

CPD Occasional Paper Series

**Trade Negotiations on Temporary Movement of
Natural Persons: A Strategy Paper for Bangladesh**

Paper 36

Ananya Raihan
Mabroor Mahmood

The policy brief has been prepared on the basis of a research study on
Risks and Opportunities of Liberalising Trade in Services:
Country Study on Bangladesh

Price: Tk. 45.00

Centre for Policy Dialogue

House No 40/C, Road No 11 (new), Dhanmondi R/A, Dhaka-1209

Mailing Address: GPO Box 2129, Dhaka 1209, Bangladesh

Tel: (880 2) 8124770, 9141703, 9141734; Fax: (880 2) 8130951

E-mail: cpd@bdonline.com; Website: www.cpd-bangladesh.org

April, 2004

The Centre for Policy Dialogue (CPD), established in 1993, is 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 already 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 ministers, opposition frontbenchers, MPs, business leaders, NGOs, donors, professionals and other functional groups in civil society within a non-confrontational environment to promote 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 feel are conducive to the well being of the country.

In support of the dialogue process the Centre is engaged in research programmes which are both serviced by and are intended to serve as inputs for particular dialogues organised by the Centre throughout the year. Some of the major research programmes of the CPD include **The Independent Review of Bangladesh's Development (IRBD)**, **Trade Related Research and Policy Development (TRRPD)**, **Governance and Policy Reforms**, **Regional Cooperation and Integration**, **Investment Promotion and Enterprise Development**, **Agriculture and Rural Development**, **Ecosystems**, **Environmental Studies and Social Sectors** 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. As part of its dissemination programme, CPD brings out Occasional Paper Series on a regular basis. Dialogue background papers, investigative reports and results of perception surveys which relate to issues of high public interest are published under its cover. The Occasional Paper Series will also include draft research papers and reports, which may be subsequently published by the CPD.

The present paper titled *Trade Negotiations on Temporary Movement of Natural Persons: A Strategy Paper for Bangladesh* has been prepared by **Dr Ananya Raihan, Research Fellow, CPD** and **Mabroor Mahmood, Research Associate, CPD** under the CPD's programme on *Trade Related Research and Policy Development (TRRPD)*.

Assistant Editor: *Anisatul Fatema Yousuf*, Head (Dialogue & Communication), CPD
Series Editor: *Debapriya Bhattacharya*, Executive Director, CPD

Acknowledgement

The authors gratefully acknowledge the support received from their CPD colleagues. *Dr. Debapriya Bhattacharya* and *Professor Mustafizur Rahman* provided caring guidance and support, and created an environment where authors could concentrate dedicatedly on the research analysis.

The authors would like to acknowledge the contribution of the CPD colleagues at Research Division and Dialogue Division. They would like to put on record their deep appreciation of the support received from *Kazi Mahmudur Rahman*, Research Associate, *Wasel Bin Shadat*, Research Associate, *Syed Saifuddin Hossain*, Research Associate, *Asif Anwar*, Programme Associate, *Farhana Rahman Shima*, Programme Associate, *Simeen Shakiba*, Programme Associate, *Damien Brosnan*, Visiting Youth Ambassador, Australia and *A.H.M. Ashrafuzzaman*. The authors would like to particularly mention the contribution of Kazi Mahmudur Rahman for his perseverance in generating some essential data for this study.

The team would like to put on record its deep appreciation of the cooperation received from the Bureau of Manpower Employment and Training (BMET) for providing data on manpower export from Bangladesh.

CONTENTS

Background	1
TMNP: State of the Art	1
Importance of TMNP	3
<i>TMNP and Macroeconomic Stability</i>	3
<i>TMNP and Poverty Alleviation: Making the Points</i>	4
Adoption of Modalities for LDCs: An Important Even for LDCs	6
LDC Modalities and Progress in Negotiations on Mode 4: Window of Opportunity	7
Mapping the Categories of Overseas Workers into ISCO-88	9
Identification of important categories to be incorporated in possible requests of	
Bangladesh	10
Identification of New Destinations for Bangladeshi Service Providers	12
Identification of Potential Gain from Liberalised market for Temporary Service	
Providers	14
Negotiating Points	15
Domestic Policy Issues	17
Programme Minimum	18
End Note	18

LIST OF TABLES AND FIGURES

Tables

TABLE 1:	ROLE OF REMITTANCE FROM TMNP IN STABILISATION OF BALANCE OF PAYMENTS (MILLION USD)	4
TABLE 2:	ANNUAL EXPENDITURE OF THE OVERSEAS WORKERS HOUSEHOLDS	5
TABLE 3:	ANNUAL INCOME OF OVERSEAS WORKERS' FAMILIES	5
TABLE 4:	ACHIEVEMENTS OF SPECIAL MODALITIES	6
TABLE 5:	DISTRIBUTION OF SERVICE PROVIDERS THROUGH TMNP ACCORDING TO ISCO-88, 2003	10
TABLE 6:	PROJECTED DECLINE OF WORKING AGE POPULATION (15-65 YEARS)	12
TABLE 7:	AGEING SCENARIO IN EUROPE	13

Figures

FIGURE 1:	SKILL COMPOSITION OF BANGLADESHI WORKERS	2
FIGURE 2:	TEMPORARY WORKERS/PROFESSIONALS GOING ABROAD FROM BANGLADESH	3
FIGURE 3:	RATIO OF REMITTANCE WITH GDP, EXPORT EARNINGS AND FOREIGN RESERVE	4

Annexes

ANNEX 1:	MAPPING OF ISCO-88 CODES OF OCCUPATION AND BANGLADESH NATIONAL OCCUPATION CATEGORIES	20
ANNEX 2:	DISTRIBUTION OF TMNP BY ISCO-88 CATEGORIES AND DESTINATIONS	22
ANNEX 3:	IMPORTANT CATEGORIES IN THE SHORT RUN	23
ANNEX 4:	IMPORTANT CATEGORIES IN THE MID TERM	24
ANNEX 5:	IMPORTANT CATEGORIES IN THE LONG RUN	25

Trade Negotiations on Temporary Movement of Natural Persons: A Strategy Paper for Bangladesh

Background

Although the negotiations on trade liberalisation in the WTO at this moment have been stopped since the failure of Cancun process, it is expected that the process will resume in near future. Bangladesh should use the time for homework and preparation for argument based negotiations rather than plea based on rhetoric. It is to be noted that other than issues of duty free and quota free market access for non-agricultural products, Bangladesh also has strong interests in temporary movement of natural persons (TMNP). In this connection, LDC modalities adopted on September 3, 2003 provided ground for flexible and predictable negotiations under the GATS.

