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Services Trade Liberalisation and Domestic Regulation: Perspectives from Bangladesh¹

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Selim Raihan and Mansur Ahmed

I. Introduction

In present day, services sector is the fastest growing sector in the global economy and it accounts for two thirds of global output, 30 percent of global employment and 20 percent of global trade. Between 1990 and 2002, the growth in world services trade was 155 percent while those for manufacturing and agriculture were 97 percent and 40 percent respectively (Kumar, 2005). Services activities in low- and middle-income countries have been expanding faster than GDP for the last two decades. An implication of this continuous shift toward services is that the overall growth of productivity in the economy is becoming increasingly determined by what is happening in the services sector (IMF, 1997).

Even though services sector is the major contributor to GDP in most of the countries, trade in services is relatively a new phenomenon, and it has a low share in the total world trade. 'Intangibility' and 'no storability' characteristics of services were considered as main impediments to services trade. Services sector was not included in the world trade negotiation process till the inception of Uruguay Round. Commencement of General Agreement on Trade in Services (GATS) in world trade negotiation is relatively a recent phenomenon. GATS is the first initiative with the aim of progressive liberalisation of trade in services. The World Trade Organization (WTO) administers the agreement with effect from January 1995. After the inception of GATS, services trade is getting the importance in WTO multilateral trade negotiations.

In the era of global economic integration, competitiveness play vital role in the success of international trade. In addition, the competitive environment of the domestic markets facilitates higher economic growth and can help in reducing poverty. Services sector plays fundamental role in ensuring the competitiveness of an economy. Services are used intensively in the production of all goods, making up around 10-20 percent of production costs in both manufacturing and agriculture, and sometimes more (Sauvé, 2006)².

Although, Bangladesh's specific commitments under GATS negotiation is quite small, Bangladesh already has been requested by several countries in line with the GATS request-offer process to open up its certain services sectors for international competition. However, Bangladesh has been followed a unilateral liberalisation approach in case of services sector without going to the request-offer negotiation table. The country already has freed its key services sector such as financial and telecom sectors to international competition. Absence of comprehensive study on the role of foreign participation in these services sectors to our national economy and employment generation is the main impediments to measure the outcome of liberalisation in these sectors. Bangladesh needs to have a comprehensive national services master plan and a coherent policy framework. Based on such a plan and framework, the country can formulate positions to take in its national interests.

² The figure is 20-25 percent for ready-made garments in some countries (United Nations, 2005).

The broad objectives of the study are to review the current state of regulatory framework of the sector and difficulties facing the services sector in Bangladesh with a view to examining the readiness for services trade liberalisation. This paper also tries to explore whether Bangladesh is in a position to open its services sector to its trading partners. The analysis targeted to these goals would encompass the country's strategies and policies regarding trade in services, their conformities and inconsistencies with its obligation under the GATS, the commitments made to meet the GATS obligations and their implications for the economy and would finally put forth the issues which need to be resolved to further liberalise trade in services in the future.

The analysis of this paper has been organized into eight sections. Section one deals with the introductory part of the study which includes motivation and objectives of the study. Section two covers the importance of services sector in the national economy, growth and international trade. Section three reviews the nexus between service trade liberalisation, development and poverty alleviation. Section four examines the international competitiveness of services sector of Bangladesh. Section five analyses the existing regulatory framework in services sector in Bangladesh. Section six focuses on Bangladesh's role in the services trade negotiation process, and their potential implications for Bangladesh. Section seven deals with the technical assistance required for Bangladesh, while Section eight includes concluding remarks.

II. Overview of the Service Sector in Bangladesh

Bangladesh remains one of the least-developed countries (LDCs) with a per capita income of US\$ 482 in 2006. Over the past three decades, Bangladesh has evolved from a controlled economy to a market oriented economy through a wide range of policy reforms which included reforms in trade policy, industrial policy, monetary and fiscal policy, exchange rate policy, and promotion of foreign direct investment. Trade liberalisation has been one of the major policy reforms in Bangladesh. During the course of overall trade liberalisation programme, the liberalisation of services sectors (especially telecom and financial sectors) also received much importance. Services sectors are increasingly becoming core parts of Bangladesh economy. In the context of South Asia, while during the last two and half decades, growth rates in services sector had been rather fluctuating in Nepal, Pakistan, Sri Lanka and Maldives, those of Bangladesh as well as of India had consistently grown over the same time period (Table 1).

Table 1: Annual Average Growth in Services for South Asian Countries

Countries	1971-80	1981-90	1991-00	2001-05
Bangladesh	2.51	3.71	4.48	5.67
Nepal	4.38	3.6	6.56	2.93
India	4.42	6.72	7.65	8.5
Pakistan	6.26	6.62	4.5	5.39
Sri Lanka	5.43	4.95	5.82	5.23
Bhutan		6.57	6.72	7.23
Maldives			8.79	3.73

Source: WDI (2007)

The significant change in Bangladesh's approach towards trade and investment liberalisation in services may be attributed partly to the growing importance of the services sector in the economy and its trade and investment flows in recent years.

2.1. Service Sector and GDP

Economic development inevitably triggers a structural change in the composition of output in favour of services. One of the striking features of the Bangladesh's growth performance during the last decade has been the strength of the services sector. During this period, Bangladesh economy has been experiencing a significant structural change while the role of agriculture has been declining and those of industry and services have been growing. Between 1980-81 and 2006-07, agriculture's contribution to GDP declined from 33 percent to 21 percent, while that of industry increased from 17.3 percent to 29.8 percent. During this period, services sector contributed around 50 percent of Bangladesh's GDP (Table 2).

Table 2: Share of Service Sectors to GDP and Its Dynamics (at 1995-96 constant prices)

Contribution (% share in GDP)								
Sectors	1980-81	1985-86	1990-91	1995-96	2000-01	2004-05	2005-06	2006-07
Agriculture	33.07	31.15	29.23	25.68	25.03	22.27	21.84	21.11
Industry	17.31	19.13	21.04	24.87	26.20	28.31	29.03	29.77
Service	49.62	49.73	49.73	49.45	48.77	49.42	49.13	49.12
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Annual Average Growth Rate (%)								
Agriculture	3.31	3.31	2.23	3.10	3.14	2.21	4.94	3.18
Industry	5.13	6.72	4.57	6.98	7.45	8.28	9.74	9.51
Service	3.55	4.10	3.28	3.96	5.53	6.36	6.40	6.74
GDP Growth	3.74	3.34	3.24	4.47	5.41	5.93	6.63	6.51

Data Source: Bangladesh Economic Review (2007)

Table 2 also indicates that since 2004-05, the overall GDP of the economy has been increasing at a rate over 6 percent, which has been facilitated by high growth in industry and services sectors. During 2001-05, services sector in Bangladesh grew, on average, at a rate of 5.67 percent per annum as against of 5.5 percent growth in overall GDP.

The rates of growth in some services sub-sectors have been higher than the growth in overall GDP. Table 3 presents the figures of shares of different sub-sectors in GDP as well as their contributions to the growth rate in GDP in 2006-07. It appears that in terms of the share in GDP the major sub-sectors in services sector are 'wholesale and retail trade', 'transport, storage and communication', 'real estate, renting and business activity' and 'community, social and personal works', and their respective contributions to GDP in 2006-07 are 14.17 percent, 10.21 percent, 7.65 percent and 7.09 percent. Among these services sub-sectors, 'whole sale and retail trade', and 'transport, storage and communications' grew at rates faster than that of the overall services sector, as in 2006-07, these two sub-sectors grew by 7.44 and 8.25 percent respectively while the services sector as a whole grew by 6.74 percent. Another sub-sector where a high growth has been witnessed is the 'transport, storage and

communication' sub-sector from where a major contribution to GDP comes and which shows linkages with production and external sectors. The transport head covers roads, railways, air transport, port and shipping services; but high growth in this sector is mainly because of strong growth posted by communications that comprises telecommunication, IT and postal services. Robust growth momentums in the communication sector as well as in the financial services have been triggered by liberalisation and reforms in these sectors. For example, deregulation policy for the telecommunication sector and market driven reforms have created a huge demand for new products which have been instrumental in attracting new foreign investment in this sub-sector. With the entry of five foreign cellular operators namely, Telenor, Orascom, TM International, SingTel and Warid Telecom, competition in the cellular phone market has become tougher leading to improvement in service quality and further reduction in tariffs to the advantage of consumers. Inception of the state-owned cellular phone company, namely Teletalk, has further augmented this competitive environment. Finally, despite low contribution to GDP, 'education' and 'community, social and personal services' are also having high sectoral growth rates

Table 3: Sectoral Contribution to Growth rate in GDP in 2006-07

Industrial Origin Sector	Sectoral Share of GDP at Constant Prices in 2006-07(p)	Sectoral Growth Rate of GDP at Constant Prices in 2006-07(p)	Weights	Sectoral contribution to GDP Growth rate
Agriculture and Forestry	16.38	2.95	0.16	0.48
Fishing	4.73	3.99	0.05	0.19
Mining and Carriage	1.19	10.02	0.01	0.12
Large and Medium Scale Industry	12.68	11.56	0.13	1.47
Small Scale Industry	5.11	10.28	0.05	0.53
Construction	9.16	7.05	0.09	0.65
Electricity, Gas and Water Supply	1.63	5.37	0.02	0.09
Wholesale and Retail Trade	14.17	7.44	0.14	1.05
Hotel and Restaurants	0.7	8.15	0.01	0.06
Transport, Storage and Communication	10.21	8.24	0.10	0.84
Financial Intermediations	1.73	7.54	0.02	0.13
Real Estate, Renting and Business Activities	7.65	3.77	0.08	0.29
Public Administration and Defence	2.75	8.51	0.03	0.23
Education	2.54	9.01	0.03	0.23
Health and Social Services	2.29	7.56	0.02	0.17
Community, Social and Personal Services	7.09	4.51	0.07	0.32
Sub-total for Services Sectors	50.76			4.06
GDP at Constant Market Price	100	6.51	1.00	6.51

Data Source: BBS Website

Table 3 also provides estimates of the sectoral contribution to growth rate in GDP in 2006-07. It appears that services sectors, on average, recorded a growth rate of 6.74 percent, and these sectors altogether contributed for more than half of the overall real GDP growth rate of Bangladesh. Among the services sub-sectors the largest contributions are made by 'wholesale and retail trade' and 'transport, storage and communication' sub-sectors.

2.2. Share of Service Sector in Employment

Service sector employment has also shown a rising tendency but its contribution to total employment is much lower than its contribution to country's GDP. Table 4 shows the sectoral composition of employment over the two decades. There was a sharp rise in employment share of the agricultural sector in the eighties from 58.8 percent in 1982-83 to 66.4 percent in 1989-90. Since then Bangladesh economy has been witnessing a declining trend in the employment share of agriculture. The share of agriculture in total employment reached to 51.7 percent in 2002-03, which signifies the increase of non-farm activities during that period. On the other hand, the share of the manufacturing sector in total employment increased from 11 percent in 1982-83 to 13 percent in 1989-90, however declined to 9.6 percent in 1995-96, which again rose to 13.7 percent in 2002-03. The employment share of the service sector has been somewhat unstable during the last two decades. It declined from 24.2 percent in 1982-83 to 16.2 percent in 1989-90. During the late 1990s and early 2000s, when liberalisation of some services sectors, like telecommunication and financial intermediaries, was one of the major policy reforms, the employment share of service sector grew substantially, which reached to 34.6 percent.

Table 4: Sectoral Composition of Employment

Year	Sectoral composition of employed workforce (%)		
	Agriculture	Manufacturing	Service
1982-83	58.8	11	24.2
1984-85	57.7	11.5	26
1989-90	66.4	13	16.2
1995-96	63.2	9.6	25
1999-00	62.1	10.3	23.5
2002-03	51.7	13.7	34.6

Source: WDI (2007)

Table 5 reveals the employment dynamics in different services sub-sectors. Between 1995-96 and 2002-03, employment in services sector has grown by 20.32 percent. The annual average growth rate of services sector employment during that period was 2.54 percent. In terms of employment growth, 'hotels and restaurant' was the most dynamic sub-sector, as employment in this sector grew by 13.36 percent annually during that period. Other dynamic sub-sectors were construction, financial and business services, and transport, storage and communication.

