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**Trade Policy Review Body**

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**TRADE POLICY REVIEW**

REPORT BY

BANGLADESH

Pursuant to the Agreement Establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), the policy statement by Bangladesh is attached.

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## 1 INTRODUCTION

1.1. The Fifth Trade Policy Review of Bangladesh covering the period between 2012 and 2018 witnessed high economic growth over 6% tackling various national and international challenges. The GDP growth rate was 6.52% in FY 2011-12 which increased to 7.86% in FY 2017-18<sup>1</sup>. The prudent macroeconomic management and trade policies with a view to achieving 'Vision 2021' for becoming a middle-income country and 'Vision 2041' to be a developed country led the country to continue with stable growth along with remarkable socio-economic development.

1.2. During 2015-2018, the overall economic indices have shown remarkable improvement, particularly in infrastructure, energy and power sector, information and communication technologies (ICT) and investments in the private and the public sectors. The incidence and depth of poverty in Bangladesh decreases significantly due to various government initiatives, especially adopting life-cycle approach to social safety net programmes. As a result, the headcount poverty rate declined from 31.5% in 2010-11 to 21.8% in 2017-18 while the hardcore poverty reduced from 24% in 2010-11 to 11.3% in 2017-2018. Inequality as measured by the Gini coefficient however, has remained mostly unchanged between 0.321 in 2010 and 0.324 in 2016.

1.3. Keeping pace with the increased development activities of the Government, the annual budget size is increasing gradually. Total budget outlay for FY 2018-19 increased by 25.05% to BDT 4645.73 billion compared to the revised budget of the previous fiscal year. In line with this, the Government has been implementing various tax reforms including legal and administrative reforms. The revenue mobilization increased by 18.74% in 2017-18 compared to the outturn of the previous fiscal year. The allocations and number of development projects implemented also increased during this period under Annual Development Programme (ADP).

1.4. The monetary policy of the country has been formulated along with the fiscal measures to support the higher economic growth, maintaining macroeconomic stability and keeping inflation at tolerable rate. As a result of prudent monetary and fiscal policies, inflation came down to 5.8% in FY 2017-18 from 7.4% in FY 2013-14, foreign exchange reserve stood at USD 32.92 billion at the end of June, 2018 and exports-imports also showed upward trend.

1.5. In the last seven years starting from 2012, Bangladesh has made an unstoppable journey in GDP growth, investment, per capita GNI, power generation, food grain production and stabilizing inflation rate. During the period under review, Bangladesh achieved an average GDP growth rate of 6.7% while the developing economies' average GDP growth rate was 5.1%, public investment rose to 8% from 5.76%, per capita income also increased from USD 955 to USD 1,751 electricity generation increased from 8,716 megawatts to 18,353 megawatts and food grain production increased from 38.8 million MT to 40.7 million between 2011-12 to 2017-18 despite massive urbanization, population increase, reduction of cultivable land and other challenges (Table 1).

**Table 1 Important Macro Economic Indicators (at constant prices), Power Generation and Food Grain Production**

Fiscal Year	GDP Growth (%)	Investment as % of GDP			Per Capita Income (USD)	Average Inflation (%)	Power Generation Capacity (MW)	Food Grain Production (lakh MT)
		Public	Private	Total				
2011-12	6.52	5.76	22.50	28.26	955	8.7	8,716	368.39
2012-13	6.01	6.64	21.75	28.39	1,054	6.8	9,151	372.66
2013-14	6.06	6.55	22.03	28.58	1,184	7.4	10,416	381.74
2014-15	6.55	6.82	22.07	28.89	1,316	6.4	11,534	384.19
2015-16	7.11	6.66	22.99	29.65	1,465	5.9	14,429	388.17
2016-17	7.28	7.41	23.10	30.51	1,610	5.4	15,379	386.34
2017-18	7.86	7.97	23.26	31.23	1,751	5.8	18,353	407.14*

\* Projected

Source: Bangladesh Economic Review, BBS.

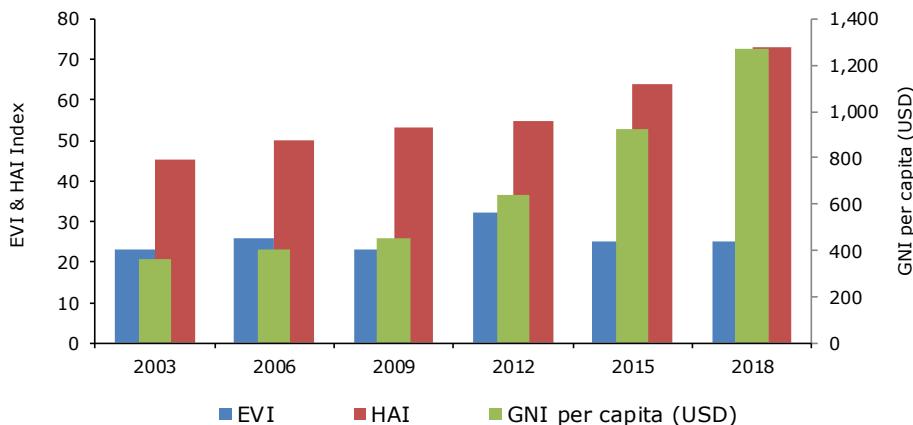
<sup>1</sup> Bangladesh Bureau of Statistics (BBS).

1.6. Bangladesh has made noteworthy progress in achieving MDGs, particularly in infant mortality, universal primary education, maternal health, gender equality, women empowerment and life expectancy. Bangladesh also developed a road map for implementation of the SDGs (2016-2030) in the Seventh Five Year Plan. Each Ministry/Division has initially identified specific targets in line with 17 goals and 169 targets of the SDGs.