In June 2004 member countries will meet in Geneva in two sessions of Council for Trade in Services. LDC Ministers are also meeting in Senegal in early May to discuss Singapore issues and other important relevant issues for LDCs. A meeting of LDC group is expected to take place in Geneva to advance WTO negotiations, where among others, services negotiations will get importance.

Given the importance of the issue of TMNP for Bangladesh CPD prepared this policy brief to provide some specific inputs, which CPD expects to be useful to the negotiations mechanism of Bangladesh's government.

TMNP: State of the Art

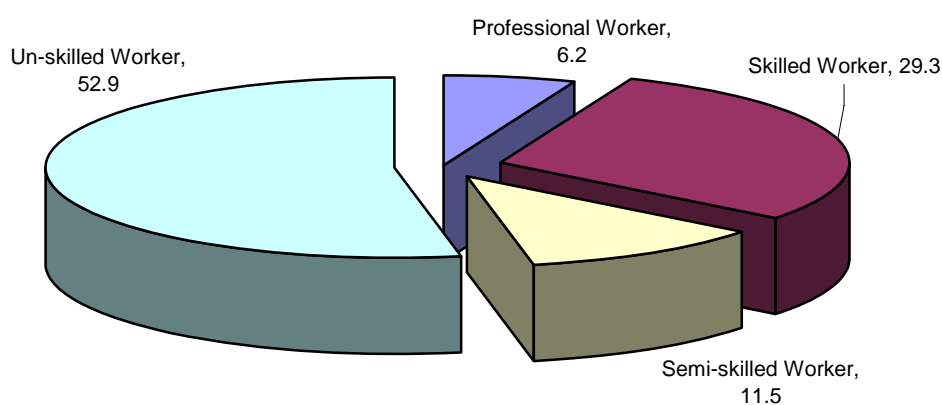
Bangladesh considers supply of workers and professionals of various skill levels as one of the major areas where she has considerable export interests. Bangladeshi workers go abroad to provide services in many countries. From 1976 to 2003, 3.71 million Bangladeshis went aboard with temporary work permits to provide services in the Middle-east, Asia, Africa and Europe. In 2003, the total number of workers who went abroad was 254,190; in 1976 the number was only 6087. From 1976 to 1993, the growth of workers going abroad was steady; however, the trend has been volatile since 1994. Since the major destination of the workers is Middle-eastern countries,

the fall of numbers in exports of manpower between 1994 and 2001 can be explained by the Gulf War and US invasion of Iraq.

It is important to note that Bangladesh exports not only low skilled workers abroad but professionals and skilled workers as well. The composition of workers going abroad for 2003 was: professionals: 6.2 per cent, skilled workers: 29.3 per cent, semi-skilled: 11.5 per cent, and low-skilled: 52.9 per cent [Figure 1]. The composition shows that Bangladesh's scope for attaining benefit from the current classification of GATS in terms of exporting services through temporary movement of natural persons (TMNP) remains at a certain level.

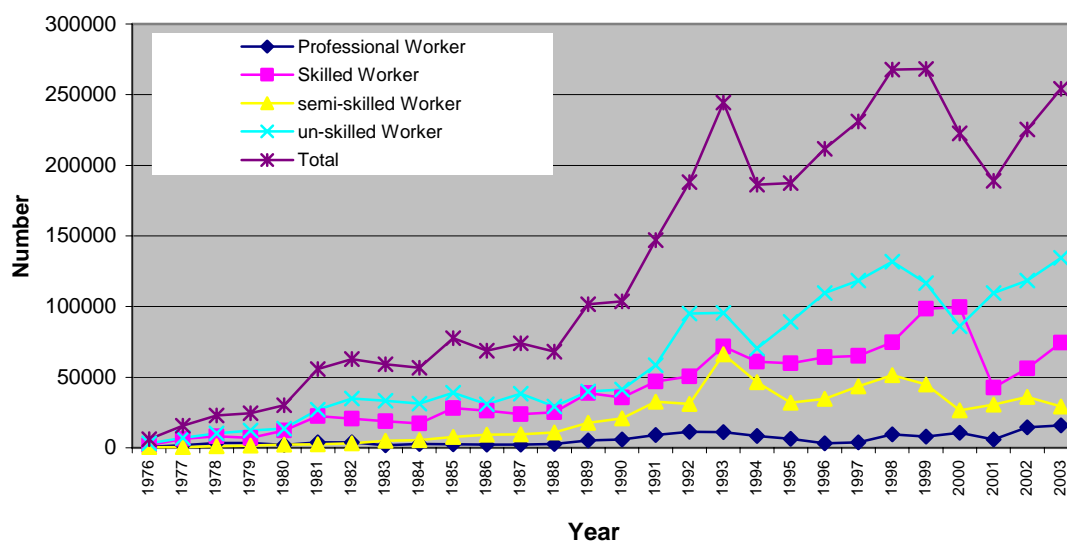
The trend of exporting services through TMNP [Figure 2] proves the fact that if there had been no interruption in exports of manpower, such as war, the export of services through TMNP would have achieved further growth. This trend is valid for all skill categories except semi-skilled workers.

