

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED  
BOP/189  
12 September 1978  
Limited Distribution

Committee on Balance-of-Payments  
Restrictions

Original: English

## 1978 CONSULTATION UNDER ARTICLE XVIII:12(b) WITH PEOPLE'S REPUBLIC OF BANGLADESH

### Statement Submitted by Bangladesh under the Simplified Procedure for Consultations<sup>1</sup>

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 promoted by trade readjustment 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, though 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 programme 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.

### ECONOMIC SITUATION 1977-1978: AN OVERVIEW

1. The overall economic situation in the country has improved significantly during 1977-78. According to the preliminary estimate, the economy is expected to have a real growth of 7.8 per cent during 1977-78 compared to 1.7 per cent achieved during 1976-77, and the per capita income is expected to increase by 4.4 per cent compared to a decrease of 1.2 per cent in 1976-77. All the sectors of the economy have contributed to this overall improvement. The highest growth rate of 15.5 per cent is expected to be achieved in the construction sector followed by power and gas at 14 per cent and industries at 10.4 per cent. Government's pragmatic economic policies, improvement of the law and order situation and favourable weather condition during the year have among other things, resulted in this economic growth.

<sup>1</sup>L/3772/Rev.1

2. In the agriculture sector 7.4 per cent growth rate is expected to be achieved during 1977-78 compared to 1.4 per cent decrease in 1976-77. The estimated production of foodgrains (rice and wheat) during 1977-78 stood at 13.375 million tons compared to 11.822 million tons produced during 1976-77 showing an increase of 13 per cent. The production of potato rose sharply by 38 per cent, from .724 million tons in 1976-77 to 1.000 million tons in 1977-78.

3. The requirement of foodgrains during 1977-78 was estimated at 13,500 million tons. Out of this 12,038 million tons would be the net availability from local production allowing 10 per cent for seed and wastage. The food deficit has thus stood at 1,462 million tons.

4. This achievement was the result of certain realistic steps taken by the Government to boost agricultural production by streamlining the distribution of agricultural inputs such as fertilizer, better seeds, power pumps, etc. The total distribution of fertilizer during 1977-78 (July-March) stood at .527 million tons compared to .509 million tons during the whole year of 1976-77. Similarly 36,564 power pumps were fielded compared to 28,361 fielded during the previous year. Eight hundred and seventy-three deep and 3,086 shallow tube-wells were installed and 1,583 deep and 3,003 shallow tube-wells were commissioned compared to 634 and 1,627 installed and 256 and 1,564 commissioned respectively.

5. The performance in the industries sector continued to improve during 1977-78. The 10.4 per cent growth rate which is expected to be achieved in this sector has been attributed to the higher production of certain important items such as sugar, the production of which is expected to rise by 82 per cent, pharmaceuticals by 44 per cent, newsprint by 32 per cent, cotton cloth by 22 per cent, cotton yarn by 13 per cent and jute goods by 13 per cent.

6. The trend of investment in the private sector industries has been encouraging. The target of investment fixed in the two-year Industrial Investment Schedule (1976-78) has already been exceeded. Against the provision of Tk 1,910 million in the schedule, total sanctions rose sharply to Tk 2,110 million compared to Tk 810 million sanctioned during 1976-77. Foreign investment proposals amounting to Tk 1.850 million for nine units have so far been sanctioned. Disinvestment policy as a strong incentive to private investment is being pursued vigorously. Two hundred and ten units were disinvested by December 1977 and thirty-six more are in the process of disinvestment by June 1978.

7. The revised estimate of revenue and expenditure during 1977-78 stood at Tk 12,446.4 million and Tk 10,359.9 million respectively as compared to the revised revenue receipts of Tk 9,960.9 million and expenditure of Tk 8,215.5 million during 1976-77. The revised revenue surplus in 1977-78 stood at Tk 2,086.5 million compared to Tk 1,745.4 million during 1976-77.

8. The total development expenditure stood at Tk 12,029.4 million the major portion of which came from external sources. However, the contribution from domestic sources has increased from 21 per cent in 1976-77 to 38 per cent in 1977-78. This is undoubtedly a very good record of the improvement.
9. The estimated commitment made during 1977-78 was \$1,237.7 million and the estimated disbursement was \$775.0 million compared to the actual disbursement of \$502.0 million in 1976-77. So far \$6,228.9 million commitment and \$4,292.3 million disbursement were made from December 1971 to June 1978.
10. The debt service payments during 1976-77 stood at \$50.00 million or 11.85 per cent of the export earnings of the year. In 1977-78 the debt service payments have been estimated at \$62.46 million which constituted about 12.57 per cent of the total export earnings of that year.
11. The requirement of foreign assistance for importing capital goods and foodgrains has been causing a continued strain on the balance of payments of the country. The trade deficit has been estimated at Tk 12,149.3 million during 1977-78. The value of imports and exports have been increasing but the rate of increase of the former has been higher than that of the latter. The value of imports during 1977-78 has been estimated at Tk 19,604.3 million compared to the actual imports of Tk 13,720.9 million during 1976-77 showing an increase of 42.87 per cent. The value of export earnings during 1977-78 was estimated at Tk 7,455.0 million compared to Tk 6,541.0 million in 1976-77 indicating an increase of 13.97 per cent. Of the total export earnings, the share of manufactured goods was Tk 4,547.5 million or 61 per cent and the share of primary products was Tk 2,907.5 million or 39 per cent.
12. The increased flow of funds required for various types of development activities has, among other things, given rise to an inflationary pressure. Broad money registered an increase of Tk 2,568.5 million (14.03 per cent) from Tk 18,305.5 million at end June 1977 to Tk 20,874 million at the week ending 26 May 1978.
13. The increase in broad money during the period under review was brought about largely by an expansion of bank credit of Tk 1,601.4 million in the private sector, Tk 1,532.4 million in the public sector and a moderate deficit in the fiscal operations of the Government.
14. The general cost-of-living index rose by 8.6 per cent in March 1978 over June 1977 compared to 11.3 per cent during the previous year. Increase in salaries of civil servants, higher development outlay in the construction of infrastructure, substantial increase in bank credit, delay in arrivals of imports and the higher prices of imported goods put pressure on the price level. But various measures taken by the Government have kept the price level under control.

