

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Committee on Balance-of-Payments
Restrictions

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CONSULTATION UNDER ARTICLE XVIII:12(b) WITH BANGLADESH

Revision

Basic Document for the Consultation¹

1. The Government of the People's Republic of Bangladesh has prepared the following report in fulfilment of the consultations required under Article XVIII:B on the General Agreement on Tariffs and Trade.
2. The consultations are prompted by trade re-adjustment measures adopted by the Bangladesh Government with a view to coping with its balance-of-payments situation while maintaining the rate of development of the economy of the country.
3. These measures, although designed to achieve the purposes indicated above nevertheless left provision for a substantial increase in imports of capital goods. The Bangladesh Government has thus sought expansion in its external trade in line with the country's development needs keeping in view the principles of the GATT.
4. It would appear from the import programmes of Bangladesh as stated below that the imports of Bangladesh are non-discriminatory and the measures are short term and subject to review at regular intervals.

BALANCE OF PAYMENT

5. The balance of payments during 1975-76 showed an overall deficit of Tk.1,851 million in contrast to an overall surplus of Tk.1,038 million in 1974-75. This was due mainly to substantial increase in deficit on current account balance from Tk.2,417 million in 1974-75 to Tk.10,187 million in 1975-76, partly counter-balanced by a rise of Tk.4,881 million to Tk.8,336 million in net inflow under capital transaction during the year.

¹Material supplied by the Bangladesh authorities

6. The country's foreign trade sector also recorded a higher deficit of Tk.12,556 million in 1975-76 as compared to that of Tk.5,295 million in the preceding year. This has been the result of a substantially higher import payment at Tk.17,358 million during the year as compared to Tk.8,718 million in 1974-75 on account of devaluation earnings from exports went up from Tk.3,423 million in 1974-75 to Tk.4,802 million in 1975-76. Net transfer receipts also increased from Tk.3,893 million to Tk.4,106 million during the year.

7. Total foreign exchange reserve of the country as at the end of June 1975 declined from Tk.3,508 million to Tk.3,188.8 million at the end of June 1976, which reflected in part higher payments for imports and repayment of past foreign aid and loan commitments.

(Annex II)

(Note: Figures for 1974-75 up to 19 May 1975 relate to the exchange rate of £ 1 = Tk.18.9674 and, thereafter, the figures relate to the new exchange rate. The adverse position in balance of payments would not be that pronounced as it is seen from the enclosed table, if figures for 1974-75 were adjusted for 58 per cent devaluation.)

8. A table showing the balance-of-payments position of Bangladesh during 1974-75 and 1975-76 (not yet fully completed) is enclosed as Annex I.

9. Both exports and imports of Bangladesh during 1974-75 indicated considerable increase from the level of 1972-73. During 1974-75, the value of exports was Tk.3,423 million compared to Tk.2,856 million in 1972-73 showing an increase of 19.8 per cent. The value of total imports in 1974-75 was Tk.8,718 million compared to Tk.4,884 million in 1972-73 showing an increase of 78.5 per cent. Receipts and payments under service amount to Tk.851 million and Tk.1,866 million respectively during 1974-75. Among the major items of exports, raw jute and jute goods contributed Tk.2,874 million or 83.9 per cent of the total export earnings in 1974-75. The next major item of export was tea (including maté) worth Tk.204 million. Export of hides, skins, leather and leather goods increased to Tk.196 million in 1974-75 as compared to Tk.144 million in 1972-73. Other items of export worth mentioning are fish (fish processed, fish fresh, fish dried and shrimps and prawns) which recorded an over seas sales of Tk.66 million in 1974-75. Total earnings from miscellaneous minor exports amounted to Tk.83 million during the same period. (Annexes III and IV.)

10. The main feature of the import bill for 1975-76 would be substantial reduction in the imports of food grains and a large increase in the import of non-food items. The total bill on account of food grains imports (about 1.515 million tons) is estimated at Tk.5,210 million. While import of non-essential consumer goods was severely restricted, imports of capital goods, raw materials and essential consumers items have registered a substantial increase over their 1974-75 level.