1.7. Bangladesh continues to reform trade and fiscal policies reducing its dependency on customs duty. During 2012-2018, Bangladesh registered a significant increase in export from USD 24.30 billion in FY 2011-12 to USD 36.66 billion in FY 2017-18<sup>2</sup> and targeted to achieve USD 60 billion by 2021. Annual import stood at USD 58.86 billion in FY 2017-18 increasing from USD 22.5 billion in FY 2011-12.<sup>3</sup>

1.8. With continuing realization of 'Vision 2021' Bangladesh elevated to lower-middle income country in 2015. Besides, Bangladesh has been able to meet all the three criteria for graduation from the least developed country status to a developing country status during 2018 Triennial Review of the UN Committee for Development Policy (CDP). As per estimation of the CDP, Bangladesh was able to almost tripled her GNI per capita, increase Human Asset Index by 40% and keep the economic Vulnerability Index lowest among the LDCs since 2009 (Chart 1). Accordingly, at the next triennial review in 2021, the country is expected to be recommended for graduation by 2024. Bangladesh is also redesigning its trade strategy considering the post-graduation reality. Under the strategy, it will create competitive edge by diversifying export basket of goods and services, expanding existing markets and exploring new ones and taking initiatives to promote trade through Free Trade Agreements (FTAs). Efforts are also continuing to expand trade under regional and multilateral agreements like SAFTA, APTA, BIMSTEC and the WTO.

#### **Chart 1 Bangladesh towards graduation from LDC status**



Criteria	Threshold	Bangladesh Score
GNI per capita (USD)	1,230 or above	1,274
Economic Vulnerability Index (EVI)	32 or below	25.2
Human Asset Index (HAI)	66 or above	73.2

Source: <https://www.un.org/development/desa/dpad/least-developed-country-category/ldc-data-retrieval.html>.

## **2 RECENT ECONOMIC PERFORMANCE**

2.1. Bangladesh being elevated into a lower middle-income country in 2015, has achieved notable improvement in macroeconomic indicators and sectoral growth. Prudent macroeconomic management has resulted in declining price levels, relatively low unemployment and manageable external debt levels.

2.2. The services sector is the largest contributor to GDP accounting for nearly 52.11% in FY 2017-18, followed by industry (33.67%) of which manufacturing sector contributed to 22.85%.

<sup>2</sup> Export Promotion Bureau.

<sup>3</sup> National Board of Revenue.

Agriculture, fisheries and forestry together added 14.23% to GDP. Recently, the construction sector has also become an important contributor to GDP. However, over this period the growth of industrial sector has been the highest (Table 2).

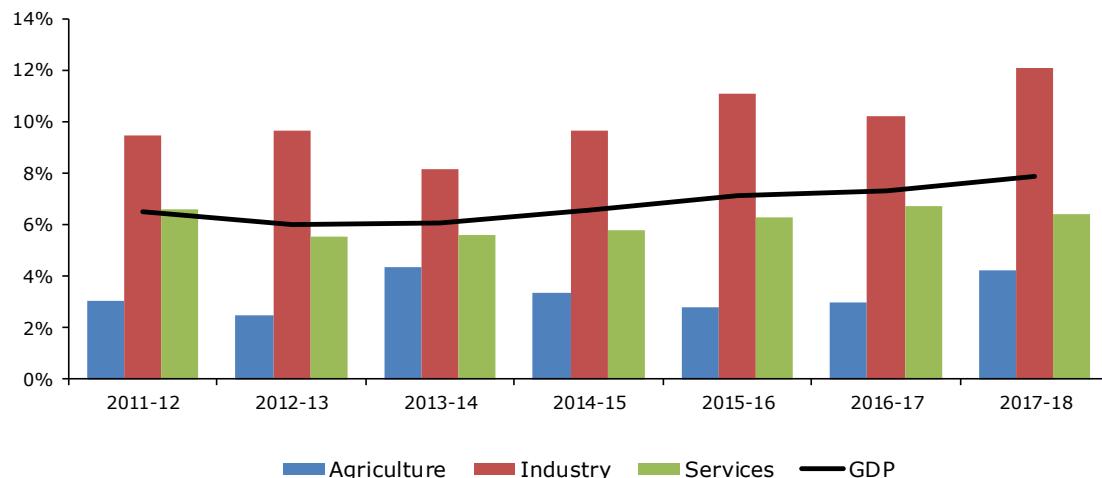
**Table 2 Structure of GDP of Bangladesh (As Percentage of GDP at constant prices)**

Sector	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
<b>Agriculture</b>	17.38	16.77	16.50	16.00	15.35	14.74	14.23
<b>Industry</b>	28.08	29.00	29.55	30.42	31.54	32.42	33.66
<b>Service</b>	54.54	54.23	53.95	53.58	53.12	52.85	52.11

Source: Bangladesh Economic Review, 2018.

2.3. At constant price, the growth of the broad agriculture sector (crop, fisheries and forestry) was 4.19% in FY 2017-18 which was 2.97% in the previous fiscal year. The growth of industrial sector also increased from 10.22% to 12.06% during this period; of which the growth of large and medium scale manufacturing sub-sector increased to 14.26%; but the growth of the small scale manufacturing sub-sector remains around 10%. The growth of the broad service sector slightly decreased to 6.39% in FY 2017-18 from 6.69% in FY 2016-17 due to decrease in growth in the financial intermediaries, education and health sectors. However, the growth in wholesale and retail business, real estate and hotel & restaurant business increased compared to previous year (Chart 2).

