

International Competitiveness of Bangladesh's Trade in Services: A Comparative Study with Selected South-Asian Economies

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ARTICLE INFO

Article History

Received: April 12, 2025

Accepted: August 04, 2025

Keywords:

Bangladesh, Trade in Services, International Competitiveness, South Asia, RCA, TCI

JEL Classification:

F14, F15, L80

ABSTRACT

Purpose: This study evaluates Bangladesh's service trade competitiveness and compares it with India, Nepal, Pakistan, and Sri Lanka from 1981 to 2022.

Methodology: It uses the International Market Share (IMS), Revealed Comparative Advantage (RCA), and Trade Competitiveness (TC) indices. These variables measure services sector market presence, export specialization, and trade balance. Secondary data comes from 42 years of trade information in the World Bank Development Indicators database.

Findings: The study shows that Bangladesh's global services trade market share has increased, but it remains far behind India's. The RCA index of Bangladesh has declined, indicating less service export specialization. The TC index remains negative, indicating a service trade deficit.

Practical Implications: The findings can help policymakers by showing that Bangladesh's competitiveness requires sector-specific strategies, institutional fortification, improved infrastructure, and diversification into high-value services.

Value/Originality: This paper contributes to the existing literature by assessing the competitiveness of Bangladesh's trade in services over a multi-decade period and comparing it with neighbouring countries to find its regional standing.

Limitations: The study is quantitative in nature, done on an aggregate level, and relies on secondary data. In the future, a mixed-method approach can be applied, and comparative analysis can be done at sub-sector levels with more countries in the same region.

1. Introduction

Trade in services is a major element for economic growth both locally and globally. It generates more than two-thirds of global GDP and generate three-quarters of FDI inflow in advanced economies (OECD, 2024). In 2022, services represented an average share of 21.6% of global trade, compared to 20.5% in 2013, indicating an increasing significance of services in total trade (Eurostat, 2024). Between 2018 and 2022, Bangladesh's service exports amounted to 5.45, 6.21, 6.02, 7.47, and 8.27 billion USD, respectively (World Development Indicator Database, World Bank), indicating the country's potential in this sector. For India, it ranged from 204 billion USD to 309 billion USD. For Nepal, it was 1.75–1.24 billion USD. For Pakistan, it ranged from 5.93 to 7.49 billion USD, and finally, it ranged from 8.37 to 3.06 billion USD for Sri Lanka. This data indicates that Bangladesh is far behind in competitiveness compared with India, although Bangladesh is in a good position compared with other neighbouring countries.

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From 2018 to 2022, Bangladesh's trade in services as a proportion of GDP ranged from 4.69% to 4.44%, (World Development Indicator Database, World Bank), highlighting its significance but still limited contribution to the national economy. On the other hand, for India it ranged from 12% to 14.5%. For Nepal, it was 10.6% to 5.82%. For Pakistan it was 4.945% to 4.85%, and lastly for Sri Lanka it was 13.74% to 5.41%. This shows the service sector's contribution to Bangladesh's GDP is less than almost all the neighbouring countries in recent years.

Above information raises some research questions of this paper:

- a) Does Bangladesh have any comparative advantage in the service sector?
- b) How is Bangladesh performing in the global market in terms of service trade in the long term?
- c) What is Bangladesh's position in comparison with its neighbouring countries for service trade competitiveness in the long term?

The objectives of this study are:

1. To identify whether Bangladesh has any comparative advantage in the service sector or not.
2. To evaluate Bangladesh's service trade performance on a global level.
3. Bangladesh's standing in terms of service trade competitiveness compared with neighbouring countries.

Many studies have focused on Bangladesh's services sector, but most of them have only looked at certain industries or service categories. They haven't done a full analysis using the International Market Share (IMS), Revealed Comparative Advantage (RCA), and Trade Competitiveness (TC) indices. These indicators show a holistic view of Bangladesh's place in the global services market, as well as overall service trade competitiveness.

Thereby, this study fills this gap by employing these three indices to assess Bangladesh's international competitiveness in the services trade. It also compares Bangladesh's performance with selected South Asian economies over a 42-year period to identify its regional position using secondary data from the World Development Indicators database.

The remainder of this paper is organised as follows. Section 2 presents a literature review examining the competitiveness and comparative advantage of service sectors. Following that, this study's methodology is presented in section 3. Section 4 presents the results and thereafter, section 5 presents the discussion of the major findings of this study, recommendations and limitations of this research. Lastly, the conclusion is presented in section 6.