Figure 1: Composition of Bangladeshi Workers Going Abroad



Source: BMET

Figure 2: Temporary Workers/Professionals Going Abroad from Bangladesh



Source: BMET

Importance of TMNP

TMNP and Macroeconomic Stability

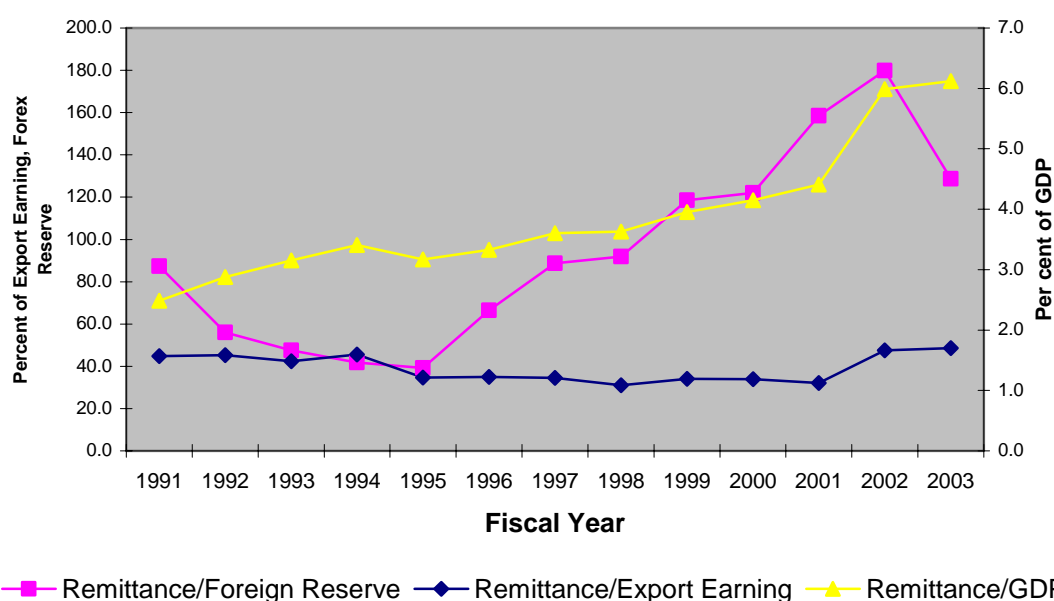
Temporary movement of natural persons plays a very important role in the Bangladesh economy in terms of maintaining macroeconomic stability of the country, reducing the pressure on the national unemployment scenario, poverty alleviation, investment in infrastructure, etc. In FY 2003, remittance earnings were equivalent to 6.1 per cent of GDP. This ratio has a secular increasing trend over the years. The ratio of remittances to export earnings is also increasing steadily and in FY 2003 it was 48.5 per cent. Remittance earnings are playing an important role in the stability of foreign exchange reserves. it was 1.29 times higher than the foreign reserve of FY 2003 [Figure 3].

Remittance earnings are also playing a positive role in attaining sound Balance of Payments (BoP) position. If there were no remittance earnings, the deficit in current account of the BoP would reach USD 2734 million in FY 2003. Remittance earnings of USD 3062 million (FY 2003) create a surplus of USD 328 million in Current Account Balance of the BOP. The surplus BoP is achieved while the trade deficit has widened from USD 1768 million to USD 2207 million [Table 1].

TABLE 1: ROLE OF REMITTANCE FROM TMNP IN STABILISATION OF BALANCE OF PAYMENTS (MILLION USD)

<i>Items</i>	<i>FY 2002</i>	<i>FY 2003</i>
Current Account Balance without Remittance	-2261	-2734
Remittance	2501	3062
Current Account Balance with Remittance	240	328
Trade Balance	-1768	-2207

Source: Bangladesh Bank

Figure 3: Ratio of Remittance with GDP, Export Earnings and Foreign Reserve

Source: Bangladesh Bank

The number of workers going aboard to provide services is around 23 per cent of the total population entering the labour force¹. Considering the number of overseas workers in the 2000s, a large proportion of the labour force goes abroad, reducing the pressure on the unemployment situation of the country.

TMNP and Poverty Alleviation: Making the Points

The TMNP has a direct poverty alleviation impact. A study (IOM, 2003) shows that the higher the skill and education level of the overseas workers and employees, the lower their ties with the host country and incidence of sending remittances back home. About 94 per cent of the Bangladeshi overseas workers are outside professional categories; they have strong ties with home and tend to send a significant portion of

¹ According to the data of 2003 for workers.

their remittance back to Bangladesh. The investigation on the pattern of expenditure of the workers shows that the expatriate workers spend 29.8 per cent of their income on personal consumption abroad; they send 44.9 per cent of their income back home and save 22.8 per cent [IOM, 2002]. The remittances sent by the overseas workers are used for various productive, investment and consumption purposes. A major share of remittances (36 per cent) is used to meet recurrent consumption which includes education, health care, and food [Table 2]. Such expenditures have a direct poverty alleviation impact. Another 20 per cent is used for investment in land properties, while around 14 per cent of remittances are spent to provide better housing arrangements [IOM, 2002]. Moreover, remittances for the families play a role in restructuring the income structure and consumption [Table 3].

