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GENERAL AGREEMENT ON TARIFFS AND TRADE

Committee on Balance-of-Payments
Restrictions

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1982 CONSULTATION UNDER ARTICLE XVIII:12(b) WITH PEOPLE'S REPUBLIC OF BANGLADESH

Statement by Bangladesh under the Simplified Procedure for Consultations

1. The Government of the People's Republic of Bangladesh has prepared the following report in fulfilment of the consultations required under Article XVIII:12(b) of 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 policy 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.

Import policy

The import policy for the fiscal year 1981-82 envisaged a total allocation of Tk 2,950 crore for imports as against Tk 2,600 crore in 1980-81. Of the total allocation for the current fiscal year, Tk 1,550 crore or 52.54 per cent would be made available from domestic resources, Tk 530 crore or 17.97 per cent from foreign assistance, Tk 600 crore or 20.33 per cent from a Wage Earner's Scheme, Tk 220 crore or 7.46 per cent from barter trade, remaining Tk 50 crore to be mobilized from other sources.

Of the total allocated amount, Tk 2,330.50 crore or 79.00 per cent has been earmarked for industrial import and remaining Tk 619.50 crore or 21 per cent has been allocated for commercial imports which would include import of different essential commodities. In the import programme for 1981-82, public sector would have a total share of Tk 1,858.50 crore or 63 per cent and the private sector's total share would be Tk 1,091.50 crore

or 37 per cent. In industrial import, allocation for public sector industries has been made at Tk 1,563.50 crore while for private sector industries total allocation stands at Tk 767 crore. In the sphere of commercial imports public sector would have a total share of Tk 295 crore and that of private sector would be Tk 324.50 crore.

The policy has been formulated with its main focus on expediting the process of national development through adequate imports of essential consumer goods, industries raw materials and spares. Besides, total allocation has been increased from Tk 2,600 crore to Tk 2,950 crore with a view to maintaining wider availability of imported goods in the market for maintaining price stability.

The important points added in the import policy for 1981-82 may be stated as follows:

- (a) Approved industrial units can import cotton yarn of 10 to 65 counts as per their respective quotas.
- (b) Yarn up to 21 counts and below as well as 66 counts and above can be imported under the Wage Earners' Scheme.
- (c) Hosiery cotton yarn between 10 and 65 counts can be imported at the quota ration of 50 per cent.
- (d) Double-count cotton yarn would not be importable; other types of double-count yarns, however, can be imported.
- (e) Handloom units can import cotton yarn between 10 and 65 counts as per their quotas.
- (f) Import of G.I. wire up to 30 SWG would be banned during the year.
- (g) Lathe machine up to 4-feet length would be importable.
- (h) Import of eight types of textile mills spares have been banned.
- (i) In view of adequate domestic production, imports of welding electrodes have been banned.

Under the new import policy pharmaceutical industry would continue to receive licences at 150 per cent of their entitlements and industries in priority lists I and II would respectively get licences at 100 and at 70 per cent of their entitlements, while new industries would be provided with licences at 30 per cent of their entitlements on a primary basis.

Under the new import policy, import of those spare parts which are manufactured in the country has been banned. The banned spare parts include welding electrodes, some bicycles, jute and textile mills spare

parts. Entitlement for import of spare parts has been reduced to 50 per cent in the current year from 75 per cent in 1980-81. The import substitution industries would get licences in proportion to their actual production during the last two years and also on the basis of their aggregate contribution to the import substituting sector. The local industries have been given protection through imposing a ban on the import of those items they are producing and also through adequate tariff measures; local industries should improve the quality of their products and should also ensure fair and reasonable prices for their products.

To get licences, export-oriented industries would be required to submit their account about utilization of import licences and their aggregate contribution to the export earnings in 1980-81. Such industries must also give an undertaking to the effect that they would export at least 15 per cent of their total production. Export-oriented industries would continue to enjoy the facilities to advance import licences and Export Performance Licensing System (XPL).

The total allocation for import under XPL has been enhanced to Tk 100 crore in the current year from Tk 45 crore in 1980-81 and some new items have been included in the list of exportables which now stands at 85. Importers under the Wage Earner Scheme (WES) were eligible to utilize XPL licences during the year.

The procedure for time-limit set for opening letter of credits (L/Cs) has been simplified under the import policy. Commercial importers would be allowed to arrange the shipment within six months of the L/Cs registration. In case of industrial importers, the time-limit as such would remain valid up to nine months. The shipment of machinery and spares needed for manufacturing and assembling would be allowed within twelve months after the registration of L/Cs.

The import under Wage Earners' Scheme would continue to exist during the fiscal year 1981-82 with an increased target of Tk 600 crore as against import of worth Tk 475 crore during 1980-81.

Export policy

The export target for the fiscal year 1981-82 has been fixed at Tk 1,500.00 crore, the same as last year. The target was fixed considering global economic conditions, demands for the Bangladeshi goods, production, supply and surplus of exportable goods and on the recommendation of "Export Development Council."

While formulating the export policy for the year 1981-82, emphasis had been given on four matters. These are: (a) improvement of supply of goods; (b) encouragement to export through different financial incentives; (c) development of export markets and creation of infrastructure for export and (d) necessary facilities. The greatest need for achieving the export target was to increase the production.

The economy and export trade of Bangladesh were based primarily on farm produce. The agriculture produce would have to be greatly increased to establish industries based on agriculture. Realistic and action-oriented programmes were launched to increase the exportable produce both in agricultural and industrial sectors.