### BALANCE OF PAYMENTS

The import payments during 1977-78 were estimated at Tk 19,610 million as compared to Tk 13,720 million in 1976-77. On the other hand the export earnings during the current year were estimated at Tk 7,460 million as against Tk 6,540 million in 1976-77. The import payments of Tk 19,610 million against the export earnings of Tk 7,460 million showed a deficit balance of trade of Tk 12,150 million during 1977-78. The trade deficit of 1976-77 was Tk 7,180.00 million only. In Services Accounts there was a net deficit of Tk 340.00 million as against a surplus receipts of Tk 10 million during the previous year. The deficit in the current account during the year thus stood at Tk 12,490.00 million as against Tk 7,170.00 million in 1976-77. This deficit was met mainly by long-term foreign aid and drawings from the IMF.

Capital transfer and other loans and grants account showed a net surplus balance of Tk 11,630.00 million (food Tk 2,850.00 million commodity including cash Tk 4,800.00 million and project Tk 3,980.00 million) during 1977-78 as compared to Tk 7,780.00 million in 1976-77.

It has been estimated that a total amount of Tk 390.00 million (long term Tk 30 million, medium term Tk 240 million and short term Tk 120.00 million) was paid during 1977-78 as compared to Tk 790 million in 1976-77. The ratio of debt payment during the year was lower as compared to the previous year.

It has also been estimated that a total amount of Tk 1,100 million would be received from private transfer (imports under Wage Earner Scheme) during 1977-78 as compared to Tk 830 million in 1976-77. The IMF account, shows a net outflow of Tk 190 million during the year under report as against Tk 100 million during the previous year.

In spite of substantially larger volume of foreign aid inflow and private transfer receipts the increased deficit balance of current account higher volume of debt repayment and payments to IMF have caused the foreign exchange reserve decline by about Tk 340 million during 1977-78.

### FOREIGN TRADE

Foreign trade remained under pressure due to continued heavy import of foodgrains, industrial raw materials, consumer and capital goods. The value of imports is almost three times the value of exports. It leaves behind a staggering deficit in balance of trade. The value of imports and exports during 1977-78 had been estimated at Tk 19,604.3 million and Tk 7,455.00 million respectively. Thus the unfavourable balance of trade during the year comes to Tk 12,149.3 million.

A number of national and international factors have caused this unhappy situation. Increased prices of imported commodities and virtually stagnant prices of exported commodities on the one hand, governments efforts to revitalize the almost ruined economy through steady and regular supply of industrial raw materials, consumer goods, and capital goods on the other have widened the trade gap. The indices of import prices went up from 100 in 1972-73 to 191.56 in 1977-78 while that of export prices went up to 145.31 only. Thus the terms of trade have gone down to 75.85 in 1977-78.

The value of imports during 1977-78 has been estimated at Tk 19,604.3 million compared to the actual imports of Tk 13,720.9 million during 1976-77 and Tk 14,703.1 million during 1975-76 showing an increase in 1977-78 by 42.87 per cent and 33.33 per cent respectively.

The value of export earnings during 1977-78 was estimated at Tk 7,455.00 million (July-April actual Tk 6,257.5 million and Tk 1,197.5 million estimated for May-June) as compared to Tk 6,541.00 million in 1976-77 and Tk 5,551.7 million in 1975-76 indicating an increase of 13.97 per cent and 34.28 per cent respectively.

Table No. I shows the total exports, imports and balance of trade during 1973-74 to 1977-78.