2. Literature Review

The theory of comparative advantage, first proposed by Ricardo (2013), is central to understanding international trade. It posits that differences in production technology and associated costs determine the comparative advantage of a country. According to Ricardo, nations should focus on producing and exporting goods in which they have a comparative advantage, while importing goods that they produce less efficiently. This theory has been applied to the trade in services by Hindley and Smith (1984), who argue that comparative advantage plays a crucial role in shaping international service trade. As such, two countries can engage in mutually beneficial trade as long as they possess comparative advantages in different sectors, thereby increasing overall welfare.

Porter (1990), in his influential work *The Competitive Advantage of Nations*, further expands on this idea by introducing the concept of national competitive advantage. Porter emphasizes that the efficient utilization of local resources to enhance the international competitiveness of domestic businesses is a key driver of a nation's competitive advantage in the global market. He suggests that nations with strong local industries are better positioned to succeed in international trade.

In the context of Bangladesh's growing IT sector, Raihan and Cheong (2013) used a Computable General Equilibrium model to simulate various IT export growth scenarios. Their research revealed that while IT sector expansion has positive effects on employment at macro, sectoral, and household levels, challenges such as skill gaps, financial constraints, human resource issues, infrastructural deficiencies, and poor coordination between government agencies persist. While their study offers valuable insights into the IT sector's potential, it lacks a detailed examination of the root causes of these challenges and their practical implications for policy-making. The authors suggest broadening access to IT, expanding broadband networks, and aligning legal frameworks with IT policies.

Islam, Musa, and Das (2012) analyzed the growth rates of various economic sectors, including services, using secondary data from the Bangladesh Economic Survey and other authoritative sources. Their findings suggest that the service sector contributes an average of 49.33% to Bangladesh's GDP, with its growth rate outpacing that of other sectors. However, they note that the service sector's performance has not been compared on a global scale, which limits the insights into Bangladesh's position in international service trade. They call for future research that incorporates global comparisons to improve policymaking for the service industry.

Shams, Tamanna, and Talukder (2024) examined the competitiveness of Bangladesh's non-RMG sectors, including leather, fish, leather-related goods, footwear, and pharmaceuticals, using quantitative methods such as Revealed Comparative Advantage (RCA), Revealed Symmetrical Comparative Advantage (RSCA), and Relative Trade Advantage Index (RTA). Their study found that sectors like jute, leather, and footwear have a comparative advantage in global trade, while others such as ceramics and pharmaceuticals face disadvantages. While this study offers valuable insights into various industries, it does not include an analysis of the service sector.

The competitiveness of Bangladesh's leather industry, particularly in comparison to other nations, was explored by Islam and Siddique (2014). Their study, using Balassa's RCA index, revealed that Bangladesh has a strong comparative advantage in leather exports, particularly in raw hides and skins. They recommend that policymakers and entrepreneurs focus on these areas to increase export revenues. However, their study, like others, did not address the comparative advantage of Bangladesh's service sector.

Liyuan (2016) examined the competitiveness of the financial services sector in China, India, and the United States, using the RCA index, TC index, and international market share analysis. The study found that Chinese financial services lag behind those of the United States and India, highlighting the need for China to promote its financial services trade to enhance national competitiveness. However, the study was limited to financial services and did not include other service sectors.

In a study on India's service trade, De (2011) analyzed the links between trade flow and trade barriers. The research highlighted that improved trade facilitation could unlock significant unrealized potential for India's services exports. De suggested that more effective policies and infrastructure reforms are necessary to support the growth of India's services trade. However, the study did not offer a broader perspective on India's competitiveness in global service trade.

Banerjee and Rajmal (2022) compared India's revealed comparative advantage between 2005 and 2018, highlighting India's competitiveness in telecommunications, computer services, and other business services. They found that India's comparative advantage lies in emerging sectors, which have experienced rapid growth and increased shares in global service trade. However, they noted that China's strength in manufacturing and transport services did not pose a significant threat to India's major export markets.

The World Bank (2003) evaluated Nepal's competitiveness and found that despite trade liberalization in the 1990s, Nepal's manufacturing and agricultural productivity remained low compared to regional peers. Key barriers such as inadequate technology acquisition mechanisms, poor

infrastructure, and an unfavorable business environment hindered Nepal's competitiveness. The study emphasized the need for improved trade facilitation and policy reforms to fully realize Nepal's trade potential.

