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Statement by Bangladesh under Simplified Procedures for Consultations[1]

Attached is the statement provided by Bangladesh.

[1] BISD 20S/47

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Import Policy:

Bangladesh regulates her import trade through an Import Policy formulated annually and announced at the beginning of each fiscal year, July - June. While the single most important objective of the policy is to maintain adequate supply of consumer essentials at competitive prices, as an instrument complementary to other national policies for development, it is also geared to support the achievement of, inter-alia, the following objectives :

(i) to channel the scarce of external resources to cater the areas of priority needs ;

(ii) to maximise utilisation of domestic industrial capacity through provision of adequate inputs ;

(iii) to encourage existing industrial units to increase their efficiency and improve quality of products ;

(iv) to assist rapid development of exports through liberal provision for import of raw and packing materials as well as spares for export oriented industries ;

(v) to catalyse self-employment ; and

(vi) to provide for acquisition of new technology and provision of R & D.

2. The import programme caters to the requirement of both public and private sector industries for raw materials, packing materials and spares as well as the national requirement for imported consumer goods. Import of food grains, fertilizer, capital machinery for projects, part of edible oil

requirements and non-developmental imports by the government are outside the scope of import policy .

3. Source of Finance : Import may be allowed under the following sources of finance :

(i) cash ;

(ii) external economic aid (commodity aid, loan, credit or grant) ;

(iii) commodity exchange - Barter and Special Trading Arrangement (STA)

(iv) Secondary Exchange Market (SEM).

4. The major reforms in the import regime include: The simplification of import procedures, together with the gradual expansion of imports through the Secondary Exchange Market; relaxation of quantitative restrictions and the rationalization of tariffs. Imports financed at the official exchange rate through cash licence, have been gradually reduced;instead industries are required to import an increasing proportion of their imports through SEM. In 1986-87 all government imports except those financed by foreign aid or Barter Trade were financed through foreign exchange from SEM. Imports through SEM as a proportion of cash imports increased from 26 per cent in 1981-82 to 70 per cent in 1986-87.

5. Following the liberalization of the import regime in 1985-86 when the "positive" list of importable items was replaced by a negative and a restricted lists, there has been a gradual reduction in the extent of negative list. In the fiscal year 1987-88, out of a total of 1012 four - digit headings, all items under only 125 headings, some items under 209 headings and one item under 21 headings are in the negative list.

6. In 1985-86, the government reduced the number of tariff rates from 24 to 11. As a part of a phased three-year programme to rationalize the tariff stucture, further simplification was undertaken in 1987-88 by

reducing the maximum nominal tariff for most finished goods imports in the textiles, chemicals, steel and engineering and electronics sectors from over 200 per cent of 125 per cent. Commensurate down-ward adjustments were also made to the rates for raw materials and intermediate products in these sectors.

7. Main Features of the Import Policy: There is no specific cash foreign exchange allocation for financing import of goods under the import programme. As a result financing of the proposed import is heavily depended on resources from Secondary Exchange Market.

8. Highly qualified Bangladeshi Scientists, Doctors or Engineers who lived abroad for atleast three years before returning to Bangladesh for permanent residence are allowed to import professional and scientific equipment of C&F value upto US $ 20,000/- out of his own foreign exchange earnings abroad, without any permission or import permit from the licensing authority.

9. Scientific and Research Laboratories may import their requirements of equipment and know-how at official exchange rate, within a certain value ceiling, without import licence/permit or prior permission.

10. Established social institutions, publishers, museum and universities may import, at official exchange rate, reprint rights of books on purchase basis.

11. To help the entrepreneurs initiate technological innovations and improvements import of technology, at the official exchange rate, is allowed in the following cases :

(a) Import by industrial units with export potential of machinery that will bring about significant economies in raw material consumption, reduce production cost, diversify products, improve quality and quantity of the output or reduce energy consumption or conserve energy ;

(b) import of technical know-how and acquisition of foreign consultancy service by an industrial undertaking with expot potential which will result in technological improvement ;

(c) import of drawing and design by export-oriented industrial undertakings ; and

(d) import by trading houses with export performance of technical designs, drawings and other documentation in their own favour for supply to their supporting manufacturers.