11. Programming of an adequate flow of imports remains the crucial government policy instrument to reactivate the country's productive capacity.

12. State trading: The Trading Corporation of Bangladesh is the State agency which played the rôle of the principal importer both for public and private sector requirements. The Trading Corporation of Bangladesh's expanded rôle in trade was partly due to the post-liberation disappearance of established importers who were of Pakistani origin. Economics of bulk purchase and shipment constituted another reason for its dominant rôle in the trade; and yet another reason was the business dealings with State-trading monopolies of countries with which Bangladesh has barter trade.

13. Since 1975 as a conscious policy of the Government the Trading Corporation of Bangladesh's rôle in the country's import trade has drastically been reduced. As against eight items in the Trading Corporation of Bangladesh's exclusive import list in the July-December 1975 import policy, only one item viz "arms and ammunition" appear in this list in July-December 1976 shipping period. The following table will show the gradually diminishing rôle of the Trading Corporation of Bangladesh in the country's import trade:

Shipping period	Total imports	Imports by TCB (Value million Taka)	Per cent of total import (TCB's share)
Jan.-June 1973	1,165.4	651.2	55.87
Jan.-June 1975	2,520.4	432.3	17.15
Jan.-June 1976	3,748.0	86.1	2.29

14. The present Government has also decided to hand over certain nationalized enterprises to the original Bangladesh owners. The Government has further decided to disinvest certain categories of industries to private entrepreneurs. This policy will still further reduce the rôle of public sector agencies in the trade.

15. Bangladesh had a special balance of trade and payment agreement with India which provided for a system of automatic settlement of accounts relating to trade. In order to augment free trade this special payment arrangement with India was discontinued in January 1975. Now trade with India is transacted in freely convertible foreign exchange as is done with countries with free economies.

16. Barter trade: Bangladesh has balanced barter trade agreement with socialist countries having centrally planned economies. At the moment Bangladesh has balanced barter trade agreement with Bulgaria, Czechoslovakia, Hungary, Poland, Romania, USSR and German Democratic Republic. These balanced trade deals are necessitated in the interest of diversification of Bangladesh's foreign trade, promotion of export of manufactured goods and disposal of slow moving commodities.

17. Export trade: In the spheres of export trade State participation increased especially in the jute sector after liberation. Export of raw jute and jute goods were solely vested in the Jute Export Corporation, the Jute Trading Corporation and the Jute Marketing Corporation. All these three corporations are public sector enterprises. Recently Government has allowed private sector enterprises to participate in the jute export trade. This decision has brought encouraging results.

18. Exploration of export markets is not only a matter of trade negotiations and establishment of a national and multinational framework of trade. It is also, very substantially, a function of appropriate pricing and export promotion policies. In view of a rise in domestic costs, the majority of exports of Bangladesh have become non-competitive in the world market.

19. The techniques of marketing are also important factors to be taken into consideration. From this viewpoint the Export Promotion Bureau which is charged with the promotional activities in the international markets has been reorganized. An Export Market Development Fund has been created to promote the participation of Bangladesh overseas trade fairs and to intensify other sales promotion activities for Bangladesh exports. Assistance has also been sought from such bodies as UNCTAD and the International Trade Centre for the identification of new market possibilities.

SYSTEMS AND METHODS OF RESTRICTIONS

20. All imports in the country pertaining both to the private and public sectors are made in accordance with Imports and Exports (Control) Act 1950, as adopted in Bangladesh and also as per modifications/amendments announced from time to time by the Ministry of Commerce.

21. Imports of the public sector under foreign aid/credit takes place strictly according to allocations made by the Ministry of Commerce and on the basis of consultations with the various public sector corporations and enterprises. As regards imports of public sector against Bangladesh's own foreign exchange resources, cash foreign exchange is released by the Ministry of Finance against allocations made by the Ministry of Commerce.