Table 5: Sub-Sectoral Dynamics of Employment

Sectors	LFS 1995-96 Employment (in Million)	LFS 2002-03 Employment (in Million)	Annual average growth rate in employment (1995-96 to 2002-03)
Electricity, Gas and Water	0.10	0.10	-2.91
Construction	1.01	1.50	6.06
Whole Sale and Retail Trade	5.70	6.10	0.88
Hotels and Restaurant	0.29	0.60	13.36
Transport, Storage and Communication	2.19	3.00	4.62
Financial and Business Services	0.21	0.30	5.36
Community and Personal Services	4.74	5.20	1.21
Services	13.96	16.80	2.54

Source: Labour Force Survey (Various Issues).

It would also be interesting to have a look at the changes overtime of the employment elasticities of the major sectors in Bangladesh. Palanivel (2006) calculated the employment elasticities in agriculture, industry and services sectors (Table 6). It appears that the, in recent years, employment elasticity of the services sector is the lowest among the three broad sectors, and it has been falling overtime.

Table 6: Trends in Employment Elasticities of Major Sectors and GDP for Bangladesh

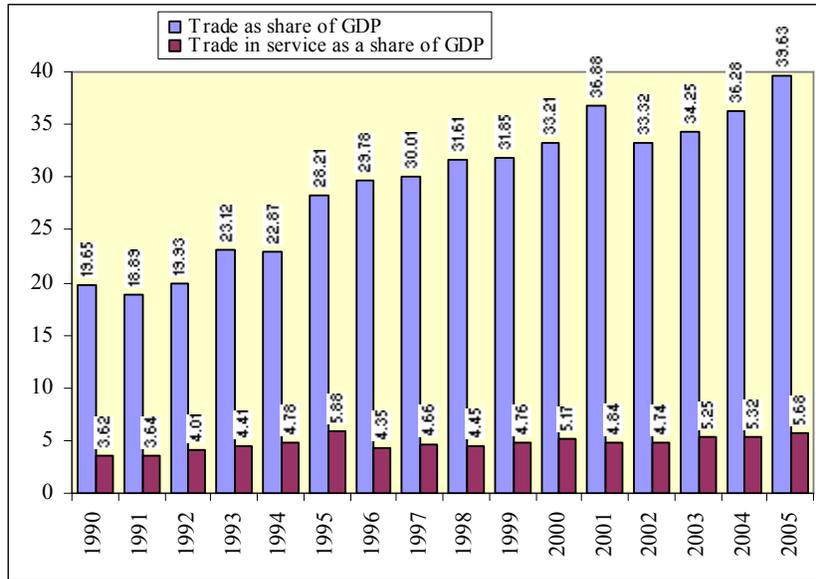
Period/Sectors	Agriculture	Industry	Services	All sectors
1980-1990	0.16	-0.16	2.89	0.36
1990-2000	0.84	0.42	0.71	0.76
2000-2004	2.02	0.82	0.56	0.82

Source: Palanivel (2006).

2.3. Service Sector and Trade

Although, services sector consistently contributing half of overall real GDP, the share of services in the country's exports is only about 12 percent. However, the corresponding figures for India, Nepal and Sri Lanka are 30.9 percent, 28.74 percent and 21.27 percent respectively (Kumar, 2005). Service trade of Bangladesh, as a share of its total trade, remained stagnant between 2000 and 2004. But in 2005, there was a sharp rise in the share of services trade in total trade which was led by growth in service imports. The stagnancy reflects the parallel growth in service trade growth and manufacture trade growth. Figure 1 reveals that services trade as a share of GDP has increased over the past two decades. However, increase in service trade GDP ratio is relatively insignificant compared to the increase in total trade GDP ratio (Figure 1).

Figure 1: Trade share in GDP (%)



Source: WDI (2007)

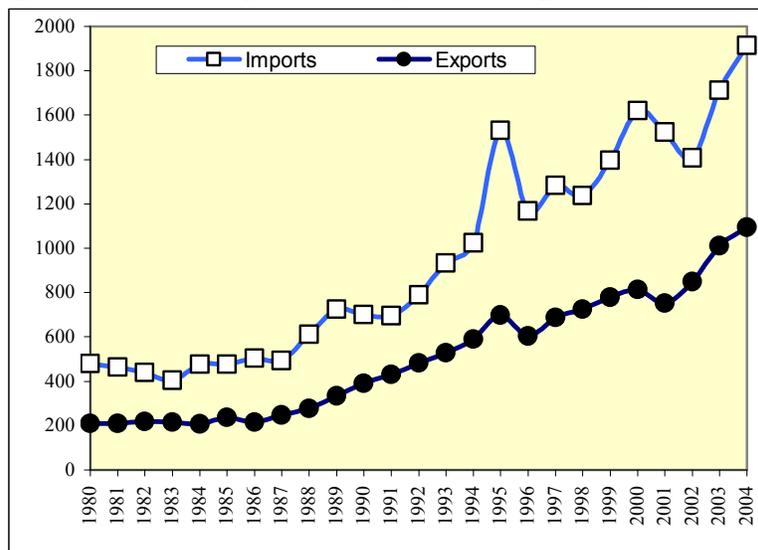
Though service trade is rising over time, service export as a percent of total export, over the last five years, has remained stagnant. However, service import as a percent of total import has fluctuated within 15 percent to 18 percent over the same time (Table 7).

Table 7: Significance of Services in Total Export/Import in Bangladesh

Years	2000	2001	2002	2003	2004	2005
Services exports (% of Total Export)	11	11	12	13	12	12
Services imports (% of Total Import)	17	16	15	15	16	18
Service Trade (% of Total Trade)	15	14	14	14	14	17

Source: Handbook of Statistics, UNCTAD, 2005-06.

Figure 2: Services Imports and Exports in Bangladesh (million US\$)



Source: WDI (2007)

Services imports in Bangladesh are growing faster than the services exports. Bangladesh experienced persistent and rising deficits in services trade. (Figure 2)

Using the GATS classification, it is found that very few sectors have positive trade balances, while others have secular negative balance (Table 8). Among the services sub-sectors, Bangladesh faces huge trade deficit in sectors such as transportation, especially in freight, insurance services and travel, while positive balance has been found in case government services, computer and information services, communication, and construction services. In 2005-06, transportation imports reached to US\$ 1633 million (Table 8), while export in transportation was only US\$ 109 million. In 2005-06, Bangladeshi nationals paid US\$ 163 million for insurance services, while the exports was only US\$ 7.4 million. This can be explained by the high demand for insurance services in case of RMG exports. Bangladesh enjoys positive balance in services sub-sectors such as computer and information services, communication services, construction services, and government services. The highest trade surplus was in the government services (US\$ 558.3 million) followed by the communication services (US\$ 36.5 million) and construction and computer and information services sector (US\$ 23 million). Deficit in balance of payments in the case of travel reflects the weak performance of the tourism sector in attracting foreign tourists.

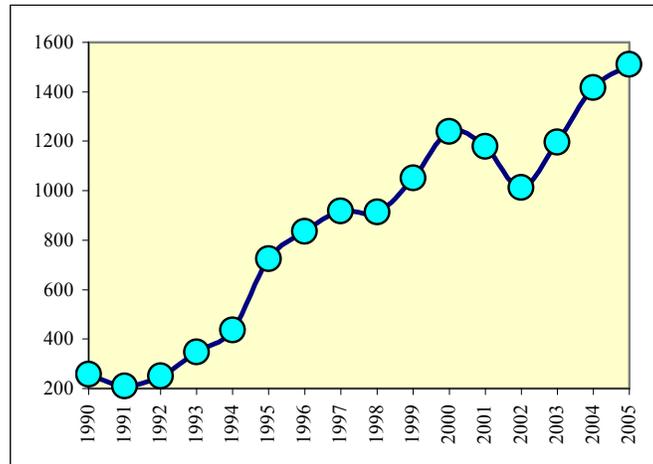
Table 8: Bangladesh's Balance of Payments in Services Sectors (2005-06) in million US\$

Items	Credit	Debit	Net
b) Services	1338.41	2329.75	-991.34
1. Transportation	108.97	1632.58	-1523.61
1.1 Passenger	3.12	224.27	-221.15
1.2 Freight	24.69	1408.01	-1383.32
1.3 Others	81.17	0.30	80.87
2. Travel	75.92	137.78	-61.85
2.1 Business	2.47	26.85	-24.37
2.2 Personal	73.45	110.93	-37.48
3. Communication services	49.45	12.91	36.54
4. Construction services	22.64	0.06	22.59
5. Insurance services	7.38	163.13	-155.76
6. Financial services	24.14	17.50	6.63
7. Computer & Information services	27.19	4.29	22.90
8. Royalties and license fees	0.49	4.77	-4.28
9. Other business services	243.01	138.33	104.68
10. Entertainment, cultural and recreational services	2.71	0.24	2.47
11. Government services n.i.e.	776.49	218.16	558.34

Source: Balance of Payments, Bangladesh Bank, 2007.

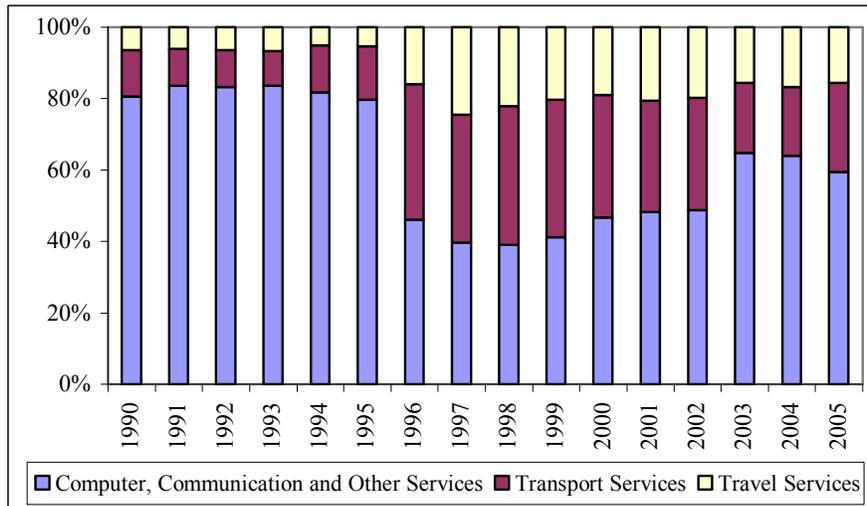
Figure 3 reveals a rising trend in trade deficit in commercial services for Bangladesh. Deficit in commercial services trade was US\$ 1511 million in 2005. Computer, communication and other services comprises the major share of our commercial services export (Figure 4). Export of transport service had shown an increase in the late nineties. On the other hand, import of transport services constitutes the major share of Bangladesh's commercial services import (Figure 5). Expansion of the ready-made garment sector has played a key role in increasing the imports of transport services.

Figure 3: Trade Deficit in Commercial Services Trade for Bangladesh (million US\$)



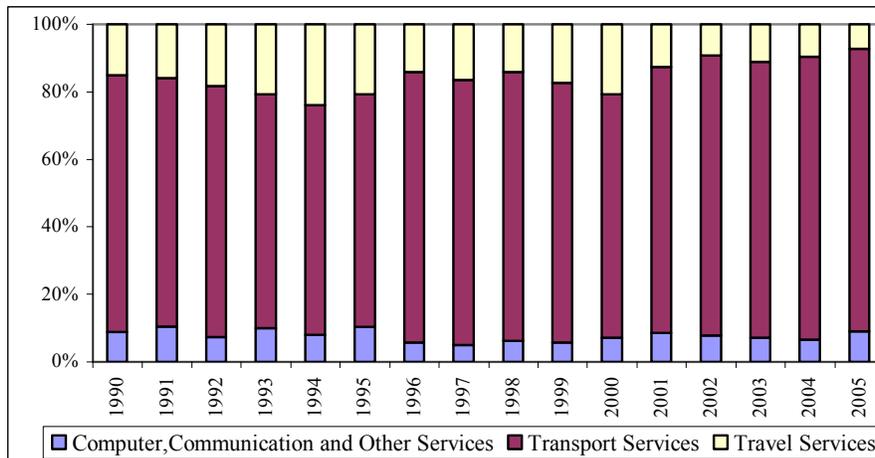
Source: WDI (2007)

Figure 4: Components of Commercial Service Export from Bangladesh during 1990 and 2005



Source: WDI (2007)

Figure 5: Composition of Commercial Service Import in Bangladesh during 1990 and 2005

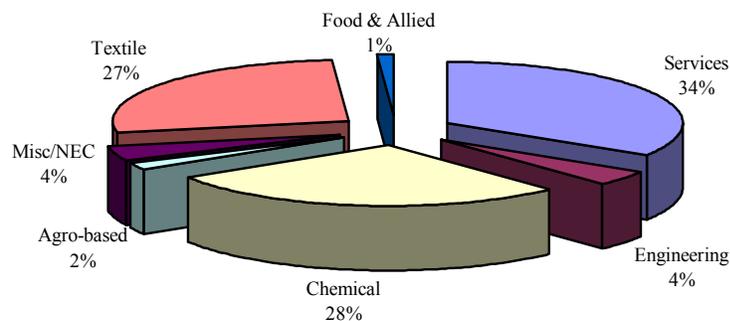


Source: WDI (2007)

2.4. Service Sector and FDI

Although Government of Bangladesh has liberalised the industrial and investment policies in recent years by reducing bureaucratic control over private investment and by opening up many areas, Bangladesh did not experience significant foreign investment in comparison to other developing countries. While the foreign investment regime was liberal, with no limitation on foreign equity participation or repatriation of profits, lack of investment in essential infrastructure clearly hampered Bangladesh's economic development. In particular, unreliable telephone connections, insufficient energy supplies, poor transportation and port services disrupted production and international trade and discouraged foreign investment in Bangladesh. FDI inflow was US\$ 745 million in 2005-06 while the corresponding figure was US \$804 million in the previous year (Bangladesh Bank, 2007). Unavailability of FDI data in disaggregated sub-sectors level makes it difficult to estimate the FDI inflows in services sectors. Moreover, there is a discrepancy between FDI statistics from Bangladesh Bank and Board of Investment (BoI), as Bangladesh Bank reports the FDI inflows from its statement of Balance of Payments (BoP) which includes inflows of funds through banking channel, while BoI reports FDI statistics on the basis of registered investment. According to BoI, the 34 percent of FDI was attracted by services sector followed by chemical and textile sector in 2003 (Figure 6).