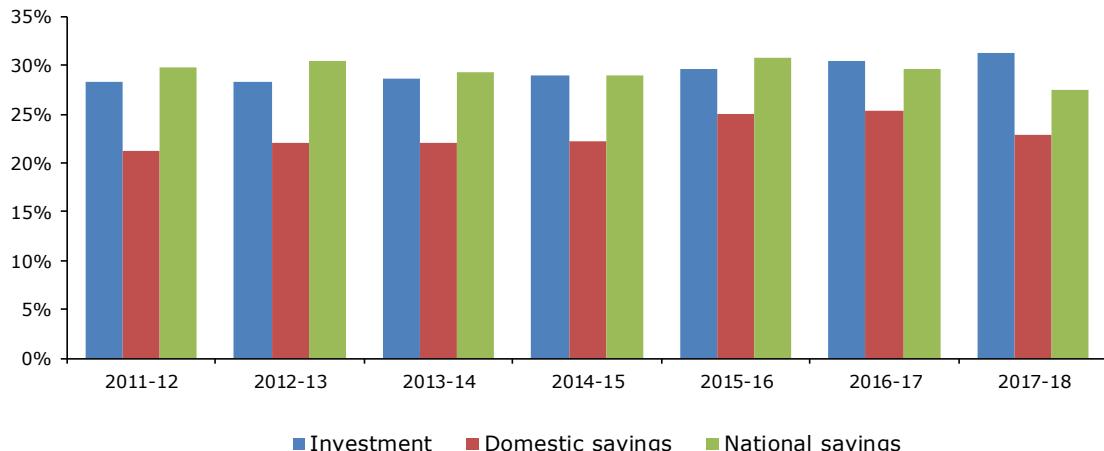
**Chart 2 Broad sectoral GDP growth at constant prices**



Source: Bangladesh Economic Review, 2018.

2.4. During the period between FY 2011-12 and FY 2017-18, national saving as percentage of GDP remained stable at around 30%. However, it declined from 29.64 in 2016-17 to 28.07% in 2017-18 despite increased worker remittance inflow from abroad. This is primarily due to increase in current account trade balance. National investment as percentage of GDP has also registered gradual increase from 28.26% in FY 2011-12 to 31.23% in FY 2017-18. The private sector investment stood at 23.25% in FY 2017-18 representing the major share in national investment. Government efforts to develop infrastructure, power plant, mega projects like the Padma Bridge, Nuclear Power Plant and Metro Rail Project in recent years have a major contribution to gradual increase of national investment (Chart 3).

**Chart 3 Trend of investment, domestic savings and national savings as percentage of GDP**



Source: Bangladesh Economic Review, 2018.

2.5. In order to increase domestic and foreign investment, the Government of Bangladesh formulated investment friendly policies, acts and laws. Board of Investment (BOI) and Privatization Commission were merged into Bangladesh Investment Development Authority (BIDA) to expedite the investment friendly environment. Bangladesh has signed 29 bilateral Trade and Investment Cooperation agreements for promotion and protection of foreign investment. Besides, it has signed agreements on avoidance of double taxation with 27 countries. Agreements are also signed with 18 countries for joint economic and trade cooperation.

2.6. Every year about two million people are added to the job market of Bangladesh. The country has been endeavouring to create employment opportunities through enhancing the skills and quality of the workers, improving working environment as well as creating new opportunities in public and private sectors. To this end, the country has formulated the 'National Skill Development Policy 2011'. In the light of this Policy, a 37-member National Skill Development Council (NSDC) headed by the Hon'ble Prime Minister has been formed for coordinating activities on skill development, training and employment generation programmes under 23 Ministries/Divisions and NGOs. National Human Resource Development Fund (NHRDF) has been created for ensuring flow of funds for skill development activities/programmes. As a result, unemployment rate has decreased from 4.5% to 4.20% during the period of review.

2.7. Bangladesh Economic Zone Authority (BEZA) has taken an initiative to create employment of around 10 million people by establishing 100 Economic Zones (EZs) throughout the country in the next 15 years. Approval has already been given to establish 79 EZ (public 56 and private 23). It is expected that the investment in the country will go up and GDP growth will be accelerated due to comprehensive plans and programmes undertaken by Government in its Annual Development Programmes to develop infrastructure, rapid electrification, energy diversification, development of communication system and information technology.

2.8. One of the major challenges for the Government of Bangladesh is mobilization of internal resources. The total revenue as a percentage of GDP remains around 10-12% since 2011-12, while tax revenue as a share of GDP remains stable between 9-11% and non-tax revenue stands below 2% during 2012-2018. But this does not mean that the growth in revenue collection was sluggish. This occurs due to rebasing of tax revenue during this period. To increase the tax-GDP and revenue-GDP ratios, the Government has undertaken measures including amendments of customs, VAT and tax legislations in line with the global best practice, widening the tax net, automation, enhancing tax compliance, and simplifying tax collection processes etc. Most important achievement during this period is that the Government has gradually reduced dependence on import duty on tax revenue with gradual increase of value added tax and income tax revenue (Table 3).

**Table 3 Source of tax revenue and their share in GDP (in crore Taka)**

<b>Indicators</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>
Total revenue	117,033	139,670	156,671	163,371	177,399	218,500	259,454
Tax revenue	94,754	116,824	130,178	140,676	155,399	192,261	232,202
Non-tax revenue	22,279	22,846	26,493	22,695	22,000	26,239	27,252
As % of GDP							
Total revenue	10.88	11.65	11.66	10.78	10.24	11.68	12.18
Tax revenue	9.12	9.74	9.69	9.28	8.97	10.28	10.90
Non-tax revenue	1.76	1.91	1.97	1.50	1.27	1.40	1.28

Source: Bangladesh Economic Review, 2018.