12. Requirement of NOC or ROR: No Objection Certificate (NOC) or Right of Refusal (ROR) from any authority will not be required for import of any item by any public sector agency if such item does not occur either in the Negative or in the Restricted List. Ministry of Commerce, on application from such a public sector agency, may, however, under special circumstances, permit the import of a banned or otherwise restricted item subject to ROR issued by the Ministry of Industries or NOC issued by the sponsoring Ministry or Division or both, as the case may be. However, import of machineries and spares by jute and textile mills in certain cases, shall be subject to prior clearance by the Ministry of Jute. The requirement of ROR from the Ministry of Industries or NOC from the sponsoring Ministry/ Division shall not apply to the import of materials under approved foreign aided projects.

13. Import at competitive price: Import shall be made at the most competitive price and the importers may be required, at any time, to submit documents regarding the price paid or to be paid by them.

14. Pre-shipment inspection: Unless otherise specified, pre-shipment inspection of imported goods shall not be obligatory in case of import by the private sector importers.

15. Shipment on Bangladesh Flag vessels: Subject to waiver specified below, shipment of goods will normally be made on Bangladesh Flag vessels.

Import of goods upto 20 (twenty) metric tons or worth Tk.10 (ten) lac, whichever is less, in case of single/individual consignee, and upto 100 (one hundred) metric tons or worth Tk. 50(fifty) lac, whichever is less, in case of group import,may be made in non-Bangladesh Flag vessels. The Director-General of Shipping may notify general waivers in certain cases, such as (a) shipment of goods from foreign ports which are not visited by Bangladesh Vessels, and (b) import of goods on the basis of specific agreements which provided for C & F contract. In all other cases, a certificate of waiver shall be obtained from the Director-General of Shipping for importation of goods in non-Bangladesh Flag vessel. If there appears to be no possibility of Bangladesh flag vessel visiting a port within next one month, waiver will be given within 72 hours of application for waiver.

16. Import Authorization: No import licence is necessary for import of any item. Imports, irrespective of the sources of finance are allowed through submission of duly filled-in L/C authorization form to the concerned nominated bank. Import under the UK commodity grant or Canadian commodity grant or such other loan/grant for which there are specific procurement procedures for import of goods without opening any L/C, import against LCA form is allowed without opening any Letters of Credit.

17. L/C Authorisation and permit fees: Small traders have been exempted of L/C authorisation or permit fee for Letters of Credit of value upto Tk.50,000/- (Taka fifty thousand) only. Unless otherwise exempted under clause 4 of the Licence and Permit Fees Order 1985, L/C authorisation or permit fee for L/C exceeding Tk.50,000/- (Taka fifty thousand) shall be payable at an uniform rate of $2\frac{1}{2}$ (two and half per cent) ad-valorem of the value of L/C.

18. ITC Committee: In case of any dispute between an importer and the customs authority on ITC Classification or description of goods imported,importer may ask for adjudication by the ITC Committee set up at Chittagong, Dhaka, Khulna (Mongla),Benapole & Sylhet. The respective ITC Committees will consist of representatives of the Chief Controller, Customs Authority, concerned sponsoring authority and the local Chambers of Commerce and will be headed by the representative of the Customs Authority. If the importer is not satisfied with the decision of the local ITC Committee he may file an appeal to the Central ITC Committee at Dhaka which shall consist of Chief Controller as the Chairman and a Member of the National Board of Revenue, a representative of the concerned sponsoring authority and a representative of Federation of Bangladesh Chamber of Commerce and Industry as members. A revision petition may be filed with the, Secretary, Ministry of Commerce in accordance with the Review Appeal and Revision Order, 1977, if the decision in appeal does not satisfy the importer.

19. Pass Book for Indentors: Pass books issued to the indentors shall be used for recording of IRC renewal fees and import of samples.

20. Compulsory Membership of recognised Chamber of Commerce and Industry/Trade Association: All importers, exporters and indentors shall compulsorily become members of the recognised Chambers of Commerce and Industry or Trade Association, established on all Bangladesh basis. However, the concerned firm shall have the option to become a member of the Chamber of Commerce and Industry of his own area/district or of the trade associations established an all Bangladesh basis representing his own trade.

