TRADE IN SERVICES: BANGLADESH CONTEXT

SESSION 5

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Trade in Services:
Bangladesh Context

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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
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
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
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
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
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.
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 be developed for delivering tourism services
- Tourism services need to be diversified
- Country branding is also necessary
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
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
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