negotiability of current restrictive practices and help perpetuate them.

## 2. **How Visas and Work Permits Restrict Global Labour Mobility**

Visa and work permit requirements are highly complex. A visa when issued confers a right on a foreigner to enter a host country for a specified time period. A work permit allows a worker in a host country to take up paid employment. Most countries use separate visa and work permit arrangements, but a small number of countries (including the US) link work permits and visas. Most use two separate evaluation and issuance procedures with work permits sometimes being issued after arrival and visa entry has occurred. A wide range of types of visas and work permits characterize country systems depending on the length (or permanence) of stay, the purpose of visit, and other characteristics. Most visa systems do not entitle foreigners to enter paid employment in the local labour market. Tourism, study and business visits typically only require a visa.

Visa and work permit arrangements differ substantially across countries. Classifications of visas and work permits (types of visa/work permits, length of stay) vary, application procedures vary (forms, informational and documentary requirements, selection criteria, fees) vary, as do administrative procedures (methods of assessment, how verification of documents occurs, arrangements for interviews, processing time). Allocation rules also differ through various qualitative and quantitative restrictions on work permit issuance and differing rules on how permanent residency is attained. Transparency in procedures is another issue, covering status inquiry procedures, notifications of delays, and inquiries as to grounds for rejections). Further complexities

add arise with different visa and work permit exemption and wavier programs which vary from country to country and from region to region. Most OECD countries, for instance, have reciprocal agreements on visa exemption for short-term visits but they also participate in regional agreements covering visa and work permit exemptions for temporary and specific labour movement.<sup>2</sup>

## **2.1 Application Procedures**

The application procedures for visa and work permit are typically both cumbersome and costly. A person wishing to apply for a visa or work permit must first obtain an application package. Each country embassy and consular office will typically have different application forms and requirements for the various types of visa and work permits they require and most enquiries can only be handled by mail or by telephone, often with a lengthy waiting time.<sup>3</sup> If application forms cannot easily be downloaded

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<sup>2</sup> Examples are the EEA, EFTA, COMESA, NAFTA. For more detailed discussion on these, see Nielson (2002).

<sup>3</sup> The following examples of cumbersome procedures on getting US visas for business purposes were given in recent testimony of Randel K. Johnson, vice president of Labour, Immigration and Employee Benefits of the US Chamber of Commerce before the House Committee on Government Reform Hearing on the Impact of Visa Delays on Businesses (July 10, 2003):

- In the Czech Republic, visa applicants must call a toll number to arrange an appointment at the consulate, and where those callers are often put on hold and given visa interview dates long after the expected date of departure (even when the caller has called weeks in advance of the trip). One airline estimated a loss of over \$100,000 in the last several months due to cancelled travel plans.
- In South Africa, new interview requirements in the US embassy often require a domestic trip of several hours travel time or a flight just to obtain a visa, even before traveling to the United States, adding additional cost and time out of the office.
- The Swiss-American Chamber of Commerce recently wrote to the US Department of State pointing out that visa applicants in Switzerland calling the toll line to set up appointments often spend over 30 minutes on the phone (at \$1.50/minute) and the wait time for an appointment in Bern is currently 8 weeks and growing.

from the web, a person has to write to the embassy and consular office and it may take weeks for the office to send out an application package.

Application procedures generally require not only filling in forms, but also collecting documents for photocopying and attaching to the application (e.g. proof of qualification, work experience, reference letters), taking and attaching recent photographs, visiting banks to buy foreign-currency bank drafts (since often credit cards are not accepted). Where certified documents and medical reports are needed, legal fees are incurred in notarizing the relevant documents and there may be extra costs for medical examinations. All these requirements not only lengthen the application time they also increase costs to the applicant.

If an employer files for a work permit authorization on behalf of a foreign worker, typical work permit procedures require exhaustive details to be provided about the employer, the nature of the job, what efforts have been made to find local personnel and evidence of failure to do so, details of the candidate's experience, skills, and training, and verification of personal details. The filing process may take weeks or months. Long and tedious procedures clearly increase the cost to host employers and offset the benefit of hiring foreign workers, which in turn creates further barriers to cross border labour

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- The American Chamber of Commerce in Korea estimates that new US visa interview requirements mean an approximate six-month wait for an appointment. The average U.S. airline ticket from Korea is purchased three weeks before travel.

mobility.<sup>4</sup>

## 2.2 Bureaucratic and Administrative Processing Procedures

The processing of visa and work permit applications involves complex bureaucratic and administrative procedures.<sup>5</sup> Personnel make initial assessments of applications, which may include checking if application forms are completed, relevant documents are attached and notarized, photographs are of specific size and other requirements are met, payment has been made and the bank draft is valid, and a medical report has been received. If any of the above are not met, office personnel have to write to the applicant to ask for further information. This involves extra administrative costs and time delays. After the initial assessment is completed, the same or other personnel

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<sup>4</sup> [Bioscience; Apr2004, Vol. 54 Issue 4, p296, 1p] reports that US agencies tasked with approving visas for visiting scientists have struggled in recent years to achieve Secretary of State Cohn Powell's vision of "secure borders and open doors." They claim that new regulations and added layers of bureaucracy have added to significant delays in processing visas. They cite a recent report from the Government Accounting Office (GAO) indicating that the science community's concern over delays are justified. The GAO report emphasized that whether or not an applicant had to undergo a security check for those engaged in sensitive technologies, known as "Mantis," was a major determinant of the length of time it takes to process visas.