EXPORTS, IMPORTS AND BALANCE OF TRADE

(Value in Tk million)

| Year    | Export  | Import   | Balance     |
|---------|---------|----------|-------------|
| 1973-74 | 2,983.3 | 7,320.00 | (-) 4,336.7 |
| 1974-75 | 3,135.8 | 10,842.3 | (-) 7,706.5 |
| 1975-76 | 5,551.7 | 14,703.1 | (-) 9,151.4 |
| 1976-77 | 6,541.0 | 13,720.9 | (-) 7,179.9 |
| 1977-78 | 7,455.0 | 19,604.3 | (-)12,149.3 |

Note (I) Source: (a) Planning Commission (1976-77 and 1977-78).  
(b) Up to 1975-76, Bangladesh Bureau of Statistics (Revised).  
(c) Figures for 1977-78 are provisional.  
(d) Figures for different years were shown in exchange rate as detailed below:

- (i) 1973-74: \$1 = Tk 8.00
- (ii) 1974-75: \$1 = Tk 8.00
- (iii) 1975-76: \$1 = Tk 14.50
- (iv) 1976-77: \$1 = Tk 15.50
- (v) 1977-78: \$1 = Tk 15.00

Commodity-wise export performance

The total export earnings during 1977-78 was estimated at Tk 7,455.00 million (July-April, Tk 6,257.5 million actual and Tk 1,197.5 million estimated for May-June) as against Tk 6,541.00 million in 1976-77 and Tk 5,551.7 million in 1975-76 indicating an increase of 13.97 per cent and 34.28 per cent respectively. The main items of our exports are jute goods and raw jute which earned Tk 5,040.00 million or contributed 67.60 per cent of the total foreign exchange earnings during 1977-78. Bangladesh exported jute goods worth Tk 3,495.00 million which shared 46.88 per cent of the total foreign exchange earnings. The value of raw jute export during the year under report was estimated at Tk 1,545.00 million claiming 20.72 per cent of the total earnings. The export value of tea amounted to Tk 735.00 million and contributed 9.85 per cent to the total export earnings. While the value of export of leather hides and skins stood at Tk 720.00 million and contributed 9.65 per cent of the total export earnings, the value of export of fish and fish preparations stood at Tk 360.00 million-contributing 4.82 per cent to the total export earnings during the year under report. Paper and newsprint exports were worth Tk 105.00 million and 1.40 per cent of the total export earnings. Spices exports were worth Tk 22.50 million and contributed only 0.30 per cent. Miscellaneous items exported were worth Tk 472.5 million which contributed 6.33 per cent of the total export earnings during 1977-78. A remarkable feature of the growth of exports during 1977-78 has been a significant rise in the sales of tea, fish, leather and other non-traditional items. The share of non-jute items to the total exports earnings has been rising steadily from year to year and has reached 32.40 per cent during 1977-78. This would gradually reduce our dependence on jute and contribute towards a diversified and more stable base of our exports earnings.

Commodity-wise imports

Out of the total imports of Tk 19,604.3 million during 1977-78 food and live animal shared Tk 4,044.00 million (wheat Tk 2,518.5 million; Tk 972.00 million for rice and other Tk 553.5 million) as compared to Tk 2,646.4 million in 1976-77 and Tk 4,281.4 million in 1975-76. This item claimed 20.62 per cent of the total imports during the period. The value of this item was 52.81 per cent higher as compared to 1976-77 but lower by 5.55 per cent as compared to 1975-76. A total of 1,740,000 tons (wheat 1,440,000 tons and rice 0.3 million tons) of foodgrains was expected to be imported at the end of the year 1977-78 as against the actual import of 810,000 tons in 1976-77.

During 1977-78, a total amount of Tk 4,065.00 million worth of machinery and transport equipment was imported as against Tk 3,522.5 million in 1976-77 and Tk 2,093.8 million in 1975-76 showing an increase of 15.40 per cent and 94.14 per cent respectively. The value of import of this item claimed 20.73 per cent of the total import value. Some other

important items of our imports are mineral fuel, lubricants and related materials which were imported worth Tk 2,487.8 million during the year under report as compared to Tk 2,184.6 million in 1976-77 and Tk 1,841.5 million in 1975-76. The value of import of this item was increased by 13.87 per cent as compared to last year and by 35.09 per cent as compared to 1975-76. The share of this item to the total import value was 12.69 per cent.

Bangladesh imported chemical drugs and medicines worth Tk 1,660.5 million during 1977-78 as compared to Tk 1,113.5 million in 1976-77 and Tk 1,829.9 million in 1975-76. The value of these items during the period was higher by 49.12 per cent as compared to 1976-77 but lower by 9.26 per cent as compared to 1975-76. This item shared 8.47 per cent of the total import value.

Manufactured goods is another important item of our import during the period under report. The value of this item stood at Tk 2,732.3 million in 1977-78 as compared to Tk 1,851.8 million in 1976-77 and Tk 1,769.00 million in 1975-76 showing an increase of 47.54 per cent and 54.45 per cent respectively. The share of this item to the total import value was 13.93 per cent.

The import value of crude materials, inedible oil except fuel during 1977-78 stood at Tk 2,259.9 million as against Tk 977.8 million in 1976-77 and Tk 1,159.8 million in 1975-76 showing an increase of 131.12 per cent and 94.85 per cent respectively. The value of import of animal and vegetable oil and fat during the period under report stood at Tk 672.00 million as compared to Tk 349.1 million in 1976-77 and Tk 1,447.00 million in 1975-76 showing an increase of 92.49 per cent and a decrease of 53.66 per cent respectively. Beverage and tobacco imported were worth Tk 276.7 million during the period as compared to Tk 185.6 million in 1976-77 and Tk 668.00 million in 1975-76.