21. Import Against Direct Payment Abroad: Import against direct payment abroad will be allowed only in the case of plant and machinery. Such import shall be subject to following conditions :

(a) The import will be made by Bangladeshi Wage earner living abroad out of his own earning outside Bangladesh ;

(b) The plant and machinery should be utilized for setting up a new industrial unit ;

(c) The plant and machinery shall be consigned either in the name of wage earner himself or in the name of the firm the company of which he is a proprietor, partner, or director ;

(d) If the industrial unit is in the free sector, no formal sanction of any authority will be required; but if it is outside the free sector, sanction will have to be obtained from competent authority ;

(e) No L/C Authorisation Form will be required to be submitted and no L/C will be required to be opened; only import permit will have to be obtained from the licensing authority.

22. Import under Pay-As-You-Earn-Scheme: Subject to the provisions of IP Order, import under Pay-As-You-Earn-Scheme may be allowed in the following cases only on the basis of clearance of the Bangladesh Bank :

(a) Permissible items of plant and machinery ;

(b) Import of Cargo and passenger vessels, excluding ships of steel or wooden bodies upto 1000 DWT, with the clearance of the Ministry of Ports, Shipping and IWT ;

(c) Import of plant and machinery for export-oriented industrial units, with the clearance of the competent sanctioning authority ; and

(d) Import of vessels for sea fishing, other than trawlers, with the clearance of Ministry of Fisheries and Livestock. While according sanction or approval for import under this Scheme the sanctioning or approving authority shall endorse copies of letters of sanction or approval to the Chief Controller.

The importers shall apply to the Chief Controller with the required documents for prior permission to import items under this Scheme.

23. Import into and export from the Export Processing Zone (EPZ) :

(a) Import into and export from the EPZ shall remain outside the purview of this Order. The banking and customs procedure relating to export from or import into the export processing zone to or from any country outside Bangladesh shall be regulated in accordance with the instructions issued in that behalf by Bangladesh Bank and the National Board of Revenue respectively from time to time;

(b) All data regarding import into and export from the Export Processing Zone shall be maintained by the Customs authority concerned;

(c) All movement of goods between the Export Processing Zone and any other area in Bangladesh outside the Zone shall be regulated by the existing Imports and Exports Control Regulations.

24. Additional conditions for import of food items :

(a) In case of import of milk, milk food, milk products, R.B.D. Palm Stearine, edible oil and other food items (including poultry feed and animal feed) produced in European countries, test of radioactivity levels is mandatory. Test of radioactivity levels of the imported food items tinned, packed or shipped in third countries is also mandatory.

(b) Radioactivity test will not be required at the first instance in case of import of food items from any country excepting the countries mentioned in sub-para (a) above. However, the Bangladesh Atomic Energy Commission may, if considered necessary by them, test the radioactivity level of any imported food item after its arrival in Bangladesh.

(c) In case of import of food items, the shipping documents must be accompanied by radioactivity test reports from the concerned authority of the exporting country, and this report must indicate the level of Cs-137 found on such radioactivity test of each kilogram of food item.

25. Liberalization of Imports. Bangladesh has been liberalizing her import regime steadily since 1976. On the basis of a study of the Import Control System in Bangladesh conducted with the assistance of the World Bank, import licence system for commercial importers was abolished with effect from January 1976 and the licensing system for industrial units was also abolished with effect from July 1984. Both the commercial importers and industrial consumers are now allowed to open L/C straightway through their nominated bank without obtaining any licence/permit or prior permission from the licensing authority, irrespective of the source of finance. Most of the industrial raw materials are also now freely importable by the commercial importers and this has enabled the unrecognised small industrial units to procure necessary raw materials from the local market as per their day-to-day requirement instead of making importations from abroad by themselves. At present, commercial import of capital machinery up to Tk.0.5 million has been freely allowed so that small industrial entrepreneurs can readily buy them from local market.

26. Previously, the lists of permissible items were used to be incorporated in the Import Policy and any item not specifically mentioned in any of the permissible lists were treated as a banned item, and prior and specific permission from the government was necessary for import of such banned items. Now government has altogether changed this aspect of the Import Policy and has replaced the permissible positive lists by a Negative and Restricted Lists. Items included in the Negative list only are now treated as banned items. The items which are included in the Restricted List are also importable subject to fulfilment of certain

conditions mentioned in the said list against the respective items. The vast majority of the items which have been kept outside the Negative and Restricted lists are now freely importable without any quantitative or value restriction. Any importer can now purchase any amount of foreign exchange from the secondary exchange market for purpose of import. With the abolition of licence and permit system, free availability of foreign exchange in the secondary exchange market and the introduction of Negative and Restricted lists in the Import Policy, the scope and freedom for import has significantly expanded. The export-oriented units are now allowed to import even the banned or otherwise restricted items if such items are actually required by them for production of exportable goods.

