

**GENERAL AGREEMENT  
ON TARIFFS AND TRADE**

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**Committee on Balance-of-Payments Restrictions**

Original: English

**1995 CONSULTATION WITH BANGLADESH**  
**UNDER ARTICLE XVIII:12(b)<sup>1</sup>**

**Statement by the Government of Bangladesh under Simplified**  
**Procedures for Consultation**

**Import Policy**

1. Bangladesh has been steadily liberalizing its import policy with a view to encouraging and promoting both local and foreign investment particularly in the private sector. This has resulted in increased flow of goods from abroad but this has also placed the domestic products in uneven competition with the imported goods. Substantial changes and improvements have been made in the current Import Policy (1993-95). Some of the steps taken in this regard are as follows:

- (i) The strategy is to gradually withdraw items from the negative/restricted/control list and to simplify procedures for import. This strategy is to be matched with fiscal measures to accord reasonable protection to the domestic industries. While import duties have been reduced for finished products, duties for raw materials have simultaneously been reduced.
- (ii) A number of items have already been withdrawn from the control list. The total number of four digit entries in the control list in the present Import Policy Order, 1993-95 stands at 114. This shows that the total number of banned and restricted entries came down from 648 in 1987-88 to 114 in 1993-95 Import Policy Order. The overall reduction in seven years being 82.87 per cent. However, since the publication of the Import Policy ban on import of four items, viz. newsprint, used or new rags, padlocks up to 3" size, ropes made of nylon and polythene has been withdrawn and on the other hand some restriction has been imposed on imports of petroleum products. Of the 111 items now under the control list the restrictions on 19 items are for trade reasons, mostly to protect domestic producers, while restrictions on the remaining 92 items are mainly due to religious, social, security or health grounds. There is a total ban on import of very few items. Most items are importable subject to fulfilment of certain conditions.

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<sup>1</sup>Consultation postponed from 1994.

- (iii) The practice of allocating foreign currency at official rate of exchange has been abolished. The official rate of exchange and the secondary exchange rate have been merged into one rate of exchange which is applicable also for import financing.
- (iv) The ceiling of import by actual users without permission from any authority has been raised from US\$,1000 to US\$2,000.
- (v) Bangladesh nationals living abroad may now send any importable item irrespective of value ceiling through direct payment abroad in favour of any Bangladeshi living in Bangladesh.
- (vi) In the current Import Policy no formal letter of exemption from the Office of the Chief Controller of Imports & Exports shall be required for exemption from LCA/IP fees under the Licence and Permit Fees Order, 1985 in cases of imported capital machinery and initial spares for the purpose of establishment of industries in the under developed/less developed areas of the country or for setting up export oriented industries. In such cases the customs authority shall directly allow exemption from LCA/IP fees.
- (vii) At present freely importable items may be imported without an import passbook.
- (viii) In the current Import Policy indenting registration fees have been reduced from Tk. 20,000 to Tk. 10,000.
- (ix) 100 per cent export oriented industries operating under bonded warehouse system have been allowed to import packing materials either on a back-to-back L/C basis or up to 4 (four) months requirement without any master export L/C; and for import of items against back-to-back L/C by these industries, no authorization from Bangladesh Bank shall be required.
- (x) The condition for obtaining recommendation from the Ministry of Agriculture for Import of insecticides, pesticides and raw material for manufacturing of such items has been withdrawn. Now such items can be imported freely without permission from any authority. Moreover, the list of importable pesticides and raw materials for formulation of pesticides has been withdrawn in the current IPO.
- (xi) The list of importable newspapers, periodicals, journals and weeklies has also been withdrawn from the current Import Policy Order.

2. The above measures adopted by the Government over the last few years for the liberalization and simplification of the import system have contributed significantly to the growth of imports. This can be seen from the rising volume of imports during the fiscal years 1987-88 to 1993-94.

Fiscal Year	Import expenditure in Million US\$	Import expenditure in Million Taka	Remarks
1987-88	2,985.9	93,285.7	1992-93 and 1993-94 figures also includes import into export processing zones.
1988-89	3,375.2	108,477.0	
1989-90	3,758.7	123,742.7	
1990-91	3,469.7	123,781.7	
1991-92	3,463.4	132,114.0	
1992-93	4,070.9	159,335.0	
1993-94	4,191.4	167,660.0	

Source: Provisional annual import payments published by Bangladesh Bank.

3. In short, main guidelines for controlling imports, in the broad and freer framework of importation in line with the principles of latest GATT accord, in addition to balance-of-payments (trade), reasons have been confined mainly to:

- (a) Health hazards
- (b) Security reasons
- (c) Social and cultural reasons
- (d) Religious reasons
- (e) Such other emergency and unforeseen developments

(See Annex I)

#### Tariff reform

4. Bangladesh is currently implementing a comprehensive tariff reform programme. Three salient features of the reform package are discussed below:

- (i) Reduction of high rates - though tariff reduction and compression has been an objective of tariff reform in Bangladesh since the early 1980's, very little progress was made before 1991. Though the maximum tariff rate was targeted to be 100 per cent, nearly 15 per cent of all Harmonized System (HS) items had rates above 100 per cent. Moreover, the tariff structure was characterized by numerous anomalies with import tax incidence on many intermediate inputs in the range of 75-100 per cent, some exceeding the rate on final products.

Tariff reduction began in earnest with the budget of 1992-93 and gathered momentum in the subsequent budgets. In FY 93-94, the highest legal maximum rate of duty was set at 100 per cent or below for all products (excepting alcoholic beverages and cigarettes). There were only 17 HS items remaining at 100 per cent while average tariffs were reduced to 36 per cent from 47 per cent in the previous year. In the current year's budget, the declining trend has been maintained with a further reduction in average tariffs to only 26 per cent, with the highest rate of applicable customs duty set at 60 per cent.

