

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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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

Addendum

Recent Balance-of-Payments Developments

Balance of trade and payments

The balance of trade (f.o.b. basis) of the country showed deterioration during 1981-82. The deficit on the Merchandise Account (i.e. visible exports less visible imports) during the period increased to Tk 3,725.35 crores from Tk 3,034.40 crores during 1980-81. The larger deficit was mainly due to increase in import cost of petroleum oil and lubricants (POL). Imports during 1981-82 which stood at Tk 5,179.83 crores were Tk 811.03 crores or 18.56 per cent higher than those during the corresponding period of the preceding year. Of the total, imports financed by cash (including POL imports), barter and special trade, wage earners' scheme, loans/credits and grants amounted to Tk 1,842.00 crores (35.56 per cent), Tk 210.12 crores (4.06 per cent), Tk 685.48 crores (13.23 per cent), Tk 1,094.98 crores (21.14 per cent) and Tk 1,347.25 crores (26.01 per cent) respectively. Long-term loans/credits received from foreign governments/institutions, etc. were utilized for imports under non-food project (Tk 704.98 crores) and non-food non-project (Tk 390.00 crores). Food and non-food imports under grants during 1981-82 stood at Tk 462.50 crores and Tk 884.75 crores respectively. Receipts from exports rose from Tk 1,334.40 crores during 1980-81 to Tk 1,454.48 crores during 1981-82 denoting an increase of Tk 120.08 crores or 8.99 per cent. Raw jute (Tk 193.90 crores) and jute goods (Tk 647.40 crores) together accounted for 57.84 per cent of total export earnings during 1981-82. The Services Account (i.e. invisible receipts less invisible payments) showed a deficit of Tk 119.52 crores during 1981-82 as compared to the surplus of Tk 24.30 crores during the preceding year.

The overall balance of payments during 1981-82 recorded a deficit of Tk 521.24 crores as compared to a deficit of Tk 501.58 crores during 1980-81. The deficit in the overall balance reflected increased deficit under Goods and Services Account partly offset by increased inflow under Unrequited Transfers and Capital Account. Unrequited transfers showed an inflow of Tk 2,152.30 crores during 1981-82 as compared to Tk 1,719.50 crores during 1980-81. Of the total, net receipts under "Official Transfers" and "Private Transfers"

¹ Figures relating to 1981-82 are provisional.

were estimated at Tk 1,384.15 crores and Tk 766.15 crores respectively. Net capital inflow during the period was estimated at Tk 1,170.75 crores as compared to Tk 789.02 crores during 1980-81.

The convertible foreign exchange reserves held by the Bangladesh Bank declined from Tk 450.88 crores at the end of June 1981 to Tk 239.68 crores as on 30 June 1982. The decline in foreign currency reserves during the year under report was despite the drawing of Tk 125.10 crores under compensatory financing facility from IMF and a substantial amount of short-term borrowing from abroad. The outstanding amount of short-term borrowings as at the end of June 1982 amounted to Tk 225.51 crores.

The commodity terms of trade of the country is given by the ratio of export prices to import prices and shows the different values of imports which could be received in exchange for a given volume of exports on the basis of price relations alone. The income terms of trade, on the other hand, measure changes in income earned, on account of exports through the change in commodity terms of trade. This, therefore, measures the country's import capacity (i.e. purchasing power of exports) in terms of exports alone. The movement of the estimated terms of trade of Bangladesh in recent years is shown below:

Commodity and Income Terms of
Trade of Bangladesh

(Base: 1975-76 = 100)

Period	Export price index	Import price index	Commodity terms of trade	Export volume index	Income terms of trade
1976-77	104.02	90.84	114.51	103.48	118.49
1977-78	122.81	82.88	148.18	102.63	152.07
1978-79	153.39	100.14	153.18	98.75	151.26
1979-81	191.60	127.44	150.35	97.95	147.27
1980-81	174.99	166.08	105.36	104.91	110.53
1981-82 ^{1/}	165.06	186.57	88.47	106.87	94.55

^{1/} Provisional

Our export-based capacity to import (i.e. income terms of trade) deteriorated during the years 1978-79 through 1981-82 as compared to the year 1977-78. The income terms of trade had, however, shown significant improvement in the years 1976-77 and 1977-78 with the index (1975-76 = 100) moving up to 118.49 in the former and 152.07 in the latter year. The improvement in income terms of trade in 1976-77 was due mainly to a gain

in commodity terms of trade although some increase in export volume also partly accounted for it. The gain in income terms of trade in 1977-78 as compared to the preceding year reflected an increase in commodity terms of trade as export volume declined during the year. The deterioration in income terms of trade during 1978-79 as compared to the preceding year was due to a sizeable decline in export volume as the commodity terms of trade improved during the same period. The deterioration in 1979-80 was the result of a decline in commodity terms of trade as well as a small decline in export volume. The sharp deterioration in the year 1980-81 was due mainly to a decline in the commodity terms of trade as the export volume increased. The decline in commodity terms of trade during 1980-81 was the combined result of a marked decline in export prices and a sharp increase in import prices as compared to the preceding year. The decline in income terms of trade in the year 1981-82 was entirely due to deterioration in the commodity terms of trade as export volume recorded some improvement.

ESTIMATE OF BALANCE OF PAYMENTS
1981-82

<u>Items</u>	<u>Taka in crores</u>
Exports f.o.b.	1,454.48
Imports C&F	-5,179.83
<u>Trade Balance</u>	<u>-3,725.35</u>
Services (net)	-119.52
Unrequited transfers	2,152.30
Private	766.15
Official	1,386.15
<u>Current balance</u>	<u>-1,692.57</u>
Long-term capital (net)	1,104.42
Short-term capital (net)	66.33
<u>Overall balance</u>	<u>-521.82</u>
Reserves (net)	525.23
Balancing item	-3.41