In Pakistan, Abbas and Waheed (2017) assessed international competitiveness across 14 major agricultural and manufacturing industries using the RCA index. They found that Pakistan's agriculture sector holds a comparative advantage in exports of raw cotton, cereals, raw leather, and fruits, while the manufacturing sector is competitive in textiles, carpets, and sports goods. The study recommended enhancing macroeconomic stability and encouraging investment in labor-intensive industries to boost international competitiveness. However, like others, it did not address Pakistan's service sector.

Rashid et al. (2022) explored the comparative advantage of Pakistan's construction services sector globally. The study found that Pakistan had a competitive advantage in this sector between 2007 and 2016 but faced disadvantages in other periods. The authors recommended addressing bottlenecks to promote growth and employment in this sector. However, their analysis was limited to construction services and did not encompass other service industries.

Sri Lanka's comparative advantage in service trade was analyzed by Sachithra et al. (2012) using RSCA indices. Their study found that Sri Lanka holds a competitive advantage in transportation, construction, insurance, and communication services within the SAARC region. Despite these advantages, Sri Lanka has yet to fully capitalize on its potential in financial services, royalties, and other emerging sectors. The study also noted the fluctuations in the country's competitiveness over time, which were influenced by government policies and sector aggregation.

Herath and Ravinthirakumaran (2013) examined Sri Lanka's global service trade advantage, highlighting its competitiveness in sectors such as travel, communication, and insurance. They noted the potential for future growth in emerging sectors like IT and business services. However, the study's time period (2001-2009) limited its ability to assess long-term trends in Sri Lanka's global service trade.

This body of research illustrates the evolving dynamics of comparative advantage in international trade, emphasizing the importance of sectoral analysis and the role of national policies in enhancing competitiveness. While many studies provide valuable insights into specific industries, the comparative advantage of the service sector remains underexplored in many of the studies, highlighting the need for further research to understand its role in global trade.

3. Methodology

To measure a country's competitiveness of a certain sector there are many indices. From them three indices are used for this study, they are –

1. The revealed comparative advantage (RCA) index
2. The international market share (IMS) index
3. The trade competitiveness index (TC)

Revealed comparative advantage (RCA) developed by (Balassa, 1965, 1977, 1979, 1986) that compares the export proportion of a sector in a country with that sector's export share globally. The RCA index helps identify the specialization of a country in a certain sector. It can also effectively eliminate the impact of fluctuation in total exports of a country and worldwide exports on comparability. The international market share (IMS) index represents the proportion of a specific country's industries or product exports relative to total global exports. This index helps in understanding how much of the global market is controlled by a country's product or service exports. It is a key indicator of global competitiveness and the country's ability to attract demand for its products or services. The trade competitiveness index (TC) represents the ratio of a country's total net exports of specific industries or goods to the overall volume of imports and exports. This index omits the influence of variations in all macroeconomic factors, including inflation. Consequently, the TC index is comparable across many timeframes. (Yang 2009).

The revealed comparative advantage (RCA) index formula for this study is:

$$RCA = \frac{\text{Service export of each Country} / \text{Export of goods and services of each Country}}{\text{Service export of World} / \text{Export of goods and services of World}} \quad (1)$$

If RCA is $[2.5, \infty]$, it shows that the export product j for country i has very strong international competitiveness.

If RCA is $[1.25, 2.5]$, it shows that the export product j for country i has strong international competitiveness.

If RCA is $[0.8, 1.25]$, it shows that the export product j for country i has limited international competitiveness.

If RCA is $[0, 0.8]$, it shows that the export product j for country i has weak international competitiveness (Yang, 2009).

The IMS index for this study is calculated as follows:

$$IMS = \frac{\text{Service export of each Country}}{\text{Service export of World}} \quad (2)$$

The TC index for this study is calculated as follows:

$$TC = \frac{(\text{Service export of each country} - \text{Service import of each country})}{(\text{Service export of each country} + \text{Service import of each country})} \quad (3)$$

The index ranges from $[-1$ to $1]$, with competitiveness increasing monotonically within this interval. A TC value approaching 1 signifies a heightened comparative advantage, reflecting enhanced worldwide competitiveness of the industry or product inside a country, and conversely.