In [Congressional Testimony by Federal Document Clearing House, the Statement by Ms. Palma R. Yanni, President Elect, America Immigration Lawyers Association, 4 June 2003] illustrates the problems which sometimes arise: "In March a physician who is practicing with a small hospital in a rural, medically underserved area went home to Central America for a brief vacation. He was trained in the United States, had received multiple previous visas, and had a security check done both by BCIS and the Department of State prior to the approval of his change of status to H. When he went to the U.S. consulate to obtain a new visa he was told there was a "hit" on his name, albeit with a different birth date, and he had to be fingerprinted and wait for the FBI to clear him before the visa was issued. The process took 60 days, and the community struggled without this desperately needed physician."

<sup>5</sup> All nonimmigrant visa applicants who wish to come to the United States to study, teach, research, or engage in business in various scientific and technical fields--sensors and sensor technology, marine technology, and remote sensing, imaging, and reconnaissance, for example--are subject to a Mantis background check by the FBI if a State Department consular officer requests one. Problems with the process can cause delays in resolving Mantis requests, including improperly formatted requests and uncertainty by consular staff at posts as to when they should apply Mantis checks. The GAO found that it takes an average of 67 days to approve a visa through the Mantis process. For applicants from China,

may schedule an appointment with the applicant for an interview, involving time to prepare, conduct and assess.

Other personnel (from consular offices or other governmental agencies) often verify documents and assess applications. In many countries, the final assessment requires a security check by the respective national security office. This can involve additional complex bureaucratic process involving the immigration department, the police office and other governmental agencies or departments. For most countries an applicant for a temporary work permit or permanent residency has to provide evidence of lack of criminal record in all countries they have resided in. They may have to apply for police certificates from different countries. Each country will have different administrative procedures and the result may be further lengthy processing and delay.

### **2.3 Processing Times and Delay**

Complex bureaucratic and administrative processes can result in lengthy processing times and delays. While stated official processing times for visa/work permit applications may seem be short (1-5 business days, see Table 1 for details), anecdotal information suggests time delays are common and processing times range from 2 weeks to over 3 months. Recent tightening of visa/work permit approval procedures in some

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India, and Russia, the wait is generally longer. In September 2003, more than 400 visa applicants from these countries were still outstanding after 60 days. [*Bioscience; Apr2004, Vol. 54 Issue 4, p296, 1p*]

countries, such as US, has resulted in time delays that can be up to 6 months.<sup>6</sup> Delays are often attributed to complex bureaucratic procedures such as security checks by various governmental agencies, interview requirements, and backlogs of reapplications due to previous rejections.<sup>7</sup>

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<sup>6</sup> The Director-General of the Russian news service ITAR-TASS, Ignatenko, mentioned that Russian journalists applying for visas in the West wait an average of three to five months and sometimes as long as 18 months. They often are required to provide irrelevant dental records, notarized certificates and other bureaucratic papers. [*Editor & Publisher; 5/28/94, Vol. 127 Issue 22, p15, 2p*]

<sup>7</sup> A survey of US visa applicants revealed that the number of students whose start dates were delayed by visa problems was 48% higher in 2003 than at the start of the previous academic year. For ‘scholars’—a broad category dominated by young postdoctoral researchers — the increase was 76%. More than three-quarters of the delayed students were in the physical sciences, biological sciences or engineering; among the scholars, these disciplines accounted for 93% of those who experienced significant delays. Other surveys paint a similar picture. Last July, the American Institute of Physics reported that nearly a quarter of foreign students who applied to study towards a PhD in physics in the United States in 2002 were initially denied a visa... “For the scientists we hear from, the average wait time is still over five months,” says Wendy White, who directs the Board on International Scientific Organizations at the US National Academies. [*Nature, Vol 427, 15 January 2004*]