TABLE 2: ANNUAL EXPENDITURE OF THE OVERSEAS WORKERS' HOUSEHOLDS

Item	Expenditure (USD)		Change (%)	Distribution (%)	
	Before	After		Before	After
Food	558.6	627.3	12.3	58.71	54.23
Footwear/Apparel	59.1	75.4	27.6	6.21	6.52
House Maintenance	11.6	12.1	4.5	1.22	1.05
Education	67.2	101.9	51.6	7.06	8.81
Medical Expenses	23.3	48.5	108.2	2.45	4.2
Social Expenses	36.4	50.8	39.7	3.82	4.39
Electricity	26.5	29.1	9.8	2.78	2.51
Water, Gas, Fuel	39.3	49.4	25.7	4.13	4.27
Transport	24.2	30.9	27.7	2.54	2.67
Occupation related	87.3	103.6	18.7	9.17	8.96
Cosmetics	16.4	24.0	46.9	1.72	2.08
Others	1.8	3.8	111.0	0.19	0.33
Total	951.5	1156.8	21.6	100	100

TABLE 3: ANNUAL INCOME OF OVERSEAS WORKERS' FAMILIES

Sources of Income	Income (USD)		Change (%)	Distribution (%)	
	Before	After		Before	After
Agriculture	271.5	245.8	-9.5	25.45	14.83
Agricultural Wages	13.9	6.4	-53.7	1.3	0.39
Non-Agri Wages and Salary	439.0	133.0	-69.7	41.14	8.03
Business	250.8	188.4	-24.9	23.51	11.36
Remittances	75.9	1067.3	1306.0	7.11	65.39
Other Sources	15.9	16.6	4.5	1.49	1

Adoption of Modalities for LDCs: An Important Event for LDCs

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

The adoption of the special modalities is considered a success of persistence of LDCs. The failure of Cancun overshadowed this particular achievement. 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 degrees of ambiguity.

The text of the Special Modalities contain language “shall”, which ensures the binding nature of obligations under the modalities. The modalities include provisions for special priorities to LDCs. The text of modalities recognises “serious difficulties” of LDCs in undertaking special commitments. For the first time, it was recognised in the text of modalities 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 were also recognised in the modalities.

The special modalities addressed many concerns of the LDCs, which is presented in Table 4:

TABLE 4: 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	Conditional Alternative text: Members shall not demand full NT and

paragraph	Text	Assessment
	which may go beyond their institutional, regulatory, and administrative capacities	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 blue lined 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 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. Therefore, Bangladesh should take advantage of the progresses and play a leading role in the upcoming negotiations.

LDC Modalities and Progress in Negotiations on Mode 4: Window of Opportunity

WTO GATS identified four modes of supply of services, and amongst these four modes of service delivery, specifically the mode 4 deals with the temporary movements of natural persons. GATS Annex on Mode 4 stipulated supply of services through intra-corporate transfer and short term visit of employees to fulfil contract

between service provider and employer in a country where service provider does not have any office. There is no provision for supply of service by an individual as a juridical entity except for high-skilled professionals. This issue is still under examination and many countries included this category in their schedules of commitments for mode 4.

Although there is a generic reference to the Annex on Mode 4 of GATS that all categories of natural persons are covered, controversy prevails as to whether all skill levels fall under the GATS.

Special Modalities of Negotiations on Services Trade Liberalisation for LDCs, which had been adopted on September 03, 2003 on the eve of Cancun Ministerial, opened opportunities for LDCs to deal with the issues.

Article 9 of the Special modalities mentioned, “It is recognized 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**”.

This article has two specific components:

- a. taking into account all categories of natural persons, and
- b. LDCs should identify categories of their interests.

For identification of categories of export interests in Mode 4, an internationally acceptable classification of service providers is required. International Standard Classification of Occupation (ISCO-88) is such an international category which can be the basis of multilaterally accepted classification of service providers, which will act as an implementation act of Article 3 of Annex on Mode 4 of GATS.

The exercise of using the ISCO-88 for its inclusion in the GATS as a classification of service providers is in line with the stipulation of Article 9 of Special Modalities as regards the consideration of all categories of service providers.

To operationalise the process of inclusion of all categories of service providers, Centre for Policy Dialogue performed the following exercises:

- a. Mapping the categories of overseas workers into ISCO-88 codes
- b. Identification of important categories which may be used in possible requests of Bangladesh to the developed and developing countries for opening market in upcoming GATS negotiations
- c. Identification of new destinations for Bangladeshi service providers
- d. Identification of possible gain from enhanced market access for TMNP.

Mapping the Categories of Overseas Workers into ISCO-88

For the first time, the mapping exercise of ISCO categories and categories of overseas employees has been carried out in Bangladesh. The significance of this exercise is two folds: first, Bangladesh will be able to negotiate in the WTO with concrete proposal of categories using the advantage of Article 9 of Special Modalities; and second, this mapping will facilitate concerned authorities to develop short term and long term plan for promotion of export of service providers through TMNP.

To identify the categories of professions in which Bangladesh has specific export interests, the national categories have been matched with the ISCO-88 classifications, which are presented in Annex 1.

ISCO-88 has total 9 broad categories, which are further elaborated into 28 2-digit and 115 3-digit categories. Analysis shows that Bangladesh currently exports service providers through TMNP in all ISCO-88 categories. According to the export statistics of 2003, major three categories, viz., craft and related trade workers (41.0%), elementary occupations (41.2%), and plant and machine operators and assemblers (13.3%) capture 95.5 per cent of all service providers. The share of professionals (0.7%), technicians and associate professionals (0.3%), clerks(0.8%), shop and maker

sales persons (1.7%), skilled agricultural and fishery workers (0.8%) and managers (0.1%) al together comprise only 4.5 per cent of the total overseas service providers [Table 5 and Annex Table 2].

**TABLE 5: DISTRIBUTION OF SERVICE PROVIDERS THROUGH TMNP
ACCORDING TO ISCO-88, 2003**

Code	Major Group	2-digit categories	3-digit categories	Number of service providers	Share (%)
1	Legislators, senior officials and managers	1	1	203	0.1
2	Professionals	3	6	1564	0.7
3	Technicians and Associate Professionals	2	3	655	0.3
4	Clerks	1	1	1834	0.8
5	Service workers and shop and market sales workers	2	5	3812	1.7
6	Skilled Agricultural and fishery workers	1	2	1828	0.8
7	Craft and related trades workers	4	10	92435	41.0
8	Plant and Machine operators and assemblers	3	6	30004	13.3
9	Elementary Occupations	3	6	92878	41.2
Per cent of Total		71.43	21.28	225213	100.0

Source: CPD Analysis from BMET Data.

Identification of Important Categories to be Incorporated in Possible Requests of Bangladesh

LDC Special Modalities provide clear hints that Bangladesh and other LDCs have to make requests to reap the benefit of the modalities. The mapping exercise thus facilitates Bangladesh to identify categories which are internationally compatible.