#### Import under Wage Earner Scheme

During July to January, 1977-78, import payments under Wage Earner Scheme stood at Tk 990.8 million as against Tk 896.1 million for the whole year of 1976-77. Out of Tk 990.8 million during 1977-78 (July-January), food and live animal worth Tk 54.7 million, beverage and tobacco Tk 09.2 million, crude materials except fuels Tk 84.7 million, mineral fuels and lubricants Tk 00.6 million, animal and vegetable oil and fats Tk 05.00 million, chemical drugs and medicine Tk 41.6 million, manufactured goods Tk 494.8 million, machinery and transport equipments Tk 101.8 million, miscellaneous manufactured articles Tk 187.8 million and other items Tk 10.6 million were imported during the period under report. During the year 1976-77 total import payments under this scheme was Tk 896.1 million of which import through direct imports was Tk 807.8 million or about 90 per cent of the total imports.

Rôle of the Trading Corporation of Bangladesh in foreign trade

During the initial years after independence, this organization was required to handle the major share of the country's import trade, sometimes even to the extent of 80 per cent. But gradually the private sector came forward to shoulder a large part of this responsibility and the share of import of TCB (Trading Corporation of Bangladesh) declined. There was also a gradual reduction in the list of importable items. This Corporation now deals with only a very few selected items which are imported in bulk quantity. Presently TCB's share of import is below 5 per cent of the total national imports. During the period since its establishment the TCB has been able to import essential consumer items and industrial raw materials worth more than Tk 4,550.00 million (c.&f.).

With the reduction in the volume of import business, TCB started giving emphasis on export and playing an important rôle in promoting export of the country. TCB during its past years of performance since liberation up to February 1978 exported goods and commodities worth Tk 1,000.00 million (US\$66.10 million only).

TCB exports goods against cash as well as STA (Special Trading Agreement) (-) a kind of private barter). These STA's have been concluded for exchange of commodities without involving any payment in cash foreign exchange and are intended primarily to push the sale of our non-traditional items against import of essential cash-saving items.

During the last two shipping periods TCB's export against cash increased substantially. Besides exporting usual traditional and non-traditional exportable goods, it also exported new items viz, potato, sugar molasses, ready-made garments etc. Negotiations with the overseas buyers for exporting other new products e.g. wood (both teak and non-teak), leather hand gloves, cutleries are in progress.

In order to boost up exports from Bangladesh, TCB has adopted a number of measures. For promotion of exports from different parts of the country TCB has set up export cells in Regional Offices at Chittagong and Khulna. Besides, purchase-cum-storage centres have been opened at Sylhet, Bogra, Rangpur, Rajshahi, Comilla, Ishurdi and Barisal. These centres and the Regional Offices collect basic information on production of exportable commodities, quality specifications, internal prices and other relevant statistics for negotiation with overseas buyers. TCB also publishes booklets on exportable commodities of Bangladesh giving prices ideas, specification, annual production, export surplus etc. for circulation among the leading buyers and chambers abroad directly or through our Missions. TCB has already opened overseas offices in Jeddah, Dubai and Milan for pushing the sale of Bangladesh goods in collaboration with the local enterprises by arranging storage facilities in these countries.

To enable the visiting foreign buyers to see the specimen of our exportable products at one place, TCB has opened a display centre at Dacca. The foreign visitors can see in the display centre the quantity and design of our exportable products and can have an idea of the competitiveness of their prices, facilitating their negotiating business and placing orders for items on display. A similar display centre is under construction in Chittagong and will be opened shortly.

As part of world-wide campaign for popularizing Bangladesh products abroad, TCB in recent past participated in the Internal Trade Fairs in Poznan (Poland), Plodiv (Bulgaria), Zagreb (Yugoslavia), Melbourne (Australia) and Brussels (Belgium). TCB also participated in Tokyo single country fair in collaboration with Export Promotion Bureau. As a result of participation and dynamic representation of Bangladesh products, TCB was awarded two gold medals in Zagreb Fair and one gold medal in Plodiv Fair. TCB has participated in Leipzig (East Germany) International Fair. TCB has also participated in Brussels (Belgium) Osaka (Japan) Budapest (Hungary), Bruno (Czechoslovakia) and Poznan (Poland) International Fairs.

The measures taken by TCB in boosting up Bangladesh exports have proved quite satisfactory and started paying dividends. During the last year alone i.e. 1976-77, after reorganization of TCB as the National Export House, goods worth Tk 312.2 million were exported against a target of Tk 250.00 million for the same year. Being encouraged by this performance TCB has fixed the export target for the fiscal year 1977-78 at Tk 500.00 million. TCB has already export-concluded contracts for exports of goods and commodities worth Tk 399.9 million up to April 1978. Table below shows the exports and imports made by TCB during 1976-77 and 1977-78.

Exports and Imports by TCB

(Value in Tk million)

| Period                   | Export | Import |
|--------------------------|--------|--------|
| 1976-77                  | 312.2  | 300.8  |
| 1977-78<br>(up to April) | 399.9  | 597.1  |

Source: Bangladesh Trading Corporation.

EXPORT POLICY FOR 1977-78

In view of the encouraging export earning of the preceding year and in consideration of the export potential of the country the Government has revised the export target for 1977-78 at Tk 7,500.00 million from the original target of Tk 7,250.00 million. This target aims at ensuring further increase in the country's export earnings through raising the level of production and export of traditional and non-traditional items, particularly non-jute ones. This target of Tk 7,500.00 million represents an increase of 12.78 per cent over the export performance during 1976-77.