Figure 6: Actual FDI Inflow during 2003: Distribution by Sector



Data Source: Board of Investment, 2007

According to the statistics of the Bangladesh Bank, the share of services sector in total FDI inflow fluctuated over the last few years, but the sector has been attracting the major share of FDI since 2003-04. As is reported in Table 9, in 2005-06, FDI in services sector reached to US\$ 605 million which was 81 percent of total FDI inflow in that year (Bangladesh Bank, 2007).

Table 9: FDI in services sector in Bangladesh

Year	Total FDI (million US\$)	Services Sector (million US\$)	Services sector share Of total FDI (%)
2002-03	376	46	12
2003-04	284	218	77
2004-05	804	450	56
2005-06	745	605	81

Source: Statistics Department, Bangladesh Bank.

Telecommunication, energy and financial sectors are the major services sub-sectors that have been receiving the major portions of FDI inflow in recent years. In 2005-06, telecommunication sector received 44 percent FDI in services, which was 36 percent of total FDI (Table 10). The banking sector received 20.5 percent of FDI in services and 17 percent of total FDI in 2005-06.

Table 10: Distribution of services FDI by sub-sector, 2005-06

Sub-sectors	Amount (million US\$)	% of Total Services FDI	% of all FDI
Telecommunication	267.97	44.27	35.99
Gas	181.86	30.04	24.42
Banking	124.63	20.59	16.74
Power	25.01	4.13	3.36
Insurance	5.84	0.96	0.78
Total Services FDI	605.31	100.00	81.29
Manufacturing Sector	139.29	-	18.71
All FDI	744.60	-	100.00

Source: Statistics Department, Bangladesh Bank.

2.5. Service Sector and Government Revenue

The immediate effect of trade liberalisation in merchandise trade is the reduction in government revenue which might hamper the government expenditure on poverty alleviation effort. But in case of services trade liberalisation, the potential revenue loss is almost negligible. Services sector is protected by different types of rules and regulations in the name of national policy objectives, but such protection does not provide any revenue to government like tariff revenue. VAT is the main source of revenue income from the services sector. In 2005-06, 39 percent of VAT revenue was collected from the services sector. Gas and Communication services, which include telecom sector, are the major sources of VAT income as far as the services sectors are concerned (Table 11).

Table 11: Collection of VAT from Different Sub-sectors in Services Sector (million US\$*)

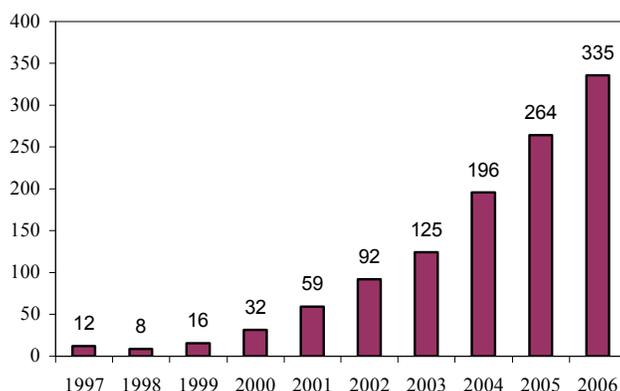
Sectors	2003-04	2004-05	2005-06
1. Gas, Water Supply and Electricity Distribution	76.75	308.59	320.97
1.1. Gas	29.61	261.53	276.75
1.2. Water Supply	4.35	4.12	3.00
1.3. Electricity Distribution	42.79	42.94	41.22
2. Whole Sale and Retail Trade	0.00	0.00	0.00
3. Hotels and Restaurant	8.60	7.75	10.25
4. Transport and Storage	1.15	1.12	13.30
5. Communication Services	81.90	105.36	260.72
6. Bank Services	21.65	36.18	37.61
7. Insurance Services	1.53	13.83	13.18
8. Commercial Importers	0.00	46.85	63.51
9. Building Development Agency	0.06	0.68	0.63
10. Clinics and Hospitals	0.57	0.66	1.05
Sub-Total	214.73	521.02	721.21
Total VAT		1726.67	1848.54
Total Tax Revenue		5204.43	5393.56

Source: Bhuyan (2007).

* Figures were converted with the respective exchange rates.

An example of collection of government revenue is depicted in Figure 7, which reveals that government revenue from a private owned cellular phone company, namely Grameen Phone, has been rising substantially over the last ten years. In 2005-06, government revenue, such as VAT, corporate tax, income tax etc., from Grameen Phone was US \$335 million.

Figure 7: Government Revenue from Grameen Phone (million US\$)



Source: Grameen Phone Annual Report, 2006.

III. Service Trade Liberalisation, Development, and Poverty Alleviation in Bangladesh

Services trade in the global perspective is a relatively new phenomenon and has gained importance over the last decades after the inception of GATS in Uruguay Round of International Trade Talks. Even though trade in services is relatively a new phenomenon, it has immense potentials in terms of further expansion of global trade. It is now widely accepted that the gains generating from service trade liberalisation could potentially be larger

than the gains stemming from the liberalisation of merchandise trade. The study by Brown *et al* (2001) shows that gains from a cut of 33 percent in barriers to services trade should raise global economic welfare by US\$ 389.6 billion, which exceeds their estimated gains from manufactures liberalisation of US\$ 210.7 billion. According to numerous economic estimates, the welfare gains from liberalisation of the global service sector could be the most substantial of any of the sectors currently under negotiation in the Doha Round – though a large proportion of the gains will flow to the developed world. However, carefully designed and prepared liberalisation can contribute to improve the economic performance of the developing countries through their integration in the world economy. Liberalisation of services in developing countries could provide as much as US\$ 6 trillion in additional income in the developing world by 2015, four times the gains that would come from trade in goods liberalisation (World Bank, 2001).

Services are essential for economic development as well as for human welfare. It is not difficult to identify many ways that efficient services contribute to improved economic performances. Availability of essential services, such as water supply, sanitation, power supply, transportation, education or health, is associated with higher productivity and earnings. Reflecting their infrastructural nature, many modern services sectors, including telecommunications, financial services and transport, not only provide final consumer products, but basic production inputs for a wide variety of user industries. But services in developing countries are often inaccessible, prohibitively expensive, or, even when accessible, of low quality and unsuited to the needs of consumers (World Bank, 2003). Moreover, services sectors can be particularly important in terms of employment, because many services are labour-intensive. In principle, the development of the labour-intensive sector can help reduce poverty by generating labour-intensive growth (McCulloch *et al*, 2001).

The potential implications of service trade liberalisation on economic growth, poverty and performance of other sectors have been studied immensely around the world using different type of models and methodology. There is a consensus that the essential precondition for sustained poverty alleviation is rapid economic growth³. Available econometric evidence on the role of services as intermediate inputs suggests that openness in the services sector influences long-run growth performance. From cross-country regression, Aaditya Matto *et al* (2001) estimated that countries with fully open telecom and financial services sectors grow up to 1.5 percentage points faster than other countries. This confirms predictions from economic theory, especially *Endogenous Growth* and *New Trade Theory*, which identify dynamic advantages stemming from increases in productivity and growth realized via technology transfers, X-efficiency, greater variety offered and improved quality of services. An important channel of dynamic gains is the improved productivity in downstream sectors due to enhanced access to a broader variety, better quality and lower cost of input. By providing incentives for an efficient allocation of resources, an open and transparent trade regime is an important precondition for broad-based and sustained growth. Thus, in the medium term, trade reform has an important role in poverty alleviation through its effects on the rate and sectoral pattern of growth. According to the Stolpher-Samuelson theorem, trade liberalisation in developing countries should draw more unskilled and semi-skilled workers into employment and increase their real wages.

³ For instance, Ravallion (1997) presented empirical evidence suggesting that every one percentage point increase in per capita income can reduce headcount poverty by 1.5 to 3.5 percentage points.

Liberalisation of the movement of natural person under mode 4 of GATS negotiations might have important poverty reduction implications for a number of developing countries. An estimate using a global CGE model, has shown that liberalising the movement of natural persons, i.e., by introducing a temporary visa system in developed countries permitting movement of labour up to 3 percent of total labour force, would increase world incomes by nearly \$160 billion (Winters *et al*, 2002). Studies by Annabi *et al* (2006) and Raihan and Khondker (2007) have shown that remittances have significant poverty alleviation effects in Bangladesh.

Service sector has the growing potential to be a driver of sustainable economic growth and significant poverty alleviation in Bangladesh. The growing trade in services has important implication for the productivity enhancement and economic growth. Services sector in Bangladesh is the largest sector, and it is the area where local firms have larger participation and are better able to compete, as compared with the manufacturing sector. Demand for many services is highly income-elastic, i.e. as people grow richer, their consumption of services such as tourism, education and health, expands more rapidly than their demand for manufactures and agricultural products. As a result, the issue about trade liberalisation in services raises an important concern to the government as to what extent service trade liberalisation will be beneficial to achieve the national objectives such as economic growth, poverty alleviation, and inequality reduction.

GATS explicitly recognises the right of the members to regulate and initiate new regulation on the supply of services within their territories in order to meet national policy objectives. Bangladesh has liberalised important services sub-sectors unilaterally rather not using the right to liberalise under request-offer process of the GATS negotiations. Unilateral service trade liberalisation has been the hallmark of Bangladesh trade policy reforms. However, there are concerns among, negotiators, policy makers, and civil society that unilateral service trade liberalisation may not ensure persistent economic growth and poverty alleviation. Unilateral service trade liberalisation is one of the issues that have given rise to greater concern alike. Moreover, as service sector is the major stakeholder in our economy, decision about service trade liberalisation has greater implication for the economy.

The implication of service trade liberalisation to Bangladesh economy is still least explored. One of the few such studies by Raihan (2005) outlined negotiation strategies for Bangladesh in service trade liberalisation. The study identified the sectors with balance of payments surplus such as computer related services, telecommunication services and distribution services, as having export interests, while the sectors with balance of payments deficit such as leasing services, transport services and construction services, as having import interests. According to optimistic scenery of the study, liberalisation will bring efficiency, predictable environment for investment, and will create new opportunities for exporting services. According to the pessimistic view of the study, liberalisation of all services sectors might jeopardise the macroeconomic stability of the economy through affecting the SMEs in transport sectors, construction sectors and distribution services.

A recent study done by Bhuyan *et al* (2007) reviewed the development of the services sector in Bangladesh focusing on the barriers, regulations and difficulties faced by the country. The study also assessed the potentials of the sectoral liberalisation and the associated position of the country's services sector vis-à-vis the rest of the south Asian countries. The study recommended cautious liberalisation for telecommunication sector, banking sector, retailing

services, tourism services and health services. However, the study suggested protecting the insurance and transporting services.