For identification of priority categories, all the categories of ISCO-88 have been divided into three groups according to the following criteria:

- a. Group 1- Categories Important in the Short Run: If the number of service providers went abroad exceeds 1000 for a particular category, that category is included in group 1. Group 1 included some less-skilled categories which are excluded from Group 3.
- b. Group 2- Categories Important in the Mid term: If the number of service providers exported is less than 1000, the categories are included in the mid term priority list.
- c. Group 3- Categories Important in the Long Run: the categories which Bangladesh currently does not export are included in the list of long term

priorities. All categories which are of less-skilled service providers are excluded from this list and are included in the Group 1.

Group 1 includes 28 categories at 3-digit level and all 1-digit level categories except category 1 [Annex Table 3]. The major categories in group 1 are: nursing and midwifery professionals, secretaries, personal service workers, guards, sales persons, farmers, miners, building finishers, painters, machinery mechanics and fitters, metal workers, handicraft workers, printers, food processing workers, machine operators, sea farers, domestic helpers, cleaners and launderers, drivers, caretakers, agricultural labours, construction workers, garbage collectors and related labourers, manufacturing labourers, transport labourers and freight handlers.

The group for mid term priorities (group 2) consists of 19 3-digit level categories. The number of services providers exported under this group is less than 1000. The 1-digit categories under group 2 are: 1,2,3,5,6,7,8 and 9 [Annex Table 4]. Major categories under the group of mid term priorities are: managers, physicists, chemists and related professionals, architects, engineers and related professionals, life science professionals, health professionals (except nursing), college, university and higher education teaching professionals, computer associate professionals, optical and electronic equipment operators, finance and sales associate professionals, protective services workers, fashion and other models, shop sales persons and demonstrators, livestock workers, metal moulders, welders, sheet-metalworkers, structural-metal preparers and related trades workers, machine operators, textile, fur and leather products machine operators and messengers, porters, doorkeepers and related workers.

Group 3 includes categories under which Bangladesh is not exporting currently; however has potentials for export in future because of (a) existence of educated unemployed, and (b) current protection in importing countries. These categories are important for Bangladesh in the long run [Annex Table 5]. Under these categories there are 34 3-digit level categories.

Identification of New Destinations for Bangladeshi Service Providers

The demand for opening the service market for temporary service providers is subject to demographic arguments. Several studies (Winsters, 2003; IOM, 2003, Munz, R and H. Fassman 2002) show that demographic momentum of OECD countries and countries like Bangladesh will create a perfect demand-supply equilibrium in the medium to long term.

The changing age structure of the population in the OECD countries is going to lead to a sharp fall in growth rates of employment and a substantial rise in the number of older workers in the labour market during the coming decades. Over the next 50 years all OECD countries will face considerable increase in the share of the elderly. While currently ranging between 7 per cent in Korea to above 17 per cent in Italy, Japan and Sweden, the average share of individuals aged 65 years and over will reach an average of 30 per cent of total population in 2050. Sharpest rises are projected to occur in Australia, Czech Republic, Italy, Japan, New Zealand, Poland, and Spain. If individuals between 55 to 64 years old are included, this wider group of old population will nearly account for nearly 40 per cent of total population by 2050. For most countries, this increase is concentrated in the period from around 2020 to 2040. At the same time the working-age population will decline in almost all countries although to different degrees [Table 6].

TABLE 6: PROJECTED DECLINE OF WORKING AGE POPULATION (15-65 YEARS)

Countries	Projected Decline by 2025		Projected Decline by 2050	
	Million	%	Million	%
UK	-0.2	-0.6	-4.8	-12.3
France	-0.2	-0.5	-4.3	-8.4
Germany	-6	-10.7	-15.7	-28.2
Poland	-2.3	-8.6	-7.7	-29.1
Italy	-5.7	-14.8	-16.3	-41.9
Spain	-3.9	-14.8	-11.4	-41.5

Source: IOM 2002.

EU member states would need an additional 46 million people upto to 2050 to keep the workforce constant². Countries in Central and Eastern Europe are facing similar problems. Until 2025, they will require a net inflow of 8 million people to stabilize their working age population [Table 7]. At present, these figures would appear to

² As many of them would be followed by dependent family members, the probable size of total demand would be higher.

underestimate the size of the necessary inflow as many studies predict that some 3 to 5 million citizens of Central and Eastern Europe would move to Western Europe for economic reasons during the first 15 years following EU enlargement (Munz, R and H. Fassman 2002).

TABLE 7: AGEING SCENARIO IN EUROPE

Region	Population (65+); in million			
	2002	2025	Growth Rate (%)	2050
Western Europe	63.4	92	37.2	84.3
Central and Eastern Europe	16.6	23.6	41	29.2

Source: Munz, R and H. Fassman 2002.

Employment growth tends to be positive in the early part of the period in most countries but then slows sharply. By mid-century, growth rates are near zero or below in most countries and sub-periods. Thus, the key changes to the labour market occur in the first 25 years. At the same time, workforces will age rapidly with the number of older workers aged 55 and over rising, on average, by 0.9 per cent per year over the 50 years period.

The analysis of the age structure of future workforce shows that, the share of older workers will rise from 10 per cent to around 17 per cent from 2000 and 2050. By the end of the period, about one worker out of 4 aged will be above 55 years old in Japan, Korea and Poland. In addition, reforms seeking to lengthen working life (particularly for the 55 to 64 group) could lead to a further rise in the share of workers in this age group (but, of course, this would contribute to an increase in the total number of workers at the same time). Most of this increase will occur in the first two decades, after which these cohorts begin to move into retirement.

There are net inflows into the labour market in the period 2000 to 2010 and then outflows in France and Italy. Net inflows decline over most of the period for the Netherlands. The overall labour force will increase and then begin to fall in the period 2010-2020 in France and Italy. For the Netherlands, the increase slows and then begins to fall in the period 2020-2030. The number of workers continues to rise in the first two to three decades while the younger workers increase by less or decline.

