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**Bangladesh:
Service Policy Review and
Least Developing Countries' Services Waiver**

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Bangladesh: Service Policy Review (SPR) and LDC Services Waiver

Like many other countries around the world, the role of services sectors in Bangladesh has also been increasing progressively. While the share of services sector in the GDP was 39% in the Fiscal Year (FY) 1976-77, it rose to 48.8% in FY 2000-01, and it grew at an average rate of 7% during FY 2000-01 to FY 2009-10. In the last FY 2016-17, the contribution of the services sectors to the GDP was about 56.5%. Liberalization and modernization of the economy and above all utilization of advanced technology are the factors for which the contribution of services has been increasing day by day.

Among the sectors within the broad services area, it was found that the contribution of wholesale and retail trade was the highest (14.12%). Other well performing sectors were transport, storage and communication (11.44%); social and personal services (9.53%); real estate, renting and business activities (6.83%), public administration and defense (3.42%); financial intermediations (3.41%); education (2.28%); health and social works (1.84%); hotel & restaurants (0.75%).

Though the contribution of the services sector to Bangladesh economy is the largest, trade in services, particularly international trade still remains insignificant. According to Bangladesh statistics, export earnings from services were US\$ 3.14 billion in FY 2016-17, while import expenditure for services was US\$ 6.8 billion for the same period. However, since statistical system for trade in services is still not well-developed and organized recorded figures of trade in services seem to be less than the actual trade. Experts and trade analysts are also of the same view that the actual trade in services in Bangladesh is much more than the recorded figures.

A. Service Policy Review (SPR)

Considering the growing importance of services sectors, Government of Bangladesh requested the UNCTAD to conduct Services Policy Review (SPR) of Bangladesh. Accordingly, the UNCTAD conducted the SPR for Bangladesh, which was completed in 2015.

The SPR covered several potential sectors and sub-sectors of services, which were:

- (i) Information and Communication Technology (ICT) Services and ICT related services,
- (ii) Tourism,
- (iii) Accounting and auditing services,
- (iv) Architectural and engineering services, and
- (v) Nurses and midwives.

It is pertinent to mention here that these sectors and sub-sectors were selected by Bangladesh in consultation with the stakeholders.

In the process of the SPR, the study was conducted by the international and local consultants in consultation with the stakeholders. Two workshops were held in Dhaka. The SPR report analyzed each sectors in details through SWOT (Strength, Weaknesses, and Threats) analyses and made recommendations for each area.

Let me mention only some the recommendations of the SPR report on each sector:

ICT Sector

- IT infrastructure, including connectivity needs to be improved and expanded
- Focus needs to be given on human resource development and also on productivity

- Initiatives need to be taken for market expansion and development
- Financial Transaction needs to be made easier and affordable
- Import and export policies need to be favourable for IT business

Tourism Sector:

- Bangladesh should have a tourism master plan with short, medium and long term goals and targets
- Quality infrastructure and communication system needs to be developed
- Necessary steps should be taken to attract investments, including FDI in the tourism sector
- Necessary skills need to developed for delivering tourism services
- Tourism services need to be diversified
- Country branding is also necessary

Export of human resources:

- Skill development activities need to be intensified
- Focus should be given on export of skill human resources
- Government needs to strengthen diplomacy and promotional activities to find out more opportunities
- Government should try to have bilateral agreements or MoU with the prospective countries
- Coordination among the different ministries and agencies needs to be strengthened
- Research needs to be carried out for market promotion and development

Lessons learned from the SPR process:

The SPR process revealed some ground realities of Bangladesh services sectors. Important findings are:

1. Services sectors of Bangladesh have enormous potentials. However, the sectors are still not well-organized.
2. Though some sectors have policies and guidelines, in most sectors, there are no policies for promotion and regulation of the sector.
3. There is no comprehensive trade policy for services in Bangladesh.
4. Due to wide range of services sectors and subsectors, many Ministries and organizations are involved in various activities, like regulation, production, and trade of services.
5. Coordination among relevant entities are insufficient.
6. Inadequate infrastructure, both legal and physical, is a big issue for services sectors.