27. The import policy of the country is under constant review to make it more efficient and effective in terms of liberalization, rationalisation and simplification. At the same time, maximum utilisation of domestic capacity, adequate supply of essential commodities, expansion of exports through liberal import of raw materials and spares for export industry and acquisition of technology continue to remain the primary objectives of the policy.

28. Import Performance. Merchandise imports in 1986/87 increased to US $ 2,614 million from US $ 2,365 million in 1985/86. This unexpected rise in imports was largely due to a 47.5 per cent increase in capital goods imports in value terms and partly due to a larger quantity of foodgrains import. Though the value of imports was 10.5 per cent higher than last year's in nominal terms, given a 8.7 per cent decline in average import prices, it was 19.2 per cent higher in real terms.

29. Total commodity imports in 1987/88 are estimated to amount to US $ 2,950 million implying a nominal increase of 12.9 per cent over the 1986/87 level of US $ 2,614 million, mainly because of larger than envisaged foodgrains imports. The most significant development in the current year's import regime is more than 76.8 per cent increase in value of foodgrains import compared with the previous year. Including some imports in the private sector total imports of food grains may shoot up to 3.08 million tons,valued at US $ 481 million,from the 1986/87 level of 1.77 million tons valued at US $ 272 million and compared with the budget estimate of 2.01 million tons valued at US $ 276 million. This all time high level of food imports became imperative for the loss in production of foodgrains by floods and droughts. Higher volume combined with higher prices would force up the nominal import value considerably, though in real terms it is likely to grow by 6.3 per cent only.

30. Despite an acceleration in demand due to an estimated 6.2 per cent growth in consumption, petroleum imports are estimated to reduce to 1.68 million tons in 1987/88 from 1.73 million tons in 1986/87 as the country has been substituting imported crude and finished products by indigenous natural gas. However, about 16.7 per cent and 22.5 per cent increases in crude and products prices in the world market would raise the import bill on account of these substantially, by 16.1 per cent, to US $ 267 million from US $ 230 million in 1986/87. The expected rebound in fertilizer imports to 300,000 tons from 145,000 tons in 1986/87 is a consequence of the planned increases in distribution by 279.056 tons, over their 1986/87 levels. Edible oil imports are likely to increase slightly over the previous year's level,but a 23.5 per cent rise in unit import prices would increase the value by almost an equal percentage to US $ 145 million. To ensure greater

utilization of capacities of the indigenous textile mills,a 17.1 per cent increae in the volume of cotton import attended by about 50 per cent escalation in international prices would force the value up to US $ 78 million from US $ 45 million in 1986/87. Cement imports would continue to remain buoyant to support an acceleration in the tempo of construction activities in the country. The capital goods imports,however, will slump to US $ 820 million from the previous year's significantly higher level of US $ 1,003 million due to unexpected cutback in project aid disbursement. The residual imports (i.e., other intermediate and consumer goods) are predicted to increase significantly (23 per cent) as the loss of agricultural commodities due to floods has accelerated the import demand of some of the consumer goods.

31. A comperative statement showing the import of major commodities for the years 1985-86,1986-87 and 1987-88 (provisional) are given below :

(Value in Million US $)

Commodity.	1985-86	1986-87	1987-88 (Provisional)
Foodgrains	220	272	481
Rice	(8)	(49)	(123)
Wheat	(212)	(223)	(358)
Edible oil	135	115	145
Oilseeds	-	25	22
Petroleum products	165	104	137
Crude petroleum	177	126	130
Cotton	52	45	78
Staple fiber	1	7	8
Yarn	50	42	53
Fertilizer	108	25	53
Cement	57	64	74
Textiles	40	63	60
Capital goods	685	1,003	820
Others	674	723	889
TOTAL:-	2,365	2,614	2,950

32. Export Policy. The Export Policy of the country is formulated annually on the basis of experience gained in the past years, studies undertaken and suggestions and recommendations received from various official and non-official agencies. The main objective of the Export Policy is to provide increased amount of foreign exchange needed for the country's expanding import bills mainly through diversification and expansion of exports by providing additional facilities with a view to making the export trade more attractive in the international market.The Export Policy is,thus, designed to increase the total export earnings with a view to improving substantially the balance of payments position of the country. The Policy comes into force in the month of July every year.