IV. International Competitiveness of the Services Sector in Bangladesh

The index of Revealed Comparative Advantage (RCA) can be used to examine the competitiveness of Bangladesh services sectors in international trade. Estimates of the RCA for overall services sector for Bangladesh, India, Pakistan, Sri Lanka, Nepal, Malaysia, Cambodia, Philippines, and Vietnam are reported in Table 12.

The RCA is calculated using the following formula:

$$RCA = (X_{ij} / X_{it}) / (X_{wj} / X_{wt})$$

Where X_{ij} indicates country i 's export of j th sector
 X_{it} indicates country i 's total export
 X_{wj} indicates world's total export of j th sector
 X_{wt} indicates world's total export.

As the RCA for Bangladesh is lower than one, it indicates the Bangladesh's comparative disadvantageous position in services trade. Moreover, Bangladesh is relatively in disadvantageous position in services trade compared to the other developing countries.

Table 12: Revealed Comparative Advantage of Bangladesh Services Sector

Year	1997	1998	1999	2000	2001	2002	2003	2004	2005
Bangladesh	0.62	0.60	0.60	0.57	0.54	0.59	0.62	0.58	0.61
India	1.01	1.23	1.37	1.41	1.37	1.34	1.39		
Pakistan	0.81	0.73	0.74	0.69	0.68	0.96	0.98	0.85	0.98
Sri Lanka	0.79	0.77	0.84	0.75	1.08	1.03	1.06	1.04	0.99
Nepal	3.38	2.61	2.50	2.00	1.79	1.58	1.70	1.85	1.51
Cambodia	0.89	0.88	1.00	1.19	1.23	1.23	1.02	1.17	1.40
Malaysia	0.84	0.67	0.60	0.63	0.69	0.67	0.56	0.58	0.62
Philippines	1.87	0.98	0.45	0.42	0.44	0.44	0.43	0.47	0.51
Vietnam	1.08	1.06	0.86	0.80	0.77	0.73	0.69	0.63	0.58

Source: Calculated based on data from WDI (2007)

Using the GTAP database, it is, however, possible to calculate the RCA for individual services sub-sectors. Table 13 reports the results of such an exercise for Bangladesh, India and China. It appears that for some two sectors, i.e. 'sea transport' and 'public administration, defence, health and education' Bangladesh's RCA indices are greater than one. However, in the 'public administration, defence, health and education' sub-sector, the export of defence services, in terms of peace keeping mission of the United Nations, is the major contributor to the high RCA in this sector. It also appears from Table 13 that compared to India and China, Bangladesh is in disadvantageous position in all services sub-sectors.

Table 13: Revealed Comparative Advantage of Bangladesh's Services Sub-Sectors

Sectors	RCA		
	Bangladesh	India	China
Electricity	0.00	0.48	10.96
Gas manufacture, distribution	0.00	0.01	0.00
Water	0.00	0.61	30.79
Construction	0.04	0.54	22.34
Trade services	0.06	11.56	40.23
Transport services	0.19	9.04	27.42
Sea transport	1.47	9.72	8.51
Air transport	0.11	2.36	7.90
Communication	0.26	0.69	11.04
Financial services	0.13	0.94	10.70
Insurance	0.09	6.18	5.93
Business services	0.26	15.14	5.58
Recreation and other services	0.12	2.38	7.92
Public administration, defence, health, education	4.67	6.20	19.69

Source: Calculated from GTAP database version 6.2

The international competitiveness of the services sector in Bangladesh can also be examined using the Michaely's Specialization Index. This index has been calculated based on the available data using following formula:

$$MI_{ij} = (X_{ij} / X_j) - (M_{ij} / M_j)$$

Where, X_{ij} indicate the country j's export of ith sector.

X_j indicates country j's total export

M_{ij} indicate the country j's import of ith sector.

M_j indicates country j's total import

The measure ranges between -1 and +1, with a neutral value of 0. If the value of the index is positive, the country is specialized in the specific sector, while given a negative value, the country is said to be under-specialized in the sector. The results of this exercise are presented in Table 14. It appears from this table that the specialization indices are negative for 'transportation', 'insurance' and 'commercial services'. On the other hand, though for other services the indices are positive, for most of them the values are very low. Only in the cases of 'other services' and 'government services' the indices are higher than 0.5.

Table 14: Michaely Index for Trade Specialization of Services Sub-sectors

	1997	1998	1999	2000	2001	2002	2003	2004	2005
Transportation	-0.53	-0.56	-0.55	-0.51	-0.58	-0.61	-0.63	-0.66	-0.61
Travel	-0.05	-0.05	-0.09	-0.12	-0.05	-0.01	-0.04	-0.02	0.00
Other services	0.58	0.61	0.63	0.63	0.63	0.62	0.67	0.68	0.62
Communications	0.04	0.03	0.05	0.02	0.01	0.04	0.06	0.05	0.01
Construction	0.00	-0.01	0.00	0.00		-0.01	0.00	0.00	0.01
Computer and information	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.01
Insurance	-0.06	-0.06	-0.06	-0.05	-0.06	-0.06	-0.06	-0.07	-0.06
Financial services	0.00	0.00	0.01	0.00	0.00	0.01	0.02	0.01	0.01
Royalties and license fees	-0.01		0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other business services	0.06	0.06	0.03	0.07	0.07	0.07	0.10	0.13	0.10
Personal, cultural and recreational services	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Government services n.i.e.	0.53	0.59	0.60	0.59	0.61	0.58	0.54	0.56	0.54
Memo item: Commercial services	-0.53	-0.59	-0.60	-0.59	-0.61	-0.58	-0.54	-0.56	-0.54

Source: Calculated based on UNCTAD Online Handbook of Statistics

V. Domestic Regulation and Safeguards in Services Sector

Article VI.4 of GATS is related to Domestic Regulation, which highlights the right of members to regulate, and to introduce new regulations, governing the supply of services within their territories in order to meet national policy objectives (see Box 1). Briefly, the article covers measures relating to qualification requirements and procedures, technical standards and licensing requirements and procedures. Paragraph 7 of the Doha Ministerial Declaration reaffirms the right to regulate and introduce new regulations governing the supply of services. In the GATS document and in the Annex C of the Hong Kong Ministerial Declaration members have been specifically asked to develop discipline on domestic regulation.

Box 1: Article VI.4 of GATS

With a view to ensuring that measures relating to qualification requirements and procedures, technical standards and licensing requirements do not constitute unnecessary barriers to trade in services, the Council for Trade in Services shall, through appropriate bodies it may establish, develop any necessary disciplines. Such disciplines shall aim to ensure that such requirements are, *inter alia*:

- (a) based on objective and transparent criteria, such as competence and the ability to supply the service;
- (b) not more burdensome than necessary to ensure the quality of the service;
- (c) in the case of licensing procedures, not in themselves a restriction on the supply of the service

Source: General Agreement on Trade in Services, WTO.

Domestic regulation has its importance in protecting national policy objectives with a reservation of not to be applied as a means for undue trade restrictions. Domestic rules and regulations work as impediments to trade when they are not clearly defined and efficiently implemented. The problem is that the management of such responses can be distorted or biased to different degrees by pressure from interest groups that inevitably gain or lose from intervention in the market place. To give some impetus on the need for domestic regulation the followings can be highlighted. First of all, regulation can protect consumers through ensuring quality and appropriateness of services in the midst of wide range of providers under progressive services trade liberalisation. At the same time regulatory measures can be applied to limit anti-competitive practices that may arise from market penetration by dominant foreign firms. Moreover, there is a rising concern about repatriation of profits may result in serious balance of payments crisis for Bangladesh. Government can regulate this capital outflow by imposing restrictions, like investing in the local stock exchange, as a measure against potential balance of payments crisis.

Box 2: Article XII.1 of GATS

In the event of serious balance-of-payments and external financial difficulties or threat thereof, a Member may adopt or maintain restrictions on trade in services on which it has undertaken specific commitments, including on payments or transfers for transactions related to such commitments. It is recognised that particular pressures on the balance of payments of a Member in the process of economic development or economic transition may necessitate the use of restrictions to ensure, *inter alia*, the maintenance of a level of financial reserves adequate for the implementation of its programme of economic development or economic transition.

Source: General Agreement on Trade in Services, WTO.

The measures of domestic regulation should aim to ensure a healthy business environment for capital inflows in terms of attracting foreign direct investment and also to offer a friendly mechanism incorporating domestic and foreign service providers. Services sector is different from goods and, therefore, require different regulatory approaches.

Barriers to service trade are complex and not like tariff and other non-tariff barriers (NTBs) in case of merchandise products. However, tariff may be obstacles to trade in services, as there are many services sectors, their supply and export capacity depends on imported goods, equipments or tools (Tortora and Butkeviciene, 2002). Impediments to services sectors vary across sub sectors. Moreover, impediments might be direct or indirect. There are some kinds of impediments that are faced by firms in time of entry or establishment or in time of functioning. Impediments might be discriminating against the foreign firms as opposed to the domestic firms. Most entry barriers are faced by foreign firms, though internal barriers are faced by both foreign and domestic suppliers. These barriers are more difficult to remove because they are part operating practices, part regulation and part cultural.

5.1. Analysis of Regulatory Framework for Service Sector in Bangladesh

In Bangladesh, the level of market concentration in the services and utility sector tends to be significantly higher than that of the manufacturing sector. These enterprises are often granted monopoly rights that they sometimes auction off to private concessionaires through long term revenue-sharing concessions. Consequently, the market structure of most service industries can be described as monopolistic or oligopolystic. Grameen Phone, a telecommunication service provider, had an estimated market share of 63 percent at the year-end of 2006. Grameen Phone was the most profitable part of Telenor's global mobile network in the final quarter of 2006 that the Norwegian company reported, with subscribers in Bangladesh almost doubling during the year.

The regulation of services is important from a domestic perspective. Expenditure on services is significant and service sectors are large users of resources within the economy. Domestic regulation has its importance in protecting national priorities and creating favourable competitive environment for domestic as well as foreign firms. The regulatory measures mentioned in GATS Article VI.4, qualification requirements, qualification procedures, licensing requirements, licensing procedures and technical standards are mainly related to upfront costs of entering a market. Rules and regulations governing international trade and investment in services are an increasingly important aspect of regional and multilateral trade agreements (Mattoo and Sauvé 2003).

5.1.1. Communication Sector Regulation

5.1.1.1. Postal Services Regulation

The Ministry of Post and Telecommunication is the regulatory authority and provides institutional support in the postal sub-sector under the provisions of the Post Office Rules 1961. However there is no specific rule for postal services under modes 1, 2, and 4. In the case of postal service, the Government has the exclusive privilege of conveying by post, from one place to another, all letters. Therefore, under the existing law postal services under Mode

3 are not allowed. However, courier services may be provided in the name of conveying documents by a company incorporated in Bangladesh or incorporated outside Bangladesh but registered with the RJSC under the Companies Act, 1994 and obtaining trade license from the local government authority. Under such provisions, DHL and FEDEX are working in Bangladesh. There is no law regarding Mode 4 in this sector. However, a foreigner may be appointed in the courier service after obtaining work permit issued by the Board of Investment under certain terms and conditions.

5.1.1.2. Telecom Sector Regulation

The telecom sector was strictly under Bangladesh Telephone and Telegraph Board (BTTB) mainly operating in the field of landline connections. Currently there are six cell phone operators and 15 private land phone operators. The first private operator licenses was issued in 1989 to a company operating as a monopoly till 1997 when telecom market was opened up to three GSM mobile license operators. Telecommunication has been one of the fastest growing sectors in Bangladesh. Many local and international companies are taking advantage by tapping the emerging market. Bangladeshi mobile users spend 300 minutes of talk-time on an average per month, the highest in South East Asia (reference....). So the scope for further growth is immense.

The Bangladesh Telecommunication Act, 2001 is the principal legislation dealing with the telecommunication services in Bangladesh. It has been enacted with a view to providing for the establishment of an independent Commission for the purpose of development and efficient regulation of telecommunication system and telecommunication services in Bangladesh. The Bangladesh Telecommunication Act, 2001 establishes and empowers Bangladesh Telecommunication Regulatory Commission (BTRC) as a regulatory and supervisory body of the telecommunication sectors. There is no explicit rule under Modes 1 and 2. However, a subscriber can obtain roaming facility under certain terms and conditions. Any mobile service provider or person including foreigners can be a subscriber of Bangladeshi Mobile operator by signing contact or paying charges. Under Mode 3, any foreign company may seek to get license from BTRC to operate in the country. But BTRC will decide whether the company should be provided a license in accordance with the certain terms and conditions such as the qualification of the applicant; sufficient financial capacity to operate the activities, and public interest. Though, there is no specific law about Mode 4, a foreign person may be allowed to provide services if s/he gets the work permit from the Board of Investment.