2.9. Country's export earnings stood at USD 36,668 million in FY 2017-18, which is 5.81% higher than the export earnings (USD 34,656 million) in FY 2016-17. Export earnings increased mainly due to increase of export of agricultural products, ceramic products, handicrafts, cotton and cotton products, knitwear, home textile, jute goods, chemical products, woven garments etc. Data on category-wise exports in FY 2017-18 shows that the export earnings from agricultural and ceramic products have increased by 38.55% and 32.70% respectively over the last fiscal year, followed by handicraft products (15.26%), cotton and cotton products (14.03%), knitwear (10.40%), home textile (9.95%), jute goods (9.48%), chemical products (7.66%), woven garments (7.18%), specialized textile (3.67%) and footwear (1.33%). On the other hand, export earnings decreased mainly of petroleum by products (86.18%), engineering products (48.32%), tea (38.03%), plastic product (15.79%), leather and leather goods (12.03%), raw jute (7.24%) and frozen food (3.42%). Export earnings by commodities, commodity-wise percentage share in total export earnings and the growth of export earnings from FY 2015-16 to FY 2017-18 have been shown in Table 4.

**Table 4 Export earnings composition and growth of export income**

(USD million)

<b>Group wise Commodities</b>	<b>Export earnings</b>			<b>Percentage share in total export earnings</b>		<b>Growth</b>	
	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2016-17</b>	<b>2017-18</b>
1. Primary products	1,305	1,247	1,338	3.60	3.65	-4.41	7.24
a) Frozen food	536	526	508	1.52	1.39	-1.74	-3.42
b) Tea	2	4	3	0.01	0.01	144.26	-38.03
c) Agricultural product	309	275	381	0.79	1.04	-11.12	38.55
d) Raw jute	173	168	156	0.48	0.42	-3.08	-7.24
e) Others	285	274	290	0.79	0.79	-3.91	5.93
2. Industrial goods	32,974	33,576	35,486	96.88	96.78	1.83	5.69
a) Woven garments	14,739	14,393	15,426	41.53	42.07	-2.35	7.18
b) Knitwear	13,355	13,757	15,189	39.70	41.42	3.01	10.40
c) Specialized textile	109	106	110	0.31	0.30	-2.37	3.67
d) Home textile	753	799	879	2.31	2.40	6.13	9.95
e) Cotton and cotton products	103	109	125	0.32	0.34	6.55	14.03
f) Leather and leather goods	1,161	1,234	1,086	3.56	2.96	6.29	-12.03
g) Jute goods	746	795	870	2.29	2.37	6.45	9.48
h) Chemical products	124	140	151	0.40	0.41	13.21	7.66
i) Footwear	219	241	244	0.70	0.67	9.90	1.33
j) Engineering products	510	689	356	1.99	0.97	35.05	-48.32
k) Petroleum by product	297	244	34	0.70	0.09	-17.93	-86.18
l) Plastic product	89	117	98	0.34	0.27	31.40	-15.79
m) Ceramic products	38	39	52	0.11	0.14	3.85	32.70
n) Handicrafts	10	14	17	0.04	0.05	44.66	15.26
o) Others	721	899	851	2.59	2.32	24.71	-5.37
<b>Total</b>	<b>34,257</b>	<b>34,656</b>	<b>36,668</b>	<b>100.00</b>	<b>100.00</b>	<b>1.16</b>	<b>5.81</b>

Source: Bangladesh Economic Review, 2018.

2.10. The European Union remains the main export destination of Bangladesh and expected to be so mainly due to EBA facilities along with favourable Rules of Origin for the LDCs. However, the country-wise export shows that the United States is the main export destination. In FY 2017-18, export earnings from the United States stood at USD 5,983.31 million which is 16.32% of country's total export earnings followed by Germany (16.06%), United Kingdom (10.88%), and France (5.47%). The country-wise export earnings are shown in Table 5 and Table 6.

**Table 5 Country-wise export earnings**

(Million USD)

Fiscal Year	United States	Germany	United Kingdom	France	Belgium	Italy	Netherlands	Canada	Japan	Others	Total
2011-12	5,100.91	3,688.98	2,444.57	1,380.37	741.96	977.41	691.30	993.67	600.53	7,682.20	24,301.90
2012-13	5,419.60	3,962.60	2,764.90	1,513.89	730.81	1,036.60	712.47	1,090.02	750.26	9,046.21	27,027.36
2013-14	5,583.62	4,720.49	2,917.73	1,677.67	970.53	1,332.38	858.13	1,099.63	862.07	10,164.37	30,186.62
2014-15	5,783.43	4,705.36	3,205.45	1,743.54	975.13	1,382.35	840.34	1,029.13	915.22	10,628.99	31,208.94
2015-16	6,220.65	4,988.08	3,809.7	1,852.16	1,015.33	1,385.67	845.92	1,112.88	1,079.55	11,947.24	34,257.18
2016-17	5,846.64	5,475.73	3,569.26	1,892.55	918.85	1,462.95	1,045.69	1,079.19	1,012.98	12,352.06	34,655.9
2017-18	5,983.31	5,890.72	3,989.12	2,004.97	877.9	1,559.92	1,205.37	1,118.72	1,131.9	12,906.24	36,668.17
Share in total export earnings in 2017-18 (%)	16.32	16.06	10.88	5.47	2.39	4.25	3.29	3.05	3.09	35.20	100.00

Source: Export Promotion Bureau.