Low fertility rates in Europe will clearly bring about a drop in the number of young local and foreign residents from EU countries entering European labour markets, which will probably entail an overall contraction of the working age population (age 15-65). In the absence of significant immigration, this group would decline in most European countries by 2 to 22 per cent up to the year 2025 and by a further 10 to 55 per cent by 2050.

In the longer term (upto 2050), without mass immigration, nearly all European countries will experience a decline of between 10 and 50 per cent in their active populations aged 15 to 65.

The above analysis shows that the potential crisis in workforce must inevitably lead to the systematic recruitment of both skilled and semi skilled or unqualified foreign labour on a larger scale than at present. In order to stabilize the size of the working population in the European Union (current EU-15), an annual net gain of some 550,000 foreign workers and professionals would be necessary upto 2010 and of a further 1.6 million per annum between 2010 and 2050, totaling a net inflow of 68 million people between 2003 and 2050³. A review of current European initiatives to attract more foreign workers suggests that the emphasis is very much on recruiting limited numbers of skilled workers on a temporary or permanent basis.

Identification of Potential Gains from Liberalised Market for Temporary Service Providers

Regression analysis for total remittance of the service providers through TMNP with number of professionals, skilled, semi-skilled and un-skilled workers shows that Bangladesh would gain substantially through increased export of service providers through TMNP. The following three scenarios have been considered to capture the potential gains from Bangladesh's exports through TMNP:

Scenario 1: Increase in Export of Skilled Workers

Scenario 2: Increase in Export of Un-skilled Workers

Scenario 3: Increase in Export of Professionals

³ In the light of current reluctance in Europe to accept the permanent inflow of high numbers of foreigners, one can question whether these perspectives are realistic.

Under the each of the above scenarios, the regression exercise produced the following outputs:

Scenario 1: The potential benefit from increase of number of skilled service providers is lowest, which may be explained by low ratio of skilled workers in total composition of migrant workers. An increase of 2 lakhs skilled workers would bring USD 381 million.

Scenario 2: The potential benefit from exporting unskilled workers is more than that of exporting skilled workers. An increase in number of unskilled workers by 2 lakhs would bring additional USD 3.5 billion.

Scenario 3: The benefit from export of professionals by increased number of professionals going abroad is even higher. The potential benefit from exporting of 2 lakhs professionals would be USD 11.57 billion.

Negotiating Points

From the analysis of potential demand for workforce in developed markets as well as Bangladesh's supply capacity, CPD highlights the following 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. Since 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 ensuring sustainable development, including its social dimension*”. This linkage could serve as a 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.

Domestic Policy Issues

- a. To strengthen the arguments for opening up the developed country markets for TMNP, the government should identify current capacity of supply of manpower in each identified categories of TMNP.
- b. Bangladesh should develop a comprehensive plan with different time dimensions for promoting export of service providers through TMNP.
- c. Analysis shows that unskilled and professionals are the two groups who send more remittance compared to other two groups. Current focus of the manpower export is concentrated mainly on low skilled people. The focus should be broadened and export of professional service providers should be included into the plan.
- d. Active market search is essential for enhancing benefit from TMNP. Bangladesh missions should identify niche opportunities in the recipient countries.
- e. Identification of market and negotiations for market access should be linked with skill development plan. Otherwise, the opportunities will remain unrealised.
- f. A plan for absorbing returned migrants into the national economy should be pursued vigorously so that the new situation under open TMNP could have a more positive impact on the national employment situation.

- g. Data on export of service providers, which are gathered by the BMET is the major source, but not the only one. Although the remittance data show earnings from US and UK, the head count data does not show the number of people who went to those countries. It is important to identify all channels of temporary migration and compile reliable migration data. This is essential for the design of any medium to long-term strategic manpower export plan.

Programme Minimum

Developed countries provide preferential treatments to LDCs in exporting goods to their markets through various initiatives i.e. 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.

End Note

There are still a number of unresolved issues in the GATS negotiations on mode 4. These concern particularly, Economic Needs Tests (ENTs), and mutual recognition of qualifications. Other issues, such as negotiations on rules are also important. These issues need further work and have not been focused in the present policy brief.