The necessary data, including service exports (BoP, current US\$), service imports (BoP, current US\$), and exports of goods and services (BoP, current US\$), for the world and relevant countries, are collected from the World Bank Development Indicators database.

4. Results

India maintains the highest RCA values, indicating its strong competitive advantage in service trade. The RCA index increased from 1.41 in 1981 to 1.76 in 2022, indicating sustained competitiveness. Bangladesh started with an RCA of 1.20 in 1981, but its RCA declined over time, reaching 0.60 in 2022. Sri Lanka's RCA rose until 2018, but declined sharply after 2019, suggesting a loss of competitiveness. Nepal consistently shows high RCA values, with peaks of 3.45 in 1982 and 3.22 in 1995. Pakistan's RCA fluctuated over the years, with periods of comparative advantage and disadvantage. The index remained close to 1.0, indicating no strong advantage in services trade.

The International Market Share Index (1981-2022) from table - 2 shows key trends in service trade performance in Bangladesh, India, Nepal, Pakistan, and Sri Lanka from 1981 to 2022. India holds the highest market share, indicating strong service sector growth and competitive advantage. Bangladesh's market share increased from 0.00049 in 1981 to 0.00114 by 2020, peaking at 0.00118 in 2021. Sri Lanka's market share fluctuated from 0.00065 in 1981 to 0.00137 in 2017, peaking at 0.00138 in 2016. Pakistan's market share fluctuated from 2015 to 2022, ranging between 0.00092 and 0.00115. Nepal's market shares consistently held the lowest, starting at 0.00036 in 1981 and fluctuating within a very low range.

India maintains positive Trade Competitiveness Index (TCI) values, indicating a strong trade advantage. The country's TCI increased from -0.07 in 1981 to 0.27 in 2022, indicating steady trade expansion and market dominance. Bangladesh maintains negative TCI values throughout the period, suggesting a weaker trade position in the SAARC region. Nepal initially had the highest TCI values

among these SAARC countries, peaking at 0.58 in 1997. However, its competitiveness declined after 2000, dropping below 0.1 after 2010, and by 2022, it was -0.24. Pakistan's trade competitiveness weakens over time, starting with moderately negative values around -0.17 in 1981. Sri Lanka's competitiveness improved significantly post-2010, turning positive in 2016 and peaking at 0.52 in 2022, largely due to recent trade policies and export diversification.

Table 1. *Revealed Comparative Advantage Index*

Years	Bangladesh	India	Nepal	Pakistan	Sri Lanka
1981	1.2000513	1.4174971	2.9536651	1.0856423	1.1854166
1982	1.1807165	1.2877484	3.4509974	1.3589605	1.1893455
1983	1.2109576	1.3279764	3.3085933	1.1116855	1.155348
1984	0.9848895	1.302042	2.9759952	1.3071759	0.8594956
1985	1.0059218	1.3780321	2.5843133	1.2651912	0.8223406
1986	0.9577242	1.1682992	2.698624	1.0030766	0.9834872
1987	0.919468	1.083745	2.8154105	0.9686761	0.9362811
1988	0.8963569	1.109779	2.7142047	0.8212682	0.9457396
1989	1.0327209	1.0331815	2.8226573	1.0009283	0.9453252
1990	0.9266	0.9859214	2.3638881	1.0213811	0.936556
1991	0.9681633	1.0186691	2.2200374	0.9177588	1.0205779
1992	0.8581017	0.9061	1.9300964	0.8434628	0.9742045
1993	0.7758783	0.8482922	2.0558982	0.8470217	0.8356338
1994	0.7806942	0.8924782	2.8505843	0.9218319	0.8875449
1995	0.7689898	0.8698609	3.2211859	0.8875363	0.8659905
1996	0.6354007	0.8554986	3.2003682	0.9278572	0.7626863
1997	0.5767044	0.9426105	3.1370689	0.7553203	0.7360137
1998	0.5588236	1.1557105	2.4416212	0.6715903	0.7244023
1999	0.5527163	1.2504801	2.2891597	0.6585033	0.7680542
2000	0.5202868	1.2808983	1.8156116	0.6167061	0.6771303
2001	0.4906614	1.2426703	1.6233212	0.6030762	0.9779526
2002	0.5657033	1.1995189	1.4162569	0.8531171	0.9243056
2003	0.6477931	1.2996077	1.5954205	0.9171191	0.993908
2004	0.577411	1.5169619	1.7254025	0.7915077	0.9682119
2005	0.6729765	1.6012114	1.4060106	0.9097472	0.9263299
2006	0.6208691	1.7379864	1.5117165	0.8185777	0.9241281
2007	0.653708	1.7006384	1.679429	0.8013325	0.8893544
2008	0.6025597	1.6679966	2.0305667	0.8004828	0.9501839
2009	0.5028024	1.5294484	1.9632139	0.7616623	0.9054009
2010	0.5270461	1.5700849	1.9928329	1.0938988	1.0404395
2011	0.4463579	1.5242181	2.2770711	0.797664	1.1102153
2012	0.4712162	1.5865361	2.3199157	1.0151566	1.354655
2013	0.4456406	1.4984106	2.557881	0.7716046	1.461512
2014	0.426272	1.4561513	2.5906949	0.8552458	1.5065169
2015	0.3864503	1.5239111	2.6648297	0.8616862	1.5779884
2016	0.3801841	1.5203657	2.5876441	0.7599653	1.6544996
2017	0.4058321	1.5553478	2.6955086	0.8815188	1.6625943
2018	0.5074387	1.5691377	2.6800692	0.7926468	1.6991446
2019	0.5454187	1.5522095	2.3383346	0.7553463	1.5193635
2020	0.6702805	1.7955775	2.1313397	0.8451415	0.9939708
2021	0.6793311	1.6764537	1.4186556	0.8232064	0.7404633
2022	0.6032782	1.767992	1.9826129	0.8436615	0.8308718