33. Objectives. The following objectives were kept in view in formulating the Export Policy for 1986-87 :

(a) To increase the total export earnings to contribute effectively to the balance of payment support in conformity with the Third Five Year Plan objectives ;

(b) To strengthen and diversify the export production base in order to generate sufficient surplus for exports ;

(c) To raise the value added component in our exports by promoting backward linkage of finished products with domestic inputs ;

(d) To improve the share of non-jute, non-traditional and manufactured items in our total export efforts ;

(e) To assist the traditional sector, particularly jute goods, to overcome the crisis presently being faced by the industry ;

(f) To ensure closer co-ordination with Industrial and Credit Policies in order to provide an integrated and more effective incentive system for exports ;

(g) To simplify the export procedures and further rationalise and improve the administration of export incentives.

34. Export Promotion. In general incentives and facilities which were available to exporters during 1985-86, continue to be available. Apart from those, a number of special promotional measures have been undertaken under the current Export Policy. Some of these are mentioned in the following paras.

35. Duty Drawback Schemes. An exporter of manufactured products is entitled to drawback the value of the customs duties, sales tax, etc. already paid on the importation of raw materials used in the production of manufacture of the exports products. Currently, there are three methods, e.e., Drawback at actuals, Notional Payment of Duty, and the Drawback at Flat rate,for realizing drawbacks. Payment of drawback at the flat rate is made through the exporter's bank in the form of a 100 per cent interest-free advance of the eligible amount of the drawback.

36. Export Credit Guarantee Scheme (ECGS). The Export Credit Guarantee Wing of the Sadharan Bima Corporation (SBC) provides guarantee to bankers and exporters against possible losses resulting from the advances given and against the overseas commercial and political risks respectively. Currently three types of guarantee e.g. the Export Finance Guarantee (pre-shipment), the Export Finance Guarantee (post-shipment) and the Comprehensive Guarantee are available. While the first two types of guarantee are extended to the bankers, the third one is extended directly to the exporters.

37. Income Tax Rebate. Exporters of various categories are entitled to an income tax rebate, varying in percentage, depending on their export performance as fixed by the National Board of Revenue from time to time.

38. Import of Banned Items by Export Sector. To facilitate the export production, the export-oriented industries will be allowed to import raw materials under banned negative list against export order and under bank guarantee. Such importation will, however, be allowed by CCI on recommendation from Export Promotion Bureau.

39. Back-to-Back L/C. All authorised dealers (commercial banks) can establish L/C on a back-to-back basis for the importation of raw materials and other accessories from abroad, without the prior permission of the Bangladesh Bank, for readymade garments, specialized textiles, household linen and hosiery products.

40. Inland Back-to-Back L/C. Authorized dealers may also establish an inland back-to-back L/C in favour of suppliers of locally produced materials on the strength of the original L/C opened by the foreign buyer favouring the exporter.

41. Export Performance Benefit (XPB). Exporters are entitled to receive their proceeds at a rate calculated by adding to the official rate of exchange a premium represented by the proportionate difference between the secondary and the official exchange rates, as indicated by the percentage of their respective slabs, directly from the commercial banks at the time of negotiating their export documents.

42. Packaging. In the short-term, manufacturers/exporters are allowed to import packaging materials under bodnded system incouding packet for tea. In the long-term, one packaging unit within the country will be exclusively earmarked which would produce packets and packaging accessories of required standard for the export sector. Products of such a unit would be entitled to the same incentives and facilities as are accorded to direct exports.

43. Export Shipping. Bangladesh Shipping Corporation has introduced a Chittagong - Singapore feeder service for transhipment of cargo to various destinations.

44. General waiver to the provisions of Bangladesh Flag Vessels (Protection) Ordinance, 1982 has been guaranted for (a) exports of small cargo upto 350 freight tons, and (b) FOB sales of exports where the buyer opts for Bangladesh Flag Vessels.

45. To improve shipping facilities further, a Freight Booking and Space Utilisation Unit would be set up to co-ordinate sailings availability and of space and its optimum utilization. Chittagong Port would develop further facilities to handle 40ft. containers.