Out of the original target of Tk 7,250.00 million the shares of raw jute, jute goods and non-jute items were as follows:

| Commodity                    | Value in percentage<br>Tk million                    |          |
|------------------------------|--|----------|
|                              | (a) Raw jute (25 lakh bales including carry forward) | 1,850.00 |
| (b) Jute goods (5 lakh tons) | 3,120.00   | 430.3    |
| (c) Non-jute items           | 2,280.00   | 314.5    |
| Total                        | 7,250.00   | 1,000.00 |

In this target it was hoped that the increase in export earnings has been noted as follows over the export earnings of 1976-77: 1977-78 increase in export earnings 11.00 per cent.

- (a) Raw jute - Due to early resumption of the monsoon and excessive rains no increase in the production of jute during the current season has been estimated.
- (b) Jute 15.93 per cent
- (c) Non-jute items 26.66 per cent

Not only to achieve but also to exceed the set target it was necessary to launch a special campaign for the export of potential items such as marine products including fish, fruits, vegetables and wood. There is a considerable surplus of these items. Active steps are to be taken for procuring and processing these products on effective lines and marketing them, particularly in the Middle Eastern countries. Special efforts need to be made to promote the export of betel leaf.

Note: 10 Lakh = 1 million.

Normally, leather in semi-tanned form is being exported from Bangladesh. Earnings from this item will be further increased if it is converted and exported in crust and tanned forms. In order to attract the attention of the concerned trade and industry the Government has tried to suitably revise the fiscal measures in the announced export policy of the current year so as to increase the export of tanned instead of wet blue leather.

A short account of the facilities created and offered for achieving the export target is given below.

#### Incentive to exporters

The Government selects an exportable commodity having bright earning prospects as the "export commodity of the year". In an attempt to raise earnings to the highest possible level from such a selected commodity all concerned are to be specially attentive and such a product will enjoy special facilities for a definite period. Steps will be taken to remove all bottlenecks to increase earnings from the export of that commodity. This year the Government has selected "Marine Products" as the export item of the year. In this connexion it may be mentioned that other export items will continue to enjoy facilities as before.

#### Export credit at a low rate of interest

The interest rate on pre-shipment and packing credits from the commercial banks has been reduced from 11.5 per cent to 10.5 per cent in order to make the export commodities more attractive and competitive in terms of price to the foreign buyers. The decision to extend bank credits to the extent of 90 per cent to the exporters having Letters of Credit (LC) and confirmed orders in their possession has already been implemented.

In accordance with the announced policy of the Government the scheduled banks have already established their export branches to conduct export transaction in all the district headquarters for the convenience of exporters. Besides many other export branches have been opened in the principal towns and port cities. Necessary steps have also been taken to impart training to the employees of these branches.

The existing system of exemption of customs duty, excise duty and sales tax in the export sector will continue as before and in this connexion existing rules will be further simplified.

The income-tax rebate on earnings for non-traditional items except raw and wet blue leather will also remain effective as in the preceding year.

#### Export Credit Guarantee Scheme (ECGS)

The Government has decided to introduce the ECGS on the recommendation made by the Export Committee constituted to examine its usefulness.

### Export Performance Licence (XPL)

To protect the interest of the exporters the XPL scheme was remodelled and a decision was taken to provide more facilities to the exporters under this scheme. The eligible items for XPL have been placed under four groups with rates of entitlement at 40, 30, 20 and 10 per cent respectively of f.o.b. price of their exports.

Besides, under XPL an exporter was allowed to utilize 5 per cent of his XPL entitlement with a maximum of \$2,000 per annum for overseas business visits in addition to his normal entitlement given by the Bangladesh Bank. Further he was allowed to utilize another 5 per cent of his entitlement with a maximum of \$3,000 for opening offices abroad for a particular office subject to fulfilment of conditions prescribed by Bangladesh Bank for opening such offices abroad.

The XPL scheme has been rationalized and its procedures simplified. The existing system of transfer of XPL by nomination was continued and holder of XPL was allowed to import items of his passbook entitlement as well as item included in XPL import list.

The Government has decided to make provisions for foreign exchange to exporters for travelling abroad to sell commodities and explore markets. Exporters who have earned more than Tk .25 million in foreign exchange in the preceding year were allowed to utilize 1 per cent of the total earnings but not more than US\$3,000 for business visits abroad in connexion with the expansion of export trade. New and small exporters would get exchange for a maximum period of thirty days at the rate of US\$50 per day in place of US\$35 admissible under the existing rules on the recommendation of the Export Promotion Bureau. It is expected that it will be easier for exporters to go abroad and earn more foreign exchange for the country by availing themselves of the facilities extended by the Government.

It is to be recalled in this connexion that private sector exporters were allowed to participate in the export of products in the public sector industries.

### Other export promotional measures

Publicity of Bangladesh goods abroad has been intensified. Bangladesh under a scheme has participated in a number of international fairs in 1977-78. Bangladesh participated in twenty-two international fairs in the last financial year and eleven fairs in 1975-76. Training on Export Promotion and Marketing has been continued and intensified.

Commercial Offices have been opened in eighteen embassies of Bangladesh till last year to help expand the country's export trade.

