

**LIBERALISING TRADE IN SERVICES:
NEGOTIATING STRATEGY FOR BANGLADESH**

Paper 47

Ananya Raihan
Research Fellow, CPD

Price Tk. 90.00

Centre for Policy Dialogue

House No 40/C, Road No 11 (new), Dhanmondi R/A, Dhaka-1209
Mailing Address: GPO Box 2129, Dhaka 1000, Bangladesh
Tel: (880 2) 8124770, 9141703. 9141734; Fax: (880 2) 8130951
E-mail: cpd@bdonline.com; Website: www.cpd-bangladesh.org

March, 2005

The Centre for Policy Dialogue (CPD) was established in 1993. The CPD came into being as a civil society initiative to promote an ongoing dialogue between the principal partners in the decision-making and implementing process. The dialogues are designed to address important policy issues and to seek constructive solutions to these problems. The Centre has organised a series of such dialogues at local, regional and national levels. The CPD has also organised a number of South Asian bilateral and regional dialogues as well as some international dialogues. These dialogues have brought together high level policy makers, opposition frontbenchers, Members of Parliament, leaders of trade, business and labour organisations, representatives of grass roots organisations and NGOs, development partners, professionals and other functional groups in the Bangladesh civil society within a non-confrontational environment to promote constructive engagement and focused discussions. The CPD seeks to create a national policy consciousness where members of civil society will be made aware of critical policy issues affecting their lives and will come together in support of particular policy agendas which they consider to be conducive to the well being of the country.

Along with its dialogue programme, CPD also implements an extensive research programme. CPD's research works are both serviced by and are intended to serve as inputs for dialogues organised by the Centre throughout the year. Some of the major research programmes at the CPD include **The Independent Review of Bangladesh's Development (IRBD), Trade Policy Analysis (TPA), Governance and Policy Reforms, Regional Cooperation and Integration, Investment Promotion and Enterprise Development, Agriculture and Rural Development, Ecosystems and Environment, and Youth Development Programme**. The CPD also conducts periodic public perception surveys on policy issues and issues of developmental concerns.

Dissemination of information and knowledge on critical developmental issues continues to remain an important component of CPD's activities. Pursuant to this, CPD maintains an active publication programme, both in Bangla and in English. Till now, CPD has brought out about two hundred publications in the form of books, monographs, occasional papers and dialogue reports. CPD's publications are also brought out under **CPD Policy Brief Series**. Papers presented at CPD's Young Scholars' Seminars are brought out as part of **CPD Working Paper Series**.

CPD's *Occasional Paper Series* is intended to disseminate outputs of various programmes implemented by the Centre under its annual work plan. These include research studies, dialogue background papers, investigative reports and results of perception surveys.

The present paper titled ***Liberalising Trade in Services: Negotiating Strategy for Bangladesh*** was prepared under the *Trade Policy Analysis (TPA)* programme of the CPD. CPD's TPA programme was initiated in 1999 in response to a felt need to enhance Bangladesh's capacity to more effectively deal with emerging trade issues in the context of liberalisation and globalisation. As is known, accessing opportunities and addressing challenges originating from the ongoing negotiations in the WTO and various regional trading arrangements require that Bangladesh is adequately prepared to deal with the attendant trade, investment and other relevant issues. Thus, the objective of the aforesaid programme is to contribute to the emerging needs in the area of trade policymaking in Bangladesh.

Accordingly, CPD's TPA programme intends to (a) monitor the implications of multilateral trading regime on important sectors of the economy, (b) provide research based policy inputs to the Government of Bangladesh (GOB) and (c) raise awareness about the impact of various issues originating in the multilateral and regional trading system. The programme envisages following activities: (a) organisation of national and regional dialogues on trade issues of importance, (b) preparation of Trade Policy Briefs for the government, (c) publication of research studies, (d) holding of trade policy appreciation workshops for mid-level government officials, private sectors and NGOs, academics, journalists and students.

The present paper on ***Liberalising Trade in Services: Negotiating Strategy for Bangladesh*** was prepared by Dr Ananya Raihan, Research Fellow, CPD. The report presents an analysis of a number of key issues in the context of the ongoing WTO negotiations on GATS from the perspective of Bangladesh's interests and concerns. The study presents an overview of the current state of negotiations, and analyses the offer and request lists in the context of the GATS. The study looks at implications of the services negotiations for Bangladesh under various scenarios, and proposes possible negotiating strategies for Bangladesh.

Assistant Editor: *Anisatul Fatema Yousuf, Head (Dialogue and Communication), CPD*

Series Editor: *Dr Debapriya Bhattacharya, Executive Director, CPD*

CONTENTS

ACKNOWLEDGEMENT	iv
LIST OF ACRONYMS	v
SECTION I: GATS AND ITS RELEVANCE FOR BANGLADESH	1
Origination of GATS and Its Coverage	1
Global Trend in Trade in Services	2
Relevance of GATS to Bangladesh	3
Organisation of the Study	5
SECTION II: OVERVIEW OF SERVICE SECTOR IN BANGLADESH.....	7
Services in GDP.....	7
Employment	7
<i>Investment</i>	8
Trade in Services.....	10
SECTION III: STATE OF THE GATS NEGOTIATIONS	12
Doha Mandate and Developments in the Negotiations.....	12
Market Access Negotiations	12
Status of Rule Making Negotiations	15
LDC Modalities	15
<i>Temporary Movement of Natural Persons.....</i>	17
SECTION IV: BANGLADESH IN OFFER-REQUEST NEGOTIATIONS PROCESS.....	18
<i>Requests to Bangladesh</i>	18
<i>Bangladesh's Offers.....</i>	20
<i>Bangladesh's Requests</i>	20
SECTION V: IDENTIFICATION OF SECTORS FOR UPCOMING OFFER-REQUEST NEGOTIATIONS	22
<i>Sectors of Export Interest</i>	24
<i>Sectors of Import Interests.....</i>	25
<i>Sectors Required Protection</i>	26
Negotiating Countries.....	29
SECTION VI: IMPLICATIONS OF SERVICES NEGOTIATIONS FOR BANGLADESH	31
General Implications	31
Implications under Optimistic Scenario	31
Pessimistic Scenario	32
Status Quo Scenario.....	33
Domestic Policy Issues	33

SECTION VII: NEGOTIATING STRATEGIES AND POSITIONS FOR BANGLADESH..	35
Strategy for TMNP	36
<i>Selected Countries and Selected Sectors</i>	<i>36</i>
<i>Horizontal Commitments in Mode 4</i>	<i>36</i>
<i>Horizontal Limitations.....</i>	<i>37</i>
<i>Sectoral Commitments.....</i>	<i>37</i>
<i>Highlight Poverty Alleviation Implications of TMNP.....</i>	<i>37</i>
Violation of MFN?	37
Negotiating Points	38
Bangladesh's Involvement in the Negotiating Process	39
Consultations with Domestic Stakeholders.....	40
Constraints of Bangladesh in GATS Negotiations	40
<i>Human Resources</i>	<i>40</i>
CONCLUSION	41
REFERENCES.....	43

LIST OF TABLES, FIGURES AND BOXES

TABLES

TABLE 1.1: RESPECTIVE SHARE OF VARIOUS MODES IN GLOBAL TRADE IN SERVICES.....	4
TABLE 1.2: EMPLOYED PERSONS 15 YEARS AND OVER BY BROAD ECONOMIC SECTOR AND SEX, 2000.....	6
TABLE 3.1: ACHIEVEMENTS OF SPECIAL MODALITIES	16
TABLE 4.1: SUMMARY OF SECTOR-WISE REQUESTS AND REQUESTING COUNTRIES	18
TABLE 4.2: CURRENT COMMITMENT OF BANGLADESH IN SERVICE SECTOR	20
TABLE 4.3: BANGLADESH'S REQUESTS TO MEMBERS ON MODE 4, WHICH WAS NOT SUBMITTED	20
TABLE 5.1: RANKS OF GATS SERVICES CATEGORIES IN ORDER OF LIBERALISATION PRIORITIES	24
TABLE 5.2: SECTORS OF EXPORT INTEREST: PRIMARY SELECTION.....	25
TABLE 5.3: IDENTIFICATION OF SECTORS FOR OFFERS AND REQUESTS	27
TABLE 5.4: PRIMARY LIST OF OFFERS AND REQUESTS FROM THE PERSPECTIVE OF BANGLADESH.....	28
TABLE 5.5: FINAL SECTORS FOR OFFER-REQUEST PROCESS	29
TABLE 5.6: COUNTRIES FOR NEGOTIATIONS WITH CURRENT LIST OF REQUESTS TO BANGLADESH	30
TABLE 7.1: TOP TEN EXPORTERS AND IMPORTERS OF MODE 4 SERVICES.....	37

FIGURES

FIGURE 2.1: FOREIGN DIRECT INVESTMENT IN SERVICE SECTOR AND ITS SHARE.....	9
FIGURE 2.2: LOCAL INVESTMENT IN MAJOR SECTORS INCLUDING SERVICE SECTOR.....	9
FIGURE 2.3: LOCAL AND FOREIGN INVESTMENT IN SERVICE SECTOR INCLUDING ENGINEERING SECTOR	10

FIGURE 2.4:	TRADE IN SERVICES AND BASIC FEATURES	10
FIGURE 2.5:	GROWTH OF TRADE IN COMMERCIAL SERVICES	11

LIST OF ANNEXES

ANNEX 1.1:	EXPORTS OF COMMERCIAL SERVICES AND THEIR RESPECTIVE SHARE IN TOTAL EXPORTS FOR MAJOR REGIONS/ECONOMIES OF WORLD	45
ANNEX 2.1:	GROWTH RATE OF MAJOR SECTORS AND THEIR RESPECTIVE SHARE TO BANGLADESH'S GDP (FY 1993-FY 2003; CONSTANT PRICES)	48
ANNEX 2.2:	SECTORAL DISTRIBUTION OF SERVICE SECTOR GDP, MILLION USD	49
ANNEX 2.3:	EMPLOYMENT BY SECTORS, THEIR RESPECTIVE SHARE IN TOTAL EMPLOYMENT AND GDP/EMPLOYMENT RATIO	50
ANNEX 2.4:	COUNTRY-WISE DISTRIBUTION OF FDI REGISTERED WITH BOI	50
ANNEX 2.5:	BALANCE OF TRADE OF VARIOUS SERVICE SECTORS	51
ANNEX 2.6:	SERVICES SUB-SECTORS WITH NEGATIVE BALANCE OF PAYMENTS	52
ANNEX 2.7:	BALANCE OF TRADE OF VARIOUS SERVICE SECTORS	53
ANNEX BOX 1.1:	DESCRIPTIONS OF THE FOUR MODES OF SERVICE DELIVERY UNDER THE GATS	46
ANNEX FIGURE 1.1:	COMPARATIVE GROWTH OF MERCHANDISE EXPORT AND EXPORT OF COMMERCIAL SERVICES	47
ANNEX 4.1:	REQUESTS TO BANGLADESH ACCORDING TO GATS SERVICE CLASSIFICATION.....	54
ANNEX 5.1:	CLASSIFICATION OF SERVICE SECTORS AND BANGLADESH'S INTEREST IN LIBERALISATION.....	62
ANNEX 5.2:	SERVICE SUB SECTORS WITH MIXED BALANCE OF TRADE.....	64
ANNEX 5.3:	REQUESTS TO BANGLADESH AT SUB-SECTOR LEVEL.....	65

ACKNOWLEDGEMENT

The author would like to gratefully acknowledge the support received from Dr. Debapriya Bhattacharya, Executive Director, CPD and Professor Mustafizur Rahman, Research Director, CPD for their caring guidance and intellectual inputs in the course of preparation of this study.

The author would also like to put on record his appreciation for the able assistance received from his CPD colleagues at Research and Dialogue Divisions. He would like to particularly acknowledge the research support received from CPD Research Associates Kazi Mahmudur Rahman, Wasel Bin Shadat and Syed Saifuddin Hossain, Programme Associates Asif Anwar and Farhana Rahman Shima, and CPD System Analyst A.H.M. Ashrafuzzaman.

Acronyms

ACP	African, Caribbean and Pacific Countries
AGOA	African Growth Opportunity Act
AL	Autonomous Liberalisation
BOI	Board of Investment
BoP	Balance of Payment
CBI	Caribbean Basin Initiative
DDR	Doha Development Round
CPD	Centre for Policy Dialogue
CSO	Civil Society Organisations
CTS	Council for Trade in Services
EDI	Electronic Data Interchange
ENT	Economic Need Test
EU	European Union
EU-EBA	EU-Everything But Arms
FDI	Foreign Direct Investment
FY	Fiscal Year
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GSP	Generalised System of Preference
ICT	Information and Communication Technology
IMO	International Maritime Organisation
LDCs	Least Developed Countries
MFN	Most Favoured Nation
NAMA	Non-Agricultural Market Access
OECD	Organisation of Economic Cooperation and Development
S&D	Special and Differential
SME	Small and Medium Enterprises
TMNP	Temporary Movement of Natural Person
TRIPS	Trade Related Aspect of Intellectual Property Rights
UK	United Kingdom
UNCTAD	United Nations Conference on Trade and Development
USD	United States Dollar
WTO	World Trade Organisation

LIBERALISING TRADE IN SERVICES UNDER GATS: NEGOTIATING STRATEGY FOR BANGLADESH

SECTION I: GATS AND ITS RELEVANCE FOR BANGLADESH

Origination of GATS and Its Coverage

Since the inception in 1947, the focus of multilateral trading system under GATT was largely on trade in goods. Hence, from 1947 through the Tokyo Round of GATT, services were not covered in successive rounds of trade negotiations. As developed countries were losing competitiveness in manufacturing industries to the newly industrialised countries, they started to seek opportunities in trade in services in the emerging global market. Developing countries also observed the growth of services sector in their economies with an increasing share of services in their national output. Increased tradability of goods, which has a direct linkage with development of service sector, also dictated the substantive improvement of domestic services sectors. These developments coupled with the growing recognition of the significance of trade in services ultimately culminated in services being included in the multilateral trading system under the General Agreement of Trade in services (GATS) - one of the agreements included in the global trading regime as a result of negotiations in the Uruguay Round.

The Uruguay Round brought the trade in services, for the first time, along with other areas related to international trade to the table of liberalisation talks through the inception of the General Agreement on Trade in Services (GATS), which is now one of 28 World Trade Organisation (WTO) agreements. The GATS is the first multilateral agreement which provides legally enforceable rights to trade in all services. The agreement included built-in commitment for continuous liberalisation through periodic negotiations. The agreement also covered for the first time the issues related to investment since it covers not only the cross-border trade but also every possible means of supplying a service, including the right to set up a commercial presence¹ in the export market. Due to diverse nature of trade in services, the complicated negotiation process could not be completed during the Uruguay Round and there were areas which still required substantive negotiations before concluding a comprehensive framework for trade in services. Thus, the outstanding issues were incorporated in the agreement in 1994, and it was decided unanimously that the first round of negotiations on GATS was to start no later than five years from 1995 under the “Built-in-Agenda” in the GATS. Accordingly, the services negotiations started officially in early 2000 under the Council for Trade in Services of the WTO.

¹ Under the GATS four modes of supply of services in international trade have been identified. These are: Mode 1: Cross Border Supply; Mode 2: Consumption Abroad; Mode 3: Commercial Presence, and, Mode 4: Presence of Natural Persons. The detailed description of the four modes of supply of services is annexed in Annex Box 1.1.

The GATS is one of the exceptions in the whole WTO framework as the agreement came under the WTO umbrella with a “positive list” approach and with a significant level of flexibility. In fact, this flexibility facilitated the inclusion of the GATS under the WTO framework despite initial reservations of the developing world.

Although the GATS received heightened attention during the conclusion of the Uruguay Round of negotiations, the post-Uruguay negotiations on services liberalisation were somehow overlooked due to the increased focus on matters such as negotiations on agriculture liberalisation, non-agricultural market access (NAMA) and the so called “Singapore Issues”. Together with the negotiations on market access, the issues relating to service sector liberalisation are still under the “built-in” agenda of the WTO, and it is expected that with the progress in negotiations in other areas, GATS negotiations will receive increased attention due to the growing importance of services liberalisation to both the developed and developing countries.

Global Trend in Trade in Services

Although trade in services is comparatively a new phenomenon as compared to the global trade in goods in the global trading regime, it has become obvious from the past trend that trade in services will play a dominant role in the future global trade. Services were traditionally considered to be non-tradable due to the requirement of physical proximity of service supplier and recipient (they are non-storable and are produced and consumed simultaneously), but due to the advent of information technology and continuous technological development throughout the last few decades, the tradability dimension of services shifted dramatically, which subsequently fostered bilateral trade exchanges in many service sectors. Cross-border trade in services has already emerged as a driving force of development of world trade. The global exports of commercial services and their respective share to total exports have increased during 1980-2001 periods (*see Annex Table 1.1*). It is also evident from the recent trend that the growth of services trade surpassed the trade in goods during 1990s (*see Annex Figure 1.1*). It is to be noted that the trade in services now comprises 20 per cent of global trade.

In the national income accounts of almost all developing countries, the contribution of the service sector accounts for more than 50 per cent of the national income. Presently, at least 25 developing countries depend on services exports for more than half of their total export earnings. According to UNCTAD (United Nations Conference on Trade and Development) estimates, over 50 per cent of FDI flows were directed to services sectors by 2000, while the corresponding proportion for manufacturing sectors was 42 per cent [UNCTAD, 2003].