**Table 6 Destination of Bangladesh's export**

Financial Year	2010-11	2017-18
<b>Total (USD million)</b>	<b>22,928.2</b>	<b>36,668.17</b>
EU	52.1%	54.80%
USA	22.3%	16.32%
Canada	4.3%	3.05%
Japan	1.9%	3.09%
China	0.8%	2.40%
Turkey	3.2%	1.90%
Other	14.8%	18.44%

Source: Export Promotion Bureau, Bangladesh.

2.11. Country's total import payments (C&F) stood at USD 58,865 million in FY 2017-18, which is 25.2% higher than the import payments of USD 47,005 million of the previous year. The import payment recorded a considerable hike due to import of capital machineries and construction equipment for industries and mega projects undertaken by government in particular. Commodity-wise import payments from FY 2013-14 to FY 2017-18 are shown in Table 7.

**Table 7 Commodity-wise import payments**

(Million USD)

Commodity	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
<b>1. Major Primary Commodities</b>	<b>4,149</b>	<b>4,075</b>	<b>5,349</b>	<b>4,477</b>	<b>4,227</b>	<b>4,725</b>	<b>7,270</b>
Rice	288	30	348	508	113	89	1,605
Wheat	613	696	1,126	983	949	1,197	1,494
Oil Seeds	177	242	524	374	534	432	571
Crude Petroleum	987	1,102	929	316	386	478	365
Cotton	2,084	2,005	2,422	2,296	2,245	2,529	3,235

Commodity	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
<b>2. Major Industrial Commodities</b>	<b>9,263</b>	<b>8,529</b>	<b>9,475</b>	<b>7,906</b>	<b>8,403</b>	<b>8,894</b>	<b>10,818</b>
Edible oil	1,644	1,402	1,766	924	1,450	1,626	1,863
Petroleum products	3,922	3,642	4,070	2,076	2,275	2,898	3,652
Fertilizer	1,381	1,188	1,026	1,339	1,117	737	1,006
Clinker	504	487	615	638	574	644	766
Staple fibre	428	454	492	1,078	1,018	1,017	1,180
Yarn	1,384	1,356	1,506	1,851	1,969	1,972	2,351
<b>3. Capital Machinery</b>	<b>2,005</b>	<b>1,835</b>	<b>2,288</b>	<b>3,321</b>	<b>3,556</b>	<b>3,817</b>	<b>5,462</b>
<b>4. Others Commodities (including EPZ)</b>	<b>20,099</b>	<b>19,645</b>	<b>23,620</b>	<b>25,000</b>	<b>26,936</b>	<b>29,569</b>	<b>35,315</b>
<b>Total</b>	<b>35,516</b>	<b>34,084</b>	<b>40,732</b>	<b>40,704</b>	<b>43,122</b>	<b>47,005</b>	<b>58,865</b>

Source: Bangladesh Economic Review, 2018.

2.12. China and India are the major sources of import of Bangladesh. During the period under review, import from China gradually increased till FY 2013-14 and then got a sharp increase in FY 2014-15 and continued it till 2017-18. Import from the United States also increased due to high demand for import of cotton and machineries. Share of import from India has increased till FY 2013-14 and came down thereafter. Among the top 10 sources of import, Malaysia has increased its share till FY 2012-13 and declined thereafter, while the shares of remaining countries in total import of Bangladesh have declined during this period (Table 8).

**Table 8 Sources of Bangladesh's import**

Total import (USD in million)	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
China (%)	18.13	18.57	18.54	27.68	29.18	28.28	27.07
India (%)	13.35	14.01	14.69	13.73	13.27	13.48	15.19
Singapore (%)	4.81	4.17	5.91	7.11	2.79	4.50	3.83
Japan (%)	4.10	3.46	3.17	4.46	4.81	4.32	4.11
Hong Kong (%)	1.98	1.78	1.87	2.16	1.92	1.54	1.15
Taiwan (%)	2.23	2.15	2.20	2.60	2.33	2.11	1.92
Rep of Korea (%)	4.35	3.80	2.90	3.48	3.29	3.15	3.24
United States (%)	1.99	1.58	1.94	2.16	2.63	2.89	3.67
Malaysia (%)	3.96	5.58	5.12	3.34	2.75	2.21	2.28
Others	45.10	44.87	43.66	33.26	37.04	37.52	37.54

Source: Bangladesh Economic Review, 2018.

2.13. Foreign employment and remittance from Bangladeshi nationals working abroad continued to make important contribution to economic development of the country through reducing the rate of unemployment, poverty alleviation and strengthening foreign exchange reserves. In spite of decreasing the migration rate, during the period under review, the number of expatriate workers has been almost double and Bangladesh has earned huge amount of remittances in FY 2017-18. About 8.8 lakh Bangladeshi employees went abroad in FY 2017-18, which was 2.8% lower than the previous year. Bangladesh achieved remittances of USD 14,981.69 million in the FY 2017-18 which is 17.32% higher than USD 12,769.5 million in the FY 2016-17. During this period, share of remittance to GDP has recorded a rising trend (Table 9).

**Table 9 Number of Expatriate Employees and Amount of Remittance**

FY	No. of Employment Abroad ('000)	Amount of Remittance			
		USD million	Change (%)	Tk. Crore	Change (%)
2011-12	691	12,843.40	10.24	101,882.78	22.76
2012-13	441	14,461.15	12.60	115,646.16	13.51
2013-14	409	14,228.30	-1.61	110,582.37	-4.38
2014-15	461	15,316.91	7.65	118,993.00	7.60
2015-16	685	14,931.14	-2.52	116,856.00	-1.79
2016-17	905	12,769.45	-14.48	101,099.00	-13.48
2017-18	880	14,981.69	17.32	123,156.00	21.82

Source: Bangladesh Economic Review, 2018.