22. For effecting imports in the private sector the following steps are taken:
- (a) The share of each importer in each shipping period is determined by the licensing Board within the framework of the import policy for the period.
 - (b) A public notice is issued announcing the basis of licensing to commercial importers and industrial consumers.
 - (c) Thereafter industrial importers present their licence forms through their nominated banks for necessary authentication by the offices of the Chief Controller of imports and exports.
 - (d) The licence form once received at the licensing counter is normally returned to the bank after authentication within ten days.
 - (e) On getting authenticated licence from bank importer normally completes negotiation with foreign suppliers and establishes letter of credit within two/three months. The commercial importers can, however straight-away apply to his nominated bank for letter of credit registration i.e. for them it is not necessary to obtain import licence.
23. The above procedures and steps are generally followed in the case of public sector imports also with the exception that public sector imports are made against specific allocation of the agency concerned. Public sector import requirements are scrutinized by the Ministry of Commerce in consultation with each sector corporation and their respective Ministries before final assessment is made. The sector corporations are given bulk allocation of foreign exchange under different sources of financing and they programme their imports of the required items subject to value ceilings in respect of individual items. The value ceiling on items of import is maintained for equitable distribution of the limited foreign exchange resources amongst the varieties of items considered for imports.
24. The allocation of aid/loan for the private sector in the commercial side is made at "flat rate basis" amongst the importers. Allocation to industrial consumers however, differs from unit to unit. This difference is due to the entitlement fixed by the Director-General. Industries for each industrial unit and industries are licensed at a certain percentage of their half-yearly import entitlement so fixed, according to the availability of funds.
25. Public sector imports under cash resources and foreign aid generally take place against competitive prices offered by bidders. To be specific, import in the public sector against cash resources is effected generally on a "global tender" basis. Therefore the length of time consumed for completion of such formalities by public sector agencies cannot be specifically identified because of many factors/elements involved viz response of the bidders, time factor in offers, and lastly the approval of the competent authority.

26. The procedure of imports outlined in case of private and public sectors is equally applicable in respect of imports from countries with which Bangladesh has trade arrangements.

27. LIBERALIZATION OF IMPORTS SINCE 1975

A. The State-trading system is gradually being reduced as can be seen from the Trading Corporation of Bangladesh's diminished rôle in import trade described earlier.

B. Induction of newcomer importers: Provision has been made for induction of newcomer importers from the private sectors for a number of items. The eligibility conditions for such newcomers have been so prescribed as to ensure induction of only genuine businessmen in the import trade.

C. Actual users scheme: During July-December 1975 shipping period a scheme was introduced for import of certain items in the commercial list by the end-users. This scheme is known as "the actual user's scheme". Items covered in this scheme include particularly those required for educational and medicinal purposes. The objective of the scheme is to meet the requirements of educational institutions/students, medical practitioners and other end-users through direct import. It will ensure supply of the items to the end-users quickly and at a more economical rate.

D. Earner scheme: The scheme allows imports of seventy-nine items by the Bangladesh nationals out of their foreign exchange earnings abroad. In order to encourage import under this scheme in respect of certain essential items normal import duty has been reduced. The range of exemption varies from 50 per cent to 100 per cent of the normal duty.

E. Export performance licence: Up to June 1975, licences issued under the export performance licence scheme were transferable by the exporters in favour of a recognized industrial unit by way of nominating the transfer at the time of applying for the import licence i.e. no transfer was allowed subsequently. But these licences have now been made transferable both in favour of recognized industrial unit as well as registered commercial importer subsequent to the issuance of the licence also.

F. Ministry of Health's clearance of import of drugs: The requirement of prior approval of the proforma invoice by the Ministry of Health in case of imports of drugs and medicines has now been discontinued.