- (ii) Simple and transparent tariff schedule - prior to 1991, not only were rates high but the schedule was characterized by multiplicity of rates, making for a highly complex and almost unwieldy tariff schedule. A formal/logical scheme has been added to this lack of system. The present tariff structure follows a "stage of processing" approach, with few exceptions, warranted mostly by compelling protection or revenue considerations. In the past two years, tariff rate increases covered only a handful of items. In other words, tariff reduction was comprehensive, with few exceptions (Import

tax incidence on alcoholic beverages, cigarettes and luxury cars have been kept high with the imposition of supplementary duties). The assignment of rates is based on the following principles: basic raw materials (15 per cent), intermediate inputs and capital goods (30 per cent), and final consumer goods (45 per cent). The highest rate of 60 per cent is a protective rate set on the recommendation of the Bangladesh Tariff Commission. The net result is a highly simplified and transparent tariff structure with only five non-zero rates (7.5, 15.0, 30.0, 45.0 and 60.0) in contrast with 24 rates in 1990. Cascading rates are also expected to yield only a moderate level of effective protection in comparison to past levels. The ultimate goal of the current tariff structure is to promote competition and reduce inefficiency in the industrial sector.

- (iii) Consolidation of rates - have been minimized or eliminated in order to improve tariff/import administration, rate discrimination between users (commercial and industrial) and between similar products. This adds further transparency to the tariff structures while reducing the scope for arbitrary assessment of duties. In this exercise, care has been taken to remove tariff anomalies arising from the prevalence of output tariffs lower than tariffs on major inputs for some industries. Generally, input tariffs are set at least 15 per cent below output tariffs, except for very low value added activities, such as assembly activities (e.g. air conditioners, where input and output tariffs could be set equal, yielding a rate of effective protection that is the same as the rate of nominal tariff).
- (iv) Duty drawback scheme - as part of its policy of export-led growth, Bangladesh has allowed payment of Duty Drawback as an export incentive to the exporters of goods. The amount of drawback equals the customs duties and VAT paid on importation of such inputs as go into the manufacture of export goods.

In Bangladesh, Duty Drawback against exported goods are allowed in two ways: (i) on a Flat Rate Basis and (ii) at Actual Rates Basis.

When duty drawback dues are calculated and allowed at a pre-determined and notified rate, it is called a Flat rate. At present there are notified Flat Rates on about 720 items and sub-items. The documentation requirement for applying for drawback payment has been kept to a minimum. Claims under Flat Rates are usually settled in a week and payment made to the exporter's bank account directly.

Sometimes there is no Flat Rate on an export item, especially when the item is new. For disposal of drawback claims relating to export of such items, Duty Exemption and Drawback Office (DEDO) undertakes surveys to determine the input-output coefficient as a basis for calculation of Drawback dues. Drawback then paid is called Drawback at Actual Rates. If all the necessary documents are placed, DEDO can usually settle the cases in a month's time.

## 5. Import Performance - 1993/94

Import payments increased by US\$120 million (2.9 per cent) to US\$4,191 million during 1993/94 which is mainly due to the increased imports of non-food items. The imports of major items such as pharmaceutical products, dyeing and tanning materials, yarns, textiles and articles thereof, iron and steel etc. moved up significantly. However, imports of foodgrains, edible oil, milk and cream, cement, crude petroleum, POL, cotton, etc., registered decline during the year under report.

#### 6. Import Prospects for 1994/95

Total merchandise imports during 1994/95 are presently estimated to increase by 12.4 per cent in nominal terms to US\$5,000 million from US\$ 4,191 million in 1993/94. Imports of non-food items which accounted for about 94 per cent of total imports in 1993/94 have been projected to grow by 11 per cent in 1994/95. On the other hand, imports of foodgrains which accounted for 3.60 per cent of total imports is projected to increase by about 32.5 per cent during the same period. With the expected picking up of economic activities in 1994/95, the imports of capital goods, among others, are also likely to increase by 13.6 per cent. Imports of other commodities like edible oil, fertilizer, iron and steel, cement, sugar etc. are also projected to increase in 1994/95. Crude petroleum imports are projected to increase from US\$116 million in 1993/94 to US\$132 million in 1994/95 and POL imports are expected to rise from US\$168 million to US\$190million during the period, mainly due to escalation of domestic demand. The total consumption of HSD in the country is expected to increase largely due to the increased demand for agricultural and transport sectors. The consumption level of kerosene oil is also likely to increase to meet the cooking and illumination needs of the growing population. The country will have to pay US\$38 million more for imports of crude petroleum and POL in 1994/95. Imports of oil seeds and edible oil may increase from US\$40 million and US\$117 million in 1993/94 to US\$45 million and US\$133 million respectively in 1994/95 to meet the consumption requirements of a growing population.

7. Domestic production of cotton is very much limited. Therefore, around 90 per cent of the total requirements of the country are met through imports. The demand for raw cotton has also picked-up following augmentation of capacities of the existing mills through implementation of BMRE programmes. Therefore, import of cotton has been estimated to rise by 13.9 per cent to US\$82 million from US\$72 million recorded in 1993/94. The need for cement in the country is continuously growing in conformity with acceleration of construction activities in both public and private sectors. Domestic production of cement is not enough to meet the local demands. Import of cement is, therefore, estimated to rise by 14 per cent to US\$114 million 1994/95 from US\$100 million in the preceding year. Our export oriented garment industries are almost totally dependent on imported textiles. Therefore, imports of textiles may go up largely to feed these industries to ensure timely supply of this export item. Import of textiles is, therefore, estimated to increase by 13.6 per cent to US\$1,005 million from US\$841 million in the previous year.

8. According to provisional figures, actual import payments during July-September 1994, recorded higher at US\$1,178 million as compared to US\$1,169.6 million during the same period of the previous year. Of this, imports by the enterprises in EPZ also stood higher at US\$37 million during July/October 1994 as compared to US\$22.7 million in the same period of the last year.

9. Data on merchandise imports by major commodities during 1992/93, 1993/94 and 1994/95 (projection) are given below:

**Merchandise imports**

Items	1992-93	1993-94	1994-95 (Estimate) (Million US\$)
A. Foodgrains	176	151	350
1. Rice	-	10	100
2. Wheat	176	141	250
B. Non-food items	3,810	3,919	4,500
1. Milk and cream	65	37	42
2. Spices	24	22	25
3. Oil seeds	35	40	45
4. Edible oil	152	117	133
5. Coconut oil	2	2	3
6. Sugar	13	13	15
7. Cement	115	100	114
8. Crude petroleum	181	116	132
9. POL	172	168	190
10. Chemicals	126	144	163
11. Pharmaceutical products	13	15	17
12. Fertilizer	131	135	153
13. Dyeing and tanning materials	34	36	40
14. Cotton	82	72	82
15. Yarn	127	168	191
16. Textiles and articles thereof	687	841	1,005
17. Staple fibre	31	31	35
18. Iron and Steel	106	130	148
19. Capital goods	1,346	1,299	1,475
20. Others	368	433	492
Total (A+B)	3,986	4,070	4,850
Imports by EPZ	85	121	150
Total	4,071	4,191	5,000

Source: Statistics Department, Bangladesh Bank.