Relevance of GATS to Bangladesh

The GATS regime is important for the developing countries, particularly for the Least Developed Countries (LDCs), since the countries are suffering from severe constraints in economic development due to poor infrastructure, institutional and human capacities to cope with the challenges emanating from the liberalisation of trade in services. Trade in Services has become a significant component in individual economies, and 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. However, liberalisation steps in the trade in services might open areas of opportunities as well.

From the viewpoint of developing countries, the importance of trade in services has increased for three fundamental reasons:

- *Retaining and deepening competitiveness in goods export:* For many developing and least developed countries, including Bangladesh, overall economic growth and development largely depend on the export of goods, while the retention of competitiveness of goods exports significantly depends on how the service providers facilitate the process with their continuous support in the areas of banking and insurance, port facilities, transport, logistics, consulting, telecommunications, etc.
- *Opportunities through increased tradability of services.* With the advent of Information and Communication technology (ICT) coupled with growing global demand for services, presently the delivery of services cannot be restricted to a particular geographical location. Many professional services can be supplied without crossing borders through global communication network, which simultaneously address many structural issues, such as the competition in employment market by foreign service suppliers, social and cultural problems due to the presence of foreign service suppliers, issues relating to cost reduction in manufacturing and services industries, etc. Besides the supply of services through communication networks, the removal of market access has also broadened the avenues for tradability of services due to the increased opportunities to deliver consumer services through a commercial presence abroad. As the structure of labour market of large economies is going to evolve during next few decades, there will be growing demand for service providers in these economies from human resource surplus countries either in the form of permanent migration or in the form of temporary movement of service providers.
- *Improvement of Quality of Services in Domestic Market:* Trade in services also enhances scope for improving quality of services consumed domestically through technology transfer and increased competition.

According to World Bank estimates, the service sector liberalisation in developing countries could provide as much as 6 trillion United States Dollar (USD) as additional income in the developing world by 2015², four times the gains that could be realised from the trade in goods.

The share of services in GDP and total trade of LDCs and developing countries is quite significant and they enjoy a comparative advantage in the areas of exports of manpower since they have a large pool of skilled, semiskilled, and less-skilled human resources. GATS Article IV stipulates developed members to facilitate increased participation of developing countries in world trade by negotiating specific commitments relating to: (a) strengthening domestic services capacity, efficiency and competitiveness in developing countries; (b) improving access for developing country services suppliers to distribution channels and information networks; and (c) liberalised market access in sectors of export interest to developing countries.

Recent estimates, based on limited empirical information, suggest that *commercial presence* (Mode 3) accounts for more than half of world trade in services and *cross-border trade* (Mode 1) accounts for about a fourth, while *consumption abroad* (Mode 2) contributes less than one-fifth of world trade in services. *Temporary movement of natural persons* (Mode 4) was found to be nearly insignificant, accounting for just over 1 per cent of world services trade (Table-1.1). Hence, a comprehensive framework on Mode 4 may raise the share of developing countries and the LDCs in the global services trade through increased movement of natural persons globally.

TABLE 1.1: RESPECTIVE SHARE OF VARIOUS MODES IN GLOBAL TRADE IN SERVICES

Mode	Range of Concentration
Mode 1	> 25%
Mode 2	~ 15%
Mode 3	< 60%
Mode 4	~ 1%

Source: Collantes, 2003.

Temporary movement of natural persons is especially important for Bangladesh since remittance inflows from the citizens working abroad has contributed significantly to the macroeconomic stability through the country's balance of payment in recent periods. In FY2003, the total remittance earnings were 46.76 per cent of total export earnings; the volume was equivalent to 5.9 per cent of Gross domestic Product (GDP). The distribution of skills among service providers (or natural persons in WTO jargon) working abroad shows that 5 per cent of workers are professionals, 45 per cent of total workers are skilled, 12 per

² WTO 2003: Progress Report on the WTO Services Negotiations (2002)

cent are semi-skilled, and the remaining 38 per cent of workers are un-skilled. Moreover, Bangladesh, being one of the recognised countries by the International Maritime Organisation (IMO), currently earns about USD 50 million in foreign exchange from 5000 seafarers.³

It is true that liberalisation of service sectors will generate efficiency in many domestic service sectors, and export opportunities for some of the services sectors will be increased. But, it should be noted that these opportunities through trade liberalisation are often theoretical and potential in nature (e.g., the World Bank estimates hints about benefit of developing countries from services trade, which is mentioned above). However, the danger of jeopardising the domestic economy through unplanned liberalisation is real. Under the GATS there are 11 broad categories of services, covering 160 sub-sectors. As the substantive negotiations for liberalisation of services sector are still ahead, it is important for each country to understand the *pros and cons* of liberalisation of services sector not as a whole, but sector by sector, which requires extensive exercise. Furthermore, other than importance of market access negotiations the negotiations on rules and market access under the GATS cover key areas of interest, both for developed and developing countries including Bangladesh. Therefore, understanding the nitty-gritty of the liberalisation of the services sector requires critical analysis for each individual sector, which is important for undertaking market opening commitments and asking for the opening of market of other countries in the sectors of export interest. Participation in negotiations without proper homework in this regard may be catastrophic for less developed countries.

The above discussion indicates that the stakes for all WTO Members are high in the GATS negotiations. As Bangladesh wants to accrue maximum benefits from the negotiations under the GATS, this study essentially attempts to draw a road map of negotiations for Bangladesh in the liberalisation of trade in services under the GATS.

Organisation of the Study

Section II presents the role of services sector in Bangladesh's economy, which includes the contribution of the sector in GDP, employment, investment etc. The features of trade in services of Bangladesh are also highlighted in the section.

Section III deals with the overall status of services negotiations. It elaborates particularly on the market access negotiations upto the Cancún ministerial meeting and highlights the recent developments in July Package. The section also focuses on the state of the rule making negotiations. LDC modalities of services negotiations, which were adopted before the Cancun ministerial meeting, are also analysed in the section. The implications of the LDC modalities on services negotiations of Bangladesh are also briefly presented here.

³ Economic Survey, 2003, Economic Trend, Bangladesh Bank, October, 2003, BMET, EPB.

Section IV requests of WTO member countries to Bangladesh under market access negotiations. It also highlights Bangladesh's current commitments under the GATS.

Section V deals with the offer-requests relating to Bangladesh's specific trade interests of Bangladesh. Following a built methodology a number of sectors/sub-sectors have been identified both for preparation of offers and requests. This exercise contributes to design the negotiating strategy for Bangladesh in the upcoming negotiations on the GATS.

Section VI highlights the implications of services negotiations outcomes under three scenarios (a) an optimistic scenario, where it is assumed that the GATS will impact positively on the development of LDCs; (b) a pessimistic scenario, where it is assumed that the jeopardy in negotiations sequence will put the LDCs in a disadvantageous situation in terms of decisions regarding the protection of domestic service providers through, *inter alia*, subsidies and safeguard measures, and (c) a status quo scenario, which assumes that the negotiations will not succeed in reconciliation of extreme positions of the countries in certain areas.

Section VII proposes a negotiating strategy which may be adopted by Bangladesh. The section also presents programme minimum and programme maximum for the upcoming negotiations. It also proposes further research agenda on services trade liberalisation.

SECTION II: OVERVIEW OF SERVICE SECTOR IN BANGLADESH

Services in GDP

The contribution of the service sectors in Bangladesh's economy has increased during the last decade in terms of its share in the national income accounts, and during FY94-FY03 periods, the growth of service sector was higher than overall growth of GDP, except in FY 1996 and FY 1997 (see Annex Table 2.1). The major service sectors, their respective share in GDP, and the growth rates are presented in Annex Table 2.2. According to the growth statistics of individual categories, the major sub-sectors are: telecommunication services (18.19 per cent), electricity, gas and water supply (8.86 per cent), construction and related engineering services (8.29 per cent), educational services (7.87 per cent), transport services (7.33 per cent), tourism and travel related services (7.0 per cent), financial services (6.96 per cent), distribution services (6.6 per cent), health related and social services (5.82 per cent), real estate services and other rental services (3.5 per cent).

In terms of share in GDP, major service sectors in Bangladesh are: wholesale and retail trade (13.91 per cent), transport storage and communication services (9.78 per cent), construction and related engineering services (8.63 per cent), real estate services and other rental services (8.46 per cent), community, social and personal services (7.71 per cent), educational services (2.36 per cent), health related and social services (2.21 per cent), financial services (1.63 per cent), electricity, gas and water supply services (1.55 per cent), communication services (1.3 per cent), and tourism and travel related services (0.67 per cent). All of these sectors are accounting for 58.21 per cent of GDP [FY 2003].

Employment

The growth of service sectors impacted positively also on employment generation. Presently 25 per cent of the domestic labour force is employed by service sectors⁴. However, the sector employment is male dominated (Table 1.2).

TABLE 1.2: EMPLOYED PERSONS 15 YEARS AND OVER BY BROAD ECONOMIC SECTOR AND SEX, 2000

Broad Economic Sector	Both Sex		Male		Female	
	Number (Million)	%	Number (Million)	%	Number (Million)	%
Total	51.8	100	32.4	100	19.4	100
Agriculture	32.6	62.9	17.4	53.7	15.2	78.4
Non-Agriculture	19.2	37.1	15	46.3	4.2	21.6
Industry	5.3	10.3	3.6	11.1	1.7	8.8

⁴ Source: World Bank estimates.

Services	13.9	26.8	11.4	35.2	2.5	12.8
----------	------	------	------	------	-----	------

Note: One should interpret the employment statistics carefully as the concept of service is not strictly defined.

Source: LFS, 2002

GDP-employment ratio for service sector was USD 1312.09 per employee per annum. The corresponding ratios for industry and agriculture were USD 1944.70 and USD 383.81 respectively (*see Annex Table 2.3*). Thus, services sectors are more important for creation of employment than manufacturing sector.

Investment

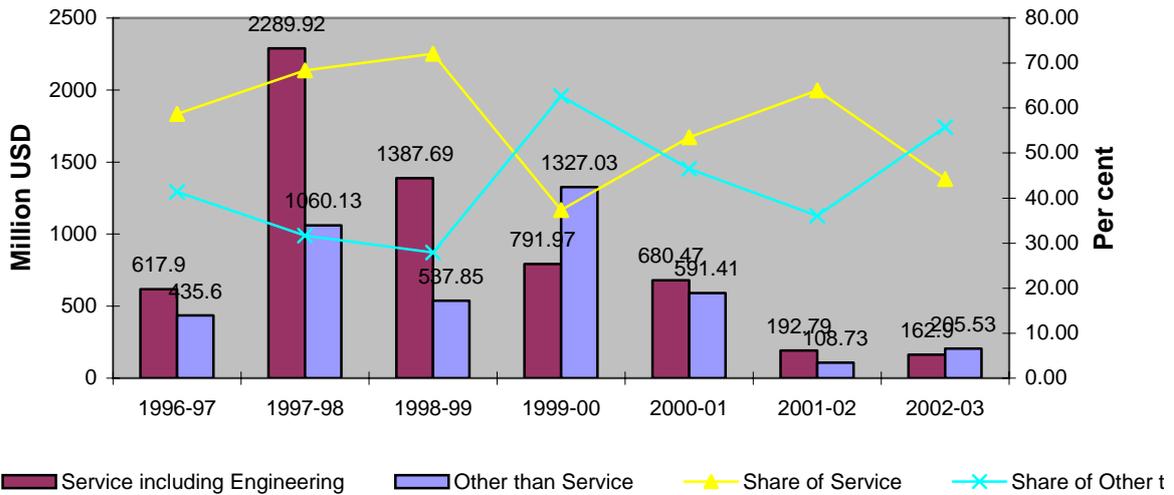
Bangladesh did not experience significant inflows of foreign investment compared to other countries of the world. The South Asian countries also experienced the similar phenomenon. Foreign Direct Investment (FDI) to the region was only 0.5 per cent of the regional GDP [GDF, 2003]. Against a global per capita average FDI inflow of about US\$ 135 during 1997-2000, per capita FDI to Asia was only US\$37 and to South Asia, the amount equalled to a meagre US\$3 during the same period. The volume of FDI in 2001 was USD 4.2 billion, which was 35 per cent higher than that of the previous year. Out of the total USD 4.2 billion of FDI inflows to the region, India alone received USD 3.3 billion [WIR, 2003].

Determination of actual FDI in Bangladesh's service sector is quite difficult due to the fact that there is a wide discrepancy between the figures reported by the Bangladesh Bank and the Board of Investment (BOI). The Bangladesh Bank reports the FDI inflows through its statement of Balance of Payments (BoP), which include inflows and outflows of funds through banking channels, while the BOI reports data on the basis of registered investment. Moreover, unavailability of data on FDI inflows at a disaggregated sub-sectoral level also makes it difficult to gauge the level of actual FDI in Bangladesh's service sectors.

Board of Investment recently conducted a census of FDI to gather comprehensive primary information on actual investment based on projects registered with the BOI and EPZs. According to the survey, FDI flows in FY2003 was USD 368 million. Half of the investment was financed by equity, amongst which 31 per cent was reinvested earnings and the rest 19 per cent was by intra-company loan. The survey also revealed the sectoral aspects of the FDI. In FY2002, the country experienced a shift in FDI flows in terms of its destinations; traditionally the FDIs were targeted to the energy sector, but from FY02, the shift was towards the manufacturing sector (44 per cent) [WIR, 2003]. Major sources of FDI in 2003 were Japan, United Kingdom (UK), Netherlands, Korea, and Taiwan (*see Annex Table 2.4*).

According to the statistics of Board of Investment (BOI) as regards the registration of foreign investment in Bangladesh, the FDI inflows to service sector varies from year to year (Figure 2.1). The highest foreign investment in service sector was in 1997-98, and the highest share of service sector in total registered foreign direct investment was in 1998-99. The FDI gradually reduced over the years and in FY2003 the total registered investment in service sector was only USD 162.9 million.

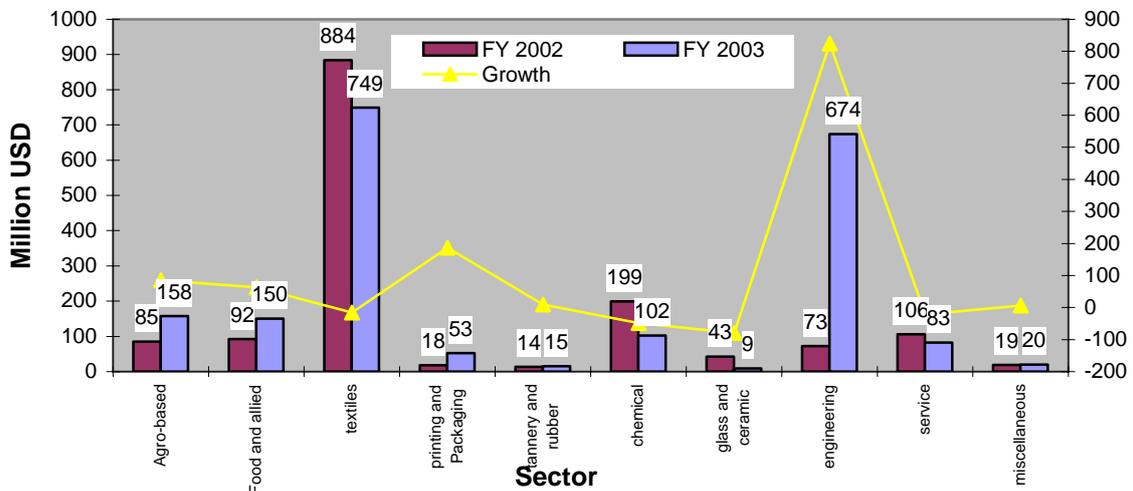
Figure 2.1. Foreign Direct Investment in Service Sector and Its Share



Source: Bangladesh Board of Investment

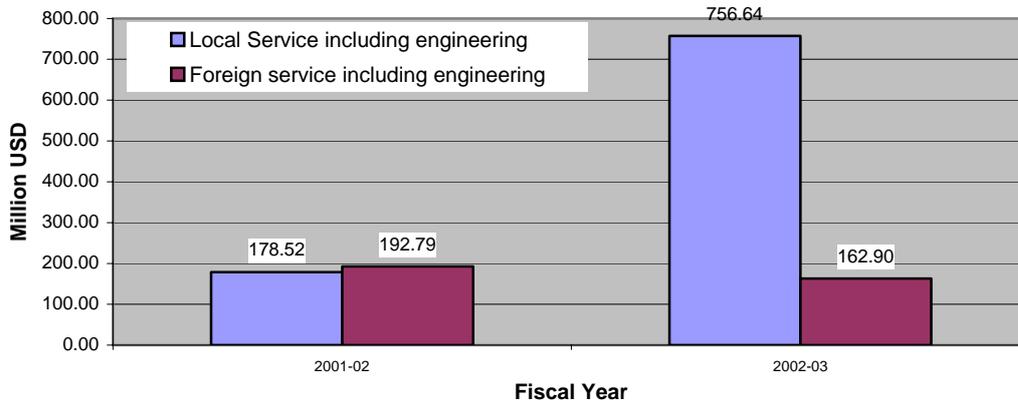
Figure 2.2 and 2.3 reveals the fact that the local investment in service sector decreased in FY03 compared to FY02, and the highest investment receiving sector during the last two years was the textile sector, followed by agro-based industries, food and allied, printing, chemical, glass and ceramic sub-sectors.