5.1.2. Transport Sector Regulation

The Motor Vehicles Ordinance, 1983 and the Motor Vehicles Rules, 1984 regulate the law relating to the registration and fitness of motor vehicle, route permit, driving license, regulatory authority, and other matters related thereto. Bangladesh Road Transport Authority to carry out the purpose of granting driving license, conductor license, registering the motor vehicles, tax token, fitness certificate, authorization to drive transport vehicles, etc and to control of them. The railway transport is regulated under the Railway Act, 1890. Bangladesh Railway is the regulatory body for railway sector. Air transport is directly regulated under the provisions of the Civil Aviation Authority Ordinance, 1985. The ordinance enacted Bangladesh Civil Aviation which is the supervisory body for the regulation and civil aviation activities. Bangladesh Inland Water Transport Authority has been established under The Inland Water Transport Authority Ordinance, 1958. BIWTA is an autonomous government

body which is responsible for the development, maintenance, and control of inland water transport.

There is no regulatory barrier to trade under Mode 1 and anyone can avail transport service under Mode 2 subject to the compliance with the relevant rule of the respective department. A company, formed and incorporated in Bangladesh or a company incorporated outside Bangladesh but registered in Bangladesh under the Companies Act, 1994, may engage in any lawful business including trade in transport service within Bangladesh subject to have due permission/license from the competent authority and in compliance with relevant rules and regulations. To operate in Bangladesh, a company needs to obtain the documents like registration of motor vehicles, route permits, and certificate of fitness of motor vehicles, tax token, insurance of motor vehicle, etc.

A foreigner with valid passport and visa after obtaining work permit from the Board of Investment may engage trade under Mode 4 in compliance with all requirements applicable for a citizen of Bangladesh. Other required certifications or license are mandatory for road transport services.

5.1.3. Financial Sector Regulation

5.1.3.1. Banking Sector Regulation

Financial service providers are required to meet entry and prudential requirements to provide their services in Bangladesh. Bangladesh's major financial service providers are banks, insurance companies and microfinance institutions. The banking services of Bangladesh are basically regulated by the provisions of the Bangladesh Bank Order, 1972 and the Banking Companies Act, 1991. Bangladesh Bank is empowered for licensing, supervisory authority and prudential regulation of banking sectors and financial institutions in Bangladesh. The Bank Companies Act, 1991, empowers Bangladesh Bank to issue licenses to carry out banking business in Bangladesh. According to schedules of the rules of business, 1996, finance division of the Ministry of Finance is responsible for administration and interpretation of the Bangladesh Bank Order, 1972. There is no specific law under Modes 1 (cross border supply) and 2 (consumption abroad). However, financial services are being provided by the international credit card as per the rules of respective banks, and each bank has its own rules in this context. Under Mode 3, any company, registered with the Register of Joint Stock Companies (RJSC), under the Companies Act, 1994, incorporated in Bangladesh or incorporated outside Bangladesh, can achieve the right to operate banking services in Bangladesh by obtaining license from Bangladesh Bank under Banking Companies Act, 1991, and by satisfying the following conditions as per the Bangladesh Bank guide lines:

- That the company is or will be in a position to pay its present or future depositors in full as their claims accrue;
- The proposed banking company shall have minimum Taka 1000 million as paid up capital. However, for setting up of a regional bank the paid up capital may be fixed at Taka 500 million.
- The sponsors' equity shall be at least 50 percent of the paid up capital.
- The bank shall have to issue public share within 4 (four) years from the commencement of banking business.
- No person, company or members of a family shall buy more than 10 percent share of the proposed bank either personally, jointly or in both. Here "family" means and

includes spouse, father, mother, son, daughter, brother, sister of the person and any other person dependant of such person.

- The restriction of holding 10 percent of banks share by a sponsor may be relaxed up to 25 percent in case of a bank to be set up in joint venture with foreign financial institution or banking company.

For establishing a branch of foreign bank in Bangladesh, a foreign bank must satisfy the following rules:

- All Foreign Banks shall be required to preserve CAPITAL equivalent to US\$ 10 million in Bangladesh.
- The Bank shall be required to be solvent, well established and must possess good reputation internationally.
- Volume of current trade and future trade relation with the originating country of the Foreign Bank shall be taken into consideration.
- If Branches of Foreign Banks are set up in Bangladesh, effect of the same on the overall banking sector of the country must be considered and encouragement should be given to Joint Venture efforts.
- Considerations shall have to be made also about what contribution the Bank will make towards sharing/transfer of its modern technology and how helpful that shall be in the Banking Sector of the Country.
- Of the three top ranking officers of any Foreign Bank, at least one must be Bangladeshi. All other officers/Staff must be local.
- CAMEL Rating shall be 1 or 2.
- The proposal for opening new branch shall not be taken into consideration if any existing branch of that bank is non-profitable.
- A bank having total capital between Tk. 100-150 crore may be given permission to open 5 new branches; if the total capital is between Tk. 150-200 crore then it may open 10 branches and if more than Tk. 200 crore then it may open 15 branches.
- For every five branches at least 1 branch must be established outside Dhaka and Chittagong City.

After fulfilling all the conditions for opening a new branch of a foreign bank the Bangladesh Bank has the full authority to revoke the proposal if it thinks necessary.

5.1.3.2. Insurance Sector Regulation

Insurance services are regulated by the provisions of the Insurance Act 1938, the Insurance Corporation Act, 1973 and various finance acts. The Chief Controller of Insurance (CCI), under the ministry of commerce, is responsible for supervising insurance companies' activities. To maintain uniformity and to avoid cut-throat competition, the Central Rating Committee, headed by the CCI, is in charge of setting premium for all general insurance business. Apart from the Committee, the Bangladesh Insurance Association also monitors members' compliance with the set premiums.

There is no specific regulation about the market access under modes 1 and 2. However, a Bangladeshi can buy the insurance services from the foreign providers when he is travelling or working abroad holding valid visa. There is no impediment to start insurance business obtaining license from CCI and getting registration from RJSC under the mode 3. American Life Insurance Company (ALICO) has been providing insurance services in Bangladesh for

several years. Though, there is no explicit restriction to foreign services providers on getting into insurance business in Bangladesh, the procedure is complicated and require decision from the top of the administration. Any foreign citizen can involve in insurance services in Bangladesh under Mode 4 by getting a valid visa, and also a work permit from the Board of Investment. However, till now Bangladesh allows only high officials to work in Bangladesh under professional services commitment.

5.1.4. Health Sector Regulation

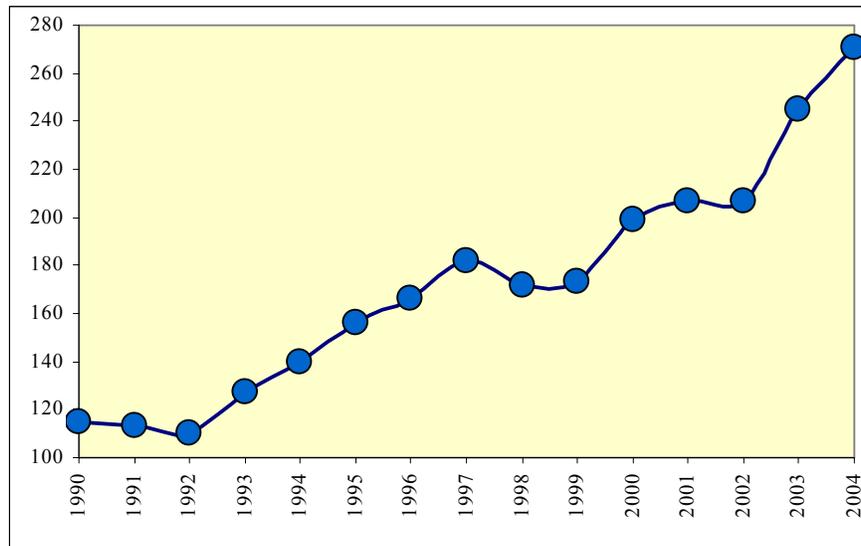
Health Related and Social Services is Category 8 in the WTO Services Sectoral Classification List (MTN.GNS/W/120), and has four main sections, namely, a) hospital services, b) other human health services, c) social services, and d) other. The dominant trade-related concern is on issues related to the international migration of health professionals as well as movements of patients.

A license from the Directorate General of Health Services under the Ministry of Health and Family Welfare is to be obtained for establishing and operating private clinic or hospitals in Bangladesh by fulfilling certain terms and conditions. There is no specific rule regarding the Mode 1 (cross border supply). But people can avail health services from outside Bangladesh through telephone, internet, etc. In case of Mode 2, a valid visa holder can avail services from any hospitals or clinic paying specific services. Under Mode 3, a company, incorporated outside Bangladesh, may operate health services in Bangladesh subject to having a valid license from the Directorate General of Health Services under the Medical Practice and Private Clinics and Laboratories (Regulation) Ordinance, 1982. There is no specific rule regarding Mode 4. A foreign health professional needs permission from the Ministry of Health through Bangladesh Medical and Dental Council (BMDC). As per the BMDC rules, a foreign practitioner is given temporary permission up to 6 months to practice in Bangladesh. Moreover, s/he has to obtain the work permit from the Board of Investment.

5.1.6. Tourism Sector Regulation

Bangladesh has enormous potentials in tourism given its main attractions like sea beaches in Cox's Bazar and wildlife in Sundarban region. Sundarban is already declared as world heritage by the UNESCO. Tourism in Bangladesh has attracted major investment especially in the building of five star hotels. International arrivals in Bangladesh have been increasing in recent years and in 2003 the number of arrivals stood at 245,000 (Figure 8). However, in 2003, the expenditure made by the international tourists was only US\$ 57 million, which was very low. The tourism booming is expected to occur in 2011 with the World Cricket Championship in South Asia including Bangladesh.

Figure 8: Arrivals of Visitors in Bangladesh (in thousands)



The three regulatory bodies responsible for the regulations of the tourism, hotels and restaurants are Tourism Cell under the Ministry of Civil Aviation and Tourism, the Controller of Hotels and Restaurant, and the Hotels and Restaurant Advisory Committee. As can be discerned in Bangladesh's schedule of specific commitments, there are market access limitations under modes 1 and 2. But in the existing legislation, there are no specific rules and regulations under modes 1 and 2. However, any persons from a country which has diplomatic relation with Bangladesh may avail tourism services in Bangladesh as per the Visa Rules 2006. There is no specific legislation under Mode 3 for this sector. However, the existing laws dealing with hotel and restaurant and travel agent are to some extent relevant with tourism services in Bangladesh. Any person including a company incorporating in Bangladesh and outside Bangladesh may open hotel or restaurant after getting registration from Controller on payment of prescribed fees satisfying certain conditions including conformity to the prescribed standard of health, hygiene and comfort, furnishing at its own expenses, certificates of medical fitness from a Civil Surgeon in respect of its staff, provided the building is structurally safe and adequately protected against fire or an accident arising out of electricity or gas and safety of the guest or customers is ensured. There is no fixed ratio of equity between local and foreign investors. Foreign equity up to 100 percent is allowed. Moreover, any company, incorporating inside Bangladesh or incorporating outside Bangladesh, can establish travel agency after getting license from the registration authority. Existing legislation does not provide any rule governing Mode 4.

VI. Experiences of Bangladesh in GATS negotiations and their implications

The creation of the GATS was one of the landmark achievements of the Uruguay Round. The GATS was inspired by essentially the same objectives as its counterpart in merchandise trade, the General Agreement on Tariffs and Trade (GATT): creating a credible and reliable system of international trade rules; ensuring fair and equitable treatment of all participants (principle of non-discrimination); stimulating economic activity through guaranteed policy bindings; and promoting trade and development through progressive liberalisation (WTO 2007). The GATS classifies services into 12 categories and four modes of supply (Box 3). The GATS

allows WTO members to select the sectors, modes of supply and regulatory conditions in which market opening commitments are made. Because of such flexibility the agreement is often described as the most development friendly of all Uruguay Round agreements. Among all WTO agreements, the GATS allows its member countries in integrating the multilateral trading system at their own pace and in accordance with their national priorities and objectives.