## 10. Export Policy

The Export Policy of the Government sets out the objectives and targets for exports and the strategies to be followed for achieving those objectives and targets. The Current Export Policy is for 1993-95 and outlines, among other things, the following objectives and strategies:

### 11. Objectives

The objectives of the Export Policy, 1993-95 are as follows:

- to narrow down the gap between export earning and import payment through the achievement of the export target set for the year 1993-95;
- to develop marketability of exportables through product diversification and quality improvement;

- to establish backward linkage with the export-oriented industries and service sector for utilization of more local materials;
- to attract entrepreneurs for setting up export oriented industries or undertaking such activities by providing suitable incentives and encouragement;
- to provide all possible assistance for marketing Bangladeshi export products in competitive international markets;
- to expand, consolidate and create new markets for Bangladeshi exportables.

## 12. Strategies

To achieve the above objectives, the Export Policy lays down the following strategies:

- simplification of export procedures and strengthening export-led co-operation through reducing regulatory rôle of Government;
- encouraging establishment of backward linkage industries through reactivating the process of utilization of locally available raw materials;
- participation in international trade fairs, single country exhibitions, specialized fairs and sending businessmen's delegations abroad for expansion and consolidation of existing markets and creation of new markets;
- expediting the process or BMRE of existing wet blue leather processing tanneries and help them to switch over to finished leather process and export
- expediting the expansion of improved traditional/semi intensive method of shrimp cultivation for enhancing export of shrimps;
- to take appropriate measures to establish a permanent brand name for marketing Bangladeshi tea abroad;
- initiating measures to improve quality, increase production and expand markets for exportable agricultural produce;
- undertaking activities for enhancing export of computer software, engineering consultancy and services;
- organizing commodity-wise trade fairs of international standard within the country;
- developing and expanding infrastructural facilities within the country for export trade.

## 13. Crash Programme Items

Toys, baggage and fashion goods, electronic items, leather goods, diamond cutting and polishing, jewellery, silk fabrics, stationery items, cut and artificial flowers and orchids, gift items, vegetables, and engineering and consultancy services are included in the Crash Programme. In order to boost production and promote export of these crash programme items, assistance shall be provided for product

development, market promotion, bank credit on easy terms, import of raw materials, consignment sale, duty drawback/bonded warehouse and securing joint venture partners.

14. Major incentives

In order to make our exports more competitive in the international market, a package of incentives has been developed. Some of the incentives in the package are as follows:

a. **Financial**

- Rationalization of interest rate on export credit. Presently the commercial banks are to charge interest on export credit within a range of 8-10 per cent.
- Introduction of Taka convertibility scheme. Presently the exporters can retain upto a maximum of 15 per cent of this export earnings in foreign exchange.
- Cash assistance of 25 per cent on FOB value in lieu of duty drawback and bonded warehouse. This facility can be availed of by the local fabric exporters/suppliers to export oriented readymade garments industries, hosiery products, specialized textiles and handloom products
- Creation of a credit line of US\$25 million. This credit line has been created specifically for CIS to help promote export to these countries.
- Creation of an Export Development Fund. Pre-shipment finance in foreign currency is provided out of this Fund to the manufacturer-exporter of non-traditional items at a concessional rate of interest.

b. **Fiscal**

- Duty free import of capital machinery. All 100 per cent export-oriented industries outside the Export Processing Zone (EPZ) are eligible for this facility like those in the EPZ.
- Duty Drawback Scheme. An exporter of manufactured products is entitled to draw back the value of customs duties, sales tax etc. paid on the importation of raw material after the finished products made thereof are exported.
- Bonded warehouse. Under this system, the manufacturer-exporter can import raw materials duty free for export production.
- Duty free import of hides and skins, leather and leather goods manufacturing units are allowed to import hides and skins without any bond and free of duty.
- Income tax rebates. 50 per cent income tax rebate is provided on the export earnings for all commodities excepting tea, jute and jute goods.

**Others:**

- Entrepôt trade. Re-export facilities have been created for all items other than readymade garments/fabrics.

- National Export Trophy. Outstanding exporters of different product groups are awarded National Export Trophies every year as the slightest national accolade.
- Commercially Important Persons (CIP). Exporters are also made CIP's on the basis of their performance every year.

15. Institutional back-up:

- National Committee for Export. A National Committee of Export has been set up with the Prime Minister in the chair to review export performance, provide policy guidelines and ensure the implementation of these guidelines.
- Export Promotion Council. This Council is chaired by the Minister for Commerce and provides a forum for free and frank discussion between the private and public sector representatives towards policy formulation and implementation.
- Task Force for Export. This is a problem solving committee and chaired by the Minister for Commerce.

16. Export Performance - 1993/94

Total export earnings increased from US\$2,382.89 million in 1992-93 to US\$2,533.90 million in 1993-94, thereby registering a growth of 6.34 per cent. Sectorally non-traditional export grew by 9.24 per cent while traditional exports declined by 8.09 per cent during the year 1993-94. The overall price index increased by 9.16 per cent but the exports in terms of volume declined by 2.82 per cent in the same year.

Although exports grew by 6.34 per cent in 1993-94 over 1992-93, there was a short fall of export to the extent of 12.62 per cent when compared with the target of US\$2,900 million set for the year 1993-94. This shortfall was mainly due to the shortfall in readymade garments, jute goods, jute, leather and tea.