Source: Author's own calculation

Table 2. *International Market Share Index*

Years	Bangladesh	India	Nepal	Pakistan	Sri Lanka
1981	0.0004926	0.006526495	0.000362772	0.001508058	0.000651903
1982	0.00051267	0.006890765	0.000376371	0.001886716	0.000682759
1983	0.00051814	0.007895695	0.000410441	0.001853664	0.000714871
1984	0.0004881	0.007603353	0.000374459	0.001868885	0.000649758
1985	0.0005372	0.007642231	0.000355421	0.001916182	0.000554105
1986	0.00041334	0.006205341	0.000339489	0.001595604	0.000586785
1987	0.00040554	0.005501299	0.00035606	0.001589248	0.000536768
1988	0.00041158	0.005620183	0.00033176	0.001269812	0.000502796
1989	0.00045765	0.005665634	0.000277969	0.001625132	0.000472966
1990	0.00044203	0.005220846	0.000230695	0.001613476	0.000496284
1991	0.00046478	0.005310944	0.000258621	0.00165071	0.000589388
1992	0.00046509	0.004747715	0.000263458	0.001500579	0.00059789
1993	0.000508	0.004900413	0.000319755	0.001509325	0.000608695
1994	0.00052151	0.005339048	0.000512183	0.001549775	0.00066657
1995	0.00053938	0.005233688	0.000524583	0.001434789	0.000632862
1996	0.00043621	0.005215541	0.000545779	0.001452763	0.000551572
1997	0.00046152	0.006116018	0.000581151	0.001090985	0.000587605
1998	0.00047825	0.007717577	0.000373063	0.000897106	0.000605066
1999	0.00048402	0.009023677	0.000407425	0.000827176	0.000599743
2000	0.00047374	0.009688959	0.000293794	0.000778133	0.000545105
2001	0.00043716	0.010061335	0.00023985	0.000822919	0.000786619
2002	0.00048622	0.0105748	0.000165705	0.001294829	0.000688567
2003	0.00054607	0.011716944	0.000182406	0.001440738	0.000691535
2004	0.00045904	0.015346169	0.000185641	0.001106117	0.000614928
2005	0.00054541	0.019011417	0.00013858	0.001334979	0.000561147
2006	0.00053413	0.022428222	0.000124576	0.001122383	0.000524826
2007	0.00052751	0.023382739	0.00013814	0.001007145	0.000479528
2008	0.00052623	0.025405289	0.000173354	0.001017848	0.000479675
2009	0.00053419	0.024863237	0.000188645	0.001059149	0.000506529
2010	0.00059942	0.028700215	0.000164487	0.001611913	0.000606567
2011	0.00053353	0.030131174	0.000187813	0.001110387	0.000670774
2012	0.00056776	0.030751089	0.000195384	0.001390855	0.000802967
2013	0.00059694	0.029710446	0.0002367	0.00098156	0.000933176
2014	0.00058757	0.029483141	0.000260424	0.001091016	0.001051246
2015	0.00063354	0.030622335	0.000280299	0.001155503	0.001253411
2016	0.00068394	0.031258215	0.000261607	0.000975346	0.001378856
2017	0.00068745	0.032917799	0.000283313	0.001124258	0.00137214
2018	0.00088197	0.03319143	0.00028265	0.000960799	0.001356149
2019	0.00097875	0.033827764	0.000254432	0.000924626	0.001177302
2020	0.00113937	0.038449208	0.000166791	0.001020555	0.000574504
2021	0.00118124	0.038032196	0.000126095	0.00103419	0.000391132
2022	0.00114719	0.042914598	0.000171329	0.001039543	0.000424792