Box 3: The Modes of Services Delivery under the GATS
Mode 1: Cross-border supply covers services flows from the territory of one Member into the territory of another Member (e.g. banking or architectural services transmitted via telecommunications or mail).
Mode 2: Consumption abroad refers to situations where a service consumer (e.g. tourist or patient) moves into another Member's territory to obtain a service.
Mode 3: Commercial presence implies that a service supplier of one Member establishes a territorial presence, including through ownership or lease of premises, in another Member's territory to provide a service (e.g. domestic subsidiaries of foreign insurance companies or hotel chains).
Mode 4: Presence of natural persons consists of persons of one Member entering the territory of another Member to supply a service (e.g. accountants, doctors or teachers). The Annex on Movement of Natural Persons specifies, however, that Members remain free to operate measures regarding citizenship, residence or access to the employment market on a permanent basis.

Source: World Trade Organisation Website

The GATS also provides a general framework for negotiations on further liberalisation in service trade. The negotiations take place under the request-offer process model, whereby WTO member countries submit requests to their trading partners to open up their some specific service sectors. On the other hand, the same governments give offers to their trading partners indicating how far they are willing to open up their specific services sectors. Once a country agrees, through negotiations in the WTO, to liberalise a sector, it must be listed in a schedule of specific commitments. By committing a services sector to liberalise, the country is legally bound by GATS to provide national treatment and MFN treatment.

Negotiation under GATS is important for Least Developing Countries (LDCs), as the countries are facing severe constraints in economic development due to poor infrastructure, poor institutional settings and malgovernance. Service sector is the dominant sector in all economy. As the services sector in LDCs is in a very initial stage, there is a huge growth potential of the domestic service market. LDCs including Bangladesh should be very strategic in the request-offer process under GATS settings, as these countries are the lucrative targets for developed countries. Without necessary precautions and adequate readiness, LDCs including Bangladesh will be lucrative targets for strong market players which might jeopardise the growth potential of the domestic service market (Raihan, 2005). Among the major supply constraints that prevent the building of a competitive service sector in LDCs as well as in Bangladesh are the lack of the following factors: human resources and technology to ensure that professional and quality standards are met; telecommunications infrastructure;

a national strategy for export of services; government support to help service firms, especially small and medium enterprises; financial capacity of firms; presence in major markets; and the ability to offer a package of services (UNCTAD, 1999).

The outcomes of ongoing GATS negotiation process will have a significant implication on the national development initiative. Bangladesh should have a clearly defined negotiation strategy, based on a clear conceptual framework and understanding that might be done in order to make GATS negotiations conducive for the economic development of the country. Every strategy should have a fallback position, if it becomes necessary. Most of the relevant literature push emphasize on the negotiation on Mode 4 as Bangladesh has comparative advantage on the movement of natural person. But there are other areas in services sector that have also huge growth potentials.

6.1. Bangladesh's Role and Status in the Negotiation Process

Under the GATS, special and differential treatment (S&DT) has been accorded with particular priority given to LDCs. Box 4 provides a summary of the mandates for according special priority for the LDCs. Such guidelines have been instrumental to increase the participation of LDCs in the service negotiation and to address their requirements and objectives in line with their national priorities. Bangladesh had been active in supporting and strengthening the multilateral trading system, and its leading role among least developed countries in the WTO, addressing their specific needs and concerns, was well appreciated. Bangladesh has played the role of spokesman of LDCs in WTO negotiation process for two times since the completion of the Uruguay Round. For taking necessary preparation for Cancun Ministerial Meeting, Bangladesh hosted the second LDC Ministerial Meeting in Dhaka on May, 2004. A declaration was adopted in the final day of the meeting which emphasized on temporary movement of natural persons (TMNP), and the priorities in the Dhaka declaration was reflected in the Special Modalities for LDCs adopted by WTO. Special Modalities for LDCs adopted 14 out of 20 points in the Dhaka Declaration, which should be considered as a great success for Bangladesh in the negotiation process. The Bangladesh Mission in Geneva has been playing a proactive role in the different negotiating committees which discussed issues of interest to Bangladesh.

The development elements in GATS naturally promoted Bangladesh as well as LDCs to take part effectively in the negotiation process. However, the Hong Kong Declaration may have serious implications for LDCs. The Hong Kong Declaration, for the first time, explicitly recognises that LDCs are not expected to undertake new commitments in services negotiations (paragraph 26). This provision is to protect LDCs from liberalising sectors where they do not wish to make a commitment. However, the concern is that when LDCs are not required to undertake new commitments, they may be reluctant to take part in the discussion and negotiations, since they might consider that anything agreed between developed and developing countries will be passed on to them on an MFN basis. From the basic trade theory suggestions, being reluctant to liberalise may result in depriving the LDCs from potential welfare gain. Therefore, there is a need for LDC negotiation strategies taking into account the general interests of LDCs.

Box 4: Summary of Mandates for According Special Priority

- **GATS Article IV:3** provides special priority for LDCs
- **Paragraph 6, LDC Modalities** requires Members to provide effective market access
- **Paragraph 7, LDC Modalities** requires Members to develop appropriate mechanisms with a view to achieving full implementation of GATS Article IV:3
- **Paragraph 47, Hong Kong Ministerial Declaration** calls on Members to implement the LDC Modalities and give priority to sectors and modes of interest to LDCs
- **Paragraph 3, Annex C, Hong Kong Declaration** calls for full and effective implementation of the LDC Modalities
- **Paragraph 9 (a), Annex C Hong Kong Declaration** requires Members to develop appropriate mechanisms for according special priority in sectors and modes of interest in accordance with Article IV:3 and paragraph 7 of the LDC modalities
- **Paragraph 9 (b), Annex C, Hong Kong Declaration** calls for undertaking commitments in sectors and modes of supply of interest to be identified by LDCs
- **Paragraph 11 (e), Annex C, Hong Kong Declaration** provides a deadline for implementation of 9(a) of 31 July 2006

Source: South Centre (2006)

Bangladesh opened its domestic markets for specific categories like banking and financial services, but did not place these as binding commitments in GATS negotiations from the fear of not being able to control in case of serious balance of payments crisis. Commitments of Bangladesh are only for the telecommunication, travel and tourism services. Bangladesh may place requests through plurilateral negotiations. The country can make use of the domestic regulation provisions for dealing with balance of payment considerations in offering some liberalisation.

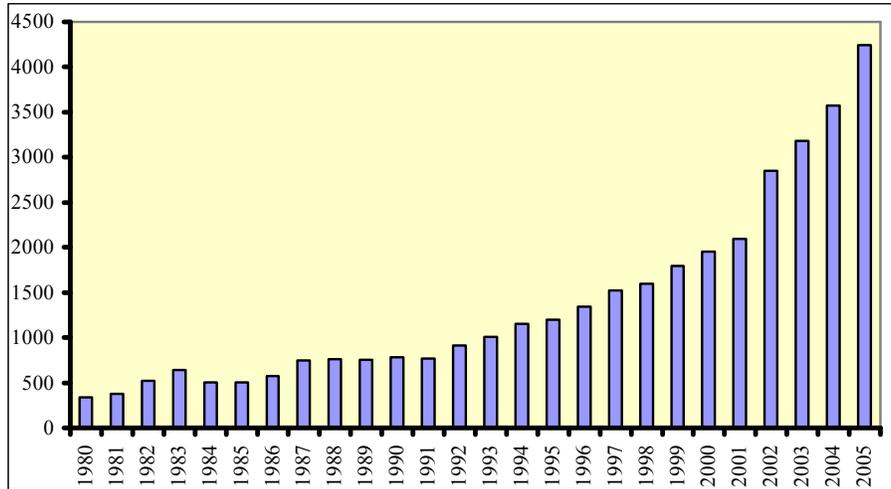
6.1. The Cases where Bangladesh has Offensive Interests

Among different services category, Bangladesh's success lies especially on the human resource based services export. However, there are numerous trade barriers in the developed countries regarding this sector, which, if removed, would have resulted in a huge welfare gain for Bangladesh. Bangladesh's offensive interest in the GATS negotiations is restricted primarily to one mode of service delivery: Mode 4 involving movement of natural person. The policy stance of Bangladesh should focus on the negotiations relating the 'non-reciprocal' mode 4 liberalisation, separation of temporary from permanent movements of natural persons, and to go for plurilateral negotiations with the developing countries to place the request for multiple entry GATS visa. Further there should be request for provisions to bring uniformity in definition of service personnel and to increase coverage.

Bangladesh's strength in Mode 4-based exports is well established by now. In fact, remittance income from mode 4 or temporary movement of natural persons has been the key driving force behind the improvement of Bangladesh's balance of payments during the last decade. Figure 9 shows the trend in the flow of remittances coming into Bangladesh, and it appears that in recent years remittance inflow has been experiencing a steady rise. Bangladesh has comparative advantage in Mode 4-based unskilled or semi-skilled labour force export. Bangladesh has emerged as an important source of unskilled or semi-skilled labour service providers, mainly to the Middle Eastern and increasingly to the South East Asian countries. A large chunk of low or semiskilled workers from Bangladesh are engaged

in a wide range of occupations in these countries including construction workers, production workers, transport equipment operators, domestic helps etc.

Figure 9: Remittance Inflow in Bangladesh (million US\$)



Source: WDI (2007)

The key agendas that Bangladesh should highlight in the negotiation process are to facilitate the movement of professionals (Mode 4) who have the capacity and compatibility to work in the developed countries; to request countries to do away with Economic Needs Tests (ENTs) and Labour Market Tests (LMTs), which hampers effective market access to Bangladeshi workers; and enter into discussions for having Mutual Recognition Agreement for educational qualifications and licensing requirements and procedures.

6.2. Bangladesh's Commitments and Exemptions in GATS

Under the GATS provision, each Member is required to assume specific commitments relating to market access and national treatment in designated sectors. The relevant sectors as well as any departures from the relevant obligations of Articles XVI and XVII are to be specified in the country's Schedule of Commitments. Article XVI (Market Access) and XVII (National Treatment) requires Members to giving no less favourable treatment to foreign services and service suppliers than provided for in the relevant columns of their Schedule. Commitments thus guarantee minimum levels of treatment, but do not prevent Members from being more open (or less discriminatory) in practice.

The implementation of the GATS agreement is done through the listing of horizontal and specific sectoral commitments in the Members' Schedule. Horizontal commitments on the four modes of service supply apply to all sectors, while specific commitments apply only to listed service sectors and sub sectors. This listing of sectors committed for liberalisation is the '*positive approach*' of the GATS. In addition, countries have to list non-conforming measures present in the domestic laws and regulations that affect 'market accesses and 'national treatment' of foreign service providers for such measures to be WTO-compatible. This is the '*negative list*' approach in the GATS schedule. Thus, the GATS is a combination of both positive and negative list approach.

While making commitments in trade in services on market access, national treatment, and MFN treatment, Bangladesh adopted cautious approach. It was guided by a number of considerations. Bangladesh like many LDCs found that the GATS allows the capital of developed countries greater market access in the developing countries through Mode 3 while market access to the unskilled or semiskilled labour of developing countries through Mode 4 is restricted. The services sector in Bangladesh, like many other LDCs and developing countries, is far less developed compared to that of developed countries, and hence under free trade in services the country is likely to be in a disadvantageous position. Moreover, the existing legal and regulation infrastructure should undergo minimum structural changes.

Bangladesh has made certain specific horizontal commitments on Market Access and National Treatment with some limitations relating to commercial presence (Mode 3) and movement of natural persons (Mode 4) in case of the communication and tourism sectors. GATS classified tourism sector into four sub-sectors and Bangladesh made commitments in one sub-sector namely Five Star Hotels. Annex 1 shows the commitments for communication sub-sector.

6.3. Bangladesh and the Request-Offer Process

In the request-offer process in the ongoing WTO market access negotiations in services, more than 160 requests and around 47 offers have been submitted by WTO Members by December 2004. Several initial offers have been derestricted by the Member concerned. The ratio of requests from developed and developing countries is almost 1:1, although only a few LDCs have issued requests. Generally speaking, developing countries seem more interested in negotiations in tourism, communications, distribution, construction, computer and related services, while the interests of developed countries are in business service, transport, financial service, energy services, environmental services, maritime transport services and education services. In Mode 4 the developed and developing countries both have shown equal interest. (Werth, 2005).

After the inception of GATS, nine countries, including European Commission, USA, Japan and Malaysia, have submitted their request to Bangladesh to liberalise a number of services sectors (Table 15). The requests to Bangladesh have covered wide range of sectors except education and health sectors. Singapore requested for opening up transport services and ECs requests include undertaking or improving commitments in business service, telecommunication service, construction and related engineering services, environmental services, financial services, and transport services. In terms of coverage of sectors and sub-sectors, it is observed that the requests to Bangladesh cover 10 sectors out of 12, and 127 sub sectors out 161 (Annex 2). The requests were limited to market access under Modes 1, 2, and 3, except in case of telecoms, while there were national treatment requests on all sub sectors. Under 'Horizontal Commitment', requests were made for Mode 4 and on the removal of certain MFN exemptions in telecoms.