**ANNEX 1: MAPPING OF ISCO-88 CODES OF OCCUPATION AND BANGLADESH
NATIONAL OCCUPATION CATEGORIES**

ISCO-88 Categories						Bangladesh National Categories	
Code	Major Group	2-digit Code	Sub-Major Group	3-digit Code	Minor Group	BD Code	Occupation
1	Legislators, senior officials and managers	12	Corporate Managers	122	Production and operations department managers	122	Production Manager
2	Professionals	21	Physical, mathematical and engineering science professionals	211	Physicists, chemists and related professionals	211	Chemist
				214	Architects, engineers and related professionals	214	
		22	Life science and health professionals	221	Life science professionals	221	
				222	Health professionals (except nursing)	222	Doctor
				223	Nursing and midwifery professionals	223	Nurse
23	Teaching professionals	231	College, university and higher education teaching professionals	231	Teacher		
3	Technicians and Associate Professionals	31	Physical Engineering Science Associate Professionals	312	Computer associate professionals	312	Computer Engineer, Network Engineer
				313	Optical and electronic equipment operators	313	Telecom Tech
		34	Other associate professionals	341	Finance and sales associate professionals	341	Accountant
4	Clerks	41	Office Clerks	411	Secretaries and keyboard-operating clerks	411	Computer Operator
5	Service workers and shop and market sales workers	51	Personal and Protective Services Workers	514	Other personal service workers	514	Barber, Decoration Labour, Iron Man, Laundry Man
				516	Protective services workers	516	Guard
		52	Models, salespersons and demonstrators	521	Fashion and other models	521	Designer
				522	Shop salespersons and demonstrators	522	Grocer
				523	Stall and market salespersons	523	Sales Man
6	Skilled Agricultural and fishery workers	61	Market-oriented skilled agricultural and fishery workers	612	Market-oriented animal producers and related workers	612	Shepherd
				613	Market-oriented crop and animal producers	613	Farmer
7	Craft and related trades workers	71	Extraction and building trade workers	711	Miners, shot-firers, stonecutters and carvers	711	Mason
				713	Building finishers and related trades workers	713	Plumber, Plasterer, Tiles Fixer
				714	Painters, building structure cleaners and related trade workers	714	Painter
		72	Metal, machinery and related trades workers	721	Metal moulders, welders, sheet-metalworkers, structural-metal preparers and related trades workers	721	Denter, welder
				723	Machinery mechanics and fitters	723	Auto Mechanic, Pipe Filter, Steel Fixer
				724	Electrical and electronic equipment mechanics and fitters	724	A/C Mechanic, Electrician
		73	Precision, handcraft, printing and related trades workers	731	Precision workers in metal and related materials	731	Worker (Ind)
				733	Handicraft workers in wood, textile, leather and related materials	733	Tailor (Garments), Garment Worker, Leather Tech, Tailor
				734	Printing and related trades workers		
		74	Other craft and related trades workers	741	Food processing and related trades workers	741	Bread Maker, Cook, Butcher, Juice Maker, Pastry Maker
				742	Wood treaters, cabinet-makers and related trades workers	742	Carpenter, Door Fixer, Wood worker
		8	Plant and Machine operators and assemblers	81	Stationary Plant and related workers	812	Metal-processing plant operators
821	Metal and mineral products machine operators					821	Machine Operator (Ind)
82	Machine operators and assemblers			823	Rubber and plastic products machine operators	823	Plastic Operator
				826	Textile, fur and leather products machine operators	826	Sewer, Car Sit Maker
				829	Other machine operators and assemblers	829	Patrol Station Operator, X-Ray Technician

CPD Occasional Paper Series 36

ISCO-88 Categories						Bangladesh National Categories	
Code	Major Group	2-digit Code	Sub-Major Group	3-digit Code	Minor Group	BD Code	Occupation
		83	Drivers and mobile plant operators	832	Motor vehicle drivers	832	Driver
9	Elementary Occupations	91	Sales and services elementary occupations	913	Domestic and related helpers, cleaners and launderers	913	Cleaner, House Maid
				914	Building caretakers, window and related cleaners	914	Labour, Room Keeper
				915	Messengers, porters, doorkeepers and related workers	915	General Worker
		92	Agricultural, fishery and related labourers	921	Agricultural, fishery and related labourers	921	Bee Collector
				931	Mining and construction workers	931	Road Binder
		##	Other	934	Other	934	Paltry Man

ANNEX 2: DISTRIBUTION OF TMNP BY ISCO-88 CATEGORIES AND DESTINATIONS

International Standard Classification of Occupations		Europe	Middle-east	Asia	Africa	Others	Total
Code	Major Group	0	0	0	0		
1	Legislators, senior officials and managers	0	193	10	0		203
		Total					203
2	Professionals	0	213	0	0	0	213
		0	124	0	0	0	124
		0	56	18	0		74
		0	11	0	0		11
		0	1057	0	55		1112
		0	30	0	0		30
		Total					
3	Technicians and Associate Professionals	0	486	0	0	1	487
		0	37	22	0		59
		0	109	0	0	0	109
		Total					655
4	Clerks	0	1776	52	5		1833
		Total					1833
5	Service workers and shop and market sales workers	0	1421	3	21	0	1445
		0	856	3	0		859
		0	178	1	0		179
		0	53	4	0		57
		1	1214	8	9	40	1272
		Total					
6	Skilled Agricultural and fishery workers	0	9	0	0		9
		0	1743	52	24		1819
		Total					1828
7	Craft and related trades workers	0	1172	0	0		1172
		0	3819	181	16	3	4019
		0	2178	922	76	1	3177
		2	395	34	0		431
		0	1394	87	27	2	1510
		0	2343	37	0	1	2381
		4	65063	2575	554	282	68478
		2	6628	290	157	123	7200
		0	0	0	0		
		10	1489	24	4	17	1544
		1	2297	115	110	0	2523
Total						92435	
8	Plant and Machine operators and assemblers	0	87	0	0		87
		0	2060	229	0		2289
		0	136	1	0	0	137
		1	136	135	0	89	361
		0	238	0	0		238
		0	26867	23	2		26892
Total						30004	
9	Elementary Occupations	3	31949	963	412	4	33330
		4	47936	1337	163	1	49441
		0	125	2	0		127
		0	6506	5	0		6511
		0	2232	1	0		2233
		0	1230	6	0		1236
Total						92878	
		28	215846	7140	1635	564	225213

Note: The figures are for 11 months of 2003

ANNEX 3: IMPORTANT CATEGORIES IN THE SHORT RUN

Code	Major Group	Code	Sub-Major Group	Code	Minor Group		
2	Professionals			223	Nursing and midwifery professionals		
4	Clerks	41	Office Clerks	411	Secretaries and keyboard-operating clerks		
5	Service workers and shop and market sales workers	51	Personal and Protective Services Workers	514	Other personal service workers		
				516	Protective services workers		
		52	Models, Salespersons and Demonstrators	523	Stall and market salespersons		
6	Skilled Agricultural and fishery workers	61	Market-oriented Skilled Agricultural and Fishery Workers	613	Market-oriented crop and animal producers		
7	Craft and related trades workers	71	Extraction and building trade workers	711	Miners, shot-firers, stonecutters and carvers		
				713	Building finishers and related trades workers		
				714	Painters, building structure cleaners and related trade workers		
		72	Metal, machinery and related Trade Workers	723	Machinery mechanics and fitters		
				724	Electrical and electronic equipment mechanics and fitters		
		73	Precision, handicraft, printing and related trades workers	731	Precision workers in metal and related materials		
				733	Handicraft workers in wood, textile, leather and related materials		
				734	Printing and related trades workers		
		74	Other craft and related trades workers	741	Food processing and related trades workers		
				742	Wood treaters, cabinet-makers and related trades workers		
		8	Plant and Machine operators and assemblers	82	Machine operators and assemblers	821	Metal and mineral products machine operators
						83	Drivers and mobile plant operators
834	Ships' deck crews and related workers						
9	Elementary Occupations	91	Sales and services elementary occupations	911	<i>Street vendors and related workers</i>		
				912	<i>Shoe cleaning and other street services' elementary occupations</i>		
				913	Domestic and related helpers, cleaners and laundrers		
				914	Building caretakers, window and related cleaners		
				916	<i>Garbage collectors and related labourers</i>		
		92	Agricultural, fishery and related labourers	921	Agricultural, fishery and related labourers		
		93	Labourers in mining, construction, manufacturing and	931	Mining and construction workers		
				932	<i>Manufacturing labourers</i>		
				933	<i>Transport labourers and freight handlers</i>		
	##	Other	934	Other			