Figure 2.2. Local Investment in Major Sectors including Service Sector



Source: Board of Investment.

Figure 2.3. Local and Foreign Investment in Service Sector Including Engineering Sector



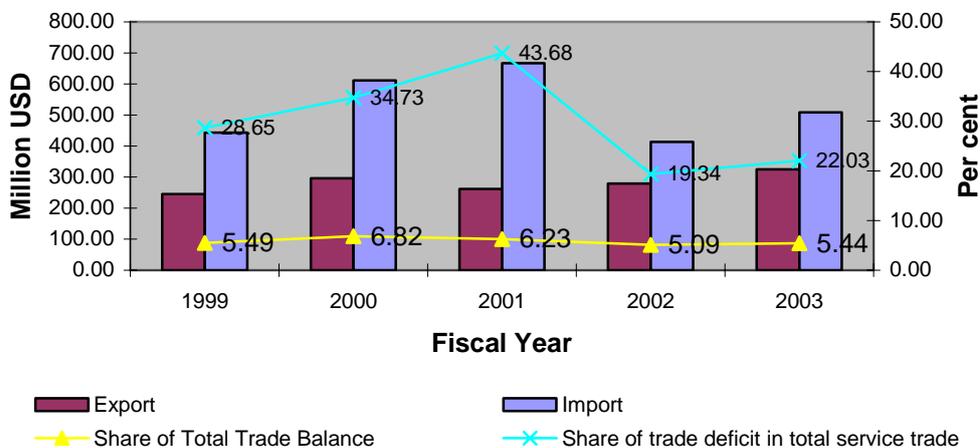
Source: Board of Investment.

Trade in Services

Although services capture 57.5 per cent in national GDP of Bangladesh, trade in services, particularly trade in commercial services is not that much significant compared to merchandise trade. The volume of commercial trade in services is equivalent to 5-7 per cent of total merchandise trade of Bangladesh. The trade deficit of commercial services is between 20-40 per cent for the period of 1999 - 2003[Figure 2.4].

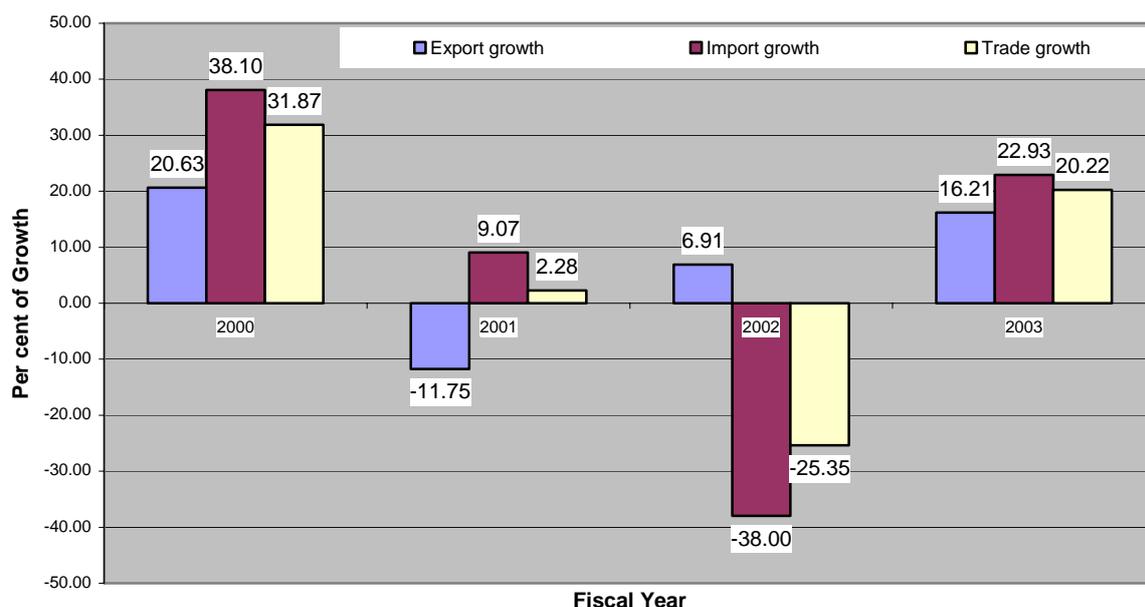
Figure 2.5 reveals that the growth rates of trade in services fluctuated during FY2000-FY2003 periods. In FY2001, the growth was negative, which can be largely attributed to global recession and post 9/11 syndrome. FY2003 saw a recovery in the trend. Due to the fluctuating trend, the overall growth of trade in commercial service during FY2000-FY2003 periods was -8.21 per cent.

Figure 2.4. Trade in Services and Basic Features



Source: Bangladesh Bank.

Figure 2.5 Growth of Trade in Commercial Services



Source: Bangladesh Bank.

If we analyse the sectors according to the GATS classification, we find that a few sectors have positive trade balance over the years, while others have secular negative balance, and a few sectors have balances with fluctuating signs. There are few sub-sectors which generally enjoy a positive balance of trade. These are: computer and related services, telecommunications services, distribution services, life insurance and maritime transport services (see Annex Table 2.5). Conversely, a few sub-sectors showed negative balance of trade since FY1999. These sectors are: rental and leasing services without operators, construction and related engineering services, educational services, health related and social services, tourism and travel-related services, news agency services, research and development services, and air transport services. The shortfall of these sectors for FY2003 is given in Annex Table 2.6. The highest deficit is in air transport services (USD 219.75 million). Bangladesh's import of tourism and travel related services surpassed her export by USD 32.33 million. The deficit in education sector is also relatively high, USD 25.83 million.

Among the sectors, which experienced fluctuating balance, financial sector is the most important. Other than financial sector, the fluctuating balance has been observed for audiovisual services, rail transport services and other business services [see Annex Table 2.7].

On the whole, the trade in commercial services is still at a low level in Bangladesh and there is a huge potential for growth given that positive policy reforms which take place for the development of the said sector. The identification of sub-sectors with positive, negative and mixed balances (receipts over payments) have been useful in identification of sectors of interest in the upcoming GATS negotiations.

SECTION III: STATE OF THE GATS NEGOTIATIONS

Doha Mandate and Developments in the Negotiations

The negotiations on built-in-agenda were launched in 2000. As a result of negotiations till March 2001, the first stage of the negotiations, the Services Council established negotiating guidelines and procedures (Article XIX:3; Code: S/L/93). The main method of market access negotiation under the GATS was decided to be the request-offer approach.

Market Access Negotiations

Upto Cancun: Doha Ministerial Meeting endorsed the work already done under the built-in agenda. The paragraph 15 of the Doha Declaration reaffirmed the request-offer approach as the main method for the negotiations, establishing that the current national schedules should be the starting point of the process, without any prejudice reading the content of the requests. It established some key elements of the timetable including the deadline for the conclusion of the negotiations as part of a single undertaking. The market access negotiations started in early 2002. According to the schedule countries were to make request for liberalisation by June 30, 2002. The deadline for initial offers of market access to be made by individual countries was scheduled for March 31, 2003. The deadline for concluding the negotiations has been fixed at December 31, 2004. Before that, a stock taking of the developments in the negotiations ought to take place in the fifth Ministerial in Cancun, Mexico, 2003.

The deadline for submission of requests to individual countries by the members is June 30, 2002. More than 160 proposals had been submitted since 2000, almost half from the developing countries (in some cases jointly with the developed countries). The major areas of proposals were on domestic regulation, transparency and predictability, on small and medium enterprises, classification issues and assessment of trade in services. Financial services, telecommunications services, energy services, environmental services, maritime transport services, construction and related engineering services, and some professional services dominated the initial request list. Bangladesh prepared a request to submit it to some developed countries in the mode 4 across the sector, which finally was not submitted. A number of countries submitted requests to Bangladesh to open some sectors. The requests to Bangladesh were limited within professional services, business services, audiovisual services, construction and related engineering services, entertainment services, transport services [including maritime transport], financial services, legal and accounting services, software and information services, environmental services, energy services, e-commerce services, telecommunication services, computer and related services, infrastructure services, distribution services, etc. The detail of requests to Bangladesh has been discussed in Section IV.

At the aggregate level, the interests of the countries (in descending order) in opening sectors were: tourism, financial services, business services, communications, transport, construction, recreation, environment, distribution, health and education. A correlation was found between the level of economic development of the countries and their number of commitments in the trade in services. The higher the level of economic development, the larger the number of commitments made. The less developed countries were in general conservative in making commitment. The exceptions were recently acceded countries that entered the WTO with high level of commitments under the pressure of influential Members of the WTO in bilateral negotiations.

The negotiating interests of developed and developing countries are also different. While the developing countries were more interested in negotiations in tourism, communications, distribution, construction, computer and related services, the interests of developed countries were in business service, transport, financial service, energy services, environmental services and education services. In mode 4 the developed and developing countries have shown equal interest. The developing countries are more interested in the structural issues of the GATS. They have shown greater interest in horizontal issues.

At the third stage of negotiations, countries raised the questions regarding the benefits of liberalisation and its speed and extent. The need for assessment of liberalisation was reiterated by many countries. However, problems in classification of services, its application in countries and lack of statistics limited the progress in this regard.

A draft of modalities for the treatment of autonomous liberalisation (AL) was adopted at this stage. The issues of treatment of autonomous liberalisation was of special interest to developing countries, specifically for Bangladesh which liberalised autonomously its services trade during 1980s and 1990s, often by the dictation of IMF and the World Bank and in many cases with devastating consequences. However, the move from a plurilateral exercise to bilateral negotiations for attaining credit of AL severely undermined the expectation of the LDCs, which often lacks negotiating strength. It was recognised in the statement of the Chair of the CTS that the modalities do not create any legal obligations nor do they establish any automatic right to credit or recognition.

During its meeting on July 4, 2003 the WTO Council for Trade in Services (CTS) negotiating session considered, inter alia, new informal documents on modalities for the special treatment of Least Developed Countries (LDCs) in the current services negotiations. Following the proposal made in May, 2003 by Zambia, the WTO Secretariat and the US, proposed alternative language on LDC modalities to move the issue forward before the Cancun ministerial. The LDC group prepared an elaboration on the modalities, which many non-LDC developing countries also supported. Finally, on September 03, 2003 “Modalities for the Special Treatment for Least-Developed Country Members in the Negotiations on the Trade in Services”[WTO, TN/S/13] was adopted before Cancun Ministerial Meeting.

Cancun Ministerial and the Latest development: The issues of services sector liberalisation did not get adequate attention in Cancun as they did not receive due priority in the whole DDR Agenda and the negotiations suffered as a result of wrong sequencing and missed deadlines.

Although on September 03, 2003, the special modalities for LDCs was adopted, which was a welcome development for the LDCs, the provisions of modalities did not get proper reflection in the Cancun Draft Text (Revision 2). There was in effect no difference between the text of the Doha Ministerial and Cancun Ministerial (draft) Text except that there were some improvements in the text related to mode 4. The mode 4 related texts in Doha Declaration stated “recognition of the work already undertaken in the negotiations ... on a wide range of sectors and several horizontal issues, as well as on movement of natural persons”. The Cancun text was then improved: somewhat “noting the interest of developing countries, as well as other Members, in Mode 4”. Article 26 of Cancun Draft Declaration mentioned about the “priority to the sectors and modes of supply of export interest to LDCs, particularly in regard to movement of service providers under Mode 4”.

The text related to services liberalisation in *LDC paragraph* was relatively strong, where the text says “we shall give special priority to the sectors and modes of supply of export interest to LDCs, particularly in regard to movement of service suppliers under mode 4”. This was perceived as an achievement in terms of recognition of a longstanding demand of some of the LDCs such as Bangladesh through the Ministerial Meeting along with the *special modalities*. As the special modalities for LDCs had been adopted, the document will act as a negotiating guideline for the LDCs.

However, in realising the draft text it would not have mattered much in terms of actual benefits unless the services classification included less the skilled category of services. Consideration of ISCO-88 list of occupations for inclusion into the GATS agreement was important in this context. Further more, without transparency in Economic Need Test (ENT) and equivalence of degrees and qualification requirements, market access for service providers would hardly mean anything.

July Package of 2004 and Progress in Negotiations: The Doha Round was back on track in August 01, 2004 in Geneva though adoption of July package had to make some compromise over agriculture and “new issues”. The services text in the *July package* appeared to be very general. Although the number of annexes in Cancun draft was seven, there was no separate annex on Services. This time the *July package* does include an Annex on services sector, however, it does not reflect the nitty-gritty of negotiations on services. It is important that the annex included a paragraph on *rule making negotiations*, there is no roadmap for completion of these negotiations on fast track basis. The draft emphasised on submission of initial offers by the Members who are yet to make one. The new deadline of May 2005 was fixed for completion of the offer-request process.

Status of Rule Making Negotiations

The GATS included in the built-in-agenda the negotiations under Article XIX. The Working party on GATS Rules had been dealing with unfinished business of the Uruguay Round viz., safeguards (Article X), subsidies (Articles XV), qualifications, Technical Standards and Licensing (Article VI), and government procurement (Article XIII).

The Guidelines and Procedures for the negotiations established that the rule-making negotiations should be completed prior to the conclusion of the negotiations on market access. Rule making negotiations and negotiations on specific commitments are integral parts of a single whole, and the commercial value and sensitivity of different commitments could be different under different multilateral rules and discipline concerning safeguards, subsidies and government commitment. For example, there is significant empirical evidence that energy services and environmental services are highly subsidized in developing countries. At the same time, many countries are seeking deep liberalisation commitments in these sectors. Thus, committing market access without agreed rules of governance may affect the interests of committing countries negatively. The negotiations on rule making are yet to be completed in the Doha Round.

LDC Modalities

The GATS Article XIX:3 stipulated that modalities for special treatment of the LDCs must be established prior to market access negotiations. The market access negotiations had been launched before adoption of such modalities. Development of such modalities was left to the LDCs. The adoption of modalities before Cancun Ministerial Meeting was a correction of violation of negotiations guidelines.

The revised submission of the LDCs suggested that, for the LDCs, offering national treatment to foreign service providers is not mandatory, and that they should not be requested to make 'additional commitments' (GATS Article XVIII) on regulatory issues -- e.g. qualifications, standards and licensing requirements. The revised draft proposed that "preferential market access mechanisms" should be created for achieving effective market access for LDCs to the developed market. The LDC group strengthened their demands on movement of natural persons (mode 4), suggesting that Members should open their markets to "all categories of natural persons from LDCs, particularly unskilled and semi-skilled persons" without applying a so-called economic needs test. The LDC group argued that mode four of unskilled and semi-skilled persons was the most significant means for LDCs to market their services globally as well as to reduce poverty.

The adoption of the special modalities for LDCs has been the result of persistence. The special modalities covered 14 out of 20 demand points raised in the Dhaka Declaration of

LDC Ministerial Meeting adopted on June 02, 2003 prior to Cancun Ministerial meeting with various degree of ambiguity.

TABLE 3.1: ACHIEVEMENTS OF SPECIAL MODALITIES

Paragraph	Text	Assessment
4	Members... shall exercise restraint in seeking commitments from LDCs due to achieving the objectives of Art. IV	Unconditional
5	Flexibility to LDCs for opening few sectors, liberalising fewer types of transactions	Unconditional
5	LDCs shall not be expected to offer full <i>NT</i> , nor are they expected to undertake <i>additional commitments</i> under Article XVIII of the GATS on regulatory issues which may go beyond their institutional, regulatory, and administrative capacities	Conditional Alternative text: Members shall not demand full NT and additional commitments from LDCs
5	In response to requests, LDCs may make commitments compatible with their development, trade and financial needs and which are limited in terms of sectors, modes of supply and scope	Conditional Alternative text: LDCs shall have flexibility to make...
6	Members shall [Articles IV and XIX] give special priority to providing effective market access in sectors and modes of supply of export interest to LDCs, through negotiated specific commitments pursuant to Parts III and IV of the GATS.	Conditional Proposal: Omit bold text [should be provided multilaterally
8	Members shall take measures, in accordance with their individual capacities , aimed at increasing the participation of LDCs in trade in services	Conditional
10	LDCs shall be granted appropriate credit for their autonomous trade liberalisation	Conditional
10	In addition, Members shall refrain from requesting credits from LDCs.	Unconditional
9	It is recognised that the temporary movement of natural persons supplying services (Mode 4) provides potential benefits to the sending and recipient Members . LDCs have indicated that this is one of the most important means of supplying services internationally. Members shall to the extent possible , and consistently with Article XIX of the GATS, consider undertaking commitments to provide access in Mode 4, taking into account all categories of natural persons identified by LDCs in their requests	Conditional Omit bold-italic text. Adopt ISCO-88 Classification of Occupation as the basis of inclusion
12	Targeted and coordinated technical assistance and capacity building programmes shall continue	Unconditional but in practice the extent of coverage is very poor
12	Technical assistance shall also be provided to LDCs to carry out national assessments of trade in services in overall terms and on a sectoral basis	Unconditional

The text of the Special Modalities contained language “shall”, which should ensure binding nature of obligations under the modalities. The modalities include provision for special priority to LDCs. The text of modalities recognises “serious difficulties” of LDCs in undertaking special commitments. For the first time, in the text of modalities it was recognised that trade in services is important for addressing poverty, upgrading welfare, improving universal availability and access to basic services. The serious difficulty in addressing a number of complex issues simultaneously, and lack of institutional and human capacities to analyse and respond to offers and request was also recognised in the modalities.

