Economic Policy Paper
on
Improving Access for Bangladesh in Global Markets

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INTRODUCTION

CHAPTER-I

Improving access or securing better access to foreign markets, has been an important goal of nations throughout history. History is replete with records of such efforts : both rational and outrageous ones-with varying results. The history of attempts by force to open Japanese & the Chinese markets by different world powers in the 19^{th} century is notable examples of the quest for securing access to markets. The real cause of the two World Wars of the last century was the perceived need of the powers like: Germany and Japan to have proper market access free from the domination by the English and the French.

For a proper appreciation of the benefit that a favourable market access generates, one may recall the well-known experience of South Korea. Living standard in South Korea which only 50 years ago was a poor country dependent on foreign aid for half of its national budget, have now almost caught up with the level of living standard enjoyed by the people of the western industrialized countries. The per capita GNP in 2003 in Korea has reached US$ 12,000/- against US$ 100/- of 1965. The most important factor in achieving such a dramatic development was the growth of a strong export sector in South Korea born and grown on the back of a highly favourable market access granted to her by the US in the sixties (due to geo-political reasons). Bangladesh and many other developing countries which started the journey of export led growth late in the day and under changed international environment have not been able to expand and diversify their exports on the scales of South Korea. Now the challenge is tougher but the need of having an assured access (on favourable terms) remains a very important task for Bangladesh in attaining sustained growth and future prosperity.

In the context of the present day world of a globalized market Bangladesh has three other very important reasons to continuously strive for seeking to improve her access to others markets. The first is the new environment of quota-free regime in garment sector (in operation since January, 2005). The withdrawal of quota facility has deprived Bangladesh of one very important plank of her relative success in the readymade garment sector. The recent turmoil in US & EU garment markets caused primarily due to Chinese efforts in swamping those markets (after being freed from the restraints imposed under quota-system) is naturally a great concern of Bangladesh too. Bangladesh needs to do all she can to protect and of course to expand her share of the garment markets in both EU & US. The other important reason for Bangladesh's continued quest for better market access is the imperative she has to expand her export market by a significant margin for achieving a desired rate of GDP growth. Bangladesh needs to grow at about 7 percent rate a year (as advocated in the PRSP paper) against her present annual growth of around 5 percent so as to reduce by half her poverty level by 2015 required to achieve the Millennium Development Goals. Bangladesh export has to grow at about 20 percent rate a year to achieve that 7 percent GDP growth rate. Thirdly, Bangladesh's export base is slender. Only three items: (i) Readymade Garments, (ii) Frozen Food (i.e. frozen shrimps) and (iii) Leather and leather goods constitute over 85 percent of total export basket. There are a few items like: light engineering products, bicycles, footwear, home textile, pharmaceutical products, agro-products, software etc. which can do better if favourable market access situation can be created for them. This makes market access an issue of vital concern for Bangladesh.

Bangladesh also needs to work hard to protect her future prosperity by ensuring that the ongoing Doha Round of Negotiations is concluded in a manner conducive to protect and promote her market access in the post Doha world. The Doha Round of Negotiations as a whole have not yet attained satisfactory progress though this Round is scheduled to be concluded by 2006. The stalemate of Cancun is still casting its dark shadow over the prospects of early and successful completion of the Doha Round. We need to continue our efforts both in the upcoming Hong Kong Ministerial meeting and beyond to protect and further the legitimate interests of Bangladesh by being able to raise issues and concern of ours with proper back-up of facts and arguments. For this we need to have more debates and informed discussions among ourselves in regard to different Doha issues for generating useful ideas and strategies.

Further, the plethora of Regional Trade Agreement (like SAFTA, APTA (old Bangkok Agreement) and the BIMSTEC negotiations also call for clearer and detailed information and negotiation strategies to promote our interests in those Agreements.

It is only proper that Dhaka Chamber of Commerce & Industry, being the leading Chamber of the country, would make efforts to contribute towards that process of building information base and negotiations planks. The present architecture of market access as well as the one which would emerge through Doha process and through Regional Trade Agreements would directly affect the businessmen and producers of goods and services who are members of Dhaka Chamber of Commerce & Industry. It is hoped that this paper would contribute a little towards the process of building up the consensus on the things to be done to improve the market access in the ongoing fast changing environment of production and marketing structure of the world.

This paper deals with the market access problems and opportunities in regard to goods only. It does not address the issues relating to trade in services - also an important concern for Bangladesh specially of the Mode 4 types: Temporary Movement of Natural Persons (in terms of Doha Round parlance) i.e. of our labourers

In accordance with the Terms of Reference the paper has been structured as follows : Chapter I is devoted to introductory remarks. Chapter II has described the world environment in which Bangladesh is operating now, Chapter III gives an assessment of Bangladesh's present status and direction in international trade arena; Chapter IV deals with the subject of tariff preference: the most important trade facility international community has still been making available under the generalized system of preference (GSP) to Bangladesh, other LDCs and developing countries to overcome their limitations in being competitive in the international market. The concerns of Bangladesh on different WTO permitted trade measures are dealt in Chapter V while Chapter VI explores further the MFA withdrawal situation. Chapter VII looks at the experience of the policies pursued by some of our neighbours who are doing reasonably well in world market and on impacts their policies have on prospects of some of our exportables. The last Chapter VIII discusses the recommended action plan for improving our ability to secure a better level of access to international market.

CHAPTER-II

It is now generally recognized that the open trading system is a powerful vehicle for facilitating faster economic growth, spread of new technology and raising living standards in both developed and developing countries. The gradual opening of market ensued through GATT sponsored negotiations have resulted in nearly 10 times increase in total world exports (after adjusting for inflation) during 1950-2003 (**Annex-I**) period thus spreading prosperity to nations and satisfaction to the consumers worldwide. In the 1990's, the world trade expansion averaged 6.5 percent which was approximately twice as that of merchandise output growth. This general trend of export growth has also continued in this decade except for the year 2001 when the world export registered a negative growth rate of 3.8 percent. However, the expansion of global output and trade regained considerable momentum by 2003 resulting in an annual average increase of world GDP and world merchandise exports of 2.5 percent and 4.5 percent respectively. In 2003, the value of world merchandise trade rose by 16.0 percent to US$ 7.2 trillion (in volume term the growth is 5.1% percent). More than two third of the rise in value is however attributable to dollar price change. The export growth figures however would have been better but for the twin events of US invasion and occupation of Iraq and the out-break of SARs in the East Asian region in that year. Most of these output growth as always has occurred in North America, Western Europe and in Far East.

The year 2004 saw strong economic growth across most major regions, providing a solid base for vigorous trade expansion which reached US$ 8.9 billion (World Trade Report, 2005). A notable feature of in 2004 was that two most populous countries in the world: China & India recorded outstanding economic growth at (9.5 percent and 7.3 percent) respectively in that year. Global trade growth continued to exceed output growth in that year also and the volume of merchandise trade exports rose by 9 percent (in 2004) is double that of 2003. This acceleration is attributable largely to the dynamic performance in trade in manufacturers, which expanded by 10 percent in real term. Asia's real export of manufacturers are estimated to have expanded by 15 percent and amounted to 30 percent of the world trade. The strength of Asia's trade performance had been more outstanding over the medium term. Between 2000 and 2004, the export volume of manufacturers from Asia is estimated to have increased by 40 percent, while from Europe by 13 percent. The export volume of North America in 2004 only retained its 2000 levels.