17. Export Review by major products:

- (i) Readymade garments - earnings of this sector increased from US\$1,240.48 million in 1992-93 to US\$1,291.65 million in 1993-94, thereby indicating a growth of 4.13 per cent. Compared with the target of US\$1,650 million it had a shortfall of 21.72 per cent during the year. Since this is the biggest export sector contributing about 52 per cent to the total export earnings, shortfall in this sector influenced heavily the overall shortfall of the country's export earnings vis-a-vis the target for 1993-94.
- (ii) Raw jute: earnings for raw jute in 1993-94 was US\$57 million. This is lower by 23.29 per cent of the performance in the preceding year and by 28.73 per cent in terms of the target set for the year under review. Unit price, however, increased by 3.06 per cent.
- (iii) Jute goods: this sector earned US\$283.79 million in 1993-94, which registered a shortfall of 2.94 per cent compared with the performance of the previous year and 5.40 per cent compared with the target for the same year. Average unit price also declined by 4.18 per cent.

- (iv) Leather: there was an earning of US\$168.17 million in 1993-94 as against US\$147.91 million in 1992-93. The rate of growth being 13.69 per cent. Target-wise however, the same was a slight shortfall of 1.08 per cent. Unit price on the other hand, showed a slight improvement to the extent of 0.93 per cent.
- (v) Tea: export earning for tea declined from US\$41.14 million in 1992-93 to US\$38.18 million in 1993-94 against the target of US\$39.50 million. This means that there was a shortfall of 7.19 per cent compared with the previous year and by 3.34 per cent compared with the target. Unit price of tea, however, increased by 11.20 per cent
- (vi) Frozen food: this sector showed all buoyancy in 1993-94 and succeeded in exporting worth US\$210.52 million. This amount is higher by 27.33 per cent compared with the performance of the previous year and by 20.30 per cent compared with the target of the review year. Unit price for shrimp also showed an increase to the extent of 18.89 per cent.
- (vii) Knitwear: this is another sector where export earning in 1993-94 exceeded both the performance of the preceding year and the target set for the year. The earning was US\$264.14 million which was higher by 29.14 per cent over the preceding year and at 5.66 per cent over the target for this year. Unit price also increased by 27.32 per cent.
- (viii) Chemical fertilizer: earning from this sector was US\$51.37 million in 1993-94 compared to US\$51.18 million in 1992-93 and a target of US\$50.00 million. This shows that there was a modest increase in the earnings of this sector in terms of both last year's performance and this year's target.

18. Bangladesh export development strategy for 1992-2000

The Government has adopted an export-led growth policy and has undertaken a long-term strategy. This export strategy is the base of the Industrial and Trade policies of the country.

The Export Strategy consists of the following:

- (a) Government commitment to support export.
- (b) Removal of regulatory constraint.
- (c) Policy incentives.
- (d) Institutional frameworks.
- (e) Infrastructural support.
- (f) Human Resources Development.
- (g) Implementation of an Export development programme to expand and diversify the range of exportable products.

An action plan has been prepared to implement the Export Strategy. Steps are being taken as per the action plan.

19. Data on merchandise exports during 1991/92, 1992/93 and 1993/94 are given below:

Items	Merchandise export (Million US\$)		
	1991-92	1992-93	1993-94
<b>Total export</b>	1,993.92	2,382.89	2,533.90
Primary products	267.26	313.91	346.81
Frozen food	130.53	165.34	210.52
Raw jute	85.49	74.33	57.02
Tea	32.43	41.14	38.18
Agri products	9.71	14.53	15.49
Others	9.10	18.57	25.60
<b>Industrial products</b>	1,725.83	2,068.98	2,187.09
Woven garments	1,064.00	1,240.48	1,291.65
Knitwear	118.57	204.54	264.14
Leather	144.46	147.91	168.17
Jute goods (including carpets)	301.64	292.37	283.79
Chemical products	30.47	57.64	54.39
Petroleum by-products	8.33	36.81	15.63
Handicrafts	8.72	5.43	7.33
Engineering products	9.46	17.51	3.64
Others	40.18	66.29	98.35

### Terms of Trade

20. After suffering a cumulative deterioration of about 40 per cent in 1980/81 and 1981/82, the commodity terms of trade recovered progressively and attained a substantial improvement (21.2 per cent) in 1984/85. This upturn was, however, reversed in 1985/86 when there was again a sharp deterioration (18.4 per cent) largely due to a severe 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, 20.5 and 53.2 per cent respectively, were responsible for the bulk of this decline in average export prices. Despite further declines in raw jute and jute goods export prices in 1986/87, the gains in tea, leather and frozen food prices resulted in some improvement in the average export prices which 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 terms further improved by 15.1 per cent in 1987/88 following a 17.0 per cent recovery in the average export prices.

The terms of trade of Bangladesh has suffered deterioration since 1988/89 due mainly to faster increase in import prices than that of export prices. The situation, however, improved marginally in 1990/91 when the terms of trade appreciated by 2.3 per cent. The terms of trade deteriorated again in 1991/92, primarily due to a 3.8 per cent fall in the average export price index caused by a sharp decline in export prices of jute goods, leather and tea. A 4.4 per cent deterioration in the terms of trade in 1992/93 is attributed to a 3.1 per cent rise in import price indices vis-a-vis a further 1.4 per cent decline in export price indices. An estimated 3.0 per cent increase in import price indices with no improvement in export price indices may result in a further decline of 2.9 per cent in the terms of trade in 1993/94.

21. Import and export price indices along with the terms of trade of Bangladesh are shown below:

Terms of trade (1979/80 = 100)

Year	Export price indices	Import price indices	Terms of trade
1979/80	100.0	100.0	100.0
1980/81	86.8 (13.2)	113.5 (13.5)	76.5 -(23.5)
1981/82	74.7 (-13.9)	118.7 (4.6)	62.9 (-17.8)
1982/83	76.1 (1.9)	112.5 (-5.2)	67.6 (7.5)
1983/84	89.8 (18.0)	110.9 (-1.4)	81.0 (19.8)
1984/85	108.8 (21.2)	110.8 (-0.1)	98.2 (21.2)
1985/86	78.9 (-27.5)	98.5 (-11.1)	80.1 (-18.4)
1986/87	81.8 (3.7)	89.9 (-8.7)	91.0 (13.6)
1987/88	95.7 (17.0)	91.4 (1.7)	104.7 (15.1)
1988/89	92.6 (-3.2)	97.2 (6.3)	95.3 (-9.0)
1989/90	95.6 (3.2)	103.0 (6.0)	92.8 (-2.6)
1990/91 (estimate)	101.9 (6.6)	107.4 (4.3)	94.9 (2.3)
1991/92 (estimate)	98.0 (-3.8)	104.4 (-2.8)	93.9 (-1.1)
1992/93 (estimate)	96.6 (-1.4)	107.6 (3.1)	89.8 (-4.4)
1993 (estimate)	96.6 (0.0)	110.8 (3.0)	87.2 (-2.9)

Note. Figures in parentheses indicate annual percentage changes.