The special modalities addressed many concerns of the LDCs, presented below in Table 3.1 with assessment.

The special Modalities significantly reduced the burden of negotiations on LDCs and LDCs are expected to be able to focus on few sectors of export and import interests. The underlying

success factor is a pro-active role of LDCs. Bangladesh should play a leading role in the upcoming negotiations.

The specific implications of LDC Modalities are as follows:

<i>Offer</i>	<i>Request</i>
1. Bangladesh can make no/very limited commitments against the request made by several countries.	1. Bangladesh may request market access in several sectors
2. Bangladesh may offer market access against requests in those sectors, where investment is required. Thus, the predictable environment will ensure flow of more foreign investment. However, considering the interests of domestic service suppliers various restrictions can be exercised in different modes including equity restriction, number of foreign participants, size of business, area of services, number of foreign workers at various levels etc.	2. Bangladesh should identify cases of autonomous liberalisation and demand credit in forms and terms favourable for domestic service industries or in other areas where Bangladesh has specific interests [mode 4, agriculture, NAMA, trade facilitation, environment etc.]
3. Bangladesh can exercise preferential treatment to domestic service providers compared to foreign suppliers. For example, restriction in participation of foreign suppliers in lucrative business, preference to domestic suppliers in government procurement, unrestricted volume and types of services to domestic suppliers, lower equity requirement for domestic suppliers than for foreign investors.	3. Bangladesh should request opening mode 4 with specific categories of skills
4. Bangladesh will be able to ignore request for additional commitments	4. Bangladesh should negotiate inclusion of ISCO-88 for mode 4.
5. Bangladesh will be able to ignore request for reciprocal credit for autonomous liberalisation	5. Bangladesh may present specific requests for Capacity building and Technical Assistance in trade in services.

Temporary Movement of Natural Persons

The issues of temporary movement of natural persons received priority in the *Special Modalities*. Under the modalities it was recognised that the temporary movement of natural persons supplying services (Mode 4) provides potential benefits to the sending and recipient Members. LDCs have indicated that this is one of the most important means of supplying services internationally. The modalities stipulates that Members shall to the extent possible, and consistent with Article XIX of the GATS, consider undertaking commitments to provide access in Mode 4, taking into account all categories of natural persons identified by LDCs in their requests. This paragraph would create ground for identification of practical mechanism to start negotiations on the whole issues of temporary movement of natural persons. Particularly, Bangladesh can identify specific categories of skills, in which Bangladesh has potential to supply in developed countries, where demand exists for them. It is to be noted that the formulation like ‘to the extent possible’ and ‘consider’ created scope for escaping requests from LDCs. A positive environment may be created through offering market access under the GATS in those sectors, where Bangladesh already allowed foreign participation autonomously.

SECTION IV: BANGLADESH IN OFFER-REQUEST NEGOTIATIONS PROCESS

Requests to Bangladesh

In DDR a number of countries submitted requests to Bangladesh to open a number of sectors. The requests to Bangladesh were limited within professional services, business services, audiovisual services, construction and related engineering services, entertainment services, transport services [including maritime transport], financial services, legal and accounting services, software and information services, environmental services, energy services, e-commerce services, telecommunication services, computer and related services, infrastructure services, and distribution services. The requests to Bangladesh are presented in *Annex Table 4.1*. Among broad 11 services categories (according to GATS classification) Bangladesh received requests in 9 categories (except education and health sector). Going into further detail, out of 54 sub-categories Bangladesh received requests in 34 sub-categories. In 160 sub-sectors the requests came for liberalisation of 125 sub-sectors. In other words, Bangladesh received requests to open her 80 per cent of the services sector to foreign competition. Despite the number of requesting countries is limited, the coverage of requests is very wide.

TABLE 4.1. SUMMARY OF SECTOR-WISE REQUESTS AND REQUESTING COUNTRIES

Major Categories	Total number of sub-sectors	Request made	%	Number of Countries	Major requesting countries
2. Communication Services	28	23	82	6	USA, EC, Japan, Norway
1. Business Services	46	35	76	5	USA, EC
7. Financial Services	17	17	100	5	USA, EC, Japan
11. Transport Services	35	35	100	4	Japan, EC
3. Construction and Related Engineering Services	5	5	100	3	Japan, EC
6. Environmental Services	4	4	100	3	USA, EC, Norway
4. Distribution Services	5	5	100	2	Japan, USA
9. Tourism and Travel Related Services	4	1	25	1	
10. Recreational, Cultural and Sporting Services	5	1	20	1	
12. Other Services Not Included	1	1	100	1	(USA)
5. Educational Services	5	0	0	0	
8. Health Related and Social Services	4	0	0	0	
Total	159	127	80		

Note: The number before the services categories are serial numbers according to GATS services sectoral classification list [MTN.GNS/W/120, July 10, 1999].

In total 9 WTO members made requests to Bangladesh. The countries are Singapore, EC, Japan, Norway, Korea, Hong Kong (China), Malaysia, Sri Lanka and USA. USA made requests for opening up a number of sub-sectors but mode-specific requests were not available. The European Union's requests are most comprehensive, which requested to open computer and related services, construction and related engineering services, environmental services, financial services, transport services, and other business services. Japan's requests were limited to only infrastructure services which included telecommunication services, construction and related engineering services, distribution services, financial services and transport services. Norway requested to open environmental services and telecommunication

services. Singapore's request was only for liberalisation of maritime transport services. From South Asia only Sri Lanka made requests to Bangladesh to open up business services, telecommunication, financial services, tourism and travel related services and transport services.

It is to be mentioned that the number of countries requesting for liberalisation of a particular sector or sub-sector is maximum 6. The sectors receiving requests for liberalisation in terms of number of requesting countries (in descending order) are as follows: communication sector (6), business sector (5), financial sector (5), transport sector (4), construction and related sector (3), environmental sector (3), distribution services (2), tourism and travel related services (1), recreational, cultural and sporting services (1), and e-commerce (1) under other services not included. In terms of consideration of which sectors should be opening up, information on this descending order of sectors may be useful.

The requests for opening fully (none) in all modes are for the following sectors/sub-sectors:

Mode 1 None: maritime transport, computer and related services, other business services, insurance, banking and other financial services, environmental services.

Mode 2 None: maritime transport, computer and related services, services auxiliary to all modes of transport, environmental services.

Mode 3 None: maritime transport, computer and related services, general construction work for buildings, general construction work for civil engineering water for human use and wastewater management, insurance, banking and other financial services, services auxiliary to all modes of transport, environmental services,.

Mode 4 None: telecommunication services.

Requests for making commitments under "horizontal commitments" were common for mode 4. There was request to remove MFN exemptions on the application of different tariff accounting rates in telecommunication sector. It is to be mentioned that the MFN exemptions will be expired automatically at the end of 2007.

In maritime transport sector, particularly in equipment and international cargo there are some specific requests under market access.

Under national treatment there were limited requests. Japan did not make any request under national treatment. Norway requested for removal of limitations and restrictions and make full commitments in all sub-sectors. For environmental services Norway and EU requested for commitments. EU also requested to commit "none" under national treatment for services auxiliary to all modes of transport, computer and related services, other business services, construction and related engineering services and environmental services. Singapore requested to commit "unbound except as indicated in the horizontal section" for maritime transport sector.

In terms of frequency of requests, requests from more than one country came for maritime transport, financial services, construction and related engineering services, telecommunications, and environmental services. Requests from a single country came for computer and related services, distribution services, other business services and services auxiliary to all modes of transport.

Bangladesh's Offers

During the conclusion of Uruguay Round Bangladesh committed to liberalise basic telecommunications and tourism sector (*see Table 8.A*). Specifically, the offer was limited to only voice telecommunication through government operator's circuit and five star hotels.

TABLE 4.2. CURRENT COMMITMENT OF BANGLADESH IN SERVICE SECTOR

Sectors	Mode	Market Access	National Treatment
Sector 9: Tourism and Five Star Hotels and Restaurants	Mode 1	Unbound	Unbound
	Mode 2	Unbound	Unbound
	Mode 3	Incorporation for CP No Equity Restriction	None
	Mode 4	Prevalence of Domestic Immigration Laws <ul style="list-style-type: none"> • No Restriction on Work Permit • Requirement for Approval of GOB for Employment of NP • Only Higher Management & Specialized Job 	None
Sector 2: Communications Services (Voice Telephone Services)	Mode 1	Unbound	Subsidies
	Mode 2	Unbound	Unbound
	Mode 3	Incorporation for CP No Equity Restriction	Subsidies to Domestic Suppliers
	Mode 4	Only Higher Management & Specialized Job	In Most Cases No Bypass of Government operator's Network

Bangladesh's Requests

Bangladesh prepared a request to Members for special commitment under Mode 4 [Table 4.3]. However, it was not submitted due to lack of preparedness to sit for bilateral negotiations.

TABLE 4.3: BANGLADESH'S REQUESTS TO MEMBERS ON MODE 4, WHICH WERE NOT SUBMITTED

Feature	Status
<i>Mode 4: Movement of Natural Persons</i>	Softening Immigration Policy and Qualifications and Licensing Requirements
	Ensuring Wage Parity
	Exempting Workers and Professionals from Paying Social Security Taxes if Corresponding Benefits are Not Extended
	Remove Quantitative Restrictions on Visa for Professionals
	Removal of Entry Barriers in form of ENT and LMT
	Mutual Recognition of Certificate and Degrees
	Removal of Additional Licensing Requirements

The offer-request status vis-à-vis Bangladesh shows that although the number of requesting countries is limited the requests are very wide. In terms of understanding the priorities and potential of growth and improvement one can use the number of requesting countries as a proxy. Thus, from the perspective of the negotiating members the following sectors are important: communication, business services, financial services, transport services, construction and related services, environmental services and distribution services. Interestingly, despite the fact that the education and health sector are very important for Bangladesh and reasonably liberalised, there was no request for these two sectors. On the other hand, Bangladesh wants to attract foreign investors in tourism sector and ready to liberalise the sector further. However, the number of request is very limited, only Sri Lanka made request to open the sector.

SECTION V: IDENTIFICATION OF SECTORS FOR UPCOMING OFFER-REQUEST NEGOTIATIONS

It was mentioned earlier in Section I that the negotiations under GATS is strategically important for the LDCs including Bangladesh for the following three fundamental factors:

- 1. Retaining and deepening competitiveness in goods export*
- 2. Opportunities through increased tradability of services*
- 3. Improvement of Quality of Services in Domestic Market*

Responses have been collected through active consultations with various stakeholders including the exporters and importers of goods, service importers, domestic service providers, domestic consumers of services, etc. The classification of various service categories under the abovementioned three broad heads is presented in *Annex 5.1*.

For identifying the general and specific interests of Bangladesh in upcoming services negotiations a good approach would be to identify services sector with positive, negative and mixed balance of payments. Such an exercise has been performed in Section II where sector specific features have been discussed. The general principles for identification of export and import interests in sectors using the balance of payments of individual sectors are as follows:

- a. if a particular service sub-sector has secular positive trend in its balance of payments, then this sector can be termed as a sub-sector of export interests;
- b. if a particular service sector has secular negative trend in its balance of payments, then this particular sub-sector is termed as a sub-sector having import interests, and
- c. the sectors with mixed signs in its balance of payment positions have both export and import interests.

The above-mentioned principles can be applied in general. However, the identification exercise should be supplemented with an investigation of strengths and weaknesses of individual sub-sectors. The factors to be considered during the determination of strengths and weaknesses of respective sectors and sub-sectors are as follows:

- Strength of domestic suppliers of services in selected sectors
- Strength of the selected sector or sub-sector in terms of available training facilities, capacity building, technology acquisition, etc;
- Provision of infrastructure and its improvement;
- Investment, and attracting FDI;
- Definition of legitimate regulatory objectives and mechanisms;
- Identification of appropriate measures for the development of the sector or sub-sector;
- Improvement of efficiency and competitiveness of the service sector;
- Adoption of pro-competitive policies;
- Identification of target sectors for foreign services suppliers, and

- Identification of trade policies and regulations for opening of trade in services.

The identification of sectors of export interests and import interests have been performed following the algorithm mentioned below:

1. Preparation of initial list of the basis of three development objectives [Annex 5.1]
2. Preparation of Reduced list of the basis of analysis of sectoral GDP and balance of payment situation of individual sub sectors [according to GATS classification]
3. Preparation of list of sectors/sub-sectors on the basis of priority sectors identified by the requesting member countries
4. Preparation of list of sectors/sub-sectors on the basis of analysis of strength and weakness of individual sectors/sub-sectors
5. Comparison of three lists of sectors/sub-sectors and identification of sectors of common interests.

Following the abovementioned algorithm a final list of sectors/sub-sectors will be prepared, where:

- a. Bangladesh has export interests and will request Member states to open those sectors under market access negotiations;
- b. Bangladesh has import interests to improve and retain competitiveness in the export of goods and improve the quality of service sectors for domestic markets and Bangladesh should offer liberalisation upon the request of other Member countries, and
- c. Bangladesh should exercise protectionism to promote domestic service providers.

Sectors/sub-sectors Identified based on Sectoral GDP and BOP Analysis

The 12 broad GATS service categories have been ranked in descending order using three major economic indicators, viz., share of the categories in GDP, volume of export, and volume of import [Table 5.1]. Then the analysis was conducted using the methodology described below:

- a. The sums of rankings for three indicators have been put in ascending order, i.e., the lowest total is in number one.
- b. If some categories obtain the same score, the category with lower ranking in “share of GDP” was placed first. The rationale is that the domestic interest in those categories is higher and priority for offer-request negotiations is low.
- c. The categories for which the calculation of share of GDP was not possible, have been excluded from the current analysis, despite their importance in services negotiations.

TABLE 5.1: RANKS OF GATS SERVICES CATEGORIES IN ORDER OF LIBERALISATION PRIORITIES

<i>Sub-Sectors</i>	Share in GDP	Export	Import	Score	Rank
Transportation	3	2	1	6	1
Tourism & Travel-Related Services	8	3	2	13	2
Communication Services	6	4	6	16	3
Educational Services	4	8	4	16	4
Construction and Related Engineering Services	2	9	5	16	5
Distribution Services (merchandising and other trade services)	1	6	9	16	6
Financial Services	7	7	7	21	7
Health and Related Social Services	5	12	10	27	8
Business Services	n/a	5	12		excluded
Recreational, Cultural and Sporting Services (other than audiovisual Services)	n/a	11	11		excluded
Research & Development Services	n/a	10	8		excluded
Other Business Services*	n/a	1	3		excluded

According to the abovementioned methodology in terms of liberalisation, transportation, tourism, communication, education, construction, distribution, financial services and health services are important from Bangladesh perspective. In the transportation sector there are five major sub-sectors: air transport, rail transport, marine transport, inland water transport and road transport. The ranking of the sector in exports, imports and share of GDP is also high. Thus the sector deserves a separate comprehensive analysis. As regards the tourism sector, it has low ranking in share of GDP, it received attention of Bangladesh for attracting more foreign investment in the sector. Bangladesh had initial commitments in this sector during the conclusion of Uruguay Round negotiations. It is quite obvious from such commitments that even at such an initial period of negotiations, the government of Bangladesh developed some understanding as regards the opportunities and risks involved in this sector.

It is to be mentioned that the share of particular sub-sectors in GDP has been considered as an indicator to decide whether Bangladesh should exercise protectionism.

Sectors of Export Interest

The following sub-sectors have been identified where the balance of payment shows positive signs. The positive sign reflects the fact that Bangladesh has export interests in these particular sub-sectors. The sub-sectors are:

- computer and related services;
- telecommunication services;
- distribution services;
- life insurance and maritime transport

The detailed analysis of the exercise of identification of sub-sectors for which Bangladesh has export interests is presented in [Table 5.2].

TABLE 5.2: SECTORS OF EXPORT INTEREST: PRIMARY SELECTION

Sub-Sectors		Computer & Related Services	Telecommunication Services	Distribution Services	Life, accident and health insurance services	Maritime Transport Services
FY1999	Receipts	0.91	33.75	2.67	0.34	78.38
	Payments	0.52	10.70	0.30	0.20	20.26
	Balance	0.39	23.04	2.37	0.14	58.12
FY2000	Receipts	2.80	41.53	14.84	0.61	80.62
	Payments	0.35	7.07	3.54	0.15	21.75
	Balance	2.45	34.46	11.30	0.46	58.87
FY 2001	Receipts	2.21	13.79	5.91	0.67	65.20
	Payments	0.34	7.57	2.73	0.15	23.45
	Balance	1.88	6.22	3.18	0.52	41.74
FY 2002	Receipts	2.79	22.87	5.09	0.76	68.84
	Payments	0.30	4.84	3.93	0.14	23.27
	Balance	2.49	18.03	1.16	0.62	45.57
FY 2003	Receipts	4.20	9.24	3.74	0.75	67.57
	Payments	0.16	7.08	2.52	0.14	26.85
	Balance	4.03	2.15	1.22	0.61	40.72

Amongst the sub-sectors for which Bangladesh has export interests, the distribution services have the highest share of GDP (13.91% in FY2003), in this particular service sub-sector, there are hardly any foreign service providers in the domestic market. This sub-sector covers a large number of small and medium enterprises (SMEs). Thus, the distribution services have export interests but they need protection to maintain their present contribution to GDP. The share of the transportation sector in GDP is also high (9.78 %), while the corresponding share of maritime transport is more than 50 per cent. However, the maritime sector is classified separately under the GATS. Therefore, the identification of export-import interests for this sector requires further analysis.