<b>Table 1</b>				
<b>Application Fees and Official Processing Times for Non-Immigrant Visas by Country</b>				
		<b>Fee</b>	<b>Processing Time</b>	<b>Delays</b>
<b>Country</b>	<b>Visa Type</b>	<b>(US\$)</b>	<b>(Business Days)</b>	<b>(Days)</b>
<b>US</b>	General - Tourist	<b>100</b>		
	General - Business			<b>30-90</b>
	General - Study			<b>60-150</b>
<b>Canada</b>	Single Entry	<b>54</b>	<b>1</b>	<b>15</b>
	Study Permit	<b>91</b>		
	Work Permit	<b>109</b>		
	Temporary Resident Permit	<b>145</b>		
<b>UK</b>	Standard (Single Entry)	<b>65</b>	<b>2</b>	<b>14</b>
	Student	<b>65</b>		
	Visitor in Transit	<b>65</b>		
	Work Permit (6 mth or under)	<b>65</b>		
	Work Permit (over 6 mth)	<b>136</b>		
<b>Japan</b>	Single Entry	<b>27</b>	<b>2-4</b>	<b>14</b>
	Transit	<b>6</b>		
<b>Germany</b>	Single Entry (up to 30 days)	<b>31</b>		
	Single Entry (up to 31-90 days)	<b>37</b>		
	Study Visa	<b>31</b>		
	Employment Visa	<b>31</b>		
	Airport Transit Visa	<b>13</b>		
<b>France</b>	Short Stay (up to 30 days)	<b>42</b>	<b>3</b>	<b>14</b>
	Short Stay (up to 31-90 days)	<b>42</b>	<b>3</b>	<b>14</b>
	Long Stay	<b>119</b>		
	Transit	<b>42</b>		
<b>Australia</b>	ETA Visa	<b>14</b>	<b>1</b>	
	Tourist - Non ETA Visa	<b>50</b>	<b>7</b>	<b>14</b>
	Business - Non ETA Visa	<b>50</b>	<b>7</b>	<b>14</b>
<b>Hong Kong</b>	Ordinary Visa	<b>17</b>		
	Transit Visa	<b>9</b>		
<b>Malaysia</b>	Tourist (Single)	<b>15</b>	<b>3</b>	<b>14</b>
	Business (Single)	<b>15</b>	<b>3</b>	<b>14</b>
<b>Singapore</b>	Entry Visa	<b>12</b>		
<b>South Korea</b>	Tourist	<b>45</b>	<b>1-2</b>	<b>7</b>
	Business	<b>45</b>	<b>1-2</b>	
<b>India</b>	Tourist (6 months)	<b>40-60</b>	<b>1</b>	
	Tourist (1 year)	<b>65-85</b>	<b>1</b>	
	Business (6 months)	<b>40-60</b>	<b>1</b>	
	Business (1 year)	<b>65-85</b>	<b>1</b>	
<b>Argentina</b>	Tourist	<b>30</b>	<b>2</b>	
	Business	<b>50</b>	<b>2</b>	
<b>Brazil</b>	Tourist (US)	<b>110</b>	<b>2</b>	
	Business (US, Engineers)	<b>210</b>	<b>2</b>	
	Business (US, Non-Engineers)	<b>170</b>	<b>2</b>	
	Tourist (Others)	<b>30-60</b>	<b>2</b>	
	Business (Others, Engineers)	<b>130-160</b>	<b>2</b>	
	Business (Others, Non-Engineers)	<b>90-120</b>	<b>2</b>	
<b>Peru</b>	Tourist	<b>30</b>	<b>3</b>	<b>14</b>
	Business	<b>30</b>	<b>3</b>	<b>14</b>
<b>Romania</b>	Tourist (Single)	<b>35</b>	<b>5</b>	<b>21</b>

	Business (Single)	35	5	21
<b>Russia</b>	Tourist (processed by 3 days)	200	3	
	Tourist (processed by 10 days)	150	10	
	Business (with Invitation, 3-day process)	200	3	28-42
	Business (with Invitation, 10-day process)	150	10	
	Business (No Invitation, 10-day process)	285	10	
	Business (No Invitation, 17-day process)	185	17	
	Business (No Invitation, 25-day process)	115	25	
<b>Kuwait</b>	Tourist	40	10	
	Business	40	5	
<b>Saudi Arabia</b>	Business (US, Single/Multiple Entry)	108	3-5	14
	Business (Others, Single Entry)	54	3-5	14
	Business (Others, Multiple Entry)	135	3-5	14
<b>U.A.E.</b>	Tourist (Single)	30	3	
	Tourist (Multiple)	300	3	
	Business (Single)	30	3	
	Business (Multiple)	300	3	
<b>Kenya</b>	Tourist (Single, 3-day process)	60-90	7	14
	Tourist (Single, 7-day process)	50-80	7	14
	Business (Single, 3-day process)	60-90	7	14
	Business (Single, 7-day process)	50-80	7	14
<b>South Africa</b>	Tourist	50	2	14
	Business	50	2	14
<b>Sudan</b>	Tourist	150	7	14-42
	Business	150	7	14-42
<b>Zimbabwe</b>	Single Entry (3 months)	55	5-7	14-21
	Double Entry (3 months)	70	5-7	12-21
<b>Sources: It's Easy Inc. website and various government websites.</b>				

## **2.4 Quantitative Limits on Visa/Work Permits**

National security and other considerations such as assimilation problems in local labour market result in most host countries imposing quantitative limits on the granting certain types of visas and work permits over a specific period of time. For example, in US, there are annual quotas for the number of H-1B visas issued (for temporary employment). The timing of application of such quotas may also create additional problems. For instance, in US, quotas generally commence in October of every year, but are normally exhausted within a few months. Host employers who wish to hire foreign employees then have to wait until the next October, when the new quota allocation round begins. During the year, host employers have to look for local higher-paid workers or even reduce some business activities.

## **2.5 Rejection of Application and Costs of Reapplying**

Given both quantitative limits on visas and work permits and large numbers of applications, it is common for applications to be rejected. In US, for instance, the annual rejection rate for tourist and business visas can be as high as 30%. There are no available statistics for rejection rates for work permits or permanent residency applications, but generally believed that rejection rates for such applications are much higher. Frequent rejection of applications increases the number of reapplication, and delays increase as reevaluation procedures recommence. Each new application again goes through its own new evaluation with eligibility conditions for application, also with similar application

procedures, bureaucratic and administrative processes, lengthy processing time and further delays. At the end there is then a possible another round of rejection and reapplication.