46. Export Incentive for "Deemed Exports". Locally produced materials used as direct inputs for the manufacture of export products, or products supplied against international tenders for local project procurement in foreign currency, are deemed as exports and qualify for all the export incentives and facilities such as, duty drawback, XPB, etc., that are extended to direct exporters.

47. Thrust Sector. In order to introduce dynamism in the implementation of Export Policy, it has been decided to identify one/two sectors for accelerated development and all-out efforts should be made for harnessing the potentials of the concerned sector(s) to the fullest extent through concentrated and co-ordinated attention. The Frozen Food Sector has been earmarked as the Thrust Sector for 1986-87 and a number of special measures will be taken for the fullest exploitation of the potentials of this sector.

48. Export Market Development. Participation by the exporters in a number of promotional events like International Trade Fairs, Buyer-Seller Meets, Contact Promotion Programme, Single Country Fair, Trade Delegation, etc. is encouraged and Export Promotion Bureau renders necessary assistance in this regard.

49. Development of Export House. In recent years Export Houses have emerged in many developing countries as positive mechanism to boost up export trade. In consideration of the role played by Export Houses in other developing countries, it has been decided to establish Export Houses in Bangladesh in both the public and the private sectors. A package of incentives for encouraging them to play an effective role in furthering the export growth of the country would also be designed. A High Level Committee has been constituted to identify the firms to be designated as Export Houses and devise the package of incentives to be provided to these Houses. Apart from Trading Corporation of Bangladesh (TCB), a public sector trading house, seven private sector exporters have been allowed to establish export houses abroad.

50. President's Export Trophy. President's Export Trophies are awarded to outstanding exporters every year.

51. CIP Treatment. Outstanding exporter are also regarded as "Commercially Important Persons (CIP)" and accorded certain facilities. CIPs are selected every year on the basis of their previous year's export performance.

52. Export Performance. Total export from Bangladesh during 1986-87 amounted to US $1073.8 million as against US $ 819.2 million in 1985-86 and US $ 934.0 million in 1984-85. That is, export earnings at current US Dollars dropped by 12.3 per cent in 1985-86 compared to previous year and increased by about 31 per cent during 1986-87. While the traditional items still accounted for about 54 per cent of the share of the export earnings, the share of jute and jute goods alone accounted for 38 per cent.

53. Performance in 1987-88. Almost all the key exports of the country have been impaired during the year due primarily to lack of shipping space in the container vessels. However, total exports are now estimated at US $ 1,175 million, about 10.3 per cent above last year's in nominal term but about 6.8 per cent higher than the target of US $ 1,100 million, mainly as a result of a sharp increase in the volume and price of garment exports. Export volumes of raw jute and jute goods, the mainstay of Bangladesh's export, and those of leather will be 10.8 per cent, 5.1 per cent and 34.5 per cent less than last year's. But sharp recoveries in the export prices for raw jute, jute goods, tea and frozen shrimps would lead to a 10.3 per cent improvement in the average unit export price index implying no increase of total exports in real terms.

54. Despite higher international demand, shortfall in production on account of power failures, difficulties in internal transportation and paucity of shipping space would shrink jute goods exports to 500,000 tons from 527,000 tons in 1986-87. But an estimated 5.4 per cent rise in export prices would fully compensate the decline in value due to fall in export volumes. Tea exports are expected to increase as the difficulties which overtook tea exports in 1986-87 have been largely overcome. A higher volume of 30 million kgs supported by a marginal increase in export price is likely to raise the value substantially to US $ 42 million from US $ 29 million in 1986-87.

55. In the face of a debilitating raw jute and jute goods trade, the non-traditional exports, however, are expected to sustain their continued upward trend during the year. Export earnings from the non-traditional items are likely to go up by 12.6 per cent to US $ 713 million from US $ 633 million in the earlier year. Due to short supply caused by the

unprecedented floods in 1987, leather exports would decline in both volume and value terms, only partly offset by an 18.6 per cent increase in export prices. A major shift in product mix in favour of value added tanned/semi-tanned leather exports would help augment the export price. Though frozen food exports are expected to move modestly to 52 million lbs. from 49.47 million lbs. in 1986-87, their value may rise, buttressed by a 10 per cent increase in export prices, to US $ 153 million from US $ 133 million in 1986-87. Bangladesh could have exported more but for the floods, tidal surge and cyclones which affected the coastal shrimp culture projects and marine fishing very badly. Also dearth of sufficient shipping space in container vessels retarded the pace of their export growth. Despite odds against anchorage and unloading of ships carrying raw materials and difficulties in their transportation to garment industries, garment exports made a major break-through during the first half of the year and there is every likelihood that their demand in the world market would mount even stronger in the second half. Earnings from garment exports are, therefore, predicted to grow by 26.7 per cent to US $ 375 million from US $ 296 million in the previous year.