Sectors of Import Interests

The balance of payments for the sub-sectors which have secular negative trends is presented in *Annex Table 2.6*. The sub-sectors with negative balance of payments include: Rental/leasing services without operators, construction and related engineering services, education services, health and social services, tourism and travel related services, news agency services, research and development services and air transport services.

As regards the share of these sectors in GDP, the construction and related sector has a share of 8.63 per cent. Technology transfer plays a significant role in the development of this sector. As the sector has a high stake of domestic service providers as well as substantial imports, liberalisation of this sector should be balanced. The GDP share of educational services (2.36 per cent), health related and social services (2.21 per cent), tourism and travel related services (0.67 per cent) are comparatively low. Liberalisation of these sectors will attract foreign investment which will facilitate further growth of these sectors and will play

an import substitution role in the long run, particularly in the health and education sectors. Analysis of the education sector (Raihan 2005), shows that opening of off-shore campuses of foreign universities and growth of private universities with foreign affiliation creates some sort of import substitution effect. The same is true for the health sector. However, the sectoral stakeholders have strong reservations in opening the Mode 4 of the sector.

Sectors Required Protection

The sub-sectors with mixed signs in balance of payments⁵ are: audio-visual services, financial services (non-life, reinsurance, banking), personal, cultural and recreational services, and rail transport services (*see Annex Table 5.2*). It is to be mentioned that financial sector in Bangladesh is already made open under the aegis of the World Bank and IMF since 1990s. Although the share of this sector is not high in GDP (1.63%), the sector has to play important role in macro-economic stability. The increased frequency of financial crisis across globe provides hints for cautious approach in further liberalisation of the sector. Rail transportation has a long tradition in Bangladesh since British colonial ages. Despite huge potentials due to the lack of investment in the sector and the protectionist attitude of neighbouring India, the sector could not flourish. Bangladesh has import interest as well as export interest in this sector. However, the balance is more on the side of protectionism. Thus the policy makers should follow a cautious approach in liberalising these sectors.

A list of sectors/sub-sectors have been prepared in Section IV [Table 4.1] on the basis of analysis of requests made to Bangladesh by member countries of the WTO. The list would be appropriate for identification of priority sectors/sub-sectors for making commitments or requests in the upcoming GATS negotiations.

On the basis of the above-mentioned algorithm the following comparative table has been prepared. The table includes priority sectors of requests by the member countries, contribution of the sector/sub-sectors to GDP, balance of payment situation of the sectors/sub-sectors (expressed also through ranks).

⁵ In one year sectors have positive sign in balance of payments, in others, negative.

TABLE 5.3: IDENTIFICATION OF SECTORS FOR OFFERS AND REQUESTS

Sectors of Interests by Requesting Countries	Sectors of Export Interests	Sectors of Import Interests	Mixed Interests	Sectors need Protection	Ranks
2. Communication Services			audio-visual services	Postal services	3
			Telecommunication Services		
			Courier services		
1. Business Services	Computer & Related Services	Research and development services		Professional services	Not ranked
		Rental/leasing services without operators			
			Other business services		
7. Financial Services	Life, accident and health insurance services		financial services (non-life, reinsurance, banking)		7
11. Transport Services	Maritime Transport Services	Air transport services	rail transport services	Internal waterways transport	1
	Pipeline transport	Services auxiliary to all modes of transportation	Road transport services		
	Transportation of other goods				
3. Construction and Related Engineering Services			Construction and related engineering services		5
6. Environmental Services				Environmental services	Not ranked
4. Distribution Services	Distribution Services			Commission agents' services	6
				Wholesale trade services	
				Retailing services	
9. Tourism and Travel Related Services		Hotel and restaurants	Travel agencies and tour operators services	Tourists guide services	2
10. Recreational, Cultural and Sporting Services		news agency services	personal, cultural and recreational services	other	Not ranked
			Entertainment services (including theatre, live bands and circus services)		
			Libraries, archives, museums and other cultural services		
			Sporting and recreational services		
12. Other Services Not Included					
5. Educational Services		education services (other than primary and secondary)		Primary education services	4
				Secondary education services	
8. Health Related and Social Services		Hospital services	Other human health services	Social services	8

Taking into consideration the abovementioned table a primary list of offers and requests has been developed [Table 5.4].

TABLE 5.4. PRIMARY LIST OF OFFERS AND REQUESTS FROM THE PERSPECTIVE OF BANGLADESH

Order of Preferences of requesting Countries	Sectors of Interests by Requesting Countries	Sectors for Requests	Sectors for Offer	Order of preference for Bangladesh
4	11. Transport Services	Maritime Transport Services	Air transport services	1
		Pipeline transport	Services auxiliary to all modes of transportation	
		Transportation of other goods		
		Rail transport services	Rail transport services	
		Road transport services	Road transport services	
8	9. Tourism and Travel Related Services		Hotel and restaurants	2
		Travel agencies and tour operators services	Travel agencies and tour operators services	
1	2. Communication Services	audio-visual services	audio-visual services	3
		Telecommunication Services	Telecommunication Services	
		Courier services	Courier services	
11	5. Educational Services		Education services (other than primary and secondary)	4
5	3. Construction and Related Engineering Services	Construction and related engineering services	Construction and related engineering services	5
7	4. Distribution Services	Distribution Services		6
3	7. Financial Services	Life, accident and health insurance services		7
		Financial services (non-life, reinsurance, banking)	Financial services (non-life, reinsurance, banking)	
12	8. Health Related and Social Services		Hospital services	8
		Other human health services	Other human health services	
2	1. Business Services	Computer & Related Services	Research and development services	Not ranked
			Rental/leasing services without operators	
		Other business services	Other business services	
6	6. Environmental Services			Not ranked
9	10. Recreational, Cultural and Sporting Services		News agency services	Not ranked
		Libraries, archives, museums and other cultural services	Libraries, archives, museums and other cultural services	
		Sporting and recreational services	Sporting and recreational services	
		Personal, cultural and recreational services	Personal, cultural and recreational services	
		Entertainment services (including theatre, live bands and circus services)	Entertainment services (including theatre, live bands and circus services)	
10	12. Other Services Not Included			

Along with the list of offer and request mentioned above the request on Temporary Movement of Natural Persons must include the list of Bangladesh's requests.

As the primary list is elaborate and logically has gone into the sub-sectoral level, the list of offer and request should be further reduced to make the negotiations process manageable. For

such an exercise a more detailed version of Table 4.1 would be useful, where the sub-sectors are included. The elaborate version of the Table 4.1 is presented in Annex Table 5.3. Using the Table 4.3 and Annex Table 5.3 the list of offer-request can be reduced further. In curtailing the list of offer and request the following principles have been adopted:

- a. Exclusion of those sectors for which no requests are received
- b. Exclusion of those sectors for which there are no requests from major negotiating countries (USA, EC, Japan and Norway)
- c. Keeping sectors for request in which Bangladesh has trade or development interest
- d. Prioritisation of sectors to be done according to the sum of ranks of Bangladesh interests and requesting countries interests in ascending order. Thus the most desired sectors by both parties would come first.

The sectors for which Bangladesh can prepare negotiating positions for offer and requests are presented in Table 5.5.

TABLE 5.5. FINAL SECTORS FOR OFFER-REQUEST PROCESS

Sectors	Sectors for Requests	Sectors for Offer	Cumulative Score
Temporary Movement of Natural persons	Specific group of service providers [Annex 5.4-5.6]	-	1
2. Communication Services	Telecommunication Services	Telecommunication Services	4
	Courier services	Courier services	
11. Transport Services	Maritime Transport Services	Air transport services	5
	Pipeline transport	Services auxiliary to all modes of transportation	
	Transportation of other goods	-	
	Rail transport services	rail transport services	
	Road transport services	Road transport services	
9. Tourism and Travel Related Services		Hotel and restaurants	10
	Travel agencies and tour operators services	Travel agencies and tour operators services	
3. Construction and Related Engineering Services	Construction and related engineering services	Construction and related engineering services	10
7. Financial Services	Life, accident and health insurance services	-	10
	Financial services (non-life, reinsurance, banking)	financial services (non-life, reinsurance, banking)	
1. Business Services	Computer & Related Services	Computer & Related Services	Not ranked
	Other business services	Other business services	

Negotiating Countries

Following the sectors for negotiations presented in Table 5.5 Bangladesh will have to sit on negotiating table with a number of countries. The countries are presented in Table 5.6.

TABLE 5.6. COUNTRIES FOR NEGOTIATIONS WITH CURRENT LIST OF REQUESTS TO BANGLADESH.

Sectors	Countries for Negotiations
Temporary Movement of Natural persons	EC, USA, Japan, Norway, Singapore, Malaysia, Hong Kong
2. Communication Services	EC, USA, Japan, Norway
11. Transport Services	
9. Tourism and Travel Related Services	Sri Lanka
3. Construction and Related Engineering Services	EC, Japan
7. Financial Services	EC, USA, Japan
1. Business Services	EC, USA

The set of countries mentioned in Table 5.6 are applicable if Bangladesh takes a reactive stand and does not venture to identify countries where Bangladesh can export these services. It is true that Bangladesh can enhance export of services in many countries of Europe, America, Africa, Middle East and Asia. Thus, further exercise will be required for enhancing the benefits for services negotiations.

SECTION VI: IMPLICATIONS OF SERVICES NEGOTIATIONS FOR BANGLADESH

General Implications

The outcome of the ongoing GATS negotiations is expected to have significant impact on the development of the services sector in terms of ensuring sustainable development.

Three scenarios have been assumed for analysis of the general implications of the outcomes of the services sector negotiations:

- a. *Optimistic Scenario*: assumptions for optimistic scenarios are:
 - Article IV of GATS will have meaningful implementation from the perspective of the developing countries;
 - LDC modalities will effectively enable LDCs to protect the sensitive domestic sectors and get access to developed country market in sectors of prime interest;
 - Negotiations sequence will be streamlined by completion of negotiations on built-in-agenda, as mentioned earlier, particularly negotiations on rule making.
- b. *Pessimistic Scenario*: This scenario assumes that the jeopardy in negotiations sequence will not be aligned which will put the LDCs in disadvantageous situation in terms of decision regarding the protection of domestic service providers through, *inter alia*, subsidies and safeguard measures. Under this scenario, it is assumed that Bangladesh will fail to negotiate to gain access to the developed markets, and will be forced to undertake substantial commitments at horizontal as well as sectoral levels.
- c. *Status Quo Scenario*: This scenario assumes that the negotiations will not succeed in reconciliation of extreme positions of the countries in certain areas and no significant changes are expected in the services trading regime.

Implications under Optimistic Scenario

Under this scenario Bangladesh is expected to be able to design the whole negotiations under GATS which will provide expected outcome:

- a. Bangladesh will offer only a few sectors for liberalisation;
- b. Liberalisation in general will bring efficiency to the domestic service suppliers and efficiency in real economy;
- c. Liberalisation measures will create predictable environment for investment, both domestic and foreign, thus, will be able to attract required investment for improving access to services, affordability, quality of services, employment generation etc.
- d. Liberalisation measures will create new opportunities for exporting services and change the balance of trade in services in favour of the country;

- e. Bangladesh will increase export of services and dependence on export of goods will be reduced and sustained economic growth will be ensured.

The sectors which have been identified for offering to the Members are: financial services, telecommunication services, health and related services, tourism and travel services and education services. The study did not cover the strategy for negotiations on financial, health and tourism sectors. Moderate opening of financial sector of Bangladesh brought positive outcome in terms of technology transfer and improving efficiency in the financial sector of Bangladesh. The offerings are expected to be below status quo level, i.e., less than the current state of liberalisation [Raihan, 2003].

The liberalisation of health sector with limited opening of mode 4 will bring positive result in reducing deficit in trade in health services, improving quality of health services, and enhancing technology transfer. Opening of tourism sector will increase volume of domestic tourism, investment in the sector for attracting foreign tourists. Currently Bangladesh is a net importer of tourism services through mode 2 despite having enormous resources for development of tourism sector.

In telecommunications sector Bangladesh expected to make both offers and requests to the Members. By opening the domestic telecommunication sector Bangladesh is expected to bring required foreign investment for improving teleaccess, improve affordability through price competition, facilitate growth of ICT sectors, reduce cost of business for real sector, and improve competitiveness of the export sectors.

Liberalisation of tertiary education sector will have import substitution effect. Like health and related services, Bangladesh is a net importer of education services. Despite problems with private sector tertiary education, the liberalisation could meet domestic demand for foreign affiliated tertiary education. It is important that the liberalisation in education will enhance the “brain circulation effect” through attracting teachers of Bangladeshi origin with PhD degrees. As a result of liberalisation already 362 PhD holders returned to Bangladesh for teaching.

In other sectors Bangladesh will be able to undertake gradual reform and open in the medium to long term.

Pessimistic Scenario

Under pessimistic scenario Bangladesh will have to open all sectors for which Members made requests. Among them important sectors are: distribution services, transport services, construction and related engineering services, environmental services and other business services. Opening of these sectors will have serious implications for domestic service providers. The contribution of these sector altogether is 42.1 per cent of GDP. As most of the

service providers are SMEs, there is danger that they will be forced to shut down their business. The employment implication of opening these sectors are huge. The opening of these sectors will jeopardise macroeconomic stability.

Three Members requested Bangladesh to liberalise environmental services sector. Liberalisation of environmental services is a controversial issues and it is related with the negotiations on rules making, particularly, the rules on subsidies and government procurement. In all developing countries, the environmental services are highly subsidised and governments think to keep the subsidies for social reasons. Liberalisation under the pessimistic scenario will hinder access to environmental services by the poor section of the population and will have severe health and social consequences.

Under the status quo scenario Bangladesh will not be able to get access to market of Members in the sectors of export interests, particularly the TMNP and poverty alleviation of development of objectives will not be accomplished.

Status Quo Scenario

If services negotiations fail to achieve the objectives set in the agreement, Bangladesh will not be a loser in the short run. However, the objective of making service work for poor will be jeopardised.

Bangladesh will have to seriously continue her reform measures for bringing discipline in domestic service sectors.

Domestic Policy Issues

The orthodox approach adopted by the LDCs needs to be changed which propagates zero liberalisation of services sectors under the GATS. It is already obvious that many sectors would benefit through an open policy regime and a predictable competitive environment. However, proper sectoral studies are a pre-requisite for opening more sectors.

Opportunities through market opening would only be meaningful where there is an adequate quality supply of service providers. Investment in training and education (fiscal resource issues) is a must for ensuring quality supply. It is important to ensure that the strategy should include plans for improving quality, standards, and competitiveness of service providers. Establishment of independent regulatory bodies and monitoring mechanisms to ensure standards is another way to create level playing fields. The strategy should include plans for active negotiations for mutual recognition agreements with key markets. Short term bilateral agreements with selected countries and institutions would be useful to understand and streamline the difficulties. These efforts would help to bring transparency in mutual recognition.

Bangladesh lacks a policy to regulate skilled labour outflow. The current structure is solely dedicated to deal with low skilled service providers. Regulations for inward migration are concentrated only to the manufacturing sector. These issues also need proper care for creating a vibrant service sector in the country.

The policy of exporting service providers through TMNP requires plans for attraction of returned migrants, an essential element of which is to help them to be effectively absorbed into the domestic labour market. Promotion of investment schemes for the Bangladeshi diaspora is also useful for attracting returned migrants.

The strategy of negotiations should also address the issues of brain drain and brain circulation through incentives, improved domestic conditions, and recovery of lost investment.

Finally it is essential to develop bilateral cooperation on visa and recruitment policies with host countries to regulate flows.

SECTION VII: NEGOTIATING STRATEGIES AND POSITIONS FOR BANGLADESH

The strategy for negotiations should include the following elements:

- a. Use of provisions of special modalities for LDCs;
- b. Consideration of current negotiations on services rules
- c. Situation of assessment of services liberalisation in Bangladesh
- d. Use of the exercise for identification of sectors of export interests, import interests and sectors of protection [section IV];
- e. Development objectives of individual sectors;
- f. Use of experience of current liberalisation in individual sectors, and
- g. Exercise for building partnership with country groups.