## **2.6 Eligibility for Visa and Work Permits**

Another issue concerns eligibility for visas and work permits. Countries which impose work permit requirements for employment of foreign workers require foreign workers to have valid work permits issued by host countries in order to engage in local employment. It is common for host employers to file documents on behalf of foreign workers. There are, however, legal requirements in many countries that mandate that employers must meet specific preconditions before filing for work permits on behalf of employees. These include providing evidence of an extensive search for local personnel before hiring a foreign worker, stringent advertising and search requirements, and demonstration of the infeasibility of training local people. Only after these conditions are met can local employers then submit a work permit application for a foreign worker. Examples of such eligibility conditions can be found in the US, UK and other EEA countries.

Eligibility conditions in host countries often generate an inherent bias in the system against middle and lower level overseas workers in the way work permit processes work. Under tiered systems of work permit application processing in many OECD countries, applications that are filed for higher level personnel such as directors,

senior executives, and intra company transfers are easier to obtain than permits for personnel such as systems analysts and database consultants. The common perception is that higher level managerial foreign staff raise the competitiveness of host countries without significant displacement effects in the local markets, while entry of foreign trained middle and lower level staff displace local labour.

Current visa and work permit restrictions lead to segmented world labour markets, both for short-term labour flows (e.g. business travel across countries, temporary employment in host countries, Mode 4 services trade) and long-term labour movement (e.g. immigration to host countries for permanent residency). Given that there is relatively higher supply of labour in the developing countries and that there are substantial differences in output per worker between developed and developing countries, the segmented world labour markets created by these mobility restrictions imply that labour is misallocated globally. In addition current visa and work permit practices impose further costs that impede the movement of labour across countries. They include cumbersome and costly application procedures, lengthy processing time and delays, complex bureaucratic and administrative processes, rejection of application and costs in reapplying, quantitative limits on visa and work permits, and eligibility conditions for visa and work permit applications.

### **3. The Costs of Visa and Work Permit Restrictions**

To place the previous discussion of visa and work permit problems in context, we provide some speculative estimates of the potential costs of labour mobility restrictions that current visa/work permit requirements both create and support. We assess these costs into two categories. One are the resource misallocation costs which results from labour not being able to locate in its most productive use. The other are private and public administrative, delay and other costs that are incurred to meet visa/work permit issuing requirements.

#### **3.1 Misallocation of Labor Across Countries**

Several studies attempt to quantify the resource misallocation costs of global restrictions on labor mobility that visa and work permit restrictions imply; in general these suggest large worldwide efficiency/output costs from labor mobility restrictions. Given that there are large differences in output per worker between high-income developed and low-income developing countries and there is relatively more labor in the latter, these studies assume that the marginal product of labor in high-income countries is substantially higher than those in low-income countries. As a result, the equalization of

real wages under elimination of cross country labor mobility restrictions leads to large global efficiency and output gains.<sup>8</sup>

One of the earliest pieces in this literature was Hamilton and Whalley (1984) who found large output gains from liberalizing global labor mobility such that marginal products of labor are equalized across countries or regions. Under assumptions of fixed world labour supply and full employment globally, they estimated annual global gains from eliminating all visa and work permit restrictions in range of 60%-200% of Gross World Product in 1977. They also estimated the distributional implications of global free movement of labour. They assumed capital was immobile across countries and they found that capital owners (workers) in labour importing regions were made better off (worse off) in most cases while the opposite occurred in labour exporting regions.

In later work, Winters (2001) assumed that when workers move from low to high income countries, only one quarter of the productivity difference is returned as a higher wage. Under this assumption global gains are smaller, but still larger than current estimates of the gains from global WTO liberalization of both goods and services, as reported recently, for instance, by Dee and Hanslow (2000). In a related piece, Winters et al (2002) also assess the global impacts of liberalization under Mode 4 GATS restrictions of service provider mobility. They found out that increasing developed country quotas for incoming temporary movement of natural persons (TMNP) by 3% of

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<sup>8</sup> These studies abstract from potential costs of emigration for source countries (e.g. brain drain) and immigration to host countries (e.g. assimilation costs, fiscal burden of immigration, congestion), and any other externality from movement of labour.

the existing labour force in receiving countries would generate global income gains of \$150 billion/year, suggesting large gains even from only a small increase in the allowable movement of people between low and high income countries.

Using a model with segmented labour markets for skilled and unskilled workers, Iregui (2003) argues that when only free mobility of skilled labour is allowed, global gains are smaller since in most developing regions the skilled labour only represents a small fraction of their total labour force. The income distribution effects in lower income countries are adverse since low wage labour is assumed immobile across countries.