An overview of 2004 world merchandise exports by products shows that unusually large variation in the year-to-year value changes between various product groups. In four product groups- (i) iron and steel (ii) ores and minerals (iii) non-ferrous metals and (iv) fuels – the world export has expanded between 46 and 31 percent, while for three other products: (v) agricultural products, (vi) textiles and (vii) readymade garments, the export growth was far weaker, ranging 15 and 11 percent. The wide differences observed in value growth are largely explained by the divergent price trends among products. The US import price situation illustrate this feature rather well. In 2004, US import price for iron and steel products rose by nearly 40 percent while those of readymade garments stagnated. The US import price of fuel rose by 28 percent while that of agricultural products by 9 percent.

World exports of agricultural products expanded by 15 percent in 2004 to US$ 783 billion. The unit value of agro product item in 2004 has on an average increased by 11 percent.

Exports of textile and readymade garment recorded increases of 13 percent and 11 percent respectively, the weakest growth among the major products groups in 2004. Since 2004, the combined share of textiles and readymade garments has decreased by one half of percentage point to 5.1 percent of world merchandise export in 2004. The rather moderate expansion of market share of textile and readymade garments trade was accompanied by profound shifts among suppliers. Hong Kong, South Korea and Taiwan experienced an absolute decline in their export shipment of readymade garments, as did Mexico and the US not only in 2004 but also in each year since 2000. Among the countries that have steadily increased their share of RMG and textile exports during these years are China, Turkey, Romania, Vietnam and Tunisia. Among the major suppliers, China expanded her shipment of textiles and readymade clothing more than two times faster than global trade during 2000-2004. In 2004, US imports of readymade garments from China rose more than one third to US$ 16.2 billion. RMG shipment from African countries to EU and US in 2004 were US$ 7.5 billion and US$ 2.5 billion respectively.

Benefiting from rise in commodity prices, merchandise export of the LDCs increased to US$ 62 billion (as against US$ 43.65 billion of 2003). Exports of 5 LDCs oil-export countries alone increased by about one half and their combined export, constituted 47 percent of total merchandise export from 48 LDCs in 2004. The group of LDCs which export manufactured products (i.e. Bangladesh and 7 other LDCs) increased their shipments by 17 percent to US$ 17 billion. In 2004, EU was the largest market of LDC manufacturers as well as LDC agricultural products. A table given at **Annex-II** gives an idea of LDCs exports & import situation. It needs to be noted that export interest of LDCs as a group are far from identical, a point we in Bangladesh have to always keep in view.

In 2005, the volume of world merchandise trade is projected to rise by 6.5 percent. It has been estimated that the year to year GDP change in the OECD countries in the first half of 2005 was 2.6 percent which was markedly less than 3 percent of 2004. Signs of an improvement in the economic situation of Japan which stagnated during most of 2004 have been found in this year and a revival of domestic demand growth has been taking place there. In Europe, particularly in the Euro area, GDP growth remained weak. Despite some decelaration of economic activity in the US, it remained far stronger than Europe or Japan. Among the developing regions, a slow down in a number of economies of East Asia has been observed. China was a major exception, as its first half of 2005 growth matched that of 2004. Despite continues strength of its economy, China's real import growth is learned to have decelerated, while its export growth was maintained. We are all aware of Chinese efforts in cornering both the US & EU readymade garments markets much to the discomfort of Bangladesh among others. India also continued her robust growth of economy and of export. But in Bangladesh, we are still not able to take advantage of these two great markets.

Despite the slackening down of global economic activity as a whole, the commodity prices strengthened considerably in the first half of 2005. In particular, the prices of oil and metals increased further by 43 percent and 24 percent respectively (on a year to year basis). The rise of fuel prices continued unabated in the 3rd quarter of 2005. The prices of food items have decreased somewhat. Available prices of manufactured goods indicate an average increase of 4 percent.

The prospects of world trade growth in 2006 seems to be a little better and it is going to be around 7 percent provided the world economy recovers as is expected. An overview of the world economic outlook is given at **Table-I** at page 5. It also shows that the trade volume (goods & services) in 2005 & 2006 are expected to grow by 6.5 & 8 percents.

But we have also to keep in view the three unhelpful developments alluded to earlier which are casting long shadows on the continued well-being of the world economy. Of these, the price of oil impacts more negatively & directly on the health of economies of countries like ours. It is still not clear whether we have entered a period of consistently strong demand of oil and chronically short supplies and thus causing the prices of oil remaining at a higher level permanently. The higher oil price will get ultimately translated into higher cost of production for our produce which already is facing squeeze in prices. The issues of ever expanding US current account deficit and the depreciations of US dollar vis-à-vis Euro & Yen are also stoking fears of a future global crisis. Countries like ours is potentially a big victim should any upheaval occurs if these twin developments are not handled properly soon enough.

Table 1: Overview of the world economic outlook projections

(annual percentage change)

	2002	2003	2004*	2005*
World output	**3.0**	**3.9**	**5.0**	**4.3**
Advanced economics	1.6	2.1	3.6	2.9
United States	1.9	3.0	4.3	3.5
Japan	-0.3	2.5	4.4	2.3
Germany	0.1	-0.1	2.0	1.8
France	1.1	0.5	2.6	2.3
Italy	0.4	0.3	1.4	1.9
United Kingdom	1.8	2.2	3.4	2.5
Canada	3.4	2.0	2.9	3.1
Newly industrialized Asian economies	5.0	3.0	5.5	4.0
Other emerging market and developing countries	4.8	6.1	6.6	5.9
Developing Asia	6.6	7.7	7.6	6.9
China	8.3	9.1	9.0	7.5
ASEAN-4	4.3	5.1	5.5	5.4
South Asia	4.9	6.9	6.2	6.5
Bangladesh	4.9	5.4	5.5	5.7
India	5.0	7.2	6.4	6.7
Pakistan	4.4	6.2	6.3	6.0
Sri Lanka	3.9	5.9	5.0	5.0
World trade volume (goods and services)	**3.3**	**5.1**	**8.8**	**7.2**
Advanced economies	2.6	3.7	7.6	5.6
Other emerging market and developing countries	6.0	11.1	12.8	11.9
Exports				
Advanced economies	2.2	2.6	8.1	6.3
Other emerging market and developing countries	6.6	10.9	10.8	10.6
Commodity prices (US Dollar)				
Oil	2.5	15.8	28.9	-
Non-fuel	0.6	7.1	16.8	-3.9
Consumer prices				
Advanced economies	1.5	1.8	2.1	2.1
Other emerging market and developing countries	6.0	1.8	2.1	2.1

South Asia	4.2	3.9	4.9	5.1
Bangladesh	3.8	5.4	6.4	6.1
India	4.3	3.8	4.7	5.0
Pakistan	3.2	2.9	4.6	4.5
Sri Lanka	9.6	6.3	6.4	9.4

Source: World Economic Outlook, September 2004, IMF.
*= Projection

While on the subject of near & mid term prospects, focusing our attention to the present status of ongoing Doha Development Round Trade Negotiation (started in 2001) would be a rewarding one. The scope of Doha Round is given at **Table II.**

Table II : Scope of Doha trade negotiations

Agriculture: substantially improved market access; reduce all forms of export subsides, and substantially reduce trade-distorting domestic support.

