

*The General Agreement on Trade in Services (GATS) is a treaty of the World Trade Organization (WTO) which entered into force in January 1995 as a result of the Uruguay Round negotiations.*

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## BANGLADESH GATS COMMITMENTS UNDER WTO

The General Agreement on Trade in Services (GATS) is a treaty of the World Trade Organization (WTO) which entered into force in January 1995 as a result of the Uruguay Round negotiations. The treaty was created to extend the multilateral trading system to service sector, in the same way the General Agreement on Tariffs and Trade (GATT) provides such a system for merchandise trade.

Bangladesh has been a WTO member since 1 January 1995 and thus also a member of GATS since then. Telecommunications is one of two sectors to which Bangladesh has made commitments under GATS. Foreign participation in the sector is high with most mobile phone operators taking the form of joint ventures. The second sector that Bangladesh has committed under GATS is tourism. Under the WTO Services Sectoral Classification List, "Tourism and Travel-related Services" is divided into four subsectors:

- A. Hotels and restaurants (including catering) (CPC45 641–643);
- Hotel and other lodging services (CPC 641):
  - Hotel lodging services (CPC 6411);
  - Motel lodging services (CPC 6412);
  - Other lodging services (CPC 6419) with further subdivisions for holiday camp services, youth hostels, and the like;

- Food serving services (CPC 642):
  - Full restaurant services (CPC 6421);
  - Self-service facilities (CPC 6422);
  - Catering services (CPC 6423);
  - Other (CPC 6429);
- Beverage serving services for consumption on the premises (CPC 643):
  - Services without entertainment (CPC 6431);
  - Services with entertainment (CPC 6432);
- B. Travel agencies and tour operators services (CPC 7471);
- C. Tourist guides services (CPC 7472);
- D. Other.

Bangladesh has made GATS commitments in subsector A (hotels and restaurants) for five-star hotels only in modes 3 and 4, specifically:

- Mode 3: Commercial presence requires that foreign service providers incorporate or establish the business locally in accordance with the relevant provisions of Bangladesh laws, rules and regulations. There is no fixed ratio of equity between local and foreign investors. Foreign equity to the extent of 100 per cent is allowed.

- Mode 4: In Bangladesh, the entry and residence of foreign natural persons (service providers) are subject to Bangladesh's immigration and labour laws, regulations, guidelines and procedures. There is no restriction in issuing work permits to foreign nationals in Bangladesh. The employment of foreign natural persons for the implementation of the foreign investment shall be agreed upon by the contracting parties and

approved by the Government and such personnel shall be employed in higher management and specialized jobs only.

That said for the rest of services, Bangladesh has no obligation to open market and the market entry (or other modes of supply) would be subject to local regulations and policy.

In this client briefing note we take a quick look at Bangladesh's GATS obligations, which are limited to telecoms and

tourism. For reference, we compare them with Vietnam's obligations in the same two sectors although Vietnam has made broader commitments on all 11 service sectors under WTO.

The table below illustrates a summary of comparison between Bangladesh and Vietnam under the mode of supply of commercial presence in terms of Communication and Tourism service sectors.

Sectors	Bangladesh	Vietnam	Comments
<b>TOURISM AND TRAVEL RELATED SERVICES</b>			
A. Five Star Hotel and Lodging Services (CPC 641)	<i>Commercial presence requires that foreign service providers incorporate or establish the business locally in accordance with the relevant provisions of Bangladesh laws, rules and regulations. There is no fixed ratio of equity between local and foreign investors. Foreign equity to the extent of 100 per cent is allowed.</i>	<i>No restrictions, except for a period of 8 years from the accession date the services provided should be in parallel with investment in hotel construction, renovation, restoration or acquisition. None afterwards.</i>	Generally, both countries committed for foreign investments and do not set any criteria/ conditions except for complying with local regulations.
Catering food (CPC 642) and drink services (CPC 643)	<i>No commitment</i>	<i>No restrictions, except for a period of 8 years from the accession date the services provided should be in parallel with investment in hotel construction, renovation, restoration or acquisition. None afterwards.</i>	Bangladesh has no commitments on these sub-sectors. Vietnam commits to open and no conditions/ criteria except for complying local regulations
B. Travel agencies and tour operator services (CPC 7471)	<i>No commitment</i>	<i>None, except that: foreign service suppliers are permitted to provide services in the form of joint ventures with Vietnamese partners with no limitation on foreign capital contribution.</i>	Bangladesh has no commitments on these sub-sectors. Vietnam does commit but requiring to make a joint venture with local partner
<b>COMMUNICATION SERVICES</b>			
B. Courier Services (CPC 7512**) )	<i>No commitment</i>	<i>None, except that foreign ownership in joint ventures may be limited to 51% within the first 5 years after accession. After 5 years from the date of accession, 100% foreign-invested enterprises shall be permitted.</i>	Bangladesh has no commitments on this sub-sector. Vietnam does commit and currently no conditions/criteria
C. Telecommunication Services			
All sub-sectors	<i>The employment of foreign natural persons for the implementation of foreign investment shall be agreed upon by the contracting parties and approved by the Government and such personnel shall be employed in higher management and specialised jobs only.</i>		On all allowed investments in Bangladesh, foreign workers must be approved in advance Vietnam does not set this as condition under WTO commitment but under local labour regulations