Source: ERD

## 22. Balance of Payments situation for 1993/94

The balance of payments situation remained steady over the last few years. The current account deficit which had stood at US\$618 million in 1992/93 came down to US\$420 million in 1993/94. This was mainly due to the increase in private transfers to the tune of US\$180 million during the year. The workers' remittances stood higher at US\$1,089 million in 1993/94 as compared to US\$944 million in the preceding year. The overall balance in the BOP which showed a surplus of US\$594 million in 1992/93 increased to US\$673 million in 1993/94.

## 23. Balance of Payments outlook for 1994/95

The balance of payments situation is likely to weaken in 1994/95. The import payments and export receipts are projected to increase by about 12.4 per cent and 14.4 per cent respectively in 1994/95. The deficit in the current accounts balance may increase to US\$635 million in 1994/95. The workers' remittances are projected to increase by 10.2 per cent to US\$1,200 million in 1994/95 from

US\$1,089 million in 1993/94. The surplus in overall balance is projected to be US\$465 million in 1994/95 as against US\$673 million in 1993/94.

Analysing the balance of payments outcome on the basis of provisional data, it is found that a deficit in the current account balance showed a surplus of US\$7 million during July-September 1994, as compared to a surplus of US\$15 million during the same period last year. However, the overall balance showed a surplus of US\$139 million during the period as compared to US\$222 million during the same period of last year. It may be mentioned that surplus in overall balance is due to inflow of resources through aid disbursement.

24. Foreign Exchange Reserves

Some obligatory repayments such as MLT amortization payments, IMF repurchases etc. will have an offsetting effect on the projected inflow of resources in the balance of payments. Even then, the gross foreign exchange reserves would continue to grow further and may reach a level of US\$3,100 million by the end of June 1995.

25. Remittance

The Government is exploring new avenues to boost manpower exports. Government is also considering to extend banking facilities to increase the quantum of remittances through official channels. These measures are expected to help enhance the foreign exchange earnings from remittances of Bangladeshis to US\$1,200 million in 1994/95 compared to previous year's level of US\$1,089 million.

26. Details of the estimate of balance of payments for 1994/95 along with actuals for the preceding two years are shown below:

(Million US\$)

Items	1992-93	1993-94	1994-95 (projection)
<b>Trade balance</b>	-1,688	-1,657	-1,900
Exports, f.o.b (including EPZ)	2,383	2,534	3,100
of which EPZ	(110)	(103)	(125)
Imports, c.i.f. (including EPZ)	-4,071	-4,191	-5,000
of which EPZ	(85)	(125)	(150)
<b>Services (net)</b>	+3	-10	-105
Receipts	617	670	720
Payments	-614	-680	-825
<b>Private Transfers</b>	1,067	1,247	1,370
of which workers' remittance	(944)	(1,089)	(1,200)
<b>CURRENT ACCOUNT BALANCE<sup>1</sup></b>	-618	-420	-635
<b>Capital account (net)</b>	1,275	1,278	1,316
Aid disbursement <sup>2</sup>	1,675	1,559	1,683
Food aid	(121)	(118)	(150)
Commodity aid	(372)	(451)	(351)
Project aid	(1,182)	(990)	(1,182)
MLT amortization payments	-239	-264	-365
Short and medium term loans (net)	-17	-20	-
IMF trust fund	-	-	-
Aircraft loans	-9	-9	-15
Food loans	-8	-11	-12
Short term petroleum loans	-	-	-
Other short-term capital	-160	-66	-75
Director investment (net)	6	16	20
Portfolio investment (net)	10	53	80
Errors and omission (net) <sup>3</sup>	-63	-185	-216
<b>OVERALL BALANCE</b>	594	673	465
<b>Financing items</b>	-594	-673	-465
Bangladesh Bank	-553	-625	-415
Assets	-518	-625	-335
Liabilities	-35	-	-80
Of which:			
ESAF disbursements	(81)	(-)	(-)
fuel repurchases	(-79)	(-70)	(-56)
official deposit changes	(-)	(-)	(-)
Commercial Banks (net)	-41	-48	-50
Reserve (end June)	2,121	2,765	3,100

1 Excluding official grants.

2 Including official grants.

3 Including counterpart valuation changes

4 Including Asian Clearing Union Account and foreign exchange from non-resident currency deposits.

Source: Statistics Department, Bangladesh Bank.

ANNEX I

List of changes in the control list in the Import Policy Order since 1991-93 till 31.12.94 (under 1993-95 Import Policy Order)  
Reference: Control list of 1991-93

HS Heading no.	HS Code no.	Description of Items	Import status	Reason for control
1	2	3	4	
01.03	All H.S. Codes	Live swine	Import banned.	Religious and social grounds.
01.05	"	Chicks	Only "parent stock and grandparent stock" day old chicks shall be importable and a certificate issued by the authorized officer of the Livestock Department of the exporting countries, to the effect that the importable day old chicks are free from contagious disease.	Health grounds, certification required about free from contagious disease.
02.03	"	All items	Importable only by foreign exchange earning hotels as per conditions in para 16(1) of this Order.	Import is restricted on social and religious grounds.
02.06	"	All items	ditto	ditto
02.09	0209.00	All items	Import banned	ditto
04.02	All H.S. codes	Milk food	Importable subject to fulfilment of conditions in paras 15(1), 15(2) and 15(3) of this order.	Conditions imposed to ensure quality on health grounds.
04.07	0407.00	Egg	Import banned. However "hatching eggs" are importable. For imports of "hatching eggs" the importer shall obtain a certificate from the concerned government department of the exporting country to the effect that the eggs are suitable for hatching and a certificate from the Director, Livestock Department of Bangladesh to the effect that the importer requires to import such quantity of hatching eggs.	Restriction imposed on social grounds to protect numerous small scale local poultry aimed at poverty alleviation.
05.02	All H.S. codes	All items	Import banned.	Restricted on social and religious grounds.
05.11	0511.10	Deep frozen semen of oxen.	Deep frozen semen of Frisian, Frisian cross shahiwal, Shahiwal cross, A.F.S.A.F.S. cross variety domestic cows shall be importable. A certificate shall be obtained from an authorized officer of the Livestock department of the exporting country regarding the variety of semen and to the effect that it is free from any contagious and venereal disease.	Health grounds.
07.01	0701.10	Potato seeds.	Potato seeds shall be importable subject to the following conditions:  (a) Only the approved varieties of potato seeds, namely the diamond, Cardinal, Multa, Petraniz, Morin, Mondial and origo varieties from Holland and the Kufri Sinduri variety from India shall be importable;	Withdrawn