Services: further liberalize all categories of services and modes of supply.

Industrial goods: further reduction of tariffs, including removal of tariff peaks-high tariffs, and tariff escalation, particularly in products of export interest to developing countries.

Antidumping measures and subsides: clarify and improve disciplines, while preserving the basic concepts, principles, and effectiveness of these agreements and their instruments and objectives.

Regional trade agreements: clarify and improve disciplines and procedures under existing WTO rules applying to regional trading agreements.

TRIPS: establish a multilateral system of notification and registration of geographical indications for wines and spirits. Protection of geographical indications of other products addressed under review of implementation of TRIPS agreement.

It is also useful to recall that the present world trade regime has been primarily shaped by the agreements crafted under Uruguay Round of Negotiations during 1986-94 in regard to 14 trade areas/sectors. An idea of the subjects covered and the level of participation of international community in different rounds is given at **Table III** for understanding the magnitude of ambition of UR negotiation.

Table III: The GATT/WTO trade rounds

Year	Place/name	Subjects covered	Number of countries
1947	Geneva	Tariffs	12
1949	Annecy	Tariffs	13
1951	Torquay	Tariffs	38
1956	Geneva	Tariffs	26
1960-61	Geneva (Dillon Round)	Tariffs	26
1964-67	Geneva (Kennedy	Tariffs and antidumping measures	62

	Round)		
1973-79	Geneva (Tokyo Round)	Tariffs, non-tariff measures "framework" agreements	102
1986-94	Geneva (Uruguay Round)	Tariffs, non-tariff measures, rules, services, intellectual property, dispute settlements, textiles, agriculture, creation of WTO	123
2002-2004	Doha	All goods and services, tariffs, non-tariff measures, antidumping and subsides, regional trade agreements, intellectual property, environment, dispute settlement, Singapore issues	144
Source: World Trade organization, 2001."Trading into the Future"			

The UR Agreements achieved deep tariff cuts and lowering of non-tariff barriers. It brought trade rules to areas previously excluded or under different set of more restrictive rules like MFA (for dothing sector) or subject to weaker rules. Now trade in garments, trade in services, trade related intellectual property rights (TRIP), dispute settlement procedures etc are covered by rules. The post URA regime (including the fully integrated garment trade since January 01, 2005) is accelerating the process of integration of buyers and sellers, procedures and consumers as also savers and investors. Thus a truly globalized world is being created at a fast rate. As a consequence, the smart and forward looking companies all over the world are now disregarding the national borders in the matter of making production, marketing and investment decisions in order to realize higher level of profits as also to survive in the fierce competition that has been ensued. All these also mean that the individual firms have to be more efficient and knowledgeable about all things relating to market. Having a proper access and a level playing field in others markets are thus omnipresent concerns of all companies – including the Bangladeshi ones. So we really need to articulate our views on all trade issues covered under Doha Round negotiation and brief our negotiators with facts and analyses so that they are able to secure our future interests.

CHAPTER III

Bangladesh has started the process of integrating with the global economy since the middle of 1980s. Prior to that period, the economy of Bangladesh was highly protected and inward looking which did not recognize that trade could serve as an engine of growth. The trade policies pursued in those days protected domestic industries in support of import-substitution strategies and discriminated against exports through export control and taxes, overvalued exchange rates and use of tariff and other control measures. However, a trade reform programme launched in 1985 set Bangladesh to a course of rationalization and reduction of tariff and other import taxes and gradual elimination of import prohibition and quantitative restrictions. In parallel, incentives were introduced to boost exports and diversify export base. It was in early 1990s that Bangladesh earnestly embarked on a liberal trade and investment policy path. However, that pace of trade liberalization decelerated from about 1995 when reduction of customs duties were offset by imposition of other types of protective import taxes. Nevertheless, the general thrust of the policy of private sector driven export-led growth was on and Bangladesh achieved an export growth rate of 13.58 percent during 1991-2001 period. Bangladesh export was US$ 1994 million in 1991-92 and it grew to US$ 6467 million in 2000-2001. In 2001-2002 Bangladesh unfortunately suffered a negative export growth. In that year the export value was US$ 5986.09 which was 7.44 percent less than that of previous year: 2000-2001.

Bangladesh export was able to recover from 2001-2002 debacle in the next year (2002-2003) when export rose to US$ 6548.48 million. In 2003-2004 Bangladesh has exported goods worth US$ 7602.99 million which was 16.10 percent higher than that of 2002-2003 (export value: US$ 6548.48 million). In 2004-2005, Bangladesh's export rose by 12.40 percent to US$8685.00 million. **(Table** IV).

Table IV

Comparative year wise export earnings during 1991-1992 to 2004-2005

		(Value in million dollar)	
FY	**Export earnings**	**(+) Increase (-) Decrease**	**Increase Decrease in %**
1991- 92	1993.92	+276.37	+16.09%
1992-93	2382.89	+388.97	+19.51%
1993-94	2533.90	+151.01	+6.34%
1994-95	3472.56	+938.66	+37.04%
1995-96	3882.42	+409.86	+11.80%
1996-97	4418.28	+535.86	+13.80%
1997-98	5161.20	+742.92	+16.81%
1998-99	5312.86	+151.66	+2.94%
1999-2000	5752.20	+439.34	+8.27%
2000-2001	6467.30	+715.10	+12.43%
2001-2002	5986.09	-481.21	-7.44%
2002-2003	6548.44	+562.35	+9.50%
2003-2004	7602.99	+ 1054.55	+16.10
2004-2005	8654.52	+1051.53	+13.83

The main products/commodities exported from Bangladesh during 1991-92 to 2004-2005 can be seen at Table: V. These products are as per H.S. Code serial (i) raw jute (ii) tea (iii) frozen food, (iv) agricultural products (v) jute goods (vi) leather (vii) readymade garments (viii) knitwear (ix) chemical products (x) paper (xi) handicrafts (xii) engineering products.

From the perusal of the figures at **Table V:** it can be discerned that there has been no significant change in the composition of the export basket over the last 14 years in their relative positions. Only a few items have made their debut in the export market over the last few years (not shown in the table). They are: (a) home textiles (b) shoes & foot wear (c) ceramic ware (d) bicycles (e) electronic items and (f) software.