2.14. During the period under review, Bangladesh's current account balance improved from a deficit of USD 447 million (0.3% of GDP) in FY 2011-12 to a surplus of nearly USD 4.3 billion (1.9% of GDP) in FY 2015-16. Trade deficit has significantly increased to USD 18.26 billion in FY 2017-18 compared to USD 9.47 billion in FY 2016-17 due to high import payment. The rising deficit reflects a widening gap between gross national savings and gross domestic investment. Between FY 2011-12 and FY 2015-16, the current account balance improved on the back of an improving trade balance and rising workers' remittances. During the FY 2017-18, strong and broad-based rebound in remittance growth is recorded at 17.3% due to different initiatives of remittance arrangements with exchange companies abroad for smooth operation of formal channels.

### **3 TRADE POLICY AND TRADE FACILITATION**

3.1. Government formulated Export Policy 2015-2018 to promote and facilitate export, improve quality of the exportable items, use environment friendly technologies and produce high value added and labour intensive products. The Policy identified 12 sectors as the Highest Priority Sectors and designated 14 sectors as the Special Development Sectors. The Highest Priority Sectors include: high value-added readymade garment and garment accessories; software and IT enable services, ICT products; pharmaceutical products; ships and ocean going fishing trawlers; footwear and leather products; jute products; plastic products; agro-products and agro-processed products; furniture; home textiles and terry towel; home furnishing; and luggage. Special programmes have been designed to boost up export of these sectors.

3.2. The Government continues to promote export through various promotional activities organized by the Export Promotion Bureau. The activities include holding annual international trade fair in the capital, organizing single country trade fairs in various countries, encouraging exporters to participate in international trade fairs, organize overseas training programmes on product development and marketing with a view to developing technical skills and marketing expertise; and other arrangements for product and market development. In Bangladesh, concentration of export market and products is very high. Therefore, Government has taken initiatives to implement a project titled "Export Competitiveness for Jobs" in FY 2016-17. The main objective of the project is to diversify basket in four priority sectors such as leather and leather goods, footwear, light engineering (including electronics and machineries) and plastic which is expected to create 19,000 additional jobs.

3.3. Since 2012, the Government has allowed to borrow low cost foreign currency loan as buyers' credit by the manufacturers-exporters to facilitate import of capital machinery and raw materials. This low cost financing has helped to reduce the cost of production of the exporters.

3.4. Government of Bangladesh formulated the Import Policy Order (IPO) 2015-18 with minimal changes from the previous 2012-2015 policy for maintaining the continuity and predictability of the policy measures. The major changes include conditional approval of the Ministry of Commerce for import of formaldehyde, formaldehyde solutions and formalin in line with Formalin Control Act, 2015 which intended to prevent any misuse of these items as food additive and preservatives.

3.5. With a target to achieve GDP growth rate at 10% by 2021, National Industrial Policy 2016 was announced. The Policy envisages increased contribution of the industrial sector to GDP from present 30% to 40% of GDP and employment from present 16% to 25% by 2021. The underlying objectives of the Industrial Policy 2016 include sustainable and inclusive industrial growth through generation of productive employment, creating new entrepreneurs, mainstreaming women in the industrialization process and development of international market linkage. The key determinants of National Industrial Policy 2016 are SME Development, infrastructural transformation, diversification of the economic base, accelerated economic growth, employment generation, women entrepreneurship development, increasing income level and development of livelihood of the people.

3.6. Cottage, Micro, Small and Medium Enterprises (CMSMEs) are considered as a potential sector in addressing unemployment problem. This sector has been playing a significant role for achieving economic growth and earning foreign currency by encouraging and expanding the business activities. With a view to enhancing the living standard of the mass people, to ensure women empowerment along with reducing gender discrimination for the development of this sector, Bangladesh Banks instructed the commercial banks to disburse at least 22% of the commercial loans to the SMEs which will gradually be increased to 25% by 2021. As a result, a total of BDT 1,419.353 billion has been

disbursed to SMEs in 2016 which is 22.49% higher than that of the previous year. Besides, Bangladesh Bank has also set up a 9% ceiling interest for women entrepreneurs to encourage them to be involved in the SME businesses. In 2016, BDT 53.456 billion has been disbursed as SME loans to 41,675 women entrepreneurs.

3.7. The tariff remains Bangladesh's main trade policy instrument. Customs schedule is published at the beginning of each financial year and considered as integral part of Customs Act 1969. Customs Tariff is available online at [https://customs.gov.bd/files/TRF\\_1819\\_TTI.pdf](https://customs.gov.bd/files/TRF_1819_TTI.pdf). Bangladesh maintains six tariff slabs with maximum tariff rate of 25%. The current tariff bands are 0%, 1%, 5%, 10%, 15%, and 25%.

3.8. Bangladesh has undertaken major reforms of the Customs Administration to facilitate trade. It has introduced ASYCUDA World in September 2013 and formulated a new Customs Act which is now waiting for the approval of the Parliament. A specific format known as Single Administrative Document (SAD) has also been developed. The Government has been implementing a four-year National Single Window (NSW) project since January 2017 with the aim of fulfilling its commitment to expedite ease of doing business. The project will bring all the support services activities under one umbrella and reduce the cost of doing business. Certificates and licences to be issued and permits for import, export and transit of goods will be automated in the new NSW system.

3.9. Bangladesh has abolished the mandatory PSI on 31 December 2012. However, the provisions of Import Policy Order 2015-2018 stipulate PSI requirements for imports of BDT 5 million (fifty lakh) or more; raw and packing materials for the pharmaceutical industry; break acrylic; chemical fertilizer; coal and hard coke; M. S. Billets; and under "terrain" car parts.