More recently, Klein and Ventura (2004) use a dynamic model with capital accumulation and assume capital mobility across regions when quantifying the impacts of removing labor migration restrictions. They use their model to assess the impacts of enlargement of the European Union and a hypothetical removal of migration restrictions between OECD and non-OECD countries at the same time. They found that lifting EU immigration restrictions on enlargement would increase the long run output of the enlarged EU by 8%. They report large increases in world output in the long run, between 94%-172% of Gross World Product after liberalization of labour mobility restrictions between OECD and non-OECD countries.

The presumption from these studies is therefore that visas and work permits which restrict the free flow of labour across national borders impose large costs on the

global economy by misallocating labour spatially around the world. These misallocation costs are separate from bureaucratic delays and the administrative and processing costs of visa and work permit to which we now turn.

### **3.2 Some Estimates of the Costs of Visa/Work Permit Processing**

In addition to the resource misallocation costs from spatial restrictions on global labour mobility should be added the processing and other costs of administrating and operating visas and work permit schemes. These reflect both a private and public component. A person wishing to travel abroad has to apply for a visa/work permit in advance and the respective authority (e.g. embassy/consular offices) has to process the application. It is common to experience a time delay in the process or the application can be rejected. We divide the costs involved into (1) application costs (application fees, visits/interviews, form completion, photo requirements); (2) processing costs (administrative/personnel cost); (3) possible delay costs; (4) add-on costs (reapplication costs due to rejection, airline processing).

#### ***Application Costs***

Visa/work permit application fees around the world (see Table 1) are nontrivial. Application fees differ from country to country, by type of visa (tourist or business visas, study or work permits), by length of visa (short-term or long-term), entry frequency (single or multiple entry) and even processing time (from 3-day to 25-day). A number of

East Asian countries (e.g. Hong Kong, Japan, Malaysia, Singapore, South Korea) impose relatively low application fees (less than US\$50). In contrast, a number of lower income developing countries such as South Asian, African, Mid-East, and former centrally planned European countries impose high application fees (from US\$40 to US\$285). In some countries, visa application fees seemingly provide tax revenue. For example, in Russia and Kenya, the same type of visa but with different processing time can have very different application fees. In some cases, the differences can be 50-100%.

In assessing application costs, it is important to note that there are visa exemptions for a portion of short-term visitors around the world. In general, most high-income countries (including most OECD countries) offer visa exemptions on short-term (from 14-180 days) tour and business visits for visitors from most OECD and high-income countries while few or even no visa exemptions are granted to most low-income developing countries. In reciprocity, most low-income developing countries do not grant visa exemptions to high-income countries.

In addition to application fees, many embassy or consular offices require personal interviews when assessing applications. In countries where embassy or consular offices are located only in specific areas, applicants incur transportation costs and may have to make a domestic overnight trip in order to attend interviews. Transportation costs increase further if reapplication occurs due to rejection (seemingly common in practice).

### ***Processing Costs***

Costs are also imposed on government agencies or authorities responsible for the processing of visa/work permit applications, and include administrative and personnel costs. While there are seemingly no available hand data, most visa/work permit applications require personal interviews at respective embassy or consular offices. These interviews involve personnel costs in addition to the paperwork required for processing applications. Rejection of applications and time delays impose extra costs from reapplication and dealing with backlogs of applications due to time delays.

Some visa/work permit applications have to be cleared by several different governmental agencies.<sup>9</sup> Currently in US, for example, some visa/work permit applications (especially those related to a “technology alert list”) need to go through complex security checks which include extra consular scrutiny and review by other agencies (e.g. top FBI).

### ***Delay Costs***

While official processing times for visa/work permit applications are claimed by government agencies around the world to be short (1-5 business days, see Table 1), it

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<sup>9</sup> The Russian visa system is reputed to be both archaic and ripe for corruption on these accounts. The financial crises in Russia make government officials have to charge for their "services". For West European visitors, official invitations are needed from either a tourist company or a business partner or other registered organisation including proof that every night's accommodation has been paid in advance. In principle these invitations cost nothing but reports from Moscow and Novosibirsk suggest that it is difficult to get the official stamp in Moscow without paying about 50 dollars per invitation. This process can be very slow and unreliable by post. [*Report of the Climate Train - Journey by train and boat from Europe to the UN Climate Convention in Kyoto, November - December 1997: "bureaucratic barriers to sustainable travel"*]

seems to be common to experience longer delays. Anecdotal evidence suggests that time delays range from 2 weeks to over 3 months. With the recent tightening in the visa/work permit approval process in some countries due to security concerns, such as in the US, time delays can be up to 6 months. Delays are attributed to complex bureaucratic procedures involving different security checks by various governmental agencies, interview requirements, and the backlog of reapplications due to previous rejection.<sup>10</sup> Where international trade and businesses require frequent and on-time international travels, such time delays lead to losses in business opportunities.