The Government was endeavouring to shift gradually the export of industrial goods and as such added liberal industrial policy to attain that objective. Priority had been given to export-oriented industries and that import of machinery for the industries had been given special tax relief.

Foreign trade

The deficit balance of trade of Bangladesh of the past years has further widened in 1981-82. Lower prices for most of the exportable items due to depressed demand in the developed market economies and higher import value of petroleum, industrial raw materials, food grains and other consumer and capital goods have been generally responsible for this deficit. It has been estimated that the total foreign exchange earnings by way of export during 1981-82 would be Tk 1,200.00 crore (July-March actual Tk 918.37 crore and Tk 281.63 crore estimated for April-June) indicating that the export earnings of the current year would be higher by 3.46 per cent in nominal terms as compared to the earnings of the last year. However, the price indices show that the average export prices have sharply declined by 17.20 per cent and thus, this has resulted in a decline of 13.74 per cent in real terms. On the other hand, the total value of imports during 1981-82 has been estimated at Tk 4,778.00 crore which is higher by 52.82 per cent in nominal terms as compared to last year. Since the prices of the imported goods in the external market have increased by 7.40 per cent during the year under review, import in real terms has been estimated on increase by 45.42 per cent.

The value of export earnings during 1981-82 was estimated at Tk 1,200.00 crore as compared to Tk 1,159.90 crore in 1980-81 and Tk 1,124.16 crore in 1979-80 showing an increase of 3.46 per cent and 6.75 per cent respectively. On the other hand, the value of imports during the current year has been estimated at Tk 4,778.00 crore as compared to Tk 3,126.60 crore in 1980-81 and Tk 2,830.40 crore in 1979-80 showing an increase of 52.82 per cent and 68.81 per cent respectively. Thus the deficit balance of trade during 1981-82 would be Tk 3,578.00 crore as compared to Tk 1,966.70 crore in 1980-81 and Tk 1,706.24 crore in 1979-80.

The table on page 5 shows the total exports, imports and balance of trade from 1977-78 to 1981-82.

Export, Import and Balance of Trade

(Value in crore taka)

Year		Export	Import	Balance
1977-78	740.61	1,821.62 (-)	1,081.01
1978-79	928.22	2,172.66 (-)	1,244.44
1979-80	1,124.16	3,830.40 (-)	1,706.24
1980-81	1,159.90	3,126.60 (-)	1,966.70
1981-82	(Provisional)	1,200.00	4,778.00 (-)	3,578.00

Figures for different years were shown in the exchange rate as detailed below:

- (a) 1977-78 at the rate of \$1=Tk 15.00
- (b) 1978-79 at the rate of \$1=Tk 15.00
- (c) 1979-80 at the rate of \$1=Tk 15.00
- (d) 1980-81 at the rate of \$1=Tk 16.00
- (e) 1981-82 at the rate of \$1=Tk 19.50

Balance of payments

The imports during 1981-82 were estimated at Tk 4,778 crore. On the other hand, the export earnings during the current year were estimated at Tk 1,200 crore. The import payments of Tk 4,778 crore against the export earnings of Tk 1,200 crore showed a deficit balance of trade of Tk 3,578 crore during 1981-82. With an estimated net deficit of Tk 193 crore in the services accounts the total deficit in the current account stood at Tk 3,771 crore; but during the year an amount of Tk 775 crore and Tk 5 crore was estimated to be received under the private and government transfers respectively. The deficit in the current account during the year, thus, stood at Tk 2,991 crore. This deficit was met mainly by long-term foreign aid, loans and grants, drawings from IMF and other short-term loans.

In spite of higher volume of foreign aid inflow and private transfer, substantially higher deficit in balance of current account and debt repayment caused the foreign exchange reserve a shortfall by Tk 433 crore

during 1981-82. The table below shows the position of the balance of payments of Bangladesh from 1979-80 to 1981-82.

Balance of Payments of Bangladesh

(Taka in crore)

	1979-80	1980-81	1981-82 (provisional)
1. Merchandise imports (c.i.f.)	(-)3,692.40	(-)4,368.80	(-)4,778.00
2. Merchandise export (f.o.b.)	1,150.70	1,334.40	1,200.00
3. Services accounts:	6.20	24.30	(-)193.00
(a) Payments	(-)387.10	(-)423.90	(-)656.00
(b) Receipts	393.30	448.20	463.00
4. Unrequited transfer:	327.63	623.90	780.00
(a) Private transfer	325.00	619.60	775.00
(b) Government transfer	2.63	4.30	5.00
5. Balance on current account	(-)2,207.87	(-)2,386.20	(-)2,991.00
6. Capital, transfer and other loans/grants	2,102.77	2,087.30	2,321.00
(a) Food	589.00	310.30	429.00
(b) Commodity and cash	657.77	825.10	800.00
(c) Projects	729.00	938.70	1,092.00
(d) Trust Fund	127.00	13.20	..
7. Debt repayment	(-)140.10	(-)75.50	(-)119.00
8. IMF account:	2.90	271.60	80.00
(a) Receipts	169.80	459.60	133.00
(b) Payments	(-)166.90	(-)188.00	(-)53.00

(Taka in crore)			
	1979-80	1980-81	1981-82 (provisional)
9. Short-term loan and other capital	51.60	15.60	200.00
(a) Short-term loan	191.80	173.40	160.00
(b) Other capital	(-)140.20	157.80	40.00
10. Adjustment account	(-)58.80	77.10	76.00
11. Changes in net foreign exchange reserve (means increase)	249.50	10.10	433.00

1 crore = 10 million