3.10. In compliance with the WTO Agreements, the Government brought necessary amendments in the Customs Act, 1969 and formulated Rules for initiating investigations and imposing duties on anti-dumping, countervailing and safeguard measures. The Chairman Bangladesh Tariff Commission has been appointed as the designated authority for taking measures in these areas. Despite having legal instruments, as of now Bangladesh is unable to initiate any investigation for trade remedial measures due to limited capacity. Government has taken initiatives to strengthen the existing institutional capacities through training and awareness programmes on trade remedial measures.

3.11. The Customs Act of Bangladesh also provides for Alternative Dispute Resolution (ADR). Any case or dispute pending before any customs authority or Bangladesh court in respect of a levy, assessment, collection or refund of duty and taxes, fines or penalties, or customs valuation issues can be dealt with and settled by ADR.

3.12. Chittogram (Chittagong) Sea Port, the major sea port in Bangladesh, handles 92% of the country's total ocean containers. At present, the annual trade growth through Chittogram Sea Port is 14%. Considering the enormous importance of the port, the Government has taken a number of modernization programmes in enhancing efficiency of the port and promoting trade facilitation. As a result, the average Turn-Around time of vessels at jetty goes down to 2.83 days in June 2017 compared to 3.06 days in 2011. Now, the port is ready to extend its facilities for using by the neighbouring countries too.

3.13. Along with this, Government has taken several initiatives for improving the capacities of the Mongla port to turn it into a sea port with all modern facilities. Construction of Padma Bridge, establishment of Khulna-Mongla Rail lines, Khan-Jahan Ali Airport, setting up 1,320 MW coal based power plant and Economic Zones jointly with India and expansion of Rampal Coal Based Power Plant will facilitate import of 4.5 million MT coal through this port by FY 2020-21. Besides, Paita Port, the third sea port started its journey in November 2013 in limited scale.

3.14. Government of Bangladesh has undertaken measures for developing trade related capacities. It has established Bangladesh Foreign Trade Institute (BFTI) in 2003 with a concept of public-private partnership (PPP) between the Ministry of Commerce (MoC) and the private sector. Its prime focus is on research, education, training and policy advocacy on international trade-related issues. The Ministry of Commerce has been working with the public and private universities, think tanks and academia for enhancing their trade related capacities.

3.15. In order to ensure competition and to prohibit anti-competitive business practices in the market, the Government has promulgated Competition Act 2012 in June 2012. Under this Act, Bangladesh Competition Commission has already been established for effective implementation and enforcement of the Act.

3.16. With a view to ensuring the ease of doing business, the office of the Registrar of Joint Stock Companies and Firms has introduced online registration system to enable the companies and firms to get registration within four hours from the time of submission of application. This step has shortened the start-up time of business by around 30 days.

3.17. Bangladesh Standards and Testing Institution (BSTI) is the lone national standards body of the country. The main responsibilities of BSTI are to develop the national standards of products testing and certification for quality of products as per Bangladesh standards and to provide metrology and calibration services throughout the country. BSTI is also issuing the Management System Certificates (MSC). Different laboratories of BSTI have already been awarded accreditation from National Accreditation Board for Testing and Calibration Laboratories (NABL), India. A total of 178 parameters have got accreditation by NABL. On October 2014 BSTI has got accreditation for 33 products from National Accreditation Board for Certification Body (NABCB), India. Besides, BSTI has been awarded accreditation jointly by Norwegian Accreditation and Bangladesh Accreditation Board (BAB) on 26 November 2013.

3.18. As a signatory of the WTO Agreement on Sanitary and Phytosanitary measures, Bangladesh has SPS regime and institutional mechanism in place. The Government has enacted Plant Quarantine Act 2011, Safe Food Act 2013; Bangladesh Animal Slaughter and Meat Quality Control Act 2011; Fish Feed and Animal Feed Act, 2010; Fish Feed Rules, 2011; Fish Hatchery Act, 2010; and Fish Hatchery Rules, 2011. The Plant Quarantine Wing of the Department of Agriculture Extension (DAE) has currently 16 laboratories and as of 2017, DAE has 30 plant quarantine stations at different customs points.

3.19. In the area of intellectual property rights, the Government has taken initiatives to amend and introduce new laws in accordance with the TRIPS Agreement. The National Intellectual Property Policy 2018 has already been approved by the Cabinet. It has also amended the Trade Marks Act in 2015 and formulated the Trademarks Rules, 2015. Bangladesh has also passed Geographical Indications of Goods (Registration and Protections) Act, 2013 and adopted Rules in 2015. Jamdani and Hilsha fish are already registered as GI products. The proposed Customs Act 2018 also include a provision to inspect, seize, and detain shipments of any counterfeit or pirated goods.

#### **4 BANGLADESH IN MULTILATERAL TRADING SYSTEM**

4.1. Bangladesh is a strong proponent of multilateral trading system and remains active in all WTO activities. It was elected by the LDC group in Geneva as the LDC coordinator for the fourth time from 15 February 2015 until 18 February 2016. During this period, Bangladesh on behalf of the LDCs successfully negotiated landmark decision on extension of exemption for the LDCs from the TRIPS obligation for pharmaceutical products until January 2033. Bangladesh also led the negotiations for decisions on preferential rules of origin for the LDCs and operation and extension of LDCs services waiver during 10<sup>th</sup> WTO Ministerial Conference. During the review period, the major focus of Bangladesh was the conclusion of the Doha Round and full implementation of the WTO decisions in favour of LDCs including the full and effective implementation of the decision on duty free and quota free (DFQF) market access for LDC products. Bangladesh actively participated in the discussions on development, implementation of TRIPS Article 66.2 and review of Annex VII of SCM Agreement for graduated LDCs. Bangladesh was also active in the discussion on work program on e-commerce for ensuring increased participation of SMEs of developing and LDCs in emerging e-commerce business. Bangladesh also ratified Trade Facilitation Agreement (TFA) as the 94th member state and notified all categories on 21 February 2018.