Note: Categories in italic are currently not exported.

ANNEX 4: IMPORTANT CATEGORIES IN THE MID TERM

Code	Sub-Major Group	Code	Minor Group
12	Corporate Managers	122	Production and operations department managers
21	Physical, mathematical and engineering science professionals	211	Physicists, chemists and related professionals
		214	Architects, engineers and related professionals
22	Life science and health professionals	221	Life science professionals
		222	Health professionals (except nursing)
23	Teaching professionals	231	College, university and higher education teaching professionals
31	Physical Engineering Science Associate Professionals	312	Computer associate professionals
		313	Optical and electronic equipment operators
34	Other associate professionals	341	Finance and sales associate professionals
		516	Protective services workers
52	Models, salespersons and demonstrators	521	Fashion and other models
		522	Shop salespersons and demonstrators
61	Market-oriented skilled agricultural and fishery workers	612	Market-oriented animal producers and related workers
72	Metal, machinery and related trades workers	721	Metal moulders, welders, sheet-metalworkers, structural-metal preparers and related trades workers
81	Stationary Plant and related workers	812	Metal-processing plant operators
		823	Rubber and plastic products machine operators
		826	Textile, fur and leather products machine operators
		829	Other machine operators and assemblers
9		915	Messengers, porters, doorkeepers and related workers

ANNEX 5: IMPORTANT CATEGORIES IN THE LONG RUN

Code	Major Group	Code	Sub-Major Group	Code	Minor Group
1	Legislators, senior officials and managers	11	Legislators and senior officials	112	Senior government officials
				113	Traditional chiefs and heads of villages
				114	Senior officials of special interest organizations
		12	Corporate managers	121	Directors and chief executives
				123	Other departmental managers
		13	General managers	131	General managers
2		21	Physical, mathematical and engineering science professionals	212	Mathematicians, statisticians and related professionals
				213	Computing professionals
		23	Teaching professionals	232	Secondary education teaching professionals
				233	Primary and pre-primary education teaching professionals
				234	Special education teaching professionals
				235	Other teaching professionals
		24	Other professionals	241	Business professionals
				242	Legal professionals
				243	Archivists, librarians and related information professionals
				244	Social sciences and related professionals
				245	Writers and creative or performing artists
				246	Religious professionals
3	Technicians and associate professionals	31	Physical and engineering science associate professionals	311	Physical and engineering science technicians
				314	Ship and aircraft controllers and technicians
				315	Safety and quality inspectors
		32	Life science and health associate professionals	321	Life science technicians and related associate professionals
				322	Modern health associate professionals (except nursing)
				323	Nursing and midwifery associate professionals
				324	Traditional medicine practitioners and faith-healers
		33	Teaching associate professionals	331	Primary education teaching associate professionals
				332	Pre-primary education teaching associate professionals
				333	Special education teaching associate professionals
				334	Other teaching associate professionals
		34	Other associate professionals	342	Business services agents and trade brokers
				343	Administrative associate professionals
				344	Customs, tax and related government associate professionals
				345	Police inspectors and detectives
				346	Social work associate professionals
347	Artistic, entertainment and sports associate professionals				
348	Religious associate professionals				
4				41	Office clerks
		413	Material-recording and transport clerks		

Code	Major Group	Code	Sub-Major Group	Code	Minor Group
		42	Customer service clerks	414	Library, mail and related clerks
				419	Other office clerks
				421	Cashiers, tellers and related clerks
				422	Client information clerks
5	Service workers and shop and market sales workers	51	Personal and protective services workers	511	Travel attendants and related workers
				512	Housekeeping and restaurant services workers
				513	Personal care and related workers
				515	Astrologers, fortune-tellers and related workers
6	Skilled agricultural and fishery workers	61	Market-oriented skilled agricultural and fishery workers	611	Market gardeners and crop growers
				614	Forestry and related workers
				615	Fishery workers, hunters and trappers
		62	Subsistence agricultural and fishery workers	621	Subsistence agricultural and fishery workers
7	Craft and related trades workers	71	Extraction and building trades workers	712	Building frame and related trades workers
		73	Precision, handicraft, printing and related trades workers	732	Potters, glass-makers and related trades workers
		74	Other craft and related trades workers	743	Textile, garment and related trades workers
				744	Felt, leather and shoemaking trades workers
8	Plant and machine operators and assemblers	81	Stationary plant and related operators	811	Mining and mineral-processing plant operators
				813	Glass, ceramics and related plant operators
				814	Wood processing and papermaking plant operators
				815	Chemical processing plant operators
				816	Power production and related plant operators
				817	Automated assembly-line and industrial robot operators
		82	Machine operators and assemblers	822	Chemical products machine operators
				824	Wood products machine operators
				825	Printing, binding and paper products machine operators
				827	Food and related products machine operators
		83	Drivers and mobile plant operators	828	Assemblers
				831	Locomotive engine-drivers and related workers
				833	Agricultural and other mobile plant operators