TABLE – V

VALUE OF EXPORT BY MAJOR COMMODITIES

Commodity	91-92	92-93	93-94	94-95	95-96	96-97	97-98	98-99	99-00	2000-01	2001-02	2002-03	2003-04	2004-2005
a) Primary commodities														
1. Raw Jute	85	74	57	79	91	116	108	72	72	67	61	83	79.7	96.19
2. Tea	32	41	38	33	33	38	47	39	18	22	17	16	15.81	15.84
3. Frozen Food	131	165	211	306	314	321	294	274	344	363	276	322	390.25	420.74
4. Agriculture Product	10	15	15	13	22	29	39	22	18	18	23	25	41.11	82.47
5. Other primary commodities	10	19	26	21	16	22	14	15	17	14	13	17	26.49	33.05
Total Primary commodities (1-5)	**268**	**314**	**347**	**452**	**476**	**526**	**502**	**422**	**469**	**484**	**390**	**463**	**553.36**	**648.29**
b) Manufactures goods														
1. Jute	301	292	284	319	329	318	281	304	266	230	244	257	246.45	307.48
2. Leather	144	148	168	202	212	195	190	168	195	254	207	191	211.41	220.93
3. Naptha, furnace oil and bitumen	8	37	16	14	11	16	11	5	11	10	10	31	37.02	35.08
4. Readymade Garments	1064	1240	1292	1835	1949	2238	2843	2985	3083	3364	3125	3258	3538.07	3598.20
5. Knitwear	119	205	264	393	598	763	940	1035	1270	1496	1459	1654	2148.02	2819.47
6. Chemical Products	25	55	54	108	98	108	74	79	94	97	67	101	121.46	197.18
7. Paper and allied products	6	3	-	-	-					1				5.12
8. Handicrafts	9	5	7	6	6	6	6	8	5	7	6	6	4.2	85.02
9. Engineering products	9	18	4	10	13	16	20	11	8	3	1	13	81.54	737.75
10. Other mfg. products	41	66	98	134	191	241	305	307	351	521	477	575	655.3	
Total mfg. products (1-10)	**1726**	**2069**	**2187**	**3021**	**3407**	**3901**	**4670**	**4902**	**5283**	**5983**	**5596**	**6086**	**7043.47**	**8006.23**
Grand Total (a+b)	**1994**	**2383**	**2534**	**3473**	**3883**	**4427**	**5172**	**5324**	**5752**	**6467**	**5986**	**6549**	**7602.99**	**8654.52**
Annual change (%)	**16.1**	**19.5**	**6.3**	**37.1**	**11.8**	**14.0**	**16.8**	**2.9**	**8.03**	**12.43**	**-7.44**	**9.39**		**13.83**

Over the last decade and half, only one item: the RMG-readymade garments (woven & knit)- has been secularly strengthening its position as the lead item of export from Bangladesh. The RMG's share was about 75% of Bangladesh total export in 2004-2005. It was about 51% in 1991-92. The next two important items were frozen food and leather who together constituted about 7.5% of 2004-2005 export. Thus RMG, frozen food and leather are the three items which are about 85.50 percent of Bangladesh's export basket in that year. Their share in Bangladesh export was about 73% in 1991-92 when the share of frozen food and leather were relatively higher. Despite achievement of almost 450 percent increase in the annual export of Bangladesh during the last 14 years (US$ 1994 million in 1991-92 versus US$ 8685.00 million in 2004-2005), the combined dominance of RMG, frozen food and leather in the export basket continued to increase.

Efforts to introduce new item in the export baskets have not yet shown good results. These other items are : engineering products, bicycles, foot wears, home textile items, textile fabrics, agro-industry products, other manufacturing items and together they have earned US$ 820.22 or a little over 9 percent of the total export in 2004-2005. Thus it can be seen that the base of Bangladesh export remains slender. This has made market access an issue of vital concern for Bangladesh.

Now a few words about the export markets : The country- wise position of exports is given at **Table VI**.

(a) As is well known, USA is the top destination of Bangladesh products. She has taken in goods worth US$ 2412.05 million or 27.87 percent of total exports in 2004-2005. The items are : (i) frozen food (primarily shrimp): US$ 149.12 million (ii) woven garments : US$ 1623.41 million (iii) knitwear : US$ 402.68 million (iv) Hat/Cap: US$ 87.94 million (v) home textile : US$ 13.00 million. Of the total exports of woven garments from Bangladesh, the US market absorbed 45.12 percent, while for knitwear it is 14.28 percent and that of frozen shrimp : 40.79 percent. It is to be noted that export to USA in 2003-2004 was US$ 1971.50 which was about US$ 183.95 million or about 9 percent less than the total of 2002-2003 exports to USA of US$ 2155.45 million. Fortunately, this situation was reversed in 2004-2005. It however shows the vulnerability of Bangladesh if we are not careful. It now appears that Bangladesh has now secured a strong footing in the knitwear market (total size is US$ 180 billion) of USA and should be able to do much better than the present level of US$ 402.68 million.

Table VI:

COUNTRY WISE EXPORT EARNING DURING 1997-98 TO 2004-2005

(Value in million dollar)

Countries	1997-1998	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
U.S.A	1929.21	1968.46	2273.76	2500.42	2218.79	2155.45	1971.59	2412.05
Germany	510.93	625.13	658.71	789.88	681.44	820.72	1298.578	1353.80
UK	440.00	491.34	500.00	594.18	647.96	778.25	898.65	943.17
France	369.07	345.36	367.37	365.99	413.69	418.51	553.50	626.17
The Netherlands	236.08	251.61	282.77	327.96	283.36	277.95	290.47	291.94
Italy	270.47	270.01	248.28	295.73	262.31	258.99	316.28	369.18
Belgium	211.40	227.62	225.89	253.91	211.39	289.48	326.71	325.43
Spain	60.58	76.58	88.63	102.90	132.37	180.94	263.66	
Canada	106.84	104.91	110.63	125.66	109.85	170.26	280.69	
Hong Kong	87.39	79.19	92.98	101.76	98.44			
Japan	43.77	51.84	55.29	68.45	59.58	108.03	118.33	
Sweden	48.27	62.50	71.09	92.38	79.81			
Denmark	43.77	51.84	55.29	68.45	59.58			
India	65.64	59.72	64.86	63.40	50.19			144.19
Iran	35.43	36.67	37.25	37.98	37.97			122.41
Syria	12.17	18.82	3.40	22.73	29.62	22.71	7.23	
U.A.E	28.52	19.72	38.81	71.62	28.95	23.87	23.51	

Pakistan	44.67	38.10	32.16	32.69	28.60	31.53	45.11	63.12
Ireland	8.92	12.36	37.25	37.98	28.34	37.05	56.89	
Australia	35.76	35.61	39.59	26.20	26.41	36.71	30.70	
Others	504.10	444.55	425.84	447.84	460.89			
Total	5161.20	5312.86	5752.20	6467.30	5986.09	6548.44	7602.99	8654.52

(b) Germany is the second biggest (15.64 percent) export destination of Bangladesh for the year 2004-2005. She has taken in goods worth US$ 1353.80 million. The main items of export, there were : oven garments (US$ 620.55 million), knit wear (US$ 668.82 million) and frozen shrimps (US$ 17.61 million). The export of RMG (US$ 1287.37 million) in 2004-2005 has recorded a rise of 4.79 percent over the 2003-2004 export earnings of US$ 1230.38 million.

(c) UK is the third largest importer of Bangladeshi goods in 2004-2005. She has taken in goods worth US$ 947.17 million i.e. 10.90% of our total exports. The main items of exports are : (i) woven garments : US$ 357.88 million, (ii) Knit wear : 330.08 million, (iii) home textile : US$ 73.71 million, (iv) bicycle : US$ 24.51 million and (v) frozen shrimps : US$ 76.43 million. The RMG exports to UK in 2004-05 has recorded a rise of US$ 16.21 million i.e. 2.41 percent over the previous year.