4.2. WTO Cell, under the Ministry of Commerce, primarily is mandated to discharge all functions related to WTO. It oversees the implementation of WTO rules and regulations, availing the opportunities under the WTO, building trade capacities and protecting interest of the state in international trade regime.

4.3. The Government has completed 'Diagnostic Trade Integration Study' for the first time in 2016 with the support from EIF. This study came up with an Action Matrix identifying the future needs of the country on trade related activities. In 2015, the Government launched Tier-1 project titled 'Strengthening Institutional Capacity and Human Resource Development for Trade Promotion' with the support from EIF. The project initiated studies on 'Export Potentiality of Trade in Services of Bangladesh: Identifying Opportunities and Challenges' and 'Identification of Non-tariff Barriers Faced by Bangladeshi Products in Major Export Markets'. Under this project, Government has been conducting regular training programs, workshops and symposiums in order to raise awareness among the stakeholders and enhance capacity of the trade officials and academics.

## **5 BANGLADESH IN BILATERAL AND REGIONAL TRADE AGREEMENTS**

5.1. Bangladesh is a party to a number of regional trade agreements namely, South Asian Free Trade Area (SAFTA), Asia Pacific Trade Agreement (APTA), Framework Agreement on Bay of Bengal Initiatives for Multi-Sectoral Technical and Economic Cooperation- BIMSTEC FTA, Trade Preferential System among the OIC countries (TPS-OIC) and Developing-8 (D-8) Preferential Trading Arrangement.

5.2. Under Trade Liberalization Program (TLP), all member countries including Bangladesh have reduced their duties other than items under sensitive list to 0-5% by the end of 2016. In addition, SAFTA members have revised their sensitive lists and reduced the number by 20%. At present, the activities of TLP Phase III are underway for further substantial reduction of the sensitive list of the respective member countries.

5.3. APTA member states concluded the fourth round of negotiations in January 2017. The tariff preferences under APTA will cover 10,776 items which has already been implemented from the 1 July 2018. APTA also covers trade in services, investment and trade facilitation which are under process of implementation.

5.4. After signing the Framework Agreement on BIMSTEC FTA, three agreements on trade in goods, dispute settlement and mutual cooperation on customs matters have been finalized, which are yet to be signed by Member countries. TPS OIC and D-8 PTA are expected to come into force soon.

## **6 WAY FORWARD**

6.1. Bangladesh attaches great importance to trade as an engine of growth and development. Maximizing benefits from the opportunities evolving under the multilateral trading system, Bangladesh has been trying to increase contribution of trade to the overall economy with a view to achieving socio-economic goals.

6.2. The Government has been trying relentlessly to overcome the infrastructure and energy constraints. In the face of increasing demand for electricity, the Government is implementing its plan of increasing electricity generation capacity to 24 thousand MW by 2021. In this context, initiatives have been taken to import Liquefied Natural Gas (LNG) and to explore new gas fields. To remove the bottlenecks of infrastructural paucity the Government is prioritizing integrated development of roads, rail and water ways. To expedite economic development as well as industrialization, establishment of 100 special economic zones by the next 15 years is in progress. Establishment of 79 economic zones has already been approved, of which 56 will be established under Government initiatives and the rest will be built under the private edges. In addition, to speed up the implementation of the growth enhancing transformational projects including the Padma Bridge project, special fund has been allotted in the national budget. Successful implementation of these projects is expected to play a significant role in promoting economic growth.

6.3. Bangladesh is in the process of graduating from the group of LDCs by 2024. Consequently, a forward looking strategy is called for sustainable graduation with momentum. Firstly, Bangladesh will need to continue the momentum of economic development so that it distances itself further from the thresholds which would give a comfort zone from any likely setback as experienced by a number of graduated LDCs. Secondly, designing a well-crafted graduation strategy thus has become critically important task for Bangladesh in moving forward. Additionally, Bangladesh's graduation journey will also be taking place at a time of a fast-changing global scenario and in the era of the SDGs where there will be need for triangulation of economic, social and environmental aspects of development.

Bangladesh should pursue global and national objectives simultaneously due to the various linkages between and among the SDGs and LDC graduation criteria.

6.4. Addressing the issues of strengthening of supply side capacities, diversification of export product and export market, graduation from factor-driven to productivity-driven production practices, accessing the opportunities of digital economy, IT-enabled service economy and the new knowledge ecosystems, and realizing potential advantages of strengthened regional and global integration of the Bangladesh economy are critically important in attaining the SDGs and ensuring smooth graduation.

6.5. In the above context, continuation of preferential market access, support for capacity building and exemption from TRIPS obligation particularly for the pharmaceutical products will be critically important for sustainable graduation for the newly graduated countries. WTO Members therefore, need to develop special programmes for the newly graduated countries for ensuring smooth transition and preventing any unwanted setback. Continuation of the DFQF at least for additional 6-10 years after graduating from LDC status, support for capacity building and supply side development, extension of TRIPS exemption as in force for other LDCs and other flexibilities available to LDCs for certain period after graduation would be utmost important and deserve urgent attention of the WTO Members.

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