Special modalities for LDCs provide following specific scopes for framing the negotiating outlines:

Text	Strategy for negotiations
Members... shall exercise restraint in seeking commitments from LDCs due to achieving the objectives of Art. IV	Limit number of sectors for liberalisation offers
Flexibility to LDCs for opening few sectors, liberalising fewer types of transactions	Limit types of transactions in those limited sectors
LDCs shall not be expected to offer full <i>NT</i> , nor are they expected to undertake <i>additional commitments</i> under Article XVIII of the GATS on regulatory issues which may go beyond their institutional, regulatory, and administrative capacities	Offer preferential treatment to domestic service providers in sectors where liberalisation commitments are to be made
Members shall [Articles IV and XIX] give special priority to providing effective market access in sectors and modes of supply of export interest to LDCs, through negotiated specific commitments pursuant to Parts III and IV of the GATS.	Develop model schedules for sectors of export interests and request selected countries for liberalisation of those sectors
LDCs shall be granted appropriate credit for their autonomous trade liberalisation	Seek deeper concession in major sectors of export or development interests using the provisions of autonomous liberalisation
In addition, Members shall refrain from requesting credits	Use, if needed, this provision for

from LDCs.	rejecting demand for credit by other Members
It is recognised that the temporary movement of natural persons supplying services (Mode 4) provides potential benefits to the sending and recipient Members . LDCs have indicated that this is one of the most important means of supplying services internationally. Members shall to the extent possible , and consistently with Article XIX of the GATS, consider undertaking commitments to provide access in mode 4, taking into account all categories of natural persons identified by LDCs in their requests	Propose specific categories of interest not necessarily under the current provisions (short term intra-company visit, visit for fulfilling contractual obligation on behalf of a company and short term visit of individual service providers on their own behalf)
Targeted and coordinated technical assistance and capacity building programmes shall continue	Analysis in <i>Raihan and Mahmood</i> (2004) would be useful.
Technical assistance shall also be provided to LDCs to carry out national assessments of trade in services in overall terms and on a sectoral basis	Identify specific technical assistance needs and claim them Seek technical assistance for overall assessment and assessment of selected sectors

Strategy for TMNP

The strategy for negotiations on TMNP demands special focus. The term "Natural Persons" is an Orwellian euphemism used in the GATS to describe working class people that are considered to be nothing more than commodities. However, this connotation has been proven to be wrong as natural persons may include all categories of professionals, with low to high skills. It has become essential to change the connotation of the "natural persons" to remove the stigma of lower skilled people. Considering the broader coverage of professionals, a three pronged strategy has been proposed for negotiations on TMNP:

- a. Obtain improved market access commitments in Mode 4 from selected countries of interest and for selected sectors;
- b. Improve structure and scope of horizontal commitments in Mode 4, and
- c. Address horizontal limitations and broaden relevant GATS provisions.

Selected Countries and Selected Sectors

The current export structure of service providers through TMNP from Bangladesh shows that Bangladesh's export destinations are Europe, Asia, Africa and the Middle East. One specific

feature of Bangladesh's export through TMNP is that the developing countries are more open to receiving temporary service providers than developed countries. Thus Bangladesh's negotiating strategy should evaluate developing countries and developed countries separately.

Analysis in Section VI has shown that OECD countries will face huge shortages in their labour force over the next fifty years. As a result, the OECD countries should be the major group of countries to whom Bangladesh should make specific requests.

Horizontal Commitments in Mode 4

Horizontal commitments in Mode 4 are limited to few sectors. The negotiating strategy should include proposal of inclusion of new sectors and skill categories under "additional commitments". The list of categories of service providers presented in Annex 6.5 should be included in additional commitments under horizontal commitments.

The strategy of negotiations should enlarge the scope and coverage of service providers, including independent professionals and contractual service providers. It is very important to de-link commercial presence from Mode 4. It is also important to supplement sectoral commitments, not substitute for them.

Horizontal Limitations

Bangladesh should propose to develop a multilateral guideline on the use of ENTs to reduce the discriminatory application of the provision. The unnecessary confusion around the temporary and permanent movement should be removed through the introduction of a GATS visa. The indiscriminate practice of charging social security taxes for temporary workers should be stopped and the negotiation strategy should clarify the obvious difference between temporary and permanent workers.

Sectoral Commitments

The flexibility of GATS should be interpreted rightly in that GATS allows flexibility to modulate commitments in 4 ways: by sector, category, skill-level, and period of stay. This explanation resolves problems of the definition of temporary stay.

Highlight Poverty Alleviation Implications of TMNP

The analysis in Section III has shown the poverty alleviation implications of TMNP. These issues should be highlighted in all requests with country-specific facts and figures and linked

with Millennium Development Goals. It is important to highlight that temporary migration facilitates alleviation of underemployment and unemployment. The temporary movement also helps to ensure higher wages of workers who are staying at home through increased bargaining power.

Violation of MFN?

A legitimate argument for liberalisation of TMNP is that Mode 4 trade is limited only within the OECD countries with a few exceptions. Table 7.1 shows that top ten importers and exporters of Mode 4 services are countries of OECD except Thailand and Philippines.

TABLE 7.1: TOP TEN EXPORTERS AND IMPORTERS OF MODE 4 SERVICES
(BOP compensation of employees, 1999)

Top exporters	Compensation, million US\$	Top importers	Compensation, million US\$
1. France	8904	1. United States	7589
2. Philippines	6794	2. Switzerland	5389
3. Belgium-Lux	3892	3. Germany	4673
4. Germany	3749	4. Belgium-Lux	2794
5. United States	2208	5. Israel	2407
6. Italy	1581	6. Italy	1927
7. United Kingdom	1551	7. United Kingdom	1228
8. Thailand	1460	8. France	1093
9. Switzerland	1058	9. Netherlands	969
10. Austria	1019	10. Denmark	694

Source: WTO, 2003.

Negotiating Points

1. There should be a reference to the Article 3 of the *Annex on Movement of Natural Persons Supplying Services under the Agreement* which specifies, “In accordance with Part III and Part IV of the Agreement, **Members may negotiate specific commitments applying to the movement of all categories of natural persons supplying services under the agreement**”. The text in LDC modalities reinforces the text of Annex, specific to the LDCs.
2. As ISCO-88 can be the basis of development of a multilaterally accepted classification of service providers, Bangladesh should pursue the following points:
 - a. As a primary alternative the ISCO-88 can be accepted in its current form
 - b. The secondary alternative could be that the members work towards the required modification of the ISCO-88 to accommodate country specific classification and their harmonisation.

- c. The adoption of a multilaterally accepted classification of service providers is necessary to comply with the stipulations of Article 3 of Annex on Mode 4, which recognises all categories of service providers.
 - d. Adoption of classification of service providers is also necessary for implementation of paragraph 9 of the *Special Modalities*.
3. In the negotiations Bangladesh should highlight the poverty alleviation linkage of TMNP and relate it with the paragraph 2 of Special Modalities: “ *The importance of trade in services for LDCs goes beyond pure economic significance due to the major role services play for achieving social and development objectives and as a means of addressing poverty, upgrading welfare, improving universal availability and access to basic services, and I ensuring sustainable development, including its social dimension*”. This linkage could serve as leverage for Bangladesh in the upcoming negotiations.
 4. The benefit from the framework of Special Modalities largely depends on how effectively Bangladesh plays a pro-active role in the upcoming negotiations. It has been made clear that LDCs should prepare requests for the countries of their interests, in which they should mention the categories of their interests. Furthermore, to include a classification of service providers based on ISCO-88, Bangladesh should make specific proposals. Thus Bangladesh could undertake three specific activities in the short run:
 - a. Prepare requests to be submitted to a number of countries on Mode 4 based on ISCO-88 categories
 - b. Prepare a proposal to adopt a list of classification of service providers, which would remove the distortion between the current coverage of service providers under the GATS and Article 3 of Annex on Mode 4 and paragraph 9 of the special modalities.
 5. While Bangladesh and other LDCs will identify the categories of their interests, it is important that there is a demand for those categories in countries of LDCs’ interest. Without comprehensive mapping exercise of current and future demand for work force in the categories of interests, it would not be possible for importing countries to offer something by taking cognisance of those requests. It is not expected that countries of LDCs’ interest would start immediate process of identification of categories. UNCTAD and WTO can undertake research exercise in this regard. Bangladesh should propose in the WTO and UNCTAD to undertake study on mapping of country specific employment according to multilaterally accepted classification of services providers. This exercise should be undertaken for OECD and other countries.

Developed countries provide preferential treatments to LDCs in exporting goods to their markets through various initiatives such as GSP schemes, EU-EBA, ACP, AGOA, CBI, etc.

Recent offerings of preferential treatments by Canada, Australia, New Zealand enhanced the scope for retaining market share of LDCs in global trade. There is work in progress in the WTO for awarding preferential treatments to the LDCs multilaterally. Developed countries can be requested to provide similar preferential market access to LDCs for TMNP bilaterally until a multi-lateral framework is agreed upon. On the basis of need assessment in individual countries of OECD, a quota system may be introduced for TMNP from the LDCs.

Bangladesh's Involvement in the Negotiating Process

Bangladesh has been the spokesman of LDC countries in WTO negotiations twice since the completion of the Uruguay Round. In the Cancun Ministerial Meeting Bangladesh participated as a spokesman of the LDCs. As a preparatory process of Cancun Ministerial Meeting, Bangladesh hosted the second LDC Ministerial Meeting in Dhaka on May 31-June 02, 2004. A Declaration of LDC Ministers was adopted on the final day of the Meeting. The declaration emphasised the issues of related to TMNPs and it was one of the major discussion points in the meeting. Adoption of *Special Modalities* was put forward as one of the priorities in the negotiations. As a result of the persistence of Bangladesh along with other LDCs and developing countries, the Special Modalities was adopted on September 03, 2004, just before the Cancun Ministerial Meeting. In the Dhaka Declaration, the issues of movement of natural persons received due emphasis⁶ with concrete proposals. It is worthy of mention that the *Special Modalities* for LDCs adopted 14 out of 20 points raised in the Dhaka Declaration. This has been considered as a significant success of Bangladesh in the negotiation process.

During the LDC Ministerial Meeting Bangladesh successfully reached consensus on the issues which were important to the LDCs. One specific example of such consensus was the inclusion of cotton issues of some African countries in the Dhaka Declaration.

Bangladesh's participation in the Cancun Ministerial reflected the incremental progress made in terms of domestic capacity building. The Bangladesh Mission in Geneva played a proactive role in the various negotiating committees which discussed issues of interest to Bangladesh. Bangladesh identified and prioritised issues of interest in light of the Dhaka Declaration of LDC Ministers. The participation of Bangladeshi press in Cancun also increased the visibility of Bangladesh's effort in the Ministerial.

Consultations with Domestic Stakeholders

Bangladesh has a good tradition in holding wide consultations on important ongoing issues under the Doha Development Round with stakeholders. The Ministry of Commerce of Bangladesh formed a WTO advisory body to consult with business groups, civil society,

⁶ Free access to developed country markets for temporary movement of natural persons, particularly unskilled and semi-skilled service providers, under Mode 4 by *inter alia* recognising professional qualifications, simplifying visa procedures and without asking for Economic Needs Test.

academics, related Ministries and government agencies. Five working groups were formed on thematic issues, viz, agriculture, NAMA, trade in services, TRIPS and S&D. The ministry organised regular consultation meetings of the working group to decide on Bangladesh's position on various issues.

A number of consultations were held through WTO Advisory Committee at the Ministry of Commerce and the 5 working groups under the Advisory Committee; thematic Task Forces prepared a number of background papers. Civil Society Organisations (CSOs) are involved in the work of the *Advisory Group* and a number of Working Groups and prepared a number of policy briefs as a contribution to the design of Bangladesh's negotiating stance.

In some cases, the sectoral assessment in elaborate fashion will not be possible to make before participation in the negotiations. In those cases, stakeholder consultation can play a very important role for protecting domestic interests.

Constraints of Bangladesh in GATS Negotiations

Human Resources

Like in all LDCs there was little capacity in Bangladesh to deal with negotiations in the WTO. Bangladesh signed the WTO agreement in 1994 without much consultation with stakeholders and with little understanding about the implications of the agreement. Gradually, the government started to mobilise professionals to deal with the negotiations. A WTO Cell has been formed with a Director General as the chief of the Cell. The Ministry is taking steps to stop the transfer of people with certain skills and expertise on WTO issues. Recently the *Bangladesh Foreign Trade Institute* has been established with public-private partnership to provide research support to the negotiating body of the government and provide training to government officials on WTO issues.

Despite the efforts, the capacity to manage the whole negotiation machinery is still very low. The total number of people dealing with the negotiations in Bangladesh and in Geneva is limited. It is impossible to deal with the whole negotiation process with such limited capacity. The negotiating body is missing economists and lawyers which are essential for the preparation of successful negotiations. It is to be mentioned that for progressing negotiations on TMNP the involvement of lawyers is essential as much of the debates for inclusion of all categories will concentrate on interpretation of LDC modalities.

The coordination between Geneva and Dhaka is essential for the maximisation of output of limited resources. It was felt that there is a need for better coordination between Dhaka and Geneva on identification of issues for negotiation and preparations of arguments on pursuing the negotiating positions with adequate analysis of alternative scenarios.

Bangladesh developed her negotiating capacity substantially between Doha Ministerial and Cancun Ministerial. However, negotiations on a number of complex issues lie ahead which will call for further strengthening of this negotiating capacity. Bangladesh needs to develop a comprehensive capacity building plan with support provisioned under IF and other bilateral and multilateral programmes.

CONCLUSION

The important issue is that Bangladesh needs to come out from a defensive position as regards the participation in the services negotiations. Bangladesh should prepare herself for submission of both offers and requests in some selected sectors, which comply with the development objectives of the country, liberalisation status in those sectors, and negotiating priorities of requesting countries.

There is no doubt that Bangladesh's number one priority in upcoming negotiations is liberalisation of trade in services under Mode 4. As *LDC modalities* provides valuable guideline for negotiations, Bangladesh should fully utilise that guideline not only for limiting her offers but also for demanding specific market openings in Mode 4 in OECD countries. The text in LDC modalities clearly mentions about all categories of service providers. Thus, Bangladesh should claim market access in identified categories of services providers.

LDC modalities provide Bangladesh further flexibility in negotiations in terms of exercising restrictions in her offers to the requesting countries.

While Bangladesh prepares schedules for requests and offers in prescribed format, there is an apprehension that Bangladesh will have to sit on negotiating tables immediately. Bangladesh should propose the offers subject to completion of rules making negotiations and assessment of services sectors. In her commitment schedules Bangladesh can specify this.

Bangladesh should initiate sectoral and sub-sectoral assessment of services in the identified areas. The status of liberalisation in individual services sectors and regulations related to mode 4 in those sectors are not clear and there is no ready information in this context. It is true that once Bangladesh demands market access in Mode 4, the requested countries may demand reciprocal market opening. For proposing specific offers existing regulations should be thoroughly analysed.

Negotiations in services sectors will receive increased attention in global trade and policy arena in coming years. A comprehensive plan for liberalisation of services sectors with proper assessments of benefit and threat should be developed. Blind protectionism is no longer going to benefit Bangladesh.

REFERENCES

- Andaleeb, Syed Saad. 2000. *Public and Private Hospitals in Bangladesh: Service Quality and Predictors of Hospital Choice*. Oxford University Press, 2000.
- GOB 2003. Bangladesh: A National Strategy for Economic Growth, Poverty Reduction and Social Development, Ministry of Finance.
- BBS. 2002. Bangladesh Labour Force Survey 1999-2000, Bangladesh Bureau of Statistics, 2002.
- Bhattacharya D., M. Rahman and A. Raihan. 2004a. Interpreting Cancun: Experience and Lessons for Bangladesh, *updated version*, Occasional paper no 36, Centre for Policy Dialogue, Dhaka, 2004.
- Bhattacharya D., M. Rahman, and A. Raihan. 2004. Bangladesh's Strategies For Post Cancun Negotiations, *Updated version*, Occasional Paper No 37, Centre for Policy Dialogue, Dhaka.
- Chadha, Rajesh. 2000. *GATS and Developing Countries: A Case Study of India*. February, 2000.
- Chadha, Rajesh. 2002. Competitiveness of Service Sectors In South Asia: Role And Implications of GATS. National Council of Applied Economic Research, New Delhi. July, 2002.
- Chen, Zhiqi and Lawrence Schembri. Measuring the Barriers to Trade in Services: Literature and Methodologies.
- Collantes Verona A. 2003. *Movement of Natural Persons (Mode 4): Importing Country Members' Commitments*, Paper presented at Regional Consultation on Movement of Natural Persons and Human Development, New Delhi, July 21-22, 2003, UNCTAD
- CPD, 2003. Developing A Policy Agenda for Bangladesh: Civil Society's Task Force Reports 2001, CPD-UPL, 2003, pp. 89.
- European Commission. 2001. Your Investment Kit: Guidebook for European Investors to Bangladesh sector Profiles, European Commission Asia Investment facilities
- Farooq F. Q. M. 2003. *Telecommunication Policy & Regulatory affairs in Bangladesh*, paper presented at 3rd Asia-pacific forum on telecommunication policy & regulation, Chiang Rai, Thailand, 10 - 12 July 2003, Bangladesh Telecommunication Regulatory Commission
- Raihan A. 2003. GATS: Doha Development Agenda and Advancing Bangladesh's Interests; Centre for Policy Dialogue (CPD), Dhaka.
- Raihan A and Mahmood. 2004. Trade negotiations on Temporary Movement of Natural Persons: A Strategy Paper for Bangladesh, Occasional Paper # 36, April, 2004.
- Raihan A. 2005. Liberalisation of Trade in Services in Bangladesh: A Sectoral Perspective, CPD Occasional Paper #, 2005.
- IOM. 2003. World Migration 2003: Managing Migration, Challenges and Responses for People on the Move, Geneva,
- IOM. 2002. Are Migrants After Golden Deer? A Study on Cost-Benefit Analysis of Overseas Migration by the Bangladeshi Labour, November, 2002.
- IOM 2002a. Contribution of Returnees: An Analytical Survey of Post Return Experience, IOM-UNDP, Dhaka.
- JBIC 2002. *Bangladesh Education Sector Overview*, JBIC Sector Study.. March, 2002.
- Khan F. K. 2004. Aid and Private Sector Development, in Independent Review of Bangladesh Development 2003, Centre for Policy Dialogue, Dhaka [forthcoming].
- Lücke, Matthias and Dean Spinanger. 2003. *Challenges and Opportunities for Developing Countries from the Liberalisation of International Trade in Services*. December, 2003.
- Mahmud SM. 2004. Access and USO in Bangladesh An Overview. Bangladesh Telecommunication Regulatory Commission.