Table 15: Sectors and the Requesting Countries

Sectors	Requesting countries
1. Business services	Malaysia, USA, Korea, Sri Lanka, EC,
2. Communication Services	USA, Japan, Norway, Sri Lanka, Hong Kong, EC and Korea.
3. Construction and Related Engineering Services	Japan, Korea, and EC
4. Distribution Services	Japan, USA
5. Education Services	None
6. Environmental Services	USA, Norway, and EC
7. Financial Services	USA, Japan, Korea, Sri Lanka, and EC
8. Health related and social Services	None
9. Tourism and Travel Related Services	Sri Lanka
10. Recreational, Cultural, and Sporting Services	Korea, USA
11. Transport Services	Singapore, Japan, EC, Hong Kong, and Sri Lanka
12. Other Services	USA, Japan, Singapore, Norway, EC, and Korea

Source: Bhuyan (2007)

Although Bangladesh prepared a request for special commitments during the negotiations, Bangladesh has so far not submitted initial GATS request to trading partners. Bangladesh request includes the softening the immigration policy, visa procedures, licensing requirements, exemptions from social security taxes, and mutual recognition of qualifications etc.

VII. Technical Assistance Required for Bangladesh

Different country experiences suggest that trade liberalisation alone cannot act for growth and development. Especially for the LDCs, lack of trade related infrastructure facilities and deficiency of knowledge on sectoral potentiality deprive them from gaining through greater openness. The problem of lack of infrastructure facilities is acute for Bangladesh, which involves poor transportation, port and customs, and storage facilities, along with power supply and communication system. The marketing and distribution facilities are far from satisfactory level. Moreover, Bangladesh experienced problems of implementing WTO commitments, in particular, concerning notifications, partly due to lack of know-how and institutional capacity. ‘WTO Cell’ under the Ministry of Commerce and ‘Bangladesh Foreign Trade Institute’ have been formed to improve the institutional and human capacity in trade negotiations. Despite these efforts, Bangladesh still lacks the capacity to manage the whole negotiation process.

The complications relating service trade negotiations call for Bangladesh and other LDCs to know ways to deal with intricate matters associated with specific details of various provisions. It is also important for policy makers to be able to assess the potential implications arising out of certain provisions. Furthermore taking effective participation in services trade may require enacting the necessary domestic regulations in place. All these will require technical assistance to LDCs and their effective utilisation.

Aid for Trade can be an effective instrument to provide technical assistance to Bangladesh in this regard to build the supply capacity for services sectors, to strengthen domestic services capacity, efficiency and competitiveness, to build institutional and human capacity, and to put up requisite infrastructure and new technologies. The scopes and contents of Aid for

trade, so far, include assisting diagnostic works, technical assistance and budget support, trade integration mechanism and integrated framework, impact and needs assessment, improving trade related global public goods, e.g. trade database, analytical tools etc. and ensuring country ownership of trade strategy. Technical assistance through the Integrated Framework could be provided to Bangladesh in this regard and it will help improve the institutional capacity of the country to participate actively in GATS negotiations, and will help implement commitments to GATS. Moreover, technical assistance will be needed to assist in the undertaking of appropriate regulatory reforms and translating the services regulatory framework into GATS language.

The Hong Kong Declaration emphasized on assisting LDCs to enable them to identify sectors and modes of supply that represent development priorities. The full and effective implementation of LDC modalities also calls for providing targeted and effective technical assistance and institutional capacity building for LDCs. However, there is no such initiative from the developed country members to consider the special priority sectors and LDC modes of supply. There also lacks LDC initiatives to prepare a negotiable ground for this. Bangladesh should identify the areas where technical assistance is required.

VIII. Concluding Remark

This paper has highlighted some major issues related to trade liberalization and domestic regulation in some services sectors in Bangladesh. This paper also analysed the domestic preparedness of further liberalization in the services sectors in Bangladesh. It appears that, though there are some significant potential of gains from further trade liberalization, a rather slow and cautious approach is preferred by many stakeholders. Also, there is a need to strengthening up the domestic regulation rules and capacity in the process of services trade liberalization in a number of services sectors.

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Annex 1

Bangladesh - Schedule of Specific Commitments

Modes of supply: 1) Cross-border supply, 2) Consumption abroad, 3) Commercial presence, 4) Presence of natural persons			
Sector or subsector	Limitations on Market Access	Limitations on National Treatment	Additional Commitments
2. COMMUNICATION SERVICES C. <u>Telecommunication services</u> All Subsectors	(4) The employment of foreign natural persons for the implementation of foreign investment shall be agreed upon by the contracting parties and approved by the Government and such personnel shall be employed in higher management and specialised jobs only.	(1,3) Certain subsidies and tax benefits may only be extended to national operators.	The creation of regulatory disciplines is under review. If the outcome of this review permits then additional commitments on regulatory disciplines will be attached before 1 January 1998.
<u>For public use</u> <u>International service:</u> a. Voice telephone services b. Packet-switched data transmission services c. Circuit-switched data transmission services d. Telex services e. Telegraph services g. Private leased circuit services	(1) No bypass of network facilities of Government operator. No call-back or refile allowed. (2) None (3) Reserved to exclusive supply by the Government operator (4) Unbound except as indicated under All Subsectors	(1)None (2)None (3)None (4)None	
<u>For public use</u> <u>Fixed network infrastructure,</u> <u>Domestic long distance and local service:</u> a. Voice telephone services g. Private leased circuit services	(1)No bypass of network facilities of Government operator (2)None (3)Two licenses are issued to private operators, each to serve designated administrative (rural) areas in competition with the Government operator	(1)None (2)None (3)None	

Modes of supply: 1) Cross-border supply, 2) Consumption abroad, 3) Commercial presence, 4) Presence of natural persons			
Sector or subsector	Limitations on Market Access	Limitations on National Treatment	Additional Commitments
	(4)Unbound except as indicated under All Subsectors	(4)None	
<u>For non-public use</u> ⁴ (i.e., services supplied to closed user groups):	(1)No bypass of network facilities of Government operator	(1)None	
a. Voice telephone services	(2)None	(2)None	
b. Packet-switched data transmission services	(3)Only on network facilities supplied by the Government operator and other licensed public-service operators.	(3)None	
c. Circuit-switched data transmission services	Two-ended breakout and resale of excess capacity are not permitted (4)Unbound except as indicated under All Subsectors	(4)None	
f. Facsimile services	(1)No bypass of network facilities of Government operator (2)None (3)Only on network facilities supplied by the Government operator and other licensed public-service operators (4)Unbound except as indicated under All Subsectors	(1)None (2)None (3)None (4)None	
o. Other			

⁴ Means exclusive use of services by users within a corporate body. This use includes communication between corporate branches and affiliates but cannot be accessed for PSTN subscribers for commercial use.

Modes of supply: 1) Cross-border supply, 2) Consumption abroad, 3) Commercial presence, 4) Presence of natural persons			
Sector or subsector	Limitations on Market Access	Limitations on National Treatment	Additional Commitments
Internet access services	(1)No bypass of network facilities of Government operator (2)None (3)Only on network facilities supplied by the Government operator and other licensed public-service operators. (4)Unbound except as indicated under All Subsectors	(1)None (2)None (3)None (4)None	
Mobile services (terrestrial) -Cellular/mobile voice telephone services	(1)No bypass of network facilities of Government operator (2)None (3)Four licences issued to private operators, in addition to the Government operator (4)Unbound except as indicated under All Subsectors	(1)None (2)None (3)None (4)None	
VSAT services	(1)No bypass of network facilities of Government operator (2)None (3)Reserved to supply by the Government operator, who has entered into build-operate transfer arrangements with three foreign suppliers	(1)None (2)None (3)None	

Modes of supply: 1) Cross-border supply, 2) Consumption abroad, 3) Commercial presence, 4) Presence of natural persons			
Sector or subsector	Limitations on Market Access	Limitations on National Treatment	Additional Commitments
	(4)Unbound except as indicated under All Subsectors	(4)None	
Gateway earth station services	(1)No bypass of facilities of Government operator (2)None (3)Reserved to exclusive supply by the Government operator (4)Unbound except as indicated under All Subsectors	(1)None (2)None (3)None (4)None	
Teleconferencing services (75292)	(1)No bypass of network facilities of Government operator (2)None (3)Reserved to exclusive supply by the Government operator (4)Unbound except as indicated under All Subsectors	(1)None (2)None (3)None (4)None	
Telecommunications terminal equipment (telephone sets, fax machines, PABX, cellular handsets) sales, rental, maintenance, connection, repair and consulting services	(1)None (2)None (3)None (4)Unbound except as indicated under All Subsectors	(1)None (2)None (3)None (4)None	

Source: WTO Web Site

Annex 2

Requests to Bangladesh according to the GATS service classification

Major Category	Major Sub-category	Service Sub-sectors	Countries	Remarks
1. Business Services				
	<i>1A. Professional Services</i>		Malaysia	
		1A (a). Legal Services	Malaysia, USA	
		1A (b). Accounting, Auditing and Bookkeeping Services	Malaysia, USA	
		1A(c). Taxation Services		
		1A (d). Architectural Services	Korea, Malaysia	
		1A (e). Engineering Services	Korea, Malaysia	
		1A (f). Integrated Engineering services	Korea, Malaysia	
		1A (g). Urban Planning and Landscape Architectural Services	Korea, Malaysia	
		1A (h). Medical Dental Services	Malaysia	
		1A (I). Veterinary Services	Malaysia	
		1A (j). Services Provided by Mid Wives, Nurses, Physiotherapists, and Para-Medical Personnel	Malaysia	
		1A (k). Other	USA (design), Malaysia	
	<i>1B. Computer and Related Services</i>		EC, Sri Lanka	
		1B (a). Consultancy Services Installation of Computer Related to the Hardware	EC, Sri Lanka	
		1B (b). Software Implementation Services	EC, Sri Lanka	
		1B(c). Data Processing Services	EC, Sri Lanka	
		1B (d). Database Services	EC, Sri Lanka	
		1B (e). Other	EC, Sri Lanka	
	<i>1C. Research and Development Services</i>			
		1C (a). R&D Services on Natural Science		
		1C (b). R&D Services on Social Sciences and Humanities		
		1C(c). Interdisciplinary R&D Services		
	<i>1D. Real Estate Services</i>			
		1D(a). Involving Owned or Leased Property		
		1D(b). On a Fee on Contract Basis		
	<i>1E. Rental/Leasing Services Without Operators</i>			
		1E(a). Relating to Ships		
		1E(b). Relating to Aircraft		
		1E(c). Relating to Other Transport Equipment		
		1E(d). Relating to Other Machinery and Equipment		
		1E(e). Other		
	<i>1F. Other Business Services</i>		EC	
		1F(a). Advertising Services	Korea, EC	
		1F(b). Market Research and Public Opinion Polling Services	EC	

Major Category	Major Sub-category	Service Sub-sectors	Countries	Remarks
		1F(c). Management Consulting Services	EC	
		1F(d). Services Related to Management Consulting	EC	
		1F(e). Technical Testing and Analysis Service	EC	
		1F(f). Services Incidental to Agriculture, Hunting, and Forestry	EC	
		1F(g). Services Incidental to Fishing	EC	
		1F(h). Services Incidental to Mining	EC	
		1F(I). Services Incidental to Manufacturing	EC	
		1F(j). Services Related to Energy Distribution	USA, EC	
		1F(k). Placement and Supply Services to Personnel	EC	
		1F(l). Investigation and Security	EC	
		1F(m). Related Scientific and Technical Consulting Services	EC	
		1F(n). Maintenance and Repair of Equipment (not including maritime vessels, aircraft other transport equipment)	EC	
		1F(o). Building Cleaning Services	EC	
		1F(p). Photographic Services	EC	
		1F(q). Packaging Services	EC	
		1F(r). Printing/Publishing Services	Korea, EC	Korea: None except publishing of newspapers and periodicals; M1,2,3-None in MA and NT; M4-Horizontal Section
		1F(s). Convention Services	EC	
		1F(t). Other	USA (design), EC, Singapore (ship braking)	
2. Communication Services				
	<i>2A. Postal Services</i>			
	<i>2B. Courier Services</i>		USA	
	<i>2C. Telecommunication Services</i>		Japan, Norway, Hong Kong, Sri Lanka	Remove two MFN exemptions on application of different accounting rates: Norway, Hong Kong
		2C(a). Voice Telephone Services	Japan, Norway, EC, Hong Kong, Sri Lanka	Full commitment to the reference paper on regulatory principles to the basic telecommunication regulations