The twenty-two display and display-cum-sales centres opened in the country's embassies abroad have been improved and ten more such centres will be opened. These centres set up in the commercially important

international cities will help expand our exports immediately. In this connexion it may be mentioned that Bangladesh has already set up a Permanent Trade Centre in Milan International Fair ground to enable buyers from Europe and Africa to become more interested in buying our goods.

In the current financial year a national export fair has been organized to raise export consciousness within the country. Mention may be made of export fairs organized in Cox's Bazaar and Dacca during the last financial year which went a long way to raise the export consciousness of the public as well as the business community of the country.

Arrangement for awarding special medals and certificates to exporters in recognition of their outstanding performance has been made. The Government has decided to reorganize the Export Promotion Bureau as a semi-autonomous organization to make it a more effective body for the expansion of the country's export trade. Work in this regard is in progress. Besides necessary arrangements have been made to prepare a "Master Plan" in co-operation with the EEC for the Promotion of Bangladesh Exports.

There are bright future prospects for augmenting export earnings speedily through the exploitation and export of sea-fish and other marine products. So, the Government has decided to select this item as the "export product of the year". Some joint ventures in this field have in the meantime received the Government's approval and assistance. It is expected that the exploitation and export of sea-fish will gradually be developed through concerted efforts.

The major portion of our high quality hides and skins, including goat skins, is exported in a wet blue condition. But earnings from this item could further be raised if these were fully processed and exported as leather and leather goods. So, the export of hides and skins has been discouraged through taxation policy.

In the post-liberation period there was no significant export of timber from Bangladesh. But it would have been possible to earn foreign exchange through limited extractions and processing of wood from the reserve forest and the exports of furniture made thereof. Bangladesh Forest Industries Development Corporation have taken steps to export timber.

There is good demand for jute carpets in the international markets. Keeping this in view, Bangladesh Jute Mills Corporation have decided to install some new carpet-producing plants. It is expected that appropriate measures will be taken in this regard on an emergency basis in order to attain sustained increased earnings in this field since the price of jute carpets is much higher than that of other jute goods. Besides, hand tufted carpets are being produced in the country and it is expected that concerned organizations will come forward for their production and export.

Earnings from the exports of handcrafts have increased significantly during the last few years. The demand for handcrafts is also constantly increasing in foreign markets. Attention is to be paid to the maintenance of the required standard in this field for the sake of increased earnings. The Government is ready to extend all possible facilities in this regard.

### IMPORT POLICY FOR JULY-DECEMBER 1977

The Import Policy for July-December 1977 shipping period envisaged a total allocation of Tk 6,400 million as against Tk 5,120 million in the January-June 1977 shipping period. Out of the total allocation Tk 3,360 million or 52.5 per cent were earmarked from the country's own foreign exchange earnings, Tk 2,200 million or 34.37 per cent from external credit and grants and rest Tk 840 million or 13.18 per cent through Wage Earners' Scheme and barter trade agreement.

Of the total allocation of Tk 6,400 million, Tk 4,990 million or 78 per cent have been utilized for the imports of industrial raw materials and Tk 1,408 million or 22 per cent for other essential commodities. In the import side of industrial raw materials, public sector's share was Tk 3,893 million and that of private sector was Tk 1,098 million. In commercial import, public sector's share was Tk 1,239 million, while that of the private sector was Tk 169 million.

The Import Policy provided added procedural facilities for the industries, more licences for import of raw materials and repeat licence facilities. In the commercial import list and earner's scheme, new items have been added and facilities have been provided to import certain essential commercial items and raw materials under Open General Licence (OGL). The provision for providing repeat licence in case of flat rate import was continued.

An amount of Tk 60 million has been allocated from cash foreign exchange for setting up export-oriented industries and for their balancing and modernization.

#### Industrial imports

The Import Policy has been provided for import of pharmaceutical raw materials to the extent of 150 per cent of the six-monthly entitlement. The priority list I industries in the private sector have availed 100 per cent of the six-monthly entitlement and priority list II industries 75 per cent of the entitlement. Spare parts import was made 100 per cent of the entitlement for six months. The industries have continued to get the facility of importing raw materials and spares under Wage Earners' Scheme.

Provisions have also been made to import sufficient quantity of papers for bidi manufacturers. The unauthorized rice mills, oil mills and flour mills which did not get any licence for spare parts in the January-June shipping period got licence for spare parts in this Import Policy.

Provisions have been made to import spare parts for inland water transports, marine diesel engines, nylon twine for fishing industry, dyes and chemicals and yarn for handloom industry.

Provision has been made in the policy to import 1,900 tons of rapeseeds. The cigarette manufacturing industries were allowed to import tobacco for blending only. This step has been taken in view of the good production of tobacco in the country. The import of yarn has been placed under Open General Licence (OGL) to ensure the regular supply of yarn. As a safety measure the yarn was also allowed to import under Wage Earners' Scheme.

Allocation has been made in the Import Policy to import 32,000 tons of billet to meet the requirement of 100,000 tons of billet in the country. The remaining quantity was met from local production. The billet was imported at the 50:50 ratio by TCB and private importers.