Sectors	Bangladesh	Vietnam	Comments
International service for public use: (a) Voice telephone services (b) Packet-switched data transmission services (c) Circuit-switched data transmission services (d) Telex services (e) Telegraph services (g) Private leased circuit services	<i>Reserved to exclusive supply by the Government operator</i>	None, except: <i>Non- facilities-based services:</i> Joint venture is required. Foreign capital contribution shall not exceed 65% of legal capital of the joint ventures. <i>Facilities-based services:</i> Joint venture with telecommunications service suppliers duly licensed in Viet Nam is required. Foreign capital contribution shall not exceed 49% of legal capital of the joint ventures.	
Fixed network infrastructure, Domestic long distance and local service: (a) Voice telephone services (g) Private leased circuit services	<i>Two licenses are issued to private operators, each to serve designated administrative (rural) areas in competition with the Government operator</i>		Generally, Bangladesh does not have commitment on Value Added Services nor Audiovisual Services. Vietnam does have these two subsectors.  For basic telecommunication services, Bangladesh sets out various conditions or subject to quota licenses upon a market entry of foreign investors. With Vietnam, it generally requires a joint venture and set a cap of shareholding ratio for foreign partners depending on whether that is non-facilities-based service or facilities-based service. For example: with the former, the cap ranges from 65%-70% while the latter ranges from 49%-50% only.
For non-public use (i.e., services supplied to closed user groups): (a) Voice telephone services (b) Packet-switched data transmission services (c) Circuit-switched data transmission services	<i>Only on network facilities supplied by the Government operator and other licensed public-service operators. Two-ended breakout and resale of excess capacity are not permitted</i>	<i>Non-facilities-based services:</i> Upon accession, joint ventures shall be allowed without limitation on choice of partner. Foreign capital contribution shall not exceed 70% of legal capital of the joint ventures. <i>Facilities-based services:</i> Upon accession, joint venture with telecommunications service suppliers duly licensed in Viet Nam will be allowed. Foreign capital contribution shall not exceed 49% of legal capital of the joint ventures.	
(f) Facsimile services	<i>Only on network facilities supplied by the Government operator and other licensed public-service operators</i>	None, except: <i>Non- facilities-based services:</i> Joint venture is required. Foreign capital contribution shall not exceed 65% of legal capital of the joint ventures. <i>Facilities-based services:</i> Joint venture with telecommunications service suppliers duly licensed in Viet Nam is required. Foreign capital contribution shall not exceed 49% of legal capital of the joint ventures.	
(o) Other Internet access services	<i>Only on network facilities supplied by the Government operator and other licensed public-service operators.</i>	None, except: <i>Non- facilities-based services:</i> Joint venture is required. Foreign capital contribution shall not exceed 65% of legal capital of the joint ventures. <i>Facilities-based services:</i> Joint venture with telecommunications service suppliers duly licensed in Viet Nam is required. Foreign capital contribution shall not exceed 50% of legal capital of the joint ventures.	
Mobile services terrestrial) - Cellular/mobile voice telephone services	<i>Four licences issued to private operators, in addition to the Government operator</i>	None, except:	
VSAT services	<i>Reserved to supply by the Government operator, who has entered into build-operate transfer arrangements with three foreign suppliers</i>	<i>Non- facilities-based services:</i> Joint venture is required. Foreign capital contribution shall not exceed 65% of legal capital of the joint ventures. <i>Facilities-based services:</i> Joint venture with telecommunications service suppliers duly licensed in Viet Nam is required. Foreign capital contribution shall not exceed 49% of legal capital of the joint ventures.	
Gateway earth station services	<i>Reserved to exclusive supply by the Government operator</i>		
Teleconferencing services (CPC 75292)	<i>Reserved to exclusive supply by the Government operator</i>		

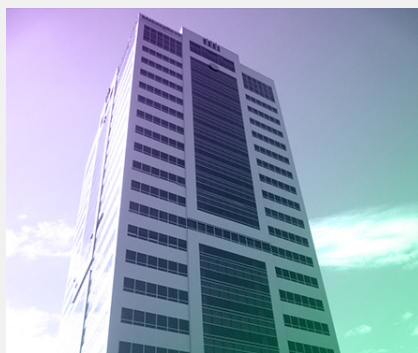
Sectors	Bangladesh	Vietnam	Comments
Telecommunications terminal equipment (telephone sets, fax machines, PABX, cellular handsets) sales, rental, maintenance, connection, repair and consulting services	<i>No limitations</i>	<i>No commitment</i>	No commitment for Vietnam. Market entry is subject to local regulations

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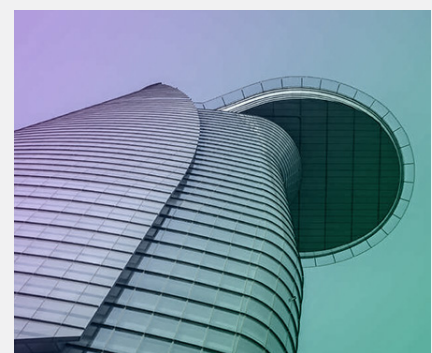
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