56. Estimate of merchandise exports by major commodities for the year 1987-88 with actuals for the years 1985-86 and 1986-87 are given below :

(Value in million US $)

Commodities	1985-86	1986-87	1987-88 (Provisional)
Raw jute	123.89	104.00	120.00
Jute goods	293.14	301.54	300.00
Leather	60.73	134.82	104.00
Frozen food	113.16	134.16	153.00
Tea (incl.packet tea)	32.79	29.66	42.00
Readymade garments	131.48	298.67	375.00
Naphtha, furnace oil & bitumen	16.76	12.64	12.20
Chemical products	12.82	15.65	25.00
Agricultural products	20.55	22.87)	
Handicraft	1.93	3.99)	43.80
Engineering products	1.65	6.14)	
Others	10.31	9.63)	
TOTAL :-	819.21	1073.77	1175.00

57. Export, Import and Trade Gap. Like many other developing countries Bangladesh, a Least Developed Country, has the problems of savings - investment gap and the export - import gap. The export base of the country is narrow. The import, on the other hand, is largely consumption-oriented and in the form of intermediate goods to meet the needs of growing industrialization of the country. Narrow base of exports on the one hand, and almost non-compressible structure of imports on the other, result in heavy trade deficit. Merchandise exports have been lagging behind imports meeting hardly 35 - 40 per cent of the import bills during recent three years. The Export, Import and Trade Gap during 1980s are shown below :

(Value in crore Taka)

Year	Export	Import	Surplus (+) Deficit (-)	
1979-80	1,124.16	3,772.90	(-) 2,648.74	($ 1710 m)
1980-81	1,159.90	4,216.00	(-) 3,056.14	($ 1881 m)
1981-82	1,255.54	5,236.40	(-) 3,980.86	($ 1983 m)
1982-83	1,616.25	5,488.90	(-) 3,872.65	($ 1627 m)
1983-84	1,990.19	5,869.30	(-) 3,879.11	($ 1555 m)
1984-85	2,415.49	6,942.00	(-) 4,526.51	($ 1744 m)
1985-86	2,431.40	7,069.00	(-) 4,637.60	($ 1552 m)
1986-87	3,302.55	8,038.05	(-) 4,735.50	($ 1540 m)
1987-88 (Provisional)	3,701.25	9,292.50	(-) 5,591.25	($ 1779 m)

Though Bangladesh is still to go a long way in meeting her trade gap, it is notworthy that improvements in industrial policy environments, promotional measures for export and periodic adjustments in the exchange rate have started yielding positive results as borne by the fact that in 1986-87 she was able to meet 41 per cent of her import bills out of her export earnings, compared to only 24 per cent in 1981-82.

58. Balance of Payments Situation. Due to an increasingly difficult international aid and trade climate, the balance of payments of the country came under severe strains and stresses over the Second Plan period 180-85 and continued throughout 1985-86, the first year of the Third Plan. There, then, followed an unexpected rise in imports during 1986-87, mainly due to a 47.5 per cent increase in capital goods imports in value terms and partly due to a large quantity of foodgrains import. However, following an improvement in the inflow of aid since 1985-86 and remittances of earnings by Bangladeshis abroad combined with some reduction in trade gap, the balance of payments situation has improved and indeed resulted in some surpluses. Disbursement of foreign aid recorded a growth of 22.1 per cent rising to US $ 1,595 million in 1986-87 from US $ 1,306 million in 1985-86, at the same time remittances by Bangladeshis employed abroad recorded an impressive increase of US $ 141 million (about 25.4 per cent over 1985-86) and amounted to US $696 million in 1986-87 compared with US $ 555 million in the preceding year. As a result, despite a sharp increase in import payments and substantial repayments of food and medium - and long-term loans, the country enjoyed a relatively comportable balance of payments situation in 1986-87.