(d) The 4th largest destination of Bangladesh products in 2004-2005 is France. She has imported goods worth US$ 626.17 million from Bangladesh in that year. The export of garments (woven & knit) was US$ 585.28 million against US$ 511.71 million in the previous year (i.e. a rise of over 14 percent).

(e) Belgium : In 2004-2005, Belgium had imported goods worth US$ 325.43 million from Bangladesh. The main items of exports there are : (i) knit wear : US$ 132.54 million (ii) woven garments : US$ 67.53 million, (iii) frozen shrimps : US$ 84.48 million and (iv) jute & twill : US$ 20.71 million.

(f) Italy : Italy is another big importer of Bangladeshi goods. Our export to that country in 2004-2005 was US$ 369.18 million. RMG again is the top item (knitwear : US$ 184.93 million and woven garments : US$ 113.84 million), leather is another important item of export to Italy (US$ 42.13 million).

(g) Netherlands imported goods valuing US$ 291.94 million in 2004-2005 from Bangladesh. The main items taken in were : knitwear (US$ 142.66 million) and woven garments andfrozen shrimps.

(h) Japan is another important market for Bangladesh : (US$ 122.41 million). Our main exports to that country in 2004-2005 were : (i) frozen shrimps (US$ 16.89 million) and leather (US$ 14.33 million).

(i) Our export to India (our largest import source) in 2004-2005 has been at US$ 144.19 million. The main items were : (i) chemical fertilizers (US$ 38.18 million) (ii) raw jute (US$ 24.19 million) and (iii) frozen fish : (US$ 11.04 million).
(j) China is our second largest import source. She had taken in goods worth US$ 57.81 million in 2004-2005. The important items were (i) raw jute (US$ 24.93 million), leather (US$ 8.75 million etc.

(k) Pakistan: Our export there in 2004-2005 was US$ 63.12 million Pakistan is an important export destination of our raw jute (US$ 30.99 million) and tea (US$ 10.75 million)

(l) Iran's total import from Bangladesh in 2004-2005 was US$ 49.73 million is a large importer of jute yarn (US$ 26.95 million) and hessian cloth (US$ 10.96 million).

The discussion above highlights the fact that Bangladesh is not only constrained by a narrow base of exports but also relies on a small number of markets. Bangladesh has not been able to achieve a more diversified, modern industrial and export base making her highly vulnerable to vagaries of market. The growth in exports achieved so far has been primarily a preference led affair riding on the back of (a) MFA quota and (b) GSP facilities. The quota facility allowed Bangladesh RMGs an assured share of market in US and an unrestricted access to EU markets (theoretically for unlimited quantity).The quota arrangement for others further helped Bangladesh in the EU by restraining the developing country competitors through an allocation of quantity while Bangladesh and other LDCs were given the opportunity to supply unlimited quantity. The availability of zero duty facility under GSP and later under EBA to Bangladesh goods-provided they meet the Rules of Origin criteria-has been an additional advantage in the EU market. However in the US market, RMG sector was not granted GSP facility to any country before 2000. Since then under AGOA, 33 sub-Saharan & Caribbean countries have been granted GSP type facility for garments, footwear, luggage. and other 1835 tariff lines. This facility on an average grants 15 percent price advantage to them over Bangladesh and other non-AGOA countries and who do not get GSP. And as such, Bangladesh can be said to be at a positive disadvantage in the US market.

Thus it can be seen that withdrawal of quota facility since January 01, 2005 has thrown up a big challenge to the only successful export sector of Bangladesh specially in the US market. The preliminary data had suggests that the impact of this new reality was going to be very tough on Bangladesh. During the first month of the quota free regime i.e. in January, 2005, Bangladesh had suffered a 21% decline in export to the US market. Later figures suggest however that the annualized result may not be that bad ultimately though the general perception remains that Bangladesh is going to be bruised badly in the both US and EU markets in the medium term. China and India would ultimately gain bigger shares of the US and EU markets at the expense of Bangladesh.

Bangladesh as such needs to work hard to protect her flanks. She has to diversify her product base as also to expand markets for her current items in other countries markets. For this, she needs to chalk out well thought out market development plans in respect of each item. Special thrust may be given for Indian and Chinese markets which are also our biggest and second biggest import sources. Even for our garments, China and even India could be profitable markets despite Chinese current swamping-spree of US and EU markets. The garment exporters of China have a different set of costings and enjoy a number of subsides whose full knowledge as of now is not available to outside world. But the garment items sold in the internal markets do not enjoy those facilities and are costlier then exported items. There are strong evidences that Bangladesh garment items would be competitive in the Chinese market. For this, we need to have good knowledge of that market–design preference, appropriate size (Chinese people are thinner & taller) and of market channels.

Similarly in Indian market our immediate thrust could be in the North Eastern Indian states. But the big prize would be in Indian heartland of north and south India. The market is by definition very big and there would be niche for our products. We need to explore these two markets in earnest and the government assistance in exploring these markets should be sought and be available.

Combined and co-ordinated efforts by industry and the government must also be made to expand the markets for the newer items referred to earlier - firstly in those markets where they have already acquired a footings. Bangladesh also needs to follow-up aggressively on her already modest achievement in pharmaceutical sectors. The tunnel of opportunity now available until 2016 (as a sequel of understanding arrived at the on-going Doha negotiation on TRIP issue – Pharmaceutical items) for LDC countries to produce even patented pharmaceutical items and export to each other. This special dispensation on patented items granted to LDC countries as per present assessment can only be availed meaningfully by Bangladesh only. As such it would be a good idea if Bangladesh entrepreneurs can seize this opportunity. The government may also try her best to lengthen the period of this dispensation by participating pro-actively in Doha negotiation.

We have also learnt that processed agricultural products have been a more dynamic component of international agricultural trade in recent years than the unprocessed and semi-processed goods. Bangladesh needs to cash on this trend as well.

Bangladesh must also try hard to identify top of the line high tech products which we should be able to produce by harnessing more carefully our present capability. Bio-tech products could be one such area. These sorts of products can assist Bangladesh to achieve a quantum leap in export earnings for Bangladesh.

Bangladesh has also to make efforts to expand her market access-primarily through preferential access facility acquired multi-laterally (via Doha Round of Negotiation) and or bilaterally. This needs high level of capacity building both for information gathering/analysis and for acquiring proper negotiating skills and experience.

CHAPTER IV

Bangladesh's present level of success in export expansion, as noted earlier, has been achieved primarily due to opportunities available under the twin global preferential arrangements of (i) MFA quota facility and (ii) the GSP facility. Fortunately for Bangladesh both these important initiatives in the international arena were launched (to assist the developing nations to enhance their market access into the developed country markets) at about the time she started her journey as a sovereign nation. Of these two, the MFA quota arrangements was specific to one sector : the readymade garments. The other facility GSP covered many items (including sometimes readymade garments) as in EU but not in US markets which were declared to be covered by the scheme.