Source: Author's own calculation

Table 3. *Trade Competitiveness Index*

Years	Bangladesh	India	Nepal	Pakistan	Sri Lanka
1981	-0.374065502	-0.074686443	0.246711082	-0.17435831	-0.124966215
1982	-0.33673256	-0.08412377	0.305873352	-0.08439595	-0.146828622
1983	-0.304627559	-0.059314173	0.320621781	-0.123172279	-0.155102619
1984	-0.394649483	-0.059571262	0.230554386	-0.157915894	-0.162657869
1985	-0.335356056	-0.071188967	0.152624165	-0.165145125	-0.301431445
1986	-0.401059141	-0.099964148	0.216779846	-0.182683955	-0.241551516
1987	-0.331811845	-0.158368863	0.247739739	-0.139859548	-0.238045803
1988	-0.376613455	-0.167910829	0.194793882	-0.270798371	-0.234623281
1989	-0.369555692	-0.173152435	0.157904905	-0.180923754	-0.241631351
1990	-0.282855093	-0.136702292	0.099584407	-0.183764767	-0.184957896
1991	-0.234593771	-0.09379592	0.131918167	-0.203709404	-0.1649107
1992	-0.240089227	-0.154339174	0.097814986	-0.264900027	-0.139708684
1993	-0.275553116	-0.119750569	0.13919604	-0.253057277	-0.159063033
1994	-0.269524559	-0.151821832	0.322707876	-0.181398036	-0.165218808
1995	-0.373651182	-0.204962558	0.368596908	-0.225302716	-0.188228884
1996	-0.32480764	-0.213621596	0.514501854	-0.26348447	-0.222782952
1997	-0.303694014	-0.15459808	0.58808142	-0.241186823	-0.196190215
1998	-0.262156528	-0.108602722	0.484656956	-0.22806021	-0.19534384
1999	-0.289840766	-0.086918566	0.510224389	-0.211851852	-0.188968987
2000	-0.337682191	-0.069771409	0.433485284	-0.227665706	-0.266678062
2001	-0.342537823	-0.073775718	0.316189129	-0.218517498	-0.126900696
2002	-0.223272879	-0.03852781	0.126290804	0.054609772	-0.110776134
2003	-0.213020102	-0.020013033	0.16592275	-0.047480149	-0.086864042
2004	-0.262548641	0.036129856	0.089679732	-0.322809713	-0.111010432
2005	-0.224678605	0.050456244	-0.066722621	-0.348969439	-0.151170969
2006	-0.210989288	0.085387585	-0.121955907	-0.419672679	-0.191289627
2007	-0.224547923	0.104497468	-0.171206619	-0.411755424	-0.18889587
2008	-0.262020088	0.312413582	-0.081301157	-0.394987897	-0.201008715
2009	-0.259573807	0.273159585	-0.088534375	-0.251449288	-0.142713472
2010	-0.284467566	0.194688695	-0.128984704	-0.043497236	-0.114280063
2011	-0.364835292	0.280969463	0.049414025	-0.230073147	-0.130787349
2012	-0.349834002	0.291003156	0.015829269	-0.128154182	0.19902775
2013	-0.373327738	0.309108314	0.094220931	-0.234842015	0.144053865
2014	-0.425340622	0.319231421	0.074015602	-0.185465238	0.201513985
2015	-0.409602864	0.308198084	0.087276959	-0.197905332	0.222073214
2016	-0.375695123	0.255668621	0.039735601	-0.315608065	0.252631143
2017	-0.374245541	0.257658127	-0.008884906	-0.299544575	0.271904214
2018	-0.276996467	0.245411233	-0.008501554	-0.325913932	0.290116553
2019	-0.21202994	0.243924514	-0.03078106	-0.273731246	0.235502798
2020	-0.136722613	0.272908646	-0.109263279	-0.193830551	0.156038964
2021	-0.184916996	0.271192465	-0.324519139	-0.23600908	0.47162339
2022	-0.190215332	0.272567701	-0.242842299	-0.177562244	0.525432243