HS Heading no.	HS Code no.	Description of items	Import status	Reason for control
1	2	3	4	
			(b) Each consignment of imported potato seeds shall be examined by the concerned seeds certification agency of the government;	Withdrawn
			(c) The importer shall submit, along with import documents a quarantine certificate furnished by the original supplier;	Quarantine requirement on health grounds.
			(d) A quarantine certificate shall also be obtained from the Plant Protection Authority before clearing imported potato seeds from the Customs Authority.	Quarantine requirement on health grounds.
12.07	All H.S. codes	Poppy seeds and "dried Postadana".	Poppy seeds and dried Postadana are both banned for import. "Postadana" is not importable as spices or in any other way.	Social and health grounds.
12.11	"	Ghas (Andropogen SPP) and Bhang (Cannabis Sativa)	Import banned.	ditto
13.02	All H.S. codes	All items	Import of "opium" is banned. Other items except Agar aga and pectin are importable with prior clearance from the Director, Drugs Administration.	Social and health grounds.
14.04	1404.901	Tendu leaves (Biri leaves)	Import banned.	Health grounds.
15.01	1501.00	All items including lard.	Import banned.	Religious and social grounds.
15.03	1503.001 1503.009	All items including lard stearin.	Import of all items except "inedible tallow and RBD palm stearing" is banned.	ditto
15.11	All H.S. codes	Refined palm olein.	(a) Import of refined palm olein shall be subject to production of separate certificate from the Health Authority and the Chamber of Commerce and Industry of the exporting country to the effect that the consignment of the palm olein is fit for human consumption (edible). These certificates shall be submitted to the Customs Authority at the time of clearance of the consignment.	
			(b) The following items shall not be permissible for import as edible oil:	Certification required on health grounds.
			- solid or semi-solid palm oil which looks like vegetable ghee;	Health grounds.
			- refined, bleached and deodorized (RBD) stearin;	
			- crude palm stearing and refined and crude palm oil.	

HS Heading no. 1	HS Code no. 2	Description of items 3	Import status 4	Reason for control
15.13	"	Coconut oil	Coconut oil shall be importable by the recognised industrial units of hair oil up to acid value 0.5 and the soap industry up to acid value 10.0. It shall be also importable for commercial purpose.	Freely importable but restrictions on acid value for health reasons.
16.01	1601.00	All items	Importable only by foreign exchange earning hotels as per conditions in para 16(1) of this order.	Religious and social grounds.
17.01	All H.S. codes	(a) Raw sugar (white crystal sugar or refined crystal sugar with polarization not less than 99.7 in either case). Unrefined sugar/Gur.  (b) Other sugars (beat sugar and cane sugar in solid form).  (c) Sucrose, chemically pure sugar and refined sugar.	(a) Import of sugar is normally banned. However, limited quantity of sugar shall be imported in the specific procedure on fulfilment of the conditions prescribed by the government.  (b) Importable only by the recognised pharmaceutical units in limited quantity on specific recommendation of the Director, Drugs Administration and with prior permission from the Chief Controller.  (c) Importable by recognised industrial units subject to prescribed conditions.	Trade reason to protect local industries and growers of sugarcane.
17.02	All H.S. codes	IV fluid (dextrose and saline).	Essentially required IV fluid (dextrose and saline) may be imported in limited quantity with the approval of the Director, Drugs Administration.	Trade reason to protect local industry which is relatively new.
19.01	All H.S. codes	Baby food (with cream)	Importable subject to fulfilment of conditions in paras 15(1), 15(2) and 15(3) of this order.	Health grounds.
22.03 to 22.06	All H.S. codes	All items.	Beer and wine of all categories shall be importable only by foreign exchange earning hotels as per conditions in para 16(1) of this order. In special cases, such items may be imported with approval of Ministry of Commerce and prior permission from the Chief Controller subject to specified conditions. However, in all cases, the concerned importer shall firstly obtain licence/permission from the Director General, Narcotics Control Department. The conditions mentioned above shall be equally applicable for import of alcoholic and non-alcoholic beer.	Religious and social grounds.
22.07	All H.S. codes	All items	Only "Ethanol (ethyl alcohol) analar grade (undenatured) is importable by recognised pharmaceutical units with clearance from the Director, Drugs Administration and subject to prescribed conditions. Import of other items is banned.	Religious and social grounds.