The MFA quota facility which came into being in 1974 as a special trading arrangement and had controlled world trade regime in readymade garments till it ended on 2004. Under this regime, each importing country had the authority to establish on a bilateral basis an annual but renewable quota for import from each exporting country. An assured quota level acted like a great market access opportunity for the exporting country's companies. Bangladesh and other countries developed a RMG industry to service the assured market. In case of Bangladesh, the RMG industry has now over 4000 units employing 1.8 million workers (about 80 percent being women). Under the ATC (Agreement on Textile & Clothing) signed in 1994 as a part of the Uruguay Round Agreements package, the MFA had a ten year phasing out period. Since January 01, 2005, the world RMG trade is a quota-free one similar to all other commodities and a part of WTO liberal and open trade regime. Bangladesh had certainly benefited from the operation of quota arrangements : firstly to enter into the world garments market and secondly to become an important player. There would always be a debate that we could do still better. Now all this is history and since the quota facility is gone we need to look ahead to stay and prosper in this sector on our own strength. Since every arrangement gives rise to its specific group of beneficiary, getting out of that world and to chart path for a smooth change over to a new regime always creates a problem. It is not easy. (Further discussion of post-MFA scene for RMG has been made at Chapter VII).

The GSP (Generalized System of Preference) is the other global preferential arrangement granted by developed countries to the imports from the developing countries for specified period. (It was started in early seventies by the then EEC and other countries followed suit). And this type of facility is in still in operation. Under the GSP the developed countries individually applied lower than MFN rate of customs duty on specified goods originating from designated developing including LDCs countries while similar goods from the developed countries attracted the MFN rate. The margin of preference thus available to the LDC exporters could be considered as the commercial advantage for a LDC exporter. The GSP facilities have by now underwent a number of revisions in regard to the (i) coverage of the goods (iii) the time period i.e. upto which year the preference system under reference will remain in operation and (iii) the Rules of origin (ROO) i.e. the qualification establishing the origin of the preference enjoying items must possess. A list of current facility is given at **Annex-III**.

Most of the GSP scheme cover the garments and foot wear sectors – our two important items of export. However, the GSP facility offered by USA does not cover the RMG and the leather shoes. With the expiry of quota of the MFA regime, the RMG products of Bangladesh in the US market does not enjoy any preference rather the garment items attract very high level of MFN rate of tariff as is shown at **Table IX**. In the EU (the 25 country group) and in other important markets like Australia, Canada etc. Bangladesh

RMG products - infact all most all products of present and future interest of Bangladesh-enjoy duty free (EBA of EU) entry. All these facilities are available to Bangladesh due to her being a LDC. Most GSP facilities now provide an extra-facility to the LDCs in relation to preference granted to developing countries.

It can thus be discerned that the international community attached a certain degree of importance to improve and expand market access opportunities for the exporters of LDCs. In this context the adoption of United Nations Millennium Development Goal (No. 8) for achieving duty-free and quota –free market access into the developed country market can be recalled. All these measures helped the LDCs – as a group-to post an export growth rates of 8 and 13 percent in 2002 & 2003 respectively. In 2003, the LDCs accounted for 0.67 percent of the world exports. Despite this picture, it should however be noted that the relative global share of LDCs export has been dwindling despite all the useful measures of the international community. The factors for such poor showing are manifold and beyond the scope of this paper.

Despite the great need for all types of help to expand export, the LDCs are not utilizing the GSP facilities to its full potential. UNCTAD (2003) reports that the aggregate utilization of GSP schemes by LDCs in the Quad (Canada, EU, Japan & the US) countries varied from 36 percent to 96 percent. Many reasons have been identified as to why utilization rates vary across products for a given scheme. The most important reason is the differences in product eligibility criteria, such as rules of origin (UNCTAD 2003). These differences in criteria make it easier to produce eligible products in some countries while it may made it more difficult in other cases. Further, some countries offer schemes which discriminates across beneficiaries even if they meet the criteria for LDC status. Two examples of such schemes are: the US's African Growth and Opportunity Act (AGOA) and the EU's Everything But Arms (EBA) initiatives. Both schemes discriminates among beneficiary LDCs. AGOA offers special market access benefits to a group of sub-Saharan African countries as its name suggest but not the countries like Bangladesh. This form of discrimination is different from that which is applied by the EU. EU offers the same level of access to all LDCs, as measured by the preferential duty, but applies different rules governing how products are eligible for that access. Thus there is discrimination on the basis of eligible products through not on the basis of eligible exporting country. The EU's EBA programme is an amendment of the GSP scheme and it is available to all LDCs. However, LDCs that meet the EU eligibility criteria for the Cotonou agreement, which applied to countries from the ACP regime, and eligible to export under any one of the schemes. Non ACP –LDC countries can export only under the GSP and the present EBA scheme. Both schemes provide essentially duty-free quota-free access into EU, however rules governing the access differ. Therefore it is not surprising that utilization rates differ across beneficiaries despite the same preferential duty rate and preferential margin. Data shows that the utilization rate for textiles and RMG into the EU for ACP-LDC countries is approximately 95 percent whereas for non ACP-LDC countries it is approximately 50 percent.

Now coming to our important concern for prospects of Bangladesh RMG's in the preference giving regions/markets, it is comforting to note that GSP facility is available in EU, Canada, Australia and Japan. But the eligibility for GSP facility is contingent upon compliance of stringent Rules of Origin criteria. Bangladesh had been unable to comply with the EU rules of origin for GSP in many cases. So the main challenge in the EU for Bangladesh RMG industry would be our ability to comply with the ROO so as to avail the zero duty facility by our garment industry. To access the EU market through entry under GSP (by complying with ROO) would enable them not only to survive but also to prosper further because of the preference margin presently available (12-18 percent). Bangladesh has also the advantage of having better penetration in the EU market achieved through the quota-free unrestricted entry over the years alongside the benefit of having the quota restriction imposed upon her competitors. We should be able to strengthen our competitive position over the next few years by which time the lowered MFN rate & GSP normal rate erodes the margin enjoyed by us. Further we should be looking for export of others items to EU under zero-duty facility. Unfortunately because of our pre-occupation with RMG sector, we have almost overlooked all these years the opportunity provided to other items (except probably bicycle) covered by zero duty under GSP and where ROO requirements are less restrictive. It may be recalled that GSP utilization rate of our garments sector-which was between one fifth to one third until 1999-increased significantly in later years as the rules of origin was relaxed in respect of the knit fabric allowing use of imported yarn in knitwear to qualify for GSP benefit.

Coming back to the issue of margin of preferences for other items , it is important to take note that the margin of preferences (as per WTO, 2004) in the EU ranges from (i) 12.0 percent for prepared fruits and vegetables, (ii) 11.8 percent for footwear and (iii) 10.8 percent for tobacco. For a number of items, the margin is however less than 5 percent.