The policy allowed the ready-made garments industry to import synthetics and mixed cloth to the extent of 100 per cent of their six-monthly entitlement subject to the payment of duty and 25 per cent export of the total production. There was no such provision earlier to import raw materials for ready-made garments industry. The tanneries were allowed to import salt.

#### Export Performance Licence (XPL)

During July-December 1977 shipping period, all items, except ten, permitted to import under the Wage Earners' Scheme were also allowed to import under the Export Performance Licence (XPL). During this shipping period all categories of industries were allowed to import capital machinery under XPL. It may be mentioned that earlier only the export-oriented industries were allowed to import capital machinery under the XPL. Those items which were not allowed to import under XPL included second-hand clothes, motor cars, air-conditioners, cigarettes, cassette recorder and two-in-one, tape recorders, cosmetics, marble and stone slabs, razor blades.

#### Open General Licence

Open General Licence (OGL) system has been introduced for the first time after independence under Import Policy for the period July-December 1977.

Seven items have been included in the OGL list for this shipping season. These are (1) yarns of all counts, (2) salt, (3) musur pulse, (4) coconut oil, (5) condensed milk and milk foods, (6) chemicals and dyes with pigment, (7) tyre and tube for motor vehicles, motor car and marine diesel engine.

#### Commercial imports

The import of commercial items has been liberalized to meet the growing demand in this shipping period. Seven items have been included in OGL and the items are yarn of all counts, salt, dal (masoor), coconut oil, milk food including condensed milk, dyes and chemicals including pigment, car with tyres and tubes, spares for cycles and marine diesel engines.

Besides seven items under OGL, three more new items have been included in the commercial list. The items are photo engraving zinc sheet, artificial eyes and limbs and medicinal herbs and crude drugs. A total of thirty-eight items was allowed under commercial import by the private importers.

The provision of maximum and minimum unit was continued in case of the following items - allopathic medicine, books and magazines, etc. Licences for other items were issued at flat rates.

#### Actual Users' Scheme

The Actual Users' Scheme will continue for books and magazines, auto-rickshaw, marine diesel engines, power tillers, homeopathic medicine, X-ray film, sports goods, etc.

#### Wage Earners' Scheme

In the last shipping period a total of seventy-eight items were permissible under the Earners' Scheme but in this shipping period nine more items - wired glass, marble and slab stone, 13/15 Amp. tumbler switch, iron connector, adaption holder and multiple plugs, mercury bulbs with or without choke, two-in-one, shallow tube well and fractional low lift pumps, onion, GI pipes of  $\frac{1}{2}$  inch,  $\frac{3}{4}$  inch and  $1\frac{1}{2}$  inch diameter, had been included. On the other hand glass bangles had been dropped from the list of the Scheme.

#### IMPORT POLICY FOR JANUARY-JUNE 1978

An amount of Tk 6,540 million import policy for January-June 1978 shipping period was announced with the following main objectives.

To ensure proper supply of raw materials and spare parts to maintain the optimum level of production in the industries of the country and protect their interests.

To ensure supply of essential consumer commodities which were not produced locally or if produced the volume of production was not sufficient to meet the local requirements, and

To ensure supply of raw materials and spare parts to the export-oriented industries to help achieve the export target.

About the performance of previous shipping period it may be noted that the actual imports of Tk 5,990 million were made as against allocation of Tk 6,400 million under various sources. Of them imports worth Tk 3,170 million were financed from our own earnings while imports worth Tk 1,870 million were made under grants and credits. The anticipated import plan under Wage Earners' Scheme was Tk 400 million but goods worth Tk 550 million were imported during July-December 1977 under the Scheme. The goods included both industrial raw materials and commercial items.

### Time frame

Under the import policy announced, the Government has set a time frame for the utilization of licences by both commercial and industrial importers. The commercial importers under cash have to open letters of credit within ten weeks of the policy announcement and the shipment should be made within five months from the day of opening letters of credit.

The industrial importers shall have to submit their licence forms within eight weeks of the beginning of the policy period and the shipment should be made within six months from the date of submitting licence form.

In the case of importers of capital machinery, the licences will remain valid for sixteen months from the date of issue; but the time frame will be maintained from the date of announcement of funds or issuing of the licences for imports under loans and grants and barter.

One of the prime objectives of the import policy is to maintain "price stability" by introduction of "progressive and liberal" commercial policies.

### Industrial imports

A repeat licensing facility for the industrial sector was continued, while the industrial licence holders were given licences worth 150 per cent of their half-yearly entitlements. The nationalized industrial units were allowed to open letters of credit for import of materials, direct with their authorized banks without submitting the licence forms.

The private sector industries under Priority Schedules 1 and 2 received licences worth 100 and 75 per cent respectively of their half-yearly entitlement for import of raw materials, while all unauthorized units got 100 per cent of their half-yearly entitlements for import of spare parts.

The industrial units were allowed to import their raw materials and spare parts under the Earners' Scheme. They were not required to secure recommendations from their sponsoring authorities.

The industrial units under Priority Schedules 1 and 2, who were allowed to utilize their licences before 15 March, were given repeat licensing facility with a view to encouraging production by the industrial units.

Licences were available for import of spares and accessories, marine diesel engines, etc., for the internal water transport industries, nylon twine, marine diesel engines, etc., for fisheries, dyes and chemicals and yarn for handloom industries.