- Mashayekhi, Mina and Elisabeth Tuerk. 2003. *The WTO Services Negotiations: Some Strategic Considerations*. South Centre. January, 2003.
- MOF. 2003. Economic Survey 2003.
- MOF. 2003a. A National Strategy for Economic Growth, Poverty Reduction and Social Development. March, 2003.
- MOP. 2003. Interim Poverty Reduction Strategy Paper, March, 2003.
- Mosoti, Victor. 2002. *The WTO Trade in Services Negotiations: An Appraisal on their Status and on Issues of Concern to African Countries*. Paper Presented at the COMESA/SADC Regional Workshop for Trade Negotiators on the Implementation of the Doha Development Agenda at Nairobi, Kenya. 5 – 7 August, 2002.
- Niessen, Jan. 2003. *Negotiating the Liberalisation Of Migration - Is GATS A Vehicle or a Model for Global Migration Governance?* Paper presented at the EPC- KBF Migration Dialogue Global Governance of Migration - Challenges for the EU Brussels. 28 October, 2003.
- Raihan A. 2003. Ongoing Negotiations on the GATS FSA: Bangladesh's concerns and Positions, CPD Occasional Paper 33, Dhaka, December 2003.
- UNCTAD 2003. Report Of The Expert Meeting On Market Access Issues In Mode 4 (Movement Of Natural Persons To Supply Services) And Effective Implementation Of Article IV On Increasing The Participation Of Developing Countries. Geneva. 29 - 31 July, 2003.
- MOPT 1999. Telecommunication Policy 1998. Bangladesh.
- UNCTAD. 2003. World Investment Report 2003: FDI Policies for Development: National and International Perspectives, Geneva.
- World Bank 2003. Updated Project Information Document (PM), InfoShop, Report No: AB91
- WTO 2003. Movement of Natural Persons: What is on the table?, *Asia Trade Initiative - Regional Consultations, New Delhi 21-22 July 2003*.
- WTO 2003. Services Negotiations Progress Report. International Trade Centre UNCTAD/WTO. January, 2003.

www.blonnet.com www.cuts.org

www.wto.org

www.adb.org

ANNEXES

**ANNEX TABLE 1.1: EXPORTS OF COMMERCIAL SERVICES AND THEIR RESPECTIVE SHARE
IN TOTAL EXPORTS FOR MAJOR REGIONS/ECONOMIES OF WORLD**

(US \$ in million)

Region/Economy	1980	1990	1998	1999	2000	2001	Average 1998-2001
Low & middle income countries	47778 (6.7)	94763 (10.6)	241785 (16.6)	233469 (15.2)	253925 (13.6)	248579 (13.3)	244440 (14.7)
High income countries	285792 (16.6)	655598 (18.8)	1090427 (20.3)	1155190 (20.9)	1222207 (20.4)	1203823 (20.9)	1167912 (20.6)
World	333570 (14.1)	750361 (17.1)	1332213 (19.5)	1388659 (19.6)	1476133 (18.8)	1452403 (19.0)	1412352 (19.2)
East Asia & Pacific	3921 (5.3)	22048 (12.9)	64682 (13.9)	66046 (13.2)	70701 (11.7)	72724 (12.1)	68539 (12.7)
Europe & Central Asia	4898.9 (na)	15237 (5.1)	80114 (24.0)	65688 (20.4)	74672 (19.1)	71530 (17.6)	73002 (20.3)
Latin America & Caribbean	15521 (13.6)	25939 (13.3)	46512 (12.7)	45942 (11.8)	51236 (11.2)	48279 (10.7)	47993 (11.6)
Middle East & North Africa	12113 (7.4)	15234 (12.4)	24034 (18.3)	26095 (16.5)	26130 (12.5)	23439 (11.1)	24925 (14.6)
Sub-Saharan Africa	7328 (9.2)	9487 (12.2)	12166 (13.3)	12426 (13.4)	10276 (9.4)	8673 (8.4)	10886 (11.1)

**Numbers in parentheses represent respective percentage share of commercial services to total exports Source: World Bank, World Development Indicators, various issues*

**ANNEX BOX 1.1: DESCRIPTIONS OF THE FOUR MODES OF SERVICE
DELIVERY UNDER THE GATS**

Cross-border supply is defined to cover 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);

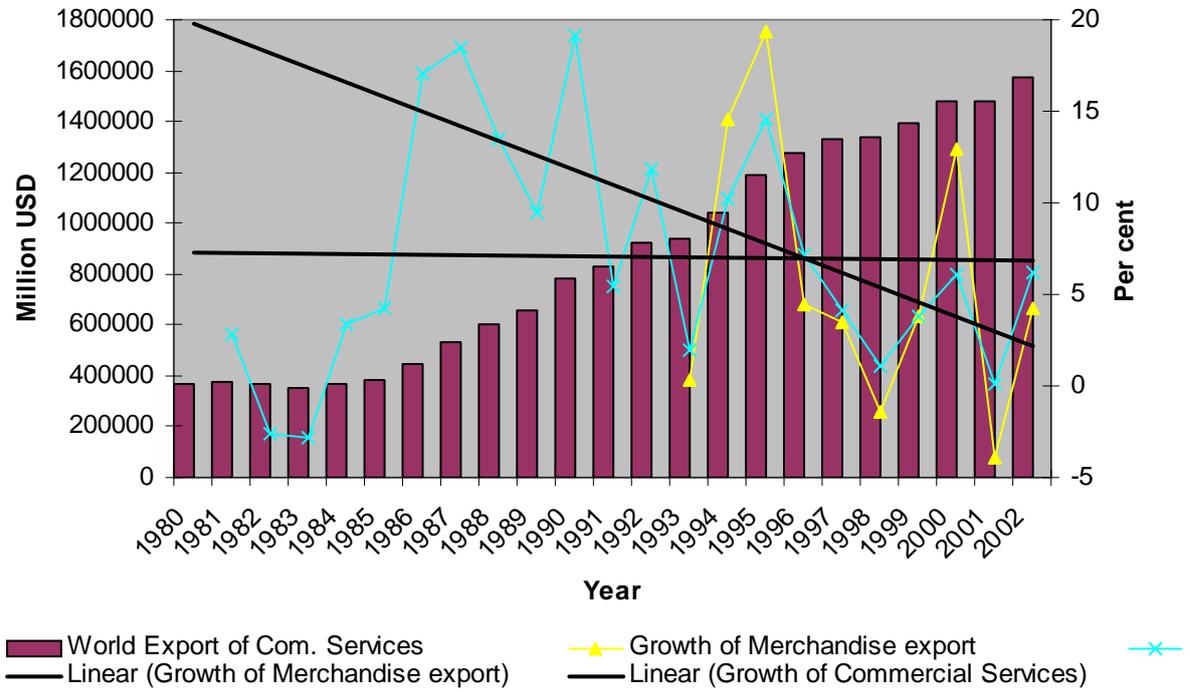
Consumption abroad refers to situations where a service consumer (e.g. tourist or patient) moves into another Member's territory to obtain a service;

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); and

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: WTO website.

Annex Figure 1.1. Comparative Growth of Merchandise Export and Export of Commercial Services



**ANNEX TABLE 2.1. GROWTH RATE OF MAJOR SECTORS AND THEIR RESPECTIVE SHARE TO BANGLADESH'S GDP
(FY 1993-FY 2003; CONSTANT PRICES)**

Sectoral Growth Rate (%)

Sector	FY93	FY94	FY95	FY96	FY97	FY98	FY99	FY00	FY01	FY02	FY03 (P)
Agriculture, Forestry and fisheries		0.8	-0.3	3.1	6.0	3.2	4.7	7.4	3.1	0.0	3.3
Minerals and Mining		5.1	3.3	14.5	3.6	5.7	1.3	9.5	9.7	4.5	6.3
Manufacturing		8.1	10.5	6.4	5.0	8.5	3.2	4.8	6.7	5.5	6.6
Service		4.9	5.5	4.4	4.9	5.4	5.7	5.9	6.0	5.9	6.2
Import Duty		1.3	13.3	8.4	9.6	2.6	2.0	1.3	1.9	5.8	-1.2
Overall GDP		4.1	4.9	4.6	5.4	5.2	4.9	5.9	5.3	4.4	5.3
GDP at Constant price (in Billion \$); Base: FY96	35.64	37.10	38.93	40.73	42.92	45.16	47.36	50.18	52.82	55.16	58.09

Sectoral Share (%) in GDP of Bangladesh at Constant Price (Base: FY96)

	FY93	FY94	FY95	FY96	FY97	FY98	FY99	FY00	FY01	FY02	FY03 (P)
Agriculture, Forestry and fisheries	27.2	26.3	25.0	24.6	24.8	24.3	24.3	24.6	24.1	23.1	22.6
Minerals and Mining	0.9	0.9	0.9	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Manufacturing	13.3	13.8	14.6	14.8	14.8	15.2	15.0	14.8	15.0	15.2	15.4
Service	54.9	55.3	55.6	55.5	55.3	55.4	55.8	55.8	56.2	57.0	57.5
Import Duty	3.7	3.6	3.9	4.0	4.2	4.1	4.0	3.8	3.7	3.7	3.5
GDP at Constant price	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: BES, 2003

**ANNEX TABLE 2.2. SECTORAL DISTRIBUTION OF SERVICE SECTOR GDP,
MILLION USD**

Sub-sectors	GDP	Sectoral Share of GDP (%)	Sectoral Growth Rate of GDP (%)
Electricity, Gas & Water Supply	870.69	1.55	8.86
<i>Electricity</i>	<i>735.72</i>	<i>1.31</i>	<i>8.85</i>
<i>Gas</i>	<i>95.62</i>	<i>0.17</i>	<i>8.41</i>
<i>Water</i>	<i>39.35</i>	<i>0.07</i>	<i>10.14</i>
Construction	4837.24	8.63	8.29
Wholesale and Retail Trade	7800.27	13.91	6.66
Hotel & Restaurants	373.87	0.67	7
Transport, Storage & Communication	5483.20	9.78	7.33
<i>Land Transport</i>	<i>3900.61</i>	<i>6.96</i>	<i>7.02</i>
<i>Water Transport</i>	<i>572.75</i>	<i>1.02</i>	<i>-0.05</i>
<i>Air Transport</i>	<i>77.84</i>	<i>0.14</i>	<i>4.9</i>
<i>Support Transport Services & Storage</i>	<i>201.15</i>	<i>0.36</i>	<i>1.53</i>
<i>Post & Tele communications</i>	<i>730.85</i>	<i>1.3</i>	<i>18.19</i>
Financial Intermediations	913.74	1.63	6.96
<i>Monetary Intermediations (Banks)</i>	<i>683.08</i>	<i>1.22</i>	<i>5.83</i>
<i>Insurance</i>	<i>196.38</i>	<i>0.35</i>	<i>12.28</i>
<i>Other Financial Intermediations</i>	<i>34.28</i>	<i>0.06</i>	<i>1.01</i>
Real Estate, Renting & Business Activities	4742.83	8.46	3.5
Public Administration & Defence	1475.81	2.63	6.93
Education	1321.62	2.36	7.87
Health & Social Work	1240.87	2.21	5.82
Community, Social & Personal Services	4323.82	7.71	3.43
	33383.96	59.54	

Source: BBS.

**ANNEX TABLE 2.3 EMPLOYMENT BY SECTORS, THEIR RESPECTIVE SHARE IN
TOTAL EMPLOYMENT AND GDP/EMPLOYMENT RATIO**

	Employment,		GDP/ Employment Ratio			
	Million	Share				
	1996	2000	1996	2000	1996	2000
Industry including mining	3.56	4.08	10.23	7.88	1810.21	1944.70
Industry excluding mining	3.54	3.78	10.18	7.30	1703.98	1967.16
Services	13.96	15.51	40.14	29.97	1162.32	1312.09
Agriculture	16.99	32.17	48.84	62.15	590.71	383.81

Source: LFS, various issues

ANNEX TABLE 24: COUNTRY-WISE DISTRIBUTION OF FDI REGISTERED WITH BOI

Country	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	Share in 2002-03
Japan	12.42	58.56	68.32	24.46	0.94	0.82	106.00	28.77%
UK	73.39	32.12	827.15	15.96	28.08	3.88	88.40	23.99%
Nederland	--	2.63	--	3.04	4.82	27.21	42.64	11.57%
South Korea	84.75	89.78	14.10	5.14	43.19	24.61	27.28	7.40%
Taiwan	--	--	--	--	--	--	23.49	6.38%
Australia	--	--	--	--	--	--	17.41	4.73%
Singapore	132.15	33.06	273.14	20.39	86.11	2.28	16.05	4.36%
USA	8.17	1378.54	382.01	1178.35	308.99	2.51	13.00	3.53%
UAE	--	--	--	--	--	--	7.24	1.97%
Malaysia	43.67	288.02	16.36	6.13	11.39	1.19	5.70	1.55%
India	48.83	5.48	154.87	7.60	31.62	15.32	5.11	1.39%
Hong Kong	484.92	156.54	13.18	35.48	1.17	59.75	4.78	1.30%
China	9.97	25.38	18.33	10.29	27.23	9.49	2.86	0.78%
Finland	--	--	--	--	--	--	1.81	0.49%
Thailand	--	--	--	--	--	--	1.55	0.42%
Germany	12.63	23.59	57.74	1.93	115.54	1.79	1.07	0.29%
Norway	--	--	--	--	518.16	--	1.02	0.28%
Others	142.60	1346.35	100.34	811.11	94.64	52.74	3.00	0.82%
Total	1053.50	3440.05	1925.54	2119.88	1271.88	301.52	268.42	100.00%

Source: Board of Investment.

ANNEX TABLE 2.5: BALANCE OF TRADE OF VARIOUS SERVICE SECTORS

Sub-Sectors		Computer & Related Services	Telecommunication Services	Distribution Services	Life, accident and health insurance services	Maritime Transport Services
FY1999	Receipts	0.91	33.75	2.67	0.34	78.38
	Payments	0.52	10.70	0.30	0.20	20.26
	Balance	0.39	23.04	2.37	0.14	58.12
FY2000	Receipts	2.80	41.53	14.84	0.61	80.62
	Payments	0.35	7.07	3.54	0.15	21.75
	Balance	2.45	34.46	11.30	0.46	58.87
FY 2001	Receipts	2.21	13.79	5.91	0.67	65.20
	Payments	0.34	7.57	2.73	0.15	23.45
	Balance	1.88	6.22	3.18	0.52	41.74
FY 2002	Receipts	2.79	22.87	5.09	0.76	68.84
	Payments	0.30	4.84	3.93	0.14	23.27
	Balance	2.49	18.03	1.16	0.62	45.57
FY 2003	Receipts	4.20	9.24	3.74	0.75	67.57
	Payments	0.16	7.08	2.52	0.14	26.85
	Balance	4.03	2.15	1.22	0.61	40.72

Source: Bangladesh Bank

ANNEX TABLE 2.6.: SERVICES SUB-SECTORS WITH NEGATIVE BALANCE OF PAYMENTS

Sub-Sectors		Rental/Leasing Services without Operators	Construction and Related Engineering Services	Educational Services	Health Related and Social Services	Tourism & Travel-Related Services	News agency services	Research & Development Services	Air Transport Services
FY1999	Receipts	0.10	0.20	2.66	0.00	46.66	0.07	0.05	15.88
	Payments	2.29	8.93	20.23	0.76	120.68	0.93	6.86	182.13
	Balance	-2.20	-8.73	-17.57	-0.76	-74.03	-0.86	-6.81	-166.25
FY2000	Receipts	0.00	0.13	2.51	0.00	48.83	0.13	0.07	25.11
	Payments	3.33	0.22	25.36	0.84	269.29	1.12	3.60	192.92
	Balance	-3.33	-0.09	-22.85	-0.84	-220.47	-0.98	-3.52	-167.81
FY 2001	Receipts	0.02	0.00	3.11	0.00	45.78	0.20	0.02	19.44
	Payments	5.33	0.00	29.03	0.70	236.03	0.91	5.96	228.31
	Balance	-5.31	0.00	-25.92	-0.70	-190.25	-0.71	-5.94	-208.87
FY 2002	Receipts	0.00	0.25	2.58	0.00	51.17	0.08	0.10	15.29
	Payments	1.41	6.65	29.01	0.45	58.13	0.68	3.69	202.13
	Balance	-1.41	-6.40	-26.43	-0.45	-6.95	-0.61	-3.59	-186.84
FY 2003	Receipts	0.00	2.36	3.01	0.00	52.39	0.12	0.25	30.10
	Payments	1.18	8.49	28.84	0.52	84.72	0.60	3.15	249.84
	Balance	-1.18	-6.12	-25.83	-0.52	-32.33	-0.49	-2.90	-219.75

Source: Bangladesh Bank.