HS Heading no. 1	HS Code no. 2	Description of items 3	Import status 4	Reason for control
22.08	All H.S. codes	All items	Importable only by foreign exchange earning hotels as per conditions at para 16(1) of this order.	ditto
23.07	2307.00	All items	Import banned.	
25.01	All H.S. codes	(a) Common salt except table salt.  (b) Table salt	(a) Importable subject to conditions prescribed by the government as and when required.  (b) Importable only by the foreign exchange earning hotels subject to prescribed conditions in para 16(1) of this order.	Religious and social grounds. Trade reasons to protect local industries and growers.
25.03	All H.S. codes	Sulphur	Importable subject to prescribed conditions for import of explosives in para 15(4).	Security reasons.
25.23	All H.S. codes	Cement	In case of import of cement in the private sector, a pre-shipment inspection certificate has to be obtained from an internationally reputed surveyor to the effect that the quantity, weight and quality (standard) of the item are found as declared.	Import free but certification required as to quality and quantity to protect consumer interest.
27.01 27.04	All HS codes	Coal and Hard coke.	In case of import of coal and hard coke in both private and the public sector, a pre-shipment inspection certificate needs to be obtained from an internationally reputed surveyor to the effect that the quantity, weight and quality (standard) of the item are found as declared.	ditto
27.10	All H.S. codes	Petroleum products.	Importable by the private sector importers only by approval of the government authorized agency and also by fulfilling all other legal formalities.	Security grounds. Also the private sector does not have storage and other facilities.
28.02	2802.00	Sulphur	Importable subject to prescribed conditions for import of explosives in para 15(4) of this Order.	Security reasons.
28.04	2804.70	Phosphorus	ditto	ditto
28.29	2829.19	Potassium chlorate	ditto	ditto
28.34	2834.21 2834.299 2834.299	(a) Potassium nitrate (b) Barium nitrate (c) Thorium nitrate	(a) ditto (b) ditto (c) Importable only with prior permission from the Bangladesh Atomic Energy Commission.	ditto ditto ditto
28.44 to 28.46	All H.S. codes	All items including radioactive chemicals, elements and isotopes.	Importable only with prior permission from the Bangladesh Atomic Energy Commission.	ditto
29.04	All H.S. codes	Trinitrotoluin (TNT)	Importable subject to prescribed conditions for import of explosives in para 15(4) of this order.	ditto

HS Heading no. 1	HS Code no. 2	Description of items 3	Import status 4	Reason for control
29.30	2930.909	Allylisthiocyanate (artificial mustard oil)	Import banned.	Health grounds.
29.35	2935.00	Sulphonamides	Importable only with clearance from the Director, Drugs Administration and subject to prescribed conditions in para 15(8) and 16(3) of this order.	ditto
29.36	All H.S. codes	All items	Importable by drug importers and drug manufacturing industries only with clearance from the Director, Drugs Administration and subject to prescribed conditions in paras 15(8) and 16(3) of this order. However, vitamin A and D (food grade) is freely importable by other importers.	ditto
29.37 to 29.39	All H.S. codes	All items	Importable with clearance from the Director, Drugs Administration and subject to prescribed conditions in paras 15(8) and 16(3) of this order.	Health grounds.
29.41	All H.S. codes	Antibiotics	ditto	ditto
30.01	All H.S. codes	All items	ditto	ditto
30.02	All H.S. codes	All items including "live vaccines"	ditto	ditto
30.03 30.04	All H.S. codes	All items	ditto	ditto
35.07	All H.S. codes	Enzymes	For import by pharmaceutical industries clearance from the Director, Drugs Administration is required subject to prescribed conditions in paras 15(8) and 16(3) of this order. However, "enzymes (food grade)" are freely importable.	ditto
36.01 to 36.04	All H.S. codes	All items including explosives.	Importable only with clearance from the concerned Ministry and subject to prescribed conditions in para 15(4) of this order.	Security reasons.
37.06	All H.S. codes	Cinematograph film exposed and developed whether or not incorporating sound track.	(a) Cinematograph film (exposed) in the English language without subtitles and in other languages (except sub-continental languages) with subtitles in Bangla or in English shall be permissible for import.  (b) Import of film in sub-continental languages with or without subtitles shall not be permissible. However, import or export permit, as considered necessary, may be issued on the basis of specific recommendations of the Film Development Corporation for import or export of the print/negative of such cinematographic film produced as a joint venture.	Social reasons.

HS Heading no.	HS Code no.	Description of items	Import status	Reason for control
1	2	3	4	
			(e) Import of all cinematograph film shall be subject to censorship rule codes.	
48.01	4801.00	Newsprint.	Import banned.	Ban withdrawn.
50.07	All H.S. codes	Woven fabrics of silk or of silk waste.	Import banned.	Trade reason to protect local industry.
51.02 to 51.05 and 51.08 51.09	All H.S. codes	Hair of swine and yarn made thereof.	Import banned.	Social and religious grounds.
52.08 to 52.12	All H.S. codes	(i) Long cloth (white only) up to 33s counts and width up to 36".  (ii) Poplin including shirting, white, dyed, printed, striped and checks up to 40s counts and width up to 36".  (iii) Cambric including shirting, white, dyed, printed, striped and checks up to 40s counts and width up to 36".  (iv) Serge and gabardine of width up to 45" of all constructions.  (v) Twill and corduroy of width up to 45" of all constructions.  (vi) Mull, organdi, lawn, voile, white, dyed or printed up to 65s counts and width 35".  (vii) Flannel white, dyed and printed up to 45" width.  (viii) Cotton synthetic blended suiting of all constructions up to 60" width.	Import of all items except those mentioned in the third column are banned.	Trade reason to protect local industry which needs to be encouraged to establish backward linkage.

HS Heading no.	HS Code no.	Description of items	Import status	Reason for control
1	2	3	4	
		(ix) Cotton synthetic blended shirting, white, dyed and printed up to 45" width.		
		(x) Umbrella cloth.		
		(xi) Grey cloth, all sorts.	(xi) Importable subject to prescribed conditions in para 15(7) of this Order.	ditto
		(xii) Indigo denim (jean fabric) 100% cotton fabric above 36" width (in than or rolls not in cut pieces or cut into size.	(xii) Importable against back-to-back L/C by export oriented readymade garment units operating under bonded warehouse systems.	ditto
		(xiii) Combat cloth.	(xiii) Importable only by the Defence Services.	Trade reasons.
		(xiv) Drill and cellular dyed including mineral Khaki.	(xiv) Importable by public sector agencies only on the basis of recommendations from the Ministry of Textiles.	Trade reasons.
54.07 and 54.08	All H.S. codes	(1) Shirting and suiting of 85% or more by weight of synthetic or man made fibre (synthetic regenerated or blended yarn of both) and similar fabrics in any form, including fents and cut pieces except polyester shear of mesh 80-150 required for screen printing machines/tables and saree fabrics of 85% or more by weight, of synthetic or man made fibre (synthetic, regenerated or blended yarn of both) in pieces of 5½ yards to 6 yards not in than or roll.  (2) Fents, cut pieces, fabrics cut into sizes or piece goods.  (3) Cotton synthetic blended suiting of all constructions above 60" width.	Import of items mentioned in (1) to (3) in the third column are banned.	Trade reasons.