7. Overall capacity in services is very limited. Due to complex nature of services and trade in services, knowledge of stakeholders on relevant issues is not adequate
8. Lack of reliable data and information.

Government initiatives:

- Bangladesh Government has set a vision to make the country a middle income one and “Digital Bangladesh” by 2021. Hence many initiatives are taken to develop IT sector.
- Sector specific policies are being formulated- some are already in place
- Capacity building and infrastructure development activities are underway in various service sectors
- Formulation of a comprehensive trade policy, including trade in services, is also underway with the help of EU
- Initiatives are underway to streamline foreign exchange regulations to facilitate services exports

Regional Initiatives

Apart from WTO, Bangladesh is a party to three regional services trade agreements. Bangladesh has already signed SAARC Agreement on Trade in Services (SATIS) and Framework Agreement on the Promotion and Liberalization of Trade in Services among APTA Participating States. In addition, Bangladesh is now negotiating the BIMSTEC Agreement on Trade in Services.

Bangladesh’s objectives in these negotiations are, apart from liberalization of trade in services regionally for mutual benefits, to ensure better market access and special and differential provisions for the LDC participating countries.

B. LDC Services Waiver

Before going to the LDC Services Waiver issue, let me mention that Bangladesh has been doing very well in exports of goods and it is well recognized by the international community. Bangladesh is the second largest exporters of apparel products in the world. One of the important reasons of Bangladesh’s good performance is preferential market access, particularly duty-free & quota-free (DFQF) market access facilities under the GSP schemes of various countries.

These kind of preferential facilities were not available in trade in services. However, after a decade-long negotiation, “LDC Services Waiver Decision” was adopted in 8th WTO Ministerial Conference held in 2011 with a view to providing preferential market access to LDCs. It may be mentioned that the Waiver Decision has given waiver from MFN (Most-Favoured Nation) principle in case of providing better market access to LDCs without extending the same to other countries.

However, the Waiver Decision could not be operationalized due to various practical constraints. In order to operationalize the Decision, the LDC Group, with the support of development partners, conducted studies, including country-specific studies. Some important decisions were also adopted in the 9th Ministerial Conference held in Bali in 2013. Following the Bali Decisions, the LDC Group submitted a collective request on which a high level conference was held in Geneva

in 2015 where many countries indicated their willingness to declare preferential schemes under the LDC Services Waiver.

Accordingly, so far 24 countries have declared their schemes. Countries are : (1) China, (2) Republic of Korea, (3) European Union, (4) Hong Kong, (5) Thailand, (6) Switzerland, (7) Australia, (8) Uruguay, (9) New Zealand, (10) Canada, (11) South Africa, (12) India, (13) Norway, (14) Mexico, (15) USA, (16) Turkey, (17) Chile, (18) Iceland, (19) Brazil, (20) Singapore, (21) Japan, (22) Chinese Taipei, (23) Liechtenstein and (24) Panama.

However, Bangladesh (no LDC in fact) could not yet make use of the preferential schemes. Ministry of Commerce of Bangladesh disseminated all the schemes to the stakeholders. In addition, several workshops were held with the help of WTO and Government's own initiatives. Continuous dialogues with the stakeholders are also on-going with a view to making use of the preferences. However, our stakeholders are of the view that they do not find any real preferences in the schemes currently; Ministry of Commerce has been conducting a study under the EIF (Enhanced Integrated Framework) programme of the WTO to find out way forward for making use of the preferences declared under the LDC Services Waiver.

In fact, Bangladesh, being the home to a huge population of 160 million, has enormous potentials in services, particularly in human-resources-based services. If real preferential market access could be achieved under the LDC Services Waiver, Bangladesh would be immensely benefited like DFQF in case of exports of goods.