Source: Author's own calculation

5. Discussion

The results of this study reveal persistent structural and strategic limitations in Bangladesh's trade in services over the past four decades, particularly when viewed through a comparative lens alongside four other South Asian economies—India, Nepal, Pakistan, and Sri Lanka. Using three multidimensional indices—International Market Share (IMS), Revealed Comparative Advantage (RCA), and the Trade Competitiveness Index (TCI)—this study offers compelling evidence that Bangladesh remains on the periphery of the global services economy. The discussion below interprets these findings in detail, highlighting both the country-specific trajectories and the broader regional dynamics at play.

5.1 Bangladesh's Lagging Performance in Global Context

Bangladesh's service exports have seen marginal increases, but when compared to other countries in the region, they are still not doing very well. Its IMS has never been able to overcome 0.0012, so it is practically no player in the world market. Compared to India, whose market share has risen consistently, this stagnation is a sign of structural issues such as low export diversification, inadequate regulatory incentives and poor integration in global service value chains.

The RCA, which still had a small comparative advantage in 1981 (1.20), is even more problematic, as their values had already fallen to well below unity by the mid-2010s (0.38). This trend is not only a loss of specialisation, but it is also a bigger shift in the Bangladeshi economy toward sectors that don't fit as well with global demand trends in services. This decline could be the result of not investing enough in high-value service sectors like IT, financial services and BPO (at which India has been quite successful).

The TCI's consistently low numbers back up the claim of weak competitiveness. Bangladesh has always been a net importer of services for the whole 42 years. Even though service exports increased slightly, imports rose at a faster pace than exports, leading to a structural trade deficit. This trend tells you that key service industries are not export-ready and that people in the country want more imported services, which local providers simply can't provide.

5.2 Comparative Insights: Lessons from Regional Peers

The differences between Bangladesh and India are particularly striking. India's consistent growth in all three indexes is not only a function of it being one of the world's biggest economies; it is also the result of planned and sustained policy decisions. Ever since the early 2000s, India has taken various strategic initiatives to make its sectors more competitive and reach out to as many individuals across the world as possible through programmes such as the National IT Policy, Skill India Mission, and Service Exports from India Scheme (SEIS). They addressed both supply-side capacities (such as the skills of workers and digital infrastructure) and demand-side incentives (including export subsidies and bilateral service agreements). This helped India do well in IMS, RCA, and TCI.

Bangladesh lacks projects of comparable size, clarity, and continuity. While recent policy initiatives like the Digital Bangladesh agenda, have sought to enhance ICT capabilities but they have primarily been domestic and not for export markets. With no export-dedicated measures or sector-specific incentives, the services sector has found it difficult to get out of traditional and low-margin sectors.

Nepal, despite its small market and low IMS, provides an intriguing contrast. It has high RCA values, which suggests that they are a little specialised (but not necessarily more competitive) in some kind of services, probably tourism and remittances. Although this specialisation did not translate into more competitiveness (as evidenced by declining TCI values), it shows that even smaller economies can carve out favourable positions in the market. Bangladesh, which has a much bigger economy and a larger labour force, does not show this kind of specialised concentration yet.

Sri Lanka has been improving in recent times, particularly with TCI going up after 2016. The gains are likely attributable to a mix of expanding port logistics, professional service growth, and joint efforts to drive tourism. Sri Lanka's data suggest that timely policy changes can make a country more competitive, even if politics and the economy remain unsettled. This is particularly the case for mid-size countries.

Pakistan presents a mixed picture. While its RCA hangs around neutral and its TCI is negative, its competitiveness has neither improved nor decreased much. Pakistan, as well as Bangladesh, is facing problems with the diversification of service types and institutional capacity.

5.3 Institutional and Structural Constraints in Bangladesh

The findings also point out the wider institutional and infrastructure limitations that continue to hinder Bangladesh's service trade. Continued negative TCI ratings suggest systemic deep-rooted weakness, including weak digital infrastructure and poor government regulation in general, as well as other wide-reaching indicators such as bureaucratic incompetence or an underdeveloped professional service landscape. In addition, lack of a national strategy in promoting service exports such as those followed by India and Sri Lanka has left Bangladesh without any integrated framework for enhancing competitive strength.