HS Heading no.	HS Code no.	Description of items	Import status	Reason for control
1	2	3	4	
63.09	All H.S. codes	Second hand clothing.	Importable subject to prescribed conditions and procedure in para 15(6) of this Order.	Social and health reasons.
63.10	All H.S. codes	All items including used or new rags.	Import banned.	Ban withdrawn.
72.07	All H.S. codes	M.S. billets.	Recognized industrial units shall import only prime quality M.S. billets irrespective of the source of finance. Import of M.S. billets shall be subject to pre-shipment inspection by an internationally reputed surveyor. Necessary certificate regarding pre-shipment inspection should be produced to the Customs Authority at the time of clearance of goods. Subject to the same conditions it shall also be importable commercially.	Freely importable but PSI needed for social reasons to protect consumer interests.
72.10	All H.S. codes.	C.I. sheet	C.I. sheet of 0.457mm or more thickness containing zinc coating of 381.45 grams or more per square metre, will be freely importable.	Freely importable but quality restrictions imposed for social reasons to protect consumer interests.
83.01	8301.10	Padlocks up to 3" (three inches) size.	Import banned.	Ban withdrawn.
84.01	All H.S. codes.	Nuclear reactors and its parts.	Importable by the Bangladesh Atomic Energy Commission only with the clearance of the sponsoring Ministry.	Security reasons.
84.02 84.04	All H.S. codes	Boiler	Boiler, auxiliary plant and other vapour generating units are importable only with clearance of the Chief Inspector of Boilers.	Security reasons.
84.07 84.08	All H.S. codes	Second hand engines and gear boxes.	(a) Commercial import of secondhand/reconditioned engines and gearboxes of bus, truck, mini buses and micro buses will be permissible. But such engines and gearboxes shall not be permissible for import if they are more than six years old.  (b) Secondhand/reconditioned marine diesel engines above 35 (thirty five) horse power used in coasters, launches and self propelled barges and other watercrafts of this type will be commercially importable.	ditto  ditto
84.23	All H.S. codes	Weighing machines	Only weighing machines based on the metric system (in built up or knocked down condition) and its spares, metric system weights and measures shall be importable.	Freely importable to ensure metric system introduction and protect consumer interests this condition remains.

HS Heading no.	HS Code no.	Description of items	Import status	Reason for control
1	2	3	4	
85.25	All H.S. codes	Radio transmitters and trans-receiver wireless equipment, walkie-talkie and other radio broadcast receivers including receivers incorporating sound recorders or reproducers.	Importable by Radio Bangladesh and Bangladesh Television with clearance from the sponsoring Ministry. Also importable by other government, semi government and autonomous agencies on the basis of clearance from the concerned administrative Ministry and NOC from the Ministry of Post and Telecommunications. Telecommunication equipment is also importable in the private sector on the basis of NOC from the Ministry of Post and Telecommunications.	Security reasons.
85.26	All H.S. codes	Radio navigational aid apparatus, radar apparatus and radio remote control apparatus.	Importable by user agencies with clearance from the sponsoring Ministry.	Security reasons.
87.02 97.03 87.04	All H.S. codes	All types of motor vehicles.	(a) Manufacturing age of the used reconditioned vehicles must not be more than 6 (six) years at the time of shipment. The six year time limit will be calculated from the first day of the next calendar year of manufacturing of the vehicle.  (b) The suppliers of second hand vehicles shall furnish a written guarantee for making the necessary spares available for a minimum period of three years from the date of shipment.	Health and environmental reasons.
87.10	All H.S. codes	All items including tanks and armoured fighting vehicles.	Importable only by the Ministry of Defence.	Security reasons.
89.01 89.02	All H.S. codes	Ships, oil tankers and fishing trawlers.	Ships, oil tankers and fishing trawlers of more than 15 years old shall not be importable.	ditto
89.06	All H.S. codes	(1) Warships of all kinds (both new and second hand).  (2) Other ships (both new and second hand).	(1) Importable only by the Ministry of Defence).  (2) Other ships (both new and secondhand) of more than 15 years old shall not be importable.	ditto
90.16	A.. H.S. codes	Weights and measures	Only metric system weights and measures and measuring instruments shall be importable.	Freely importable but to ensure practice of metric system this condition remains on social grounds.
90.28	9028.30	Single phase electric meter (in completely built up condition).	Import banned.	Trade reason to protect local industry.

HS Heading no.	HS Code no.	Description of items	Import status	Reason for control
1	2	3	4	
	9028.90	Parts and components of electric meter and parts and components of single phase electric meters in CKD and SKD condition.	Importable only by the recognized electric meter manufacturing industrial units as per their entitlement for the items.	Trade reasons.
93.01	9301.00	All items including military weapons.	Importable only by the Ministry of Defence.	Security reason.
93.02	All H.S. codes	All items including revolvers and pistols.	Importable by approved dealers of firearms. Also importable as passengers baggage by a person holding valid firearms licence. However, in both cases permission from the Home Ministry shall be required.	ditto
93.03 to 93.05	All H.S. codes	All items including firearms (excluding prohibited bores).	ditto	ditto
93.06	All H.S. codes	(a) Ammunition for sports, hunting, etc. (b) Others.	(a) ditto (b) Importable only by the Ministry of Defence.	ditto
93.07	All H.S. codes	All items including swords and bayonets.	Importable only by user agencies and clearance from the sponsoring administrative ministry.	ditto

Note:

(a) The following goods shall not be importable:

- (1) Maps, charts and geographic globes which indicate the territory of Bangladesh but do not do so in accordance with the maps published by the Department of Survey, Government of the People's Republic of Bangladesh.
- (2) Horror comics, obscene and subversive literature including such pamphlets, posters, newspapers, periodicals, photographs, films, gramophone records, and audio cassette tapes, etc.
- (3) Books, newspapers, periodicals, documents and other papers, posters, photographs, films, gramophone records, audio and video cassette tapes, etc., containing matters likely to outrage the religious feelings and beliefs of any class of citizens of Bangladesh.