Special allocations were made for import of machinery for rehabilitations of jute baling press in both public and private sectors. Import of papers for biri manufacturers of the country has been allowed.

The unrecognized rice, oil and wheat mills which did not receive licences in the previous shipping period have been given licences for import of spare parts.

Adequate arrangements have been made for import of unrefined soybean oil and oil-seeds to "meet the requirement of the next season" but the import was made solely by the nationalized industrial units, as the private sector units did not make imports even when they were given licences.

The tobacco industries were allowed to import tobacco for blending only by obtaining permission from the Tobacco Development Board.

To meet the immediate requirements of radio-transmitters, it was decided that radio-transmitters worth Tk .050 million would be imported, of which 50 per cent would be imported by the Ministry of Information and Broadcasting. The radio assembly industries were given licences to import radio-transmitters in CKD form on the recommendations of the Ministry of Industries.

It was decided that imports of yarns of 1 to 20 counts and above 80 counts were allowed only in this season. Only the sewing-thread industries were allowed to import yarns of 20/2 counts and 40/3 counts; but there were no restrictions on the imports of yarn under the Earners' Scheme.

To ensure supply of 100,000 tons of billets in the country in this season, allocations were made for the import of 34,500 tons of billets from abroad after a review of stock pipelines and local production.

The wire-drawing industries, which do not have rerolling facility, were allowed to import 50 per cent of their requirements of wire rods, while they should meet the requirements of the rest from local production.

The entitlements of licences for spare parts and raw materials for industrial units were transferable to each other according to the requirements of the respective industries and there was no need of permission if the transfer was not above 30 per cent of the entitlement.

#### Special arrangement for export-oriented industries

Cash licences worth Tk .06 million were allowed for new investment, modernization, balancing and rehabilitation of export-oriented industries under the investment schedule for private sector.

All but ten items importable under Earners' Scheme could be imported under the Export Performance Licences (XPL), while the exporters were given licence against confirmed contracts and guarantee and bonded warehouses.

The specialized textiles received licences if they had exported 25 per cent of their last twelve-months' productions. Moreover they were not given repeat licences if they failed to export.

#### Import by TCB

During January-June 1978 shipping period also arms and ammunition were imported solely by the Trading Corporation of Bangladesh (TCB). Fifty per cent of the importable milk food was imported by TCB and the rest 50 per cent by private importers.

Considering the need for implementation of the development schemes of the country at present the annual requirement for cement has been estimated at 2,000,000 tons. Arrangement for importing cement has been made accordingly taking into consideration local production, present stock and the supply now in pipeline. The private importers were allowed to import 25 per cent of the total import.

#### Commercial import

The system of Open General Licence has been continued during the January-June 1978 shipping period also. But in view of satisfactory increase in the production of salt in the country and assured import supply position of cotton, these two items have been dropped from the OGL list. Pulses have also been dropped from the OGL list during January-June 1978 shipping period as the demand for its licence was not satisfactory during the previous season. But it has been included in the earning scheme.

Three new items have been included in the OGL import list. These are books, text books and periodicals, X-ray films, blood pressure measuring instruments and clinical thermometers. Besides, tyres and tubes have been separated from autoparts group to form new items. The recognized educational institutions and public libraries were allowed to import books, text books and periodicals under the scheme. But the import procedures for them were announced separately. The importers of the towns which have universities were allowed separate import permission for the items.

The OGL importers could open their LC through their banks directly without getting licence for the OGL items. Only registered commercial importers could import under OGL in this season subject to certain conditions. Those importers who had taken OGL licence during the previous season were not eligible for OGL licence for this season until they submit their bill of lading.

A maximum and minimum unit has been fixed for certain items under allopathic medicine and machinery mill works group for this season.

The commercial importers who did not import their own items enlisted in their import list in the previous season were not considered eligible for import in this shipping period. However, there was exception to this if any such importers opened letters of credit for any OGL item in place of own items. This may be applied to only such importers who have imported own items in the January-June period of 1977.

#### Import by actual users

The sole agents of the standard earth moving machinery were given licence like the sole agents of agricultural machinery in January-June 1978 shipping period like the previous shipping period.

Regarding import by actual users' licences for sixteen items were issued for actual users. These items were books and periodicals, auto-rickshaw, homeopathic medicine, marine and diesel engine and power tiller.

Besides, a student or individuals could import for his personal use text books, reference books, technical or recommended journals, periodicals worth Tk 2,000 through a bank. If they face any problem in this respect they could import those through importers or indenters of Dacca, Mymensingh, Rajshahi and Chittagong University towns.

Under the policy any individual could also import medicines worth Tk 500 annually for personal use. The amount may further be increased for life saving drugs at the recommendation of the Health Ministry.

#### Import under Wage Earner Schemes

Earning Scheme has been continuing in the January-June 1978 shipping period and two more new items have been included. These items are 35 inches to 36 inches or 44 inches to 45 inches or of more width cotton, fine and super fine dyed fabric, dyed malmal and dyed organdi cloths and stanby generators.

In order to increase the supply of raw materials import of MS billets were admissible under Earning Scheme and SPL without prior permission.

Note: Bangladesh Tk 1 million = US\$.0667 million