### *Add-on Costs*

Given that rejection of visa and work permit applications is common in practice, the actual costs of being successful often include other add-on costs. Airlines incur extra personnel costs in checking the validity of visa/work permits and complying with conflicting transit rules between borders. For instance, all carriers operating flights to, from or through the US are required to provide customs and immigration officials with access to data on individual passengers. Airlines face fines for violations of requirements of \$1000 a passenger by US immigration and \$5000 a passenger by customs. To complicate matters further, legislation in the EU means that airlines also face potential

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<sup>10</sup> [The Russia Journal (E), 10 September 2003] reports that concerned by an illegal influx of people, the Russian authorities have decided to stop what they see as abuse of the system. For almost months, foreign executives, investors and business associations have been “shouting themselves hoarse” over the “mess” the Russian visa system is in and so the Russian Journal claims no one seems to be listening. Russian visas are some of the most expensive in the world, and require a complicated system of invitations, supporting documentation, accreditations, applications and registrations. Brokers can get people a maximum of a one-year business visa in four to six weeks but at a cost.

finances and civil damages for breaching data protection laws that, among other things, prohibit the transfer of personal data to countries which are not considered to offer adequate protection – such as the USA.

### **3.3 Some Speculative Estimates of Visa/Work Permit Processing Costs**

Using available data and the anecdotal information we have gathered on worldwide visa/work permit application fees, time delays, and tourism statistics from World Tourism Organization, we have produced some speculative calculations as to the size of the processing costs involved globally. We do not claim a precise estimate given the complexity of restrictions around the world and the limitations of data.

According to the World Tourism Organization, there were 703 million international tourist arrivals around the world in 2000. Most of these arrivals are from high-income countries and visa exemptions apply in most of these countries. We first therefore assume that only 25% of travelers globally need to apply for a visa/work permit. If we also assume that on average that the application fee is US\$100 and other application costs amount to US\$50 (e.g. transportation cost for attending interview), and use a time delays of 14 days and assume the daily opportunity cost of delay is US\$25, the total worldwide costs of processing visa/work permit applications comes out at US\$88 billion or 0.3% of World GDP. This is about 30% of total gains from trade liberalization as estimated by the literature in general.

Two further sources of cost from imposing such mobility restrictions are the potential loss of tourism revenue and the potential loss of business opportunities that require international travel (e.g. contract negotiation, business exhibition, site and product inspection, after-sale customer services).

While there are various regional trade arrangements that liberalize the mobility of labor (e.g. EEA, EFTA, NAFTA, AFTA, APEC), worldwide tourism statistics indicate that mobility restrictions are still binding in most countries and regions. During the last decade, worldwide international tourist arrivals were at about 10% of the total world population, despite substantial declines in transportation costs. The market share of international tourist arrivals is heavily biased towards the OECD countries, with Europe and North America accounting for about 70% of the total. Data from World Tourism Organization allow us to produce speculative estimates of the potential gains in tourism revenue from relaxing current mobility restrictions. In 2002, the worldwide international tourist arrivals were 703 millions or 11% of world population. The corresponding world tourism receipts reached US\$474 billion or 1.5% of world GDP. On average, each international tourist arrival spent US\$674. If eliminating current visa/work permit requirements boost worldwide international tourist arrivals up to 30% of world population, using the data in 2002, the potential gains in tourism revenue will be US\$785 billion or 2.4% of world GDP.

Lost of business opportunities due to visa/work permit problems are harder to quantify, but short to medium business visits across countries are typically a central

component for maintaining ongoing businesses and creating new business opportunities. Multinational corporations often require employees to travel between countries for various business activities. Each year, there are numerous business exhibitions/conferences around the world that bring potential buyers and sellers for different business opportunities. International trade often requires counterparts from different countries or regions to meet in person for contract negotiation, site/product inspection and after-sale customer service. In such an integrated world, any barriers to free movement of persons increase transportation and transactions costs, which in turn will lead to potential losses from lost many business opportunities. While there are no available data for measuring which international trade requires business travel, there are many anecdotal pieces that discuss these problems.

#### **4. Global Negotiations To Mitigate the Effects of Visas and Work Permits**

Given both the severity of the problems associated with current visa and work permit restrictions and the associated costs to the global economy, an obvious question is to ask whether there is a global approach, presumably involving international negotiation, which could help mitigate the damage. An associated question is whether such global negotiations could or should take place under the auspices of an existing international body, such as the WTO, or whether a new entity to be created.

##### **4.1 Using WTO or Other Existing Organizations**

One of the benefits of using existing organizations for negotiations on visa and work permit is the saving in transactions and organizational costs relative to attempting negotiating in a new body. Establishing new entities takes time. Working arrangements in existing organizations are already established, and if these need to be developed prior to negotiating it all adds to costs.

The WTO, for instance, has long been the global venue for global trade discussions both through trade rounds now covering both goods and services negotiating new trade agreements, and in resolving trade disputes through dispute settlement dealing with the interpretation of existing agreements. The negative of using these organizational forms to discuss visas and work permit is that such negotiations would have to be fitted

into the preexisting structure and focus of these entities, which may not fit the visa and work permit issues well. The WTO, for instance, stresses non-discrimination in trade and other policies while most visa/work permit practices are highly and inherently discriminatory. This type of fundamental clash is one initially encountered if the WTO is used as the negotiating venue, but can be side stepped if a new entity is used. Also, current proposals for discussing visas in GATS only focus on visas and not on work permits, and only on Mode 4 services trade, not global labour mobility restrictions in general. While it may be possible to use the existing framework for the GATS to discuss more general visa/work permit practice issues, the reality seem to be that it may prove difficult and may be in parts due to inherent weakness of the GATS (such as its negative list approach). The current structure of the GATS and even the WTO as a body may not fit well with the discussion desired for labour mobility restrictions in general. The instinct of these involved with the WTO and the GATS will be to focus on how issues with the movement of labour can be related to impacts on trade in goods and trade in services (e.g. purchases/sales of goods often require personnel from both countries to travel first for contract negotiation), rather than dealing directly with the issues arising from the inherent misallocation of labour across countries itself. To the extent this is so, then there might be a case for a new body which more directly takes on visas and work permits as a problem area rather than as part of the mandate of the WTO.