Major Category	Major Sub-category	Service Sub-sectors	Countries	Remarks
		2C(b). Packet Switched Data Transmission Services	Japan, Norway, EC, Hong Kong, Sri Lanka	
		2C(c). Circuit Switched Data Transmission Services	Japan, Norway, EC, Hong Kong, Sri Lanka	
		2C(d). Telex Services	Japan, Norway, Hong Kong, Sri Lanka	
		2C(e). Telegraph Services	Japan, Norway, Hong Kong, Sri Lanka	
		2C(f). Facsimile Services	Japan, Norway, Hong Kong, Sri Lanka	
		2C(g). Private Leased Circuit Services	Japan, Norway, Hong Kong, Sri Lanka	
		2C(h). Electronic Mail	Japan, USA, Norway, Hong Kong, Sri Lanka	
		2C(i). Voice mail	Japan, Norway, Hong Kong, Sri Lanka	
		2C(j). Online Information and Database Retrieval	Japan, USA, Norway, Hong Kong, Sri Lanka	
		2C(k). Electronic Data Interchange	Japan, USA, Norway, Hong Kong, Sri Lanka	
		2C(l). Enhanced/Value Added Facsimile Services, including Store and Forward, Store and Retrieve	Japan, Norway, Hong Kong, Sri Lanka	
		2C(m). Code and Protocol Conversion	Japan, USA, Norway, Hong Kong	
		2C(n). Online Information and/or Data Processing (including transaction processing)	Japan, USA, Norway, Hong Kong, Sri Lanka	
		2C(o). Other Services	Japan, USA, Norway, Hong Kong, Sri Lanka, Malaysia (Satellite & VSAT)	
	<i>2D. Audiovisual Services</i>			
		2D(a). Motion Picture and Video Tape Production and Distribution Services	Korea	
		2D(b). Motion Picture Projection Service		
		2D(c). Radio and Television Services		
		2D(d). Radio and Television Transmission Services		
		2D(e). Sound Recording	Korea	
		2D(f). Other		

Major Category	Major Sub-category	Service Sub-sectors	Countries	Remarks
3. Construction and Related Engineering Services			Japan, Korea, EC	Japan: Requests that the immigration procedure and the criteria for the acquisition of stay and work permit be made public and transparent
		<i>3A. General Construction for Buildings</i>	Japan, EC, Korea	
		<i>3B. General Construction Work for Civil Engineering</i>	Japan, EC, Korea	
		<i>3C. Installation and Assembly Work</i>	Japan, EC, Korea	
		<i>3D. Building Completion and Finishing Work</i>	Japan, EC, Korea	
	<i>3E. Others</i>		Japan, EC, Korea	
4. Distribution Services			Japan	Japan: Requests that the immigration procedure and the criteria for the acquisition of stay and work permit be made public and transparent
		<i>4A. Commission Agents' Services</i>	Japan	
		<i>4B. Wholesale Trade Services</i>	USA, Japan	
		<i>4C. Retailing Services</i>	USA, Japan	
		<i>4D. Franchising</i>	Japan	
		<i>4E. Other</i>	Japan	
5. Educational Services				
		<i>5A. Primary Education Services</i>		
		<i>5B. Secondary Education Services</i>		
		<i>5C. Higher Education Services</i>		
		<i>5D. Adult Education</i>		
		<i>5E. Other Educational Services</i>		
6. Environmental Services			USA, Norway, EC	
		<i>6A. Sewage Services</i>	USA, Norway, EC	
		<i>6B. Refuse Disposal Services</i>	USA, Norway (Solid/hazardous waste management), EC (Solid/hazardous waste management)	
		<i>6C. Sanitation and Similar Services</i>	USA	
		<i>6D. Other</i>	USA, Norway	

Major Category	Major Sub-category	Service Sub-sectors	Countries	Remarks
		Water for Human use	Norway, EC	
		Protection of ambient air and climate	Norway, EC	
		Remediation of cleanup of soil and water	Norway, EC	
		Noise and Vibration abatement	Norway	
		Protection of biodiversity and landscape	Norway	
7. Financial Services			USA, Japan, Korea, EC	Japan: Requests that the immigration procedure and the criteria for the acquisition of stay and work permit be made public and transparent
	<i>7A. All Insurance and Insurance Related Services</i>		USA, EC, Sri Lanka, Korea	
		7A(a). Life, Accident and Health Insurance Services	USA, Japan, Korea, EC, Sri Lanka	Specific request for this sub-sector under mode 3
		7A(b). Non-Life Insurance Services	USA, Japan, Korea, EC, Sri Lanka	
		7A(c). Reinsurance and Retrocession	USA, Japan, Korea, EC, Sri Lanka	Specific request for this sub-sector under mode 1
		7A(d). Services Auxiliary to Insurance (including broking and agency services)	USA, Japan, Korea, EC, Sri Lanka	
	<i>7B. Banking and Other Financial Services</i>		USA, Japan, Korea, EC, Sri Lanka	EC: acceptance of deposits, lending of all types, financial leasing, all payment and money transmission under mode 3; EC: commitments on provision and transfer of financial information and advisory and other auxiliary financial services; Korea: Elimination of the limitation on the total number of expatriates
		7B(a). Acceptance of Deposits, and Other Repayable Funds from the Public	USA, Japan, Korea, EC, Sri Lanka	
		7B(b). Lending of All Types including inter alia, Consumer Credit, Mortgage Credit, Factoring and Financing of Commercial Transaction	USA, Japan, Korea, EC, Sri Lanka	

Major Category	Major Sub-category	Service Sub-sectors	Countries	Remarks
		7B(c). Financial Leasing	USA, Japan, Korea, EC, S Lanka	
		7B(d). All Payment and Money Transmission Services	USA, Japan, Korea, EC, Sri Lanka	
		7B(e). Guarantees and Commitments	USA, Japan, Korea, EC, Sri Lanka	
		7B(f). Trading for Own Account of for Account of Customers, whether on an exchange, in an over-the-counter market or otherwise, the following: money market instruments, foreign exchange, derivative products including but not limited to options and futures, exchange rate and interest rate instruments, transferrable securities, other negotiable instruments and financial assets.	USA, Japan, Korea, EC, Sri Lanka	
		7B(g). Participation in Issues of All Kinds of Securities, includign Underwriting and Placement as Agent and Provision of Service Related to Such Issues	USA, Japan, Korea, EC, Sri Lanka	
		7B(h). Money Broking	USA, Japan, Korea, EC, Sri Lanka	
		7B(i). Asset Management	USA, Japan, Korea, EC, Sri Lanka	
		7B(j). Settlement and Clearing Services for Financial Assets	USA, Japan, Korea, EC, Sri Lanka	
		7B(k). Advisory and Other Auxilliary Financial Services	USA, Japan, Korea, EC, Sri Lanka	
		7B(l). Provision and Transfer of Financial Information, and Financial Data Processing and Related Software by Providers of Other Financial Services	USA, Japan, Korea, EC, Sri Lanka	
		7C. Other	USA, Japan, Korea, EC, Sri Lanka	
8. Health Related and Social Services				
		8A. Hospital Services		
		8B. Other Human Health Services		
		8C. Social Services		
		8D. Other		
9. Tourism and Travel Related Services				
		9A. Hotels and Restaurants (including catering)	Sri Lanka	
		9B. Travel Agencies and Tour Operator Services		
		9C. Tourist Guide Services		
		9D. Other		
10. Recreational, Cultural and Sporting Services				
		10A. Entertainment Services	Korea	
		10B. News Agency Services		
		10C. Libraries, Archives, Museums, and Other Cultural Services		
		10D. Sporting and Other Recreational Services		
		10E. Other	USA (world artistic creation)	

Major Category	Major Sub-category	Service Sub-sectors	Countries	Remarks
11. Transport Services			Singapore, Japan, EC	Japan: Requests that the immigration procedure and the criteria for the acquisition of stay and work permit be made public and transparent
	<i>11A. Maritime Transport Services</i>		Singapore, Japan, EC	Singapore: full commitments 1, 2, 3
		11A(a). Passenger Transportation	Singapore, Japan, EC	
		11A(b). Freight Transportation	Singapore, Japan, Hong Kong, EC (international transport, maritime auxiliary, multimodal activities, equipment, international cargo)	HK: Make MA and NT Commitments, Make MA and NT commitments in other MTS sub-sectors including the rental of vessels with crew and maintenance and repair of vessels, all commitments should be based on MFN basis
		11A(c). Rental of Vessels with Crew	Japan, EC, Hong Kong	
		11A(d). Maintenance and Repair of Vessels	Japan, EC, Hong Kong	
		11A(e). Pushing and Towing Services	Singapore, Japan, EC	
		11A(f). Supporting Services for Maritime Transport	Singapore (maritime agency, classification societies), Japan, Hong Kong (cargo handling, storage and ware housing, customs clearance, transport agency, container station and depot, inventory management, order processing, production planning, production control), EC	
	<i>11B. Internal Waterways Transport</i>		Singapore, Japan	
		11B(a). Passenger Transportation	Singapore, Japan	
		11B(b). Freight Transportation	Singapore, Japan	
		11B(c). Rental of Vessels with Crew	Japan	
		11B(d). Maintenance and Repair of Vessels	Japan	
		11B(e). Pushing and Towing Services	Japan	
		11B(f). Supporting Services for Internal Waterway Transport	Japan	
	<i>11C. Air Transport Services</i>		Singapore, Japan	
		11C(a). Passenger Transportation	Singapore, Japan	

Major Category	Major Sub-category	Service Sub-sectors	Countries	Remarks
		11C(b). Freight Transportation	Singapore, Japan	
		11C(c). Rental of Aircraft with Crew	Japan	
		11C(d). Maintenance and Repair of Aircraft	Japan	
		11C(e). Supporting Services for Air Transport	Japan	
		<i>11D. Space Transport</i>	Japan	
	<i>11E. Rail Transport Services</i>		Japan	
		11E(a). Passenger Transportation	Japan, Singapore	
		11E(b). Freight Transportation	Japan, Singapore	
		11E(c). Pushing and Towing Services	Japan	
		11E(d). Maintenance and Repair of Rail Transport Equipment	Japan	
		11E(e). Supporting for Rail Services Transport Services	Japan	
	<i>11F. Road Transport Services</i>		Japan	
		11F(a). Passenger Transportation	Japan	
		11F(b). Freight Transportation	Japan	
		11F(c). Rental of Commercial Vehicles with Operator	Japan	
		11F(d). Maintenance and Repair of Road Transport Equipment	Japan	
		11F(e). Supporting Services for Road Transport Services	Japan	
	<i>11G. Pipeline Transport</i>		Japan	
		11G(a). Transportation of Fuels	Japan	
		11G(b). Transportation of Other Goods	Japan	
	<i>11H. Services Auxiliary to All Modes of Transport</i>		Japan, Sri Lanka, EC (maritime)	EC: mode 2 and 3 full commitments
		11H(a). Cargo Handling Services	Japan, Hong Kong, EC, Sri Lanka	HK: Make MA and NT Commitments, Make MA and NT commitments in other MA sub-sectors including the rental of vessels with crew and maintenance and repair of vessels, all commitments should be based on MFN basis
		11H(b). Storage and Warehouse Services	Japan, Hong Kong, EC, Sri Lanka	HK: Make MA and NT Commitments, Make MA and NT commitments in other MTS Sub-sectors including the rental of vessels with crew and maintenance and repair of vessels, all commitments should be based on MFN basis
		11H(c). Freight Transport Agency Services	Japan, EC, Sri Lanka	EC: mode 1, 2, 3
		11H(d). Other	Japan, EC, Sri Lanka	

Major Category	Major Sub-category	Service Sub-sectors	Countries	Remarks
	<i>III. Other Transport Services</i>		Japan, Singapore (port Kong facilities), Hong Kong	HK: Make MA and NT Commitments, Make MA and NT commitments in other MTS sub-sectors including the rental of vessels with crew and maintenance and repair of vessels, all commitments should be based on MFN basis
12. Other Services Not Included				
	Development of E-commerce		USA	
Horizontal		Mode 4	Singapore, Japan, Norway, Korea, EC	Japan: immigration procedures and the criteria for acquisition of stay and work permit be made clean and public