Moreover, the low RCA of Bangladesh implies that its service exports are either homogeneous or have moved into areas where it no longer has a competitive edge. The country's services export basket is very much orientated towards traditional (e.g., transport and low-end IT services), not high value-added categories. Without upgrading and innovation in sectors, sustained competitiveness will be out of reach.

5.4 Recommendations

5.4.1 Promote Sectoral Specialisation in Competitive Service Areas

The declining RCA values indicate diminishing comparative advantage over time. To sufficiently mitigate this trend, Bangladesh needs to find and invest in specific service sectors where it has growing capabilities, such as IT-enabled services (ITES), education technology, cross-border financial services and business process outsourcing (BPO). Creating tailored incentives, export support schemes, and skill development initiatives for certain industries might help them regain competitiveness and specialisation.

5.4.2 Address Persistent Trade Deficit in Services

The constant negative TCI values indicate a structural imbalance in the service trade. Bangladesh needs to improve the quality, scale and visibility of service exports with a view to reducing the reliance on imports. Local service suppliers might have improved access to global markets if regulatory frameworks were simplified, non-tariff barriers reduced and export facilitation systems strengthened.

5.4.3 Strengthen Institutional Capacity and Infrastructure

As previously discussed, institutional weaknesses and bottlenecks in the infrastructure still represent strong constraints. Developing institutional capabilities to promote service exports, investing in digital infrastructure and improving trade logistics are also critical for enhancing global competitiveness. Bangladesh can follow the example of India's strong service sector, helped by robust policy and infrastructure provisions.

5.4.4 Expand Integration into Global Service Value Chains

The low IMS of Bangladesh corresponds to its poor international service integration. The development of strategic alliances, digital platforms and global accreditation standards could help the sector to strengthen connections with worldwide service value chains. Bangladesh's market access may be improved through participation in regional trade agreements and service-related elements in FTAs.

5.4.5 Improve Data and Monitoring for Service Trade Policy

Accurate, disaggregated, and timely data are critical for evidence-based policymaking. Bangladesh should invest in developing a national framework for services trade performance tracking, which will enable measuring competitiveness at the sub-sector level, evaluating policy impact and benchmarking progress and comparing with regional peers like India and Sri Lanka.

5.5 Limitations and Future Directions

This study, like any other, is subject to certain limitations, such as its reliance on World Bank secondary data, which may introduce inherent inaccuracies and incompleteness. The analysis also overlooks sector-specific realities that would result in more substantial results. One such research gap is competitiveness analysis at the sectoral level with special emphasis on the new service sectors that are emerging, like fintech and BPO services and comparison with more south-Asian countries.

6. Conclusion

This paper investigates the competitiveness of Bangladesh's trade in services at the global level from 1981 to 2022 and compares it with India, Nepal, Pakistan and Sri Lanka. The primary aim was to evaluate the position of Bangladesh in global service trade by using three indicators viz., International Market Share (IMS), Revealed Comparative Advantage (RCA) and Trade Competitiveness Index (TCI). It is a longitudinal, index-based study using secondary data collected from World Development Indicator database. It assessed the scale and quality of service trade performance of Bangladesh among these South Asian economies.

According to the results, there is a small improvement in Bangladesh's global service market share with much less achievement compared to regional leaders such as India. The RCA index shows a decline in comparative advantage, and the TCI is always negative, meaning that there is a structural trade deficiency of services. India, meanwhile, is described as a growth and competitive powerhouse on the back of policy reforms, IT investments and strategic sectoral support. Nepal's high positive RCA values demonstrate successful specialisation despite limited market size, and Sri Lanka has also experienced similar gains in recent times. Pakistan's performance was inconsistent, presenting a mixed picture.

The relatively low competitiveness of Bangladesh in services is symptomatic of a broader range of structural and institutional problems. A well-defined national policy promoting specialisation, service quality and trade facilitation is required. The government needs to focus on digital infrastructure development, human capital formation specialising in export-orientated services and sector-specific policy frameworks. Bangladesh's government can learn from India's example in creating a globally competitive service economy. In the end, the research offers valuable insights into Bangladesh's position in the global service trade market and also lays out evidence-based information for possible policy measures to improve competitiveness in one of the most important sectors of the economy.

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