59. Situation in 1987-88. Export receipts are expected to rise by US $ 175 million to US $ 1,175 million while import payments are estimated to increase by a significantly higher amount (US $ 330 million) to US $ 2,950 million. The anticipated trade deficit will be partially offset by expected increase in private transfers to about US $ 700 million. Similarly, estimated foreign aid disbursement of US $ 1,708 million is likely to more than offset the current account deficit of US $ 1,275 million, widened further over 1986-87 due to an estimated net outflow of US $ 200 million on service account.

60. Provisional Balance of Payments Situation for the year 1987-88 alongwith actual situation for the preceding three years are shown below :

(In million US $)

	1984-85	1985-86	1986-87	1987-88
Trade balance	-1,713	-1,545	-1,546	-1,775
Exports, f.o.b.	934	819	1,074	1,175
Imports, c.i.f.	-2,647	-2,364	-2,620	-2,950
Services, net	- 78	- 125	- 151	- 200
Receipts	286	260	262	274
Payments	- 364	- 385	- 413	- 474
Private transfers	477	586	731	700
Current Account Balance 1/	-1,315	-1,084	- 966	-1,275
Capital account, net	1,232	1,100	1,103	1,402
Aid disbursements 2/	1,267	1,306	1,595	1,708
Food aid	(244)	(203)	(225)	(320)
Commodity aid	(432)	(393)	(403)	(540)
Project aid	(591)	(710)	(967)	(848)
MLT amortization payments	- 110	- 117	- 154	- 164
Food account, net	91	- 69	- 96	10
IMF account, net	- 6	- 3	164	- 25
Purchase	(55)	(92)	(306	(118)
Repurchases	(-61)	(-95)	(-142)	(-143)
Trust Fund, net	- 13	- 25	- 30	-
Aircraft loan, net	4	- 1	- 7	- 12
Short-term loans, net	- 35	1	- 1	-
Other short-term capital	- 12	11	- 139	- 20
Official deposits	- 30	-	- 40	- 40
Errors and omissions 3/	40	- 6	- 65	- 55
Overall balance	- 82	16	137	127
Gross reserves 4/	395	495	752	842
(In months of imports)	(1.8)	(2.5)	(3.4)	(3.4)

1/ Excluding grants.

2/ Including grants.

3/ Includes valuation adjustment.

4/ Includes Asian Clearing Union and foreign exchange from nonresident foreign currency deposits.

61. Terms of Trade. The commodity terms of trade improved somewhat in the year 1984-85 as a result of recovery in world trade. This upturn was, however, reversed in 1985-86 when the terms of trade deteriorated by 18.4 per cent offsetting the gain of 21.2 per cent in 1984-85. This was largly due to a sharp decline (27.5 per cent) in the average export prices as growth in developed countries became sluggish. Export prices of raw jute, jute goods and tea, which fell by 50.5 per cent, 20.5 per cent and 53.2 per cent respectively, were responsible for the bulk of this decline in average export prices. There was further decline in raw jute and jute goods prices in 1986-87. However, the gains in tea, leather and frozen food prices resulted in a 3.7 per cent improvement in the average export prices. This, combined with an 8.7 per cent fall in the average import prices, led to a 13.6 per cent improvement in the terms of trade. The outlook for 1987-88 appears to be somewhat better as the terms of trade are likely to improve slightly (3.6 per cent). Terms of trade that Bangladesh was subjected to in her foreign trade during the period 1980-88 taking 1979-80 as the base year are shown below :

Year	Import Price Indices	Export Price Indices	Terms of Trade
1979-80	100.0	100.0	100.0
1980-81	113.5 (13.5)	86.8 (-13.2)	76.5 (23.5)
1981-82	118.7 (4.6)	74.7 (-13.9)	62.9 (-17.8)
1982-83	112.5 (-5.2)	76.1 (1.9)	67.6 (7.5)
1983-84	110.9 (-1.4)	89.8 (18.0)	81.0 (19.8)
1984-85	110.8 (-0.1)	108.8 (21.2)	98.2 (21.2)
1985-86	98.5 (-11.1)	78.9 (-27.5)	80.1 (-18.4)
1986-87	89.9 (-8.7)	81.8 (3.7)	91.0 (13.6)
1987-88 (Provisional)	95.7 (6.5)	90.2 (10.3)	94.3 (3.6)