EU presently is planning to offer the LDCs a better deal in the 25 member-states market by way of relaxing rules for GSP. EU has initiated the process of deciding on the threshold requirement and rationalization of Rules of Origin (ROO). On March 17, 2005, EU has declared that henceforth the GSP facility would be granted to a product on the basis of the level of the level of value addition only. No decision has yet been made on the level of value addition required. The decision on percentage of value addition would impact different sectors differently depending on the nature of that sector's structure in a beneficiary country. In Bangladesh we are already noticing a divergence of interest between the textile sector and the woven garment sector with the knitwear sector caught in between. EU authorities are collecting information from Bangladesh and other beneficiary LDC countries to arrive at a decision on the percentage of value addition to be required for accessing GSP facility. EU is also reviewing the threshold criteria. Existing threshold level for availing of duty free access is 12.5 percent of the market share of a country. Bangladesh's current share market of EU import market is 3.6 percent. China's share is 33.1 percent while that of India is 11.5 percent. China does not enjoy GSP facility in the EU while India does. Rationalizing the threshold at 10 percent level may assist most LDC and other developing countries by way reducing competition between a GSP rate paying developing country and the zero-duty facility (under EBA) enjoying LDCs.

<u>Given below are some highlights of recent initiatives on preference schemes</u>

EU's EBA : With the enlargement of EU from a grouping of 15 countries to that of 25 countries with effect from May 01, 2004, LDCs exports now enjoy duty-free and quota-free access under EBA to all these 25 countries. EBA has no expiry date.

EU is also working now to streamline as also making them more LDC friendly Rules of Origin and for applying uniform criteria by all the EU countries for similar products.

US GSP Scheme : AGOA has now been extended to be operational till 2015 (from the previous provision until 2008).

Under AGOA, garments from the beneficiary countries enjoy duty free country while Bangladeshi garment products attract normal MFN rate which is very high.

Canada has extended the General Preferential Tariff (GPT) and Least Developed Country Tariff (LDCT) until 2014.

It should however be noted that the issue of erosion of non-reciprocal preference has assumed great prominence in the on-going Doha Negotiation. All LDCs (including Bangladesh) are concerned that further multilateral lowering of tariff level will erode the preferential margin now enjoyed in a number of markets. Several proposals have been put forward to address the issue of preference erosion, including ways of retention of preference margins, or for measures to delay in introduction of the process of erosion of preferences and even granting of compensation of payments to preference beneficiary countries.

We have to note, however, unpalatable it is, that non-reciprocal preferences are inconsistent with MFN. As such it is bound to come to an end in no distant future. Bangladesh needs to start formulating a strategy to handle this problem now on the premise that complete withdrawal of preference is a matter of time and will come about in probably in a decade's time. We need not and should not get caught unprepared for this eventuality like our half-preparation for facing MFA phase–out process. We did not properly use ten years we got for preparing ourselves for the MFA phase-out.

The upshot of the discussion above is that we have to be properly knowledgeable about the GSP & GSP type schemes and shall have the ability to persuade the donor countries to make them understand and appreciate the genuine impediments faced by us in accessing the facility which is expressly granted by them in the name of alleviating the difficulties of LDC countries. For this we need to take the following actions :

(a) We, the LDCs left out by the AGOA process, have to forcefully bring to the attention of USA the need to have GSP type of preference i.e. zero-duty rate for our RMGs & footwear in the US without any staging and with rules of origin based on clear-cut and objective principles.

(b) We should also be able bring to attention of the GSP granting countries specially the EU the imperative of bringing the Rules of Origin (ROO) criteria to a realistic level by taking into consideration the structure of production in our LDC countries so that we can enjoy EBA facility. This is the key for attaining a higher level of GSP utilization for the beneficiary countries (more on the ROO in the next chapter).

(c) On the basis of currently announced validity period of the GSP and GSP types of facilities, we should start preparing our industries to acquire capability to become competitive by the given time. We must not be caught unprepared. We should come to believe that the preference can not and would not last forever and our longer term perspective should be to contemplate a world without preference.

(d) There is need of being thoroughly aware of the applicable safeguards measures allowed under WTO to be able to urge upon the authorities of the concerned markets to take allowed remedial measures when a surge of imports from a particular source badly hits that country as well as the exporters of these products from other competing countries. The present situation of Chinese clothing industry flooding the European and the US markets since the lifting of MFA quota system on January 01, 2005 while sweeping the local manufacturers are also doing the same thing to the traditional suppliers like Bangladesh, Cambodia, Vietnam etc. is a case in point. Full knowledge of safeguard provisions would allow us to persuade the affected markets to take required measures to avoid injuries to their industry while at the same time may indirectly be softening the blow on our industry's competitiveness in that market.

CHAPTER-V

We have already noted that preferential rate of duty applicable to LDCs products played a great role in enhancing the export capabilities of Bangladesh. We have also noted that two difficulties which Bangladesh and other LDCs face in regard to operation of GSP or GSP variant schemes. These two shortcomings are : (i) Rules of Origin (ROO) imposed impediments and (ii) the erosion of the preference margin which occurs as the MFN rates get lowered in the donor countries.

Further it is to be noted that many LDC products are in disadvantaged situation in many GSP granting countries which have not included them in the GSP list as can be seen from **Table VII.**

Table : VII Exception to Duty Free & Quota Free Market Access offered to LDCs

Country	Exceptions
Australia	None.
Canada EU	Dairy, eggs and poultry. Bananas, sugar and rice (phased out by 2009). Arms and munitions.
Iceland	Positive duties remain in the following agricultural HS chapters: 04, 15, 18, 19, 21 and 22. Positive duties remain in the following non-agricultural HS sub-headings: 3502 and 3823, and all of HS 16 with the exception of sub-headings 1603 to 1605.
Japan	Positive duties remain in all agricultural chapters except HS chapters 05 and 06. All non-agricultural chapters are duty-free with the exception of the following HS chapters: 03, 16, 25, 27, 29, 35, 42, 43, 44, 50, 64, 72, 75, 76, 90 and 91.
New Zealand	None.
Norway	Arms and munitions. Flour, grains and feeding stuffs.
Switzerland United States	Positive duties remain in all agricultural HS chapters with the exception of: 09, 17 to 22, and 24. Non-agricultural HS chapters are duty-free with the exception of HS chapters 35 and 38. Textiles and apparel (except those allowed under AGOA).

Australia is the only country which has been most generous in respect of coverage of items. Across the board, GSP coverage for all items originating in the LDC countries as has been done by Australia (on the basis of objective ROO criteria) would have been a great help to the LDCs exports.

In addition to the above noted impediments, export from Bangladesh and other LDCs face a number of other challenges. These impediments are : tariff peaks (tariffs at over 15 percent) tariff rate quota, and tariff escalation (tariffs rising with the degree of processing), contingent protection, standards, sanitary barriers etc. The measures like tariff peak hit hard Bangladeshi export goods when our exporters are not able to avail of GSP facility due to ROO difficulties or not granted GSP facility (as in the US for garments & shoes) compelling Bangladeshi products to pay duties at that rates. It needs to be known that protectionism against our goods in many developed country markets appear in many guises and the applied tariff rate is much higher than is revealed by the customary reference to average MFN (most favoured nation) tariff.