Recent proposal made in the GATS in the WTO by India on the Visa front is for the establishment of a special GATS Visa system. They have proposed that a new and separate class of visas “GATS Visa” be created for service professionals temporarily

working overseas in order to facilitate the movement of people under Service Supply Mode 4.<sup>11</sup> The GATS Visa proposal is for a common and new supplementary visa structure across countries involving standard application and administrative processes, and other formalities and mechanisms so that there would be a codification/standardization of new visas among member countries. The idea is to create a wholly new channel of visa issuance with more automaticity in issuance. These new visas would coexist alongside existing country visas, with no direct negotiation taking place to offset present effects of the visa and work permits. The GATS visa proposal does not extend to work permits, but it might also be possible to extend the existing framework for the GATS Visa, were it created, to discuss work permit practices.

The danger in this approach is that the two view become established that on the one hand all visa and work permit resolution/negotiation can only proceed through bodies such as the WTO, and that if there is activity taking place in the WTO then visa/work permit problems are in some sense being taken care of. Other avenues and the use of new entities are not excluded. And current GATS Visa proposals only relate to the possible establishment of a new channel for visas to coexist alongside existing (and unchanged) procedures.

A further potential benefit that can be reasonably claimed for using existing

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<sup>11</sup> The GATS classifies services into 155 service types, and differentiates between four modes of supply. The modes are meant to provide a device for facilitating the making of commitments in negotiation. Mode 4 refers to service supply that requires the presence of natural persons. These are cases where a service is supplied by the temporary movement of a services provider to the consumer's country of residence. For discussion for other modes of supply, see Whalley (2003) for details.

institutional structures to discuss labor mobility restrictions is the possibility of speeding negotiations on visas and work permits allowing for by cross bargaining with other issues in bodies such as the WTO. A related benefit could arise if progress on other issues is speeded by allowing visas and work permits to be added to the global bargaining mix. In the WTO Uruguay Round it was repeatedly claimed that broadening bargains in this way speeds progress, and the same claim can thus be made of visas and work permits. But in the same Round the very complexity of the issues involved in each area itself impeded simultaneous bargaining at the same time. We do not dispute that such benefits might arise from more centrally bringing visas and work permits into the WTO framework, but the issue needs to be approached realistically and carefully. Other forum, such as ILO and the OECD, do not directly deal with visa and work permit issues, but they could be used.

While there is a choice to be made between seeking remedy within the institutional structure of existing organizations such as WTO, ILO, OECD and others not formed specifically to address these problems, or in developing a specific problem-oriented new entity (which, of course, also adds to the many others which already exist), it is possible to use the two approaches simultaneously. Coordination across the two would clearly be advantageous, but our instinct is that in reality one is most likely to be the dominant in approach. Most of the discussion we have seen thus far presumes that the GATS in the WTO, and specifically the Mode 4 discussions in the GATS is the place to go. Our position is that there are both advantages and disadvantages in using these existing structures as reflected in our present multilateral organizations (e.g. WTO,

OECD) to address issues of global labour mobility and visa and work permit restrictions, and that other approaches should be considered.

Overall, our instinct is that the WTO (or the GATS) may not prove the best venue for discussion and negotiating activity on visas and work permits, since the preexisting structure does not fit the issue. The current global approach of attempting to bring many non-trade global economic issues under the WTO serves the corporatist interest of global agencies such as the WTO and so capture of these issues by these interests should be scrutinized. Use of existing institutions may not generate as much new progress as other approaches.

#### **4.2 Using A New Global Entity**

A further issue therefore is to assess what possible role could also be played by a new global entity in providing some relief from the problems created by current visa/work permit arrangements. We discuss this for now in generalities, rather than detailing its actual operation and organizational structure. We also go beyond negotiating to other roles for a new body. Were any initiatives to be taken on this front, more specificity would clearly be needed in exactly how a body would function in terms of its governance structure. We put this set of considerations on one side for now.

Given that current visa/work permit practices vary substantially from country to country and from region to region, one role for a potential new body may be to push

member countries towards using a common cross-country, administrative structure when imposing existing visa and work permit restrictions. This would help in terms of transparency, even though it may be to negotiate. A useful start may be to begin to codify and partially standardize existing country based visa/work permit practices as a move towards a more common internationally agreed structure. Items to be covered might include types of visas (e.g. tourist/business/study), types of work permits (e.g. specialty occupational workers, intra-corporate transferees, general workers), length of stay (e.g. 1 month, 3 months, 6 months or above), simpler application procedures, standardized accompanying documents for applications (e.g. standard photo requirements, commonly agreed documents for identity verification), reasonable and cost-based application fees, mechanisms for inquiry on application status, effective and efficient administrative procedures, standard processing time (e.g. targets for usual processing time), timely responses for application inquiry and notification of delay, maximum tolerance of time delay, clear and simple reappealing procedures.