- G. Change of items: In January-June 1976 Import Policy, option for change of item has been allowed to importers of iron and steel in favour of tools and workshop equipment. Besides, registered commercial importer hailing from outside municipal areas may opt for import of one such item which has ready market in their respective localities in lieu of their present item of entitlements.
- H. Grouping of similar items: In order that imports are made in conformity with the consumer preferences, in the July-December 1975 Import Policy some like/similar items were grouped together for the purpose of import in the commercial sector. The scope of this grouping arrangement has been further expanded during January-June 1976 shipping period. Consequently, an eligible commercial importer of a specific item in a particular group of items is now eligible for importing any one item within the group irrespective of his item of entitlement. This is tantamount to extending the scope of his choice for importable items.
- I. Commercial importers, located within the jurisdiction of the same licensing authority are now eligible for importing their share on a joint basis under cash/ECC grant, untied credit/grant irrespective of their having same or different nominated banks subject to prescribed procedures. Industrial consumers are also eligible for importing their share under cash/untied loan/grant on joint basis where the share of an individual item in the licence does not exceed Tk.10,000. Import on joint basis both for commercial and industrial sectors in cases of barter, tied loan/grant is also allowed on merit basis.
- J. Bringing goods to declared business place: The obligation of the registered commercial importer to bring the imported goods to his declared place of business has now been withdrawn except in case of items covered under Essential Commodities Control Order, 1970.

ANNEX I

Bangladesh Balance of Payments
1972-73 to 1975-76

(million Taka)

	1972-73	1973-74	1974-75	1975-76
A. Current account	-519.0	-2,954.0	-2,417.0	-10,187-0
1. Export f.o.b.	2,856.0	2,523.0	3,423.0	4,802.0
2. Imports f.o.b.	-4,884.0	-6,675.0	-8,718.0	-17,358.0
3. Trade balance	-2,028.0	-4,152.0	-5,295.0	-12,556.0
3. Invisible receipts	447.0	383.0	851.1	1,169.0
4. Invisible payments	-828.0	-1,148.0	-1,866.0	-2,906.0
Invisible balance	-381.0	-765.0	-1,015.0	-1,737.0
5. Net transfer receipts	1,890.0	1,963.3	3,803.0	4,106.0
B. Long-term capital (net)	395.0	2,032.0	3,747.0	8,341.0
C. Basic balance (A & B)	-124.0	-922.0	1,330.0	-1,846.0
D. Short-term capital	-	284.0	-292.0	-05.0
E. Overall balance	-124.0	-638.0	1,038.0	-1,851.0
F. Errors and omissions	-129.0	-156.0	-113.0	485.0
G. Other monetary institutions	-224.0	-177.0	101.0	122.0
H. Central monetary institutions	477.0	949.0	-1,026.0	-1,244.0

In capital side (-) indicates increase in assets/decrease in liabilities
() indicates decrease in assets/increase in liabilities

Source: Statistics Department, Bangladesh Bank, Head Office, Dacca.

ANNEX II

Foreign Exchange Reserves
from 1972-73 to 1975-76

(million Taka)

End of year	Foreign exchange including transactions with IMF	SDR	Total reserves	Variations in reserves
1972-73	1,190.20	-	1,190.20	85.20
1973-74	548.50	-	548.50	-641.70
1974-75	3,318.80	189.20	3,508.00	2,959.50
1975-76	2,965.40	223.40	3,188.80	-319.20

ANNEX IIIExport Earnings by Major Commodities

(million Taka)

Commodity	1972-73	1973-74	1974-75	1975-76
Jute manufactures	1,549.0	1,269.0	1,885.0	2,570.0
Jute raw (including cuttings, meshta raw and waste)	1,013.0	846.0	989.0	1,250.0
Leather tanned	106.0	72.0	45.0	83.0
Hides and skins	38.0	73.0	151.0	347.0
Fish (fish processed, fish fresh, fish dried and shrimps and prawns)	44.0	93.0	66.0	176.0
Tea including maté	-	98.0	204.0	213.0
Other commodities	106.0	72.0	83.0	163.0
Total:	2,856.0	2,523.0	3,423.0	4,802.0

Source: Statistics Department, Bangladesh Bank, Head Office, Dacca.

ANNEX IV

Imports, Exports and Balance of Trade
During the Years 1972-73 to 1975-76

(million Taka)

Year	Imports f.o.b.	Exports f.o.b.	Balance of trade
1972-73	4,884.0	2,856.0	- 2,028.0
1973-74	6,675.0	2,523.0	- 4,152.0
1974-75	8,718.0	3,423.0	- 5,295.0
1975-76	17,358.0	4,802.0	-12,556.0

Source: Statistics Department, Bangladesh Bank, Head Office, Dacca.