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**TRADE IN SERVICES: BANGLADESH CONTEXT**

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# **Trade in Services : Bangladesh Context**

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# Bangladesh

- Bangladesh is a Least Developed Country (LDC) with:
  - Area - 147,570 sq. km
  - Population - around 160 million
  - Size of GDP - US\$ 135 billion
  - Per capita income - US\$ 1190
  - Composition of GDP : Agriculture-19%, Industry-32% and Services-49%
  - Trade in goods: imports-US\$ 37 billion; exports-US\$ 30 billion
  - Trade in services : imports-US\$ 6 billion; exports-US\$ 3 billion

# **Service sector in Bangladesh**

- Like many other countries, service sector is the largest contributor to Bangladesh economy
- In the past, Bangladesh economy was mainly dependant on agriculture
- Day by day, role of agriculture is decreasing and role of industries and services is increasing
- Though the contribution of the services to economy is the largest, trade in services still remains low

# Composition of services trade

- **Composition of exports**
  - Transportation services
  - Travel
  - IT & software services
  - Communication services
  - Business services
- **Composition of imports**
  - Transportation services
  - Travel
  - Financial services
  - Communication services
  - Business services

# **Services liberalization in Bangladesh**

- Under the GATS, Bangladesh has so far liberalized two sub-sectors of services, which are :
  - 1) Tele-communication sub-sector, and
  - 2) Five Star Hotel and Lodging Services sub-sector
- In addition, Bangladesh autonomously allows foreign investment and participation in many other sectors
- As an LDC, Bangladesh has been exempted from liberalizing new sectors under on-going Doha Round negotiations

# Potential Sectors & Modes

- In spite of various constraints and challenges, Bangladesh has potentials in many sectors and modes of services
- Important sectors and services are :
  - IT and IT enabled services
  - Tourism
  - Professional services, like doctors, engineers, nurses, midwives, etc
  - Services provided by less-skilled & semi-skilled human resources
- But, the greatest potential lies under Mode-4 for various service sectors of Bangladesh

# **Service Policy Review (SPR)**

- Considering the importance and potentials of the sectors, Bangladesh requested UNCTAD to conduct Service Policy Review (SPR) for the following sectors:
  - ICT and ICT-related services
  - Tourism
  - Few professional services: (i) Accounting and auditing, (ii) Architectural and engineering, (iii) Nurses and midwives
  - Export of human resources
- UNCTAD has already completed the SPR



# SPR – ICT Sector

- Some of the challenges identified in the SPR
  - Limited internet access and comparatively high cost
  - Unreliable power supply
  - Absence of proper infrastructure
  - Shortage of skilled workforce
  - IPR (Intellectual Property Right) protection is also an issue
  - Unfavorable foreign exchange regulations
  - Limited export markets

# **SPR – ICT Sector...**

- **Some of the opportunities identified in the SPR**
  - **A large number of young and bright people with natural ability to adopt technology**
  - **High rates of mobile phone penetration- 3G services available nationwide, and 4G is in the process**
  - **Digital Bangladesh initiatives of the government is being implemented in full-swing**
  - **Strong and supportive private sector**
  - **Establishment of some high-tech parks is underway**
  - **Second submarine cable network connection is underway**
  - **Favourable FDI policies**

# **SPR – ICT Sector...**

- **Some of the recommendations made in the SPR**
  - **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**

# SPR – Tourism Sector

- Some of the challenges identified in the SPR
  - Inadequate infrastructure facilities
  - Lack of modern and adequate recreation & tourist facilities
  - Underdeveloped communication system
  - Lack of trained human resources in the tourism sector
  - Absence of proper tourism policy and tourism master plan
  - Lack of reliable tourism statistics
  - Difficulties related to visa
  - Lack of investment and FDI in the sector

# **SPR – Tourism Sector...**

- **Some of the opportunities identified in the SPR**
  - **Abundant tourism assets and natural resources, including natural beauty, biodiversity and cultural heritage**
  - **Nation is famous for hospitality**
  - **Existence of rich eco-tourism and archaeological sites**
  - **Long sandy beaches, including the current tourist center of Cox's Bazaar and Kuakata, where one can see both the sunrise and sunset**
  - **World Heritage natural site - the Sundarban, the largest mangrove forest in the world**

# **SPR – Tourism Sector...**

- **Some of the recommendations made in the SPR**
  - **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**

# **SPR – Export of Human Resources**

- **Some of the challenges identified in the SPR**
  - **Inadequate skill human resources**
  - **Lack of appropriate planning for skill development**
  - **Lack of effective coordination among various agencies and stakeholders involved in the sector**
  - **Lack of research on employment opportunities abroad**
  - **Strong competition with other countries having better and quality human resources**
  - **Linguistic difficulties**
  - **Adverse cultural and technological complexities**

# **SPR – Export of Human Resources...**

- **Some of the opportunities identified in the SPR**
  - **Large pool of exportable young human resources**
  - **Growing global demands for professionals and skilled human resources**
  - **Favourable domestic policies**
  - **Government supports to overseas employment**
  - **National Skill Development Council established**
  - **Specialized bank (Expatriate Welfare Bank) for financing**
  - **Large number training institutes established**



# **SPR – Export of Human Resources...**

- **Some of the recommendations made in the SPR**
  - **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**

# **SPR – General Views**

- Bangladesh had a high expectation from the SPR
- However, there were many real challenges, such as-
  - Shortage of qualified and experienced local consultants
  - Lack of reliable data and information
  - Limited scope and resources of the project
- However, it gave us excellent opportunities to learn about the ground realities of the service sectors of Bangladesh
- Findings and recommendations will act as a base line for developing and further analysis of the service sectors of Bangladesh

# Challenges in general

- Complex nature of services, which acts as the source of many challenges
- Trade in services takes place in four modes, while trade in goods takes place only in one mode
- Inadequate coherence and coordination among policies and agencies
- Inadequate knowledge and experience in services trade
- Inadequate legal and physical infrastructure for services
- Inadequate market access
- Supply side constraints
- Lack of reliable information and data

# Opportunities in general

- Bangladesh has a large pool of human resources - significant part is highly qualified and skilled
- Demographic structure of Bangladesh population is also very advantageous
- Many of the services are dependant on human resources, where Bangladesh has potentials
- Globalization, liberalization and rapid technological advancement have been creating various opportunities
- Global supply chain is also creating opportunities for services
- Huge domestic market of Bangladesh is also an opportunity
- Fast-growing trade in goods that needs various services

# **Bangladesh Initiatives**

- **Sector specific policies are being formulated- some are already in place**
- **Capacity building and infrastructure development activities are underway in various service sectors**
- **Bangladesh Service Policy Review (SPR) has been conducted through UNCTAD for few potential 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**

# Bangladesh Initiatives

- Bangladesh is also actively participating in the services negotiation of the WTO
- The main goal is to achieve better market access, particularly preferential market access through operationalization of the Services Waiver Decision
- Preferential market access plays very crucial role in export promotion of Bangladesh
- If the Waiver decision is implemented, Bangladesh will be benefited, particularly for services under Mode-4

# Conclusion

- Trade in services of Bangladesh is still insignificant
- However, Bangladesh has huge potential to develop service sectors and trade in services
- Bangladesh Government has set a vision to make the country a middle income one and “Digital Bangladesh” by 2021
- To achieve this goal, faster economic growth is necessary
- Services trade can play a vital role in achieving faster growth
- Bangladesh is trying to build up capacity and explore the potentials of trade in services
- International supports, like SPR by UNCTAD, play very vital role in making Bangladesh efforts successful



**Thank You**