More concretely, member countries could try to agree standard application and administrative procedures for granting business visas for regular business visitors. Such standardization might reduce average processing times so that business people could travel more quickly abroad to take advantage of business opportunities that require quick responses. For countries having both head offices and branch offices of large multinational corporations that need to move employees frequently from county to country, it may be in all country's interests (and also from a global efficiency point of

view) to participate and minimize processing times by standardizing procedures for issuing visas and work permits to intra-corporate transferees.

In addition to codification and standardization of practices, efforts might be made through a new entity to introduce more transparency into country practices, perhaps through publication of an annual World Visa and Work Permit Report. Such a report might include updates on commitments and assess progress that member countries had made to achieve a common internationally agreed structure for handling labour mobility restrictions, notification of changes in visa/work permit requirements among member countries, updates on bilateral/regional/global agreements of labour mobility issues, and other information flow improving measures.

A further element in facilitating more transparency in visa and work permit practices may be to create a publicly accessible web-site dedicated to providing information on current visa/work permit practices in member countries, including application and administrative procedures, application fees, estimates of standard processing times and possible delays, mechanisms for application inquiry of status and reappealing procedures, and details of visa waiver programs and exemptions. Providing a detailed, one-stop and timely detailed information source on global visa/work permit arrangements might allow users to minimize search costs and make better preparations for applications.

A further role for a new body may also be to identify biases in current eligibility conditions for visa/permit applications, and to encourage member countries to mutually agree to remove or remedy such practices. In parallel, such a body could help member countries to develop internationally agreed and consistent eligibility conditions for visa/work permit applications.

As mentioned earlier, there are often strict eligibility conditions for visa/work permit applications and these can significantly increase the filing and search costs when hiring foreign workers. Such eligibility conditions are often biased against lower- and middle-level foreign professionals and workers from developing countries. In contrast, developed countries generally have a comparative advantage in supplying higher-skilled and upper-level professionals and executives. By facilitating freer mobility of labour, a more efficient allocation of labour would be achieved and global output would rise. The idea is analogous to achieving global gains from free trade of goods through negotiated liberalization in WTO.

There might also be an investigative role for a new global visa/work permit entity, in attempting to identify non-security and seeming inefficient practices in national policies, such as the use of visas for revenue raising purposes. It is not uncommon for government agencies in some low-income developing countries to impose exacting restrictions and in effect raise revenues when granting visa/work permits to foreigners. Some countries maintain different fee schedules for the same kind of visas and work permits that only differ in terms of administrative processing days. Such practices are

inefficient as they constrain the free movement of labour by increasing the cost of migration. These and other such practices may be mutually agreed within a new global body to be terminated.

A new body could also investigate the exploitative use of visas and work permits, say where a national government visa issuing agency requires purchase of insurance by travelers from a related agency or company they control. Again, the argument would be that this commercial element in visa issuing practices is inefficient as it increases the cost of moving labour across countries. Such practices could also be mutually agreed by member countries in a new organization to be eliminated.

Where clear visa/work permit retaliation is occurring, a new body might also help in identifying such cases, and even proposing cooperative improvements. If complaints were allowed to an appellate body by member countries about frequent unjustified processing delay or rejection of visa/work permit issuance by other member countries, such a body might be able help in bringing the issue forward into discussions and seeking multilateral cooperation and partial resolution. This may fall short of formal dispute resolution as in the WTO, but through publicity of reporting and added transparency achieve similar effects.

In short, a shopping list of issue possible specific responses designed to respond to the many problems manifest in visa and work permit practices around the globe may be a productive platform for a new agency to be built on. Unlike the WTO approach of a

rule regime, a negotiating forum, and a mechanism for dispute settlement, such a body could be multifaceted in being informational and investigative as well as providing a forum for negotiated cooperation.

## **5. Concluding Remarks**

In this paper, we discuss the possible role that a new global body might play in providing some relief from the worst of the problems created by visa and work permit arrangements in various countries. The list of possible contributions includes standardization of issuance practices, improvement of transparency, investigation and elimination of inappropriate uses of visa/work permits (such as revenue raising), identification and resolution of retaliation and inter-county complaints procedures for visa/work permit practices.

The establishment of a new global entity to improve the current situation globally on movement of labour across national borders may or not make sense but it is currently not under discussion. The costs that current visa/work permit practices around the world inflict on the global economy in terms of application procedures, administrative processes, processing time, quantitative limits, and rejection of application are large, but little research in the literature. We provide quantitative estimates for the potential costs of these restrictions. They seem large, and may inflict larger costs on the world economy than the trade restrictions that the WTO focuses on.

We also discuss the use of the existing multilateral institutional structure to address these problems. We suggest that dealing with labour mobility issues through the WTO and GATS structure may limit the negotiability of many of the practices which seem to require discipline. Alternatives, such as ILO or the OECD, seem to have little to

offer. The creation of a new global body for visas and work permits to us seems worth consideration.

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