ANNEX TABLE 2.7: BALANCE OF TRADE OF VARIOUS SERVICE SECTORS

WTO Classification of Service Sectors and Bangladesh's service trade	FY 1999		FY 2000		FY 2001		FY 2002		Jul 2002 - Jun 2003	
	Receipts	Payments	Receipts	Payments	Receipts	Payments	Receipts	Payments	Receipts	Payments
<i>Sub-Sectors</i>										
Business Services										
Computer & Related Services	0.9094	0.5218	2.7998	0.3472	2.2132	0.3365	2.7929	0.3003	4.1991	0.1642
Rental/Leasing Services without Operators	0.0952	2.2948	0.0000	3.3289	0.0177	5.3316	0.0000	1.4096	0.0000	1.1793
Communication Services										
Telecommunication Services	33.7462	10.7039	41.5316	7.0712	13.7910	7.5726	22.8709	4.8359	9.2372	7.0831
Audiovisual Services	0.2498	0.0000	0.0081	0.0000	0.0045	0.0000	0.4160	0.4780	3.6296	0.1567
Construction and Related Engineering Services	0.2004	8.9350	0.1321	0.2193	0.0000	0.0000	0.2529	6.6500	2.3620	8.4856
Distribution Services (merchandising and other trade services)	2.6684	0.2958	14.8426	3.5418	5.9104	2.7300	5.0912	3.9348	3.7409	2.5206
Educational Services	2.6639	20.2341	2.5089	25.3552	3.1143	29.0316	2.5822	29.0094	3.0107	28.8400
Financial Services										
All insurance and insurance-related services	2.2316	4.3612	3.4159	4.4489	2.1716	3.9017	3.0729	8.1435	3.3836	6.4506
Life, accident and health insurance services	0.3354	0.1983	0.6147	0.1537	0.6659	0.1504	0.7641	0.1394	0.7502	0.1426
Non-life insurance services	1.0948	4.1497	2.6604	4.2944	1.1627	2.8833	2.1411	3.2904	2.0418	0.0081
Reinsurance and retrocession	0.8014	0.0132	0.1408	0.0008	0.3430	0.8680	0.1677	4.7137	0.5916	6.2998
Banking service	16.2719	18.5734	15.7975	29.0570	9.0747	18.9772	9.8596	12.7948	18.7910	9.0811
Health Related and Social Services	0.0000	0.7595	0.0000	0.8356	0.0000	0.6984	0.0000	0.4523	0.0000	0.5230
Tourism & Travel-Related Services	46.6566	120.6847	48.8287	269.2938	45.7808	236.0301	51.1742	58.1262	52.3864	84.7172
Recreational, Cultural and Sporting Services (other than audiovisual services)	0.1497	0.0000	0.3122	0.0000	0.5169	0.0113	0.0624	0.0556	0.0357	0.2058
News agency services	0.0749	0.9343	0.1329	1.1162	0.2001	0.9091	0.0776	0.6843	0.1155	0.6036
Research and Development Services	0.0513	6.8640	0.0747	3.5993	0.0227	5.9578	0.0975	3.6869	0.2529	3.1501
Transportation	95.3301	202.4059	105.7349	214.6673	84.9575	251.7638	84.1365	225.4032	97.6660	276.6949
Maritime Transport Services	78.3756	20.2561	80.6180	21.7479	65.1983	23.4542	68.8420	23.2726	67.5693	26.8514
Air Transport Services	15.8817	182.1273	25.1077	192.9194	19.4393	228.3096	15.2945	202.1307	30.0966	249.8435
Rail Transport Services	1.0727	0.0225	0.0092	0.0000	0.3199	0.0000	0.0000	0.0000	0.0000	0.0000
Business Services other than Computer and Rental and Other business Services⁷	44.3730	45.3756	60.2301	48.8284	93.7649	103.9616	97.1291	57.7187	126.1293	78.6964
	245.6722	442.9438	296.3500	611.7099	261.5401	667.2132	279.6158	413.6835	324.9399	508.5522
Exchange rate	48.06	48.06	50.31	50.31	53.96	53.96	57.43	57.43	57.9	57.9

⁷ Professional services (Legal Services, Accounting, Auditing & Book-keeping Services, Taxation Services, Architectural Services, Engineering Services, Integrated Engineering Services, Urban Planning & Landscape Architectural Services, Medical & Dental services, Veterinary services, Services provided by midwives, nurses, physiotherapists & paramedical personnel), R & D (R&D services on natural sciences, R&D services on social sciences and humanities, Interdisciplinary R&D services), Others(Advertising services, Market research and public opinion polling services, Management consulting service, Services incidental to agriculture, hunting and forestry, Services incidental to mining

ANNEX TABLE 4.1. REQUESTS TO BANGLADESH ACCORDING TO 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 Related to the Installation of Computer 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	
		1F(c). Management Consulting Services	EC	

Major Category	Major Sub-category	Service Sub-sectors	Countries	Remarks
		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 or 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	Kor: 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				
	2A. Postal Services			
	2B. Courier Services		USA	
	2C. Telecommunication Services		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, HongKong, Sri Lanka	Full commitment to the reference paper on regulatory principles to the basic telecommunication regulations
		2C(b). Packet Switched Data Transmission Services	Japan, Norway, EC, HongKong, Sri Lanka	
		2C(c). Circuit Switched Data Transmission Services	Japan, Norway, EC, HongKong, 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	

Major Category	Major Sub-category	Service Sub-sectors	Countries	Remarks
		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		
3. Construction and Related Engineering Services			Japan, Korea, EC	JP: 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	JP: 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	

Major Category	Major Sub-category	Service Sub-sectors	Countries	Remarks
	4E. Other		Japan	
5. Educational Services				
	5A. Primary Education Services			
	5B. Secondary Education Services			
	5C. Higher Education Services			
	5D. Adult Education			
	5E. Other Educational Services			
6. Environmental Services			USA, Norway, EC	
	6A. Sewage Services		USA, Norway, EC	
	6B. Refuse Disposal Services		USA, Norway (Solid/hazardous waste management), EC (Solid/hazardous waste management)	
	6C. Sanitation and Similar Services		USA	
	6D. Other		USA, Norway	
		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	JP: Requests that the immigration procedure and the criteria for the acquisition of stay and work permit be made public and transparent
	7A. All Insurance and Insurance Related Services		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	
	7B. Banking and Other Financial Services		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; Kor: Elimination of the limitation on the total number of expatriates

Major Category	Major Sub-category	Service Sub-sectors	Countries	Remarks
				for foreign financial institutions
		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	
		7B(c). Financial Leasing	USA, Japan, Korea, EC, Sri 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, Museaums, and Other Cultural Services		
		10D. Sporting and Other Recreational Services		
		10E. Other	USA (world srstistic creation)	

Major Category	Major Sub-category	Service Sub-sectors	Countries	Remarks
11. Transport Services			Singapore, Japan, EC	JP: Requests that the immigration procedure and the criteria for the acquisition of stay and work permit be made public and transparent
	11A. Maritime Transport Services		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 subsectors 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 warehousing, customs clearance, transport agency, container station and depot, inventory management, order processing, production planning, production control), EC	
	11B. Internal Waterways Transport		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	
	11C. Air Transport Services		Singapore, Japan	
		11C(a). Passenger Transportation	Singapore, Japan	
		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	
	11D. Space Transport		Japan	

Major Category	Major Sub-category	Service Sub-sectors	Countries	Remarks
		<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 Services for Rail 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 Auxilliary 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 MTS subsectors 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 subsectors 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	
		<i>11I. Other Transport Services</i>	Japan, Singapore (port facilities), Hong Kong	HK: Make MA and NT Commitments, Make MA and NT commitments in other MTS subsectors including the rental of vessels with crew and maintenance and repair of vessels, all commitments should be based on MFN basis

Major Category	Major Sub-category	Service Sub-sectors	Countries	Remarks
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

ANNEX TABLE 5.1 CLASSIFICATION OF SERVICE SECTORS AND BANGLADESH'S INTEREST IN LIBERALISATION

a. <i>Retaining and deepening competitiveness in goods export</i>	b. <i>Opportunities through increased tradability of services</i>	c. <i>Improvement of Quality of Services in Domestic Market</i>
<p>Software implementation services</p> <p>Research and development services</p> <p>R & D services on natural sciences</p> <p>R & D services on social sciences and humanities</p> <p>Interdisciplinary R & D services</p> <p>Advertising services</p> <p>Market research and public opinion polling services</p> <p>Management consulting service</p> <p>Services related to management consulting</p> <p>Technical testing and analysis services</p> <p>Services incidental to energy distribution</p> <p>Related scientific and technical consulting services</p> <p>Maintenance and repair of equipment (not including maritime vessels, 633+ aircraft or other transport equipment)</p> <p>Convention services</p> <p>Telecommunication services</p> <p>Electronic data interchange (EDI)</p> <p>On-line information and/or data processing (including transaction processing)</p>	<p>Engineering services</p> <p>Architectural services</p> <p>Medical and dental services</p> <p>Veterinary services</p> <p>Services provided by midwives, nurses, physiotherapists and paramedical personnel</p> <p>Computer and related services</p> <p>Software implementation services</p> <p>Data processing services</p> <p>Database services</p> <p>Rental/leasing services without operators</p> <p>Market research and public opinion polling services</p> <p>Services incidental to agriculture, hunting and forestry</p> <p>Services incidental to fishing</p> <p>Services incidental to mining</p> <p>Services incidental to manufacturing</p> <p>Placement and supply services of personnel</p>	<p>BUSINESS SERVICES</p> <p>Professional services</p> <p>Legal services</p> <p>Taxation services</p> <p>Accounting, auditing and bookkeeping services</p> <p>Medical and dental services</p> <p>Integrated engineering services</p> <p>Urban planning and landscape architectural services</p> <p>Consultancy services related to the installation of computer hardware</p> <p>Research and development services</p> <p>Real estate services</p> <p>Rental/leasing services without operators</p> <p>Management consulting service</p>
<p>Adult education</p> <p>Non-life insurance services</p> <p>Reinsurance and retrocession</p> <p>Banking and other financial services (excluding insurance)</p> <p>All payment and money transmission services</p> <p>Guarantees and commitments</p> <p>Trading for own account or for account of customers, whether on an exchange, in an over-the-counter market or otherwise, the following:</p> <p>foreign exchange</p> <p>derivative products including, but not limited to, futures and options</p> <p>exchange rate and interest rate instruments, including products such</p> <p>as swaps, forward rate agreements, etc.</p> <p>Hotels and restaurants (including catering)</p>	<p>Building-cleaning services</p> <p>Photographic services</p> <p>Packaging services</p> <p>Printing, publishing</p> <p>Courier services</p> <p>Telecommunication services</p> <p>On-line information and database retrieval</p> <p>Enhanced/value-added facsimile services including store and forward, store and retrieve</p> <p>On-line information and/or data processing (including transaction processing)</p> <p>Audiovisual services</p> <p>Building completion and finishing work</p>	<p>Services related to management consulting</p> <p>Services incidental to energy distribution</p> <p>Investigation and security</p> <p>Maintenance and repair of equipment (not including maritime vessels, 633+ aircraft or other transport equipment)</p> <p>Postal services</p> <p>Telecommunication services</p> <p>Electronic data interchange (EDI)</p> <p>Code and protocol conversion</p> <p>Audiovisual services</p> <p>General construction work for buildings</p> <p>General construction work for civil engineering</p> <p>Installation and assembly work</p> <p>Adult education</p> <p>Refuse disposal services</p> <p>Sanitation and similar services</p>

Maritime transport services	DISTRIBUTION SERVICES	Services auxiliary to insurance (including broking and agency services)
Internal waterways transport	Adult education	Hospital services
Air transport services	Other education services	Other human health services
Rail transport services	FINANCIAL SERVICES	Hotels and restaurants (including catering)
Road transport services	Banking and other financial services (excluding insurance)	Travel agencies and tour operators services
Services auxiliary to all modes of transport	Participation in issues of all kinds of securities, including underwriting and placement as agent	RECREATIONAL, CULTURAL AND SPORTING SERVICES (other than audiovisual services)
	(whether publicly or privately) and provision of service related to such issues	
	Advisory and other auxiliary financial services on all the activities listed in Article 1B of	Entertainment services (including theatre, live bands and circus services)
	MTN.TNC/W/50, including credit reference and analysis, investment and portfolio research and	
	advice, advice on acquisitions and on corporate restructuring and strategy	
	Provision and transfer of financial information, and financial data processing and related software by	News agency services
	providers of other financial services	
	Hospital services	Internal waterways transport
	Other human health services	Air transport services
	Social services	Road transport services
	Hotels and restaurants (including catering)	Other transport services
	Travel agencies and tour operators services	
	Tourist guides services	
	Entertainment services (including theatre, live bands and circus services)	
	Maritime transport services	
	Air transport services	
	Rail transport services	
	Road transport services	
	Pipeline transport	

The (*) indicates that the service specified is a component of a more aggregated CPC item specified else where in this classification list.

The (**) indicates that the service specified constitutes only a part of the total range of activities covered by the CPC concordance (e.g. voice mail is only a component of CPC item 7523).

ANNEX TABLE 5.2: SERVICE SUB SECTORS WITH MIXED BALANCE OF TRADE

<i>Sub-Sectors</i>	FY1999			FY2000			FY 2001			FY 2002			FY 2003		
	Receipts	Payments	Balance	Receipts	Payments	Balance	Receipts	Payments	Balance	Receipts	Payments	Balance	Receipts	Payments	Balance
Audiovisual Services	0.25	0.00	0.25	0.01	0.00	0.01	0.00	0.00	0.00	0.42	0.48	-0.06	3.63	0.16	3.47
Financial Services	18.50	22.93	-4.43	19.21	33.51	-14.29	11.25	22.88	-11.63	12.93	20.94	-8.01	22.17	15.53	6.64
<i>Non-life insurance services</i>	1.09	4.15	-3.05	2.66	4.29	-1.63	1.16	2.88	-1.72	2.14	3.29	-1.15	2.04	0.08	1.96
<i>Reinsurance and retrocession</i>	0.80	0.01	0.79	0.14	0.00	0.14	0.34	0.87	-0.53	0.17	4.71	-4.55	0.59	6.30	-5.71
<i>Banking and other insurance service</i>	16.27	18.57	-2.30	15.80	29.06	-13.26	9.07	18.98	-9.90	9.86	12.79	-2.94	18.79	9.08	9.71
<i>personal, Cultural and recreational</i>	0.15	0.00	0.15	0.31	0.00	0.31	0.52	0.01	0.51	0.06	0.06	0.01	0.04	0.21	-0.17
Rail Transport Services	1.07	0.02	1.05	0.01	0.00	0.01	0.32	0.00	0.32	0.00	0.00	0.00	0.00	0.00	0.00
Other Business Services	44.37	45.38	-1.00	60.23	48.83	11.40	93.76	103.96	-10.20	97.13	57.72	39.41	126.13	78.70	47.43

Source: Bangladesh Bank.

ANNEX TABLE 5.3. REQUESTS TO BANGLADESH AT SUB-SECTOR LEVEL

	Service Sub-sectors	Total Sub-sectors	Requests made	Number of Requesting Countries	Major requesting Countries
1. Business Services		46	35	5	USA, EC
	<i>1A. Professional Services</i>	11	10	3	USA
	<i>1B. Computer and Related Services</i>	5	5	2	EC
	<i>1C. Research and Development Services</i>	3	0	0	
	<i>1D. Real Estate Services</i>	2	0	0	
	<i>1E. Rental/Leasing Services Without Operators</i>	5	0	0	
	<i>1F. Other Business Services</i>	20	20	3	EC, USA
2. Communication Services		28	23	6	USA, EC, Japan, Norway
	<i>2A. Postal Services</i>	1	0		
	<i>2B. Courier Services</i>	1	1	1	USA
	<i>2C. Telecommunication Services</i>	20	20	6	USA, EC, Japan, Norway
	<i>2D. Audiovisual Services</i>	6	2		
3. Construction and Related Engineering Services		5	5	3	Japan, EC
4. Distribution Services		5	5	2	Japan, USA
5. Educational Services		5	0	0	
6. Environmental Services		4	4	3	USA, EC, Norway
7. Financial Services		17	17		
	<i>7A. All Insurance and Insurance Related Services</i>	4	4	5	USA, EC, Japan
	<i>7B. Banking and Other Financial Services</i>	12	12	5	USA, EC, Japan
	<i>7C. Other</i>	1	1	5	USA, EC, Japan
8. Health Related and Social Services		4	0	0	
9. Tourism and Travel Related Services		4	1	1	
	<i>9A. Hotels and Restaurants (including catering)</i>	1	1	1	
	<i>9B. Travel Agencies and Tour Operator Services</i>	1	0	0	
	<i>9C. Tourist Guide Services</i>	1	0	0	
	<i>9D. Other</i>	1	0	0	
10. Recreational, Cultural and Sporting Services		5	1	1	
	<i>10A. Entertainment Services</i>	1	1	1	
	<i>10B. News Agency Services</i>	1	0	0	
	<i>10C. Libraries, Archives, Museums, and Other Cultural Services</i>	1	0	0	
	<i>10D. Sporting and Other Recreational Services</i>	1	0	0	
	<i>10E. Other</i>	1	0	0	
11. Transport Services		35	35	4	Japan, EC
	<i>11A. Maritime Transport Services</i>	6	6	4	Japan, EC
	<i>11B. Internal Waterways Transport</i>	6	6	2	Japan
	<i>11C. Air Transport Services</i>	5	5	2	Japan
	<i>11D. Space Transport</i>	1	1	1	Japan
	<i>11E. Rail Transport Services</i>	5	5	1	Japan
	<i>11F. Road Transport Services</i>	5	5	1	Japan
	<i>11G. Pipeline Transport</i>	2	2	1	Japan
	<i>11H. Services Auxiliary to All Modes of Transport</i>	4	4	4	Japan, EC
	<i>11I. Other Transport Services</i>	1	1	3	Japan
12. Other Services Not Included				1	USA
	Development of E-commerce	1	1	1	USA
Horizontal	Mode 4	1	1	6	Japan, USA, EC, Norway