The average tariff does not capture the impact of tariff peaks and escalation that contribute to the uncertainty of market access and therefore impedes export expansion. Then there is the system of tariff rate quota where tariffs are higher for goods above a specific quantity of that goods. Tariff rate quotas were established under the Uruguay Round Agreements and were originally intended to ensure minimum level of market access for designated sensitive products. However, it is now being used differently. **Annex IV** presents the combined advalorem tariff equivalents (AVE) – import tariffs as a percentage of the value or price of imported products facing various protectionist measures from the perspectives of exporting countries including Bangladesh. The table brings out that US and Japanese protection level is the highest on the LDC agricultural exportable-while Canadian & EU barriers hit hard low income developing countries manufacturer.

Despite quite lower average industrial tariff (between 6-14 percent) in the Quad Countries i.e. US, Canada, EU and Japan, textiles and readymade garments, food products (including fruits and vegetables) and footwear are subject to tariff peaks. US tariff on import of readymade garments and shoes average 11 percent but can go as high as 48 percent while for automobile it is less than 3 percent. An idea of the magnitude of tariff difference can be had for **Table VIII**.

Table : VIII

Comparative picture of Tariff revenue collected in the US on shoes & automobiles

Item	Value of Import (in Billion US Dollar)	Tariff Revenue Earned (in Billion US Dollar)
Automobiles	110	1.60
Shoes	15	1.63
Source: US ITC, 2001		

Besides, tariff rates vary quite significantly in respect of readymade garments on the basis of fabric used therein. Thus US tariff on silk shirt is only 1.9 percent while it is 20 percent on cotton shirt and 32.5 percent on synthetic fibre shirt. So French & Italian make silk shirt is at a great advantage over Bangladesh make cotton or cotton-mix shirts **(Table IX)**

Table : IX

US Tariff Rates on RMGs

Fabric	Knitted Shirt	Suits
Silk	1.9	1.9
Wool	14.3	12.0
Cotton	20.0	11.3
Synthetic	32.5	29.0
Source: International Trade Commission 2002		

Tariff escalation: Tariff escalation is another pattern of protection widely used in the US, Canada, EU & Japan. It is designed to protect a processing or manufacturing industry in the importing country which sets low tariff on the primarily commodity used by its industry and higher tariff on imported finished products. In this regard, mention may be made of cocoa from which chocolate are made. Fish is another important item which faces tariff escalation in many countries. For a base rate of 11.7 percent for live fish to

30 percent for fish fillets. Even in India MFN rate on live fish is 15 percent but that triples to 45 percent for prepared and preserved fish. Under SAARC's SAPTA, Bangladesh is entitled to enjoy a 50 percent reduction on the applied rate.

Contingent Protection: Contingent Protection is another type of protection measures which can be imposed under WTO rules if certain circumstances are meet. The examples can be include anti-dumping or counterveiling duties (to offset subsides) and safeguard measures: This includes trade remedies to counter unfair trade practices or manage certain surges in import. Bangladesh had faced one anti-dumping case initiated by India in respect of Lead Acid Batteries. China was about to face safeguard related measures in EU & US for the surge of Chinese garments which occurred in that countries since January 2005. Imposition of these measures or even mere possibility of them create a great deal of uncertainty for export as well as potential investors in export sector. They also discourage exporter from passing on their efficiency gains to the consumers.

Standards : Standards & regulations play an important role in trade by ensuring the quality, safety and technical compatibility of products and production process. But they may at times be more stringent than is appropriate and abused by those seeking to raise the costs of potential competitors. High increases in the prosperity to use this measure by different countries is being noticed lately. It has been estimated that 50 percent of potential exports of fresh and processed fish, meat, fruits and vegetables to EU from LDCs & low income countries were unable to meet sanitary and phytosanitary requirements during 1997-2003(OECD 2001). In fact, these measures now viewed by prospective exporters as more insurmountable barriers then tariffs and other barriers. The WTO Agreement on Technical Barriers to Trade and Agreement on the Application of Sanitary & Phytosanitary measures have been intended to strengthen international rules governing product standards to minimize their abuse. But they entail substantial costs and also it is a kind of on-going race. Notification are continued to be made by high income countries to WTO intimating their intention of raising/setting up new standards.

EU had once raised in the recent past certain new objections in regard to shrimp exports from Bangladesh asking for introduction of integrated system of hygienic production, storage and packaging conditions. That requirement of higher standard of phytosanitary requirement caused a great disruption to our frozen food industry from which many companies have not yet recovered. We need to keep ourselves abreast of the developments in this regard never to be caught off-guard or where possible resist unnecessary raising of standard. We have however to remember that upgrading the standards would help to build up our image in the importing market and help us to export more there. We can benefit from raising our phyto-sanitary standard on our own as having the comparative advantage Bangladesh has the potential of becoming a big exporter of horticultural and different types of frozen food items in near future.

Then there are the NTBs which we are facing as we explore markets for our products. We have to be knowledgeable to defend our exports in the markets against these types of barriers. Given at next page **(Table-X)** is an Inventory of Non-Tariff Measures identified for resolution in Doha Negotiation on Market Access.

Table -X

Description of Some Trade Restricted Practices
Government aids Countervailing duties Government procurement Restrictive practices tolerated by government State trading, government monopoly practices, etc. *Customs and Administrative Entry Procedures* Anti-dumping duties Valuation Customs classification Consular formalities and documentation Samples Rules of Origin Customs formalities
Technical Barriers to Trade General Technical regulations and standards Testing and certification arrangements
Specific Limitations Quantitative restrictions and import licensing Embargoes and other restrictions of similar effect Screen-time quota and other mixing regulations Exchange control Discrimination resulting from bilateral agreements Discriminatory sourcing Export restraints Measures to regulate domestic prices Tariff quotas Export taxes Requirements concerning marking, labeling and packaging Others *Charges on Import* Prior Import deposits Surcharges, port taxes, statistical taxes, etc. Discriminatory film taxes, use taxes, etc. Discriminatory credit restrictions Border tax adjustments Emergency action

Source : CPD Report, 2003

Each export sector can prepare their data base on impediments faced by that sector in individual markets on the basis of above check list. Bangladesh government can take up the matter of NTB with individual countries and as a last resort to WTO to resolve these irritating issues.

CHAPTER-VI

For creating a Bangladesh free from poverty, the primary need is to create the right condition that grants an investor - let us say a firm buying a new machine etc.-the possibility of securing an adequate return. In our country and in many others, such conditions are not really present. Establishing those conditions is the task of economic policy - one of whose important component is the trade policy. The linkage between trade policy, growth and reduction of poverty have been addressed recently and brought out succinctly in several papers (World Bank, McCulloch, Winters and Cierco, 1990). There are convincing arguments that trade may facilitate international diffusion of knowledge, thereby speeding up growth of the economies of developing and LDC countries. Nevertheless, trade liberalization and reform can not work and have never worked properly as stand-alone policies or measures. They need the presence of other supportive policies to secure full benefits flowing from the process of trade reform and liberalization policies. The conscious efforts of the Bangladesh governments over the years have been to improve and fine-tune the economic policy regime to make our products competitive in both the world and domestic market. We are also aware that she has moved considerably away from state-bureaucratic controls and centrally planned industrialization policy towards the path of market-driven export-led growth policy.

As a part of this strategy, Bangladesh has been implementing since 1985 trade policy reforms for gradually moving towards greater trade openness and global economic integration. In the 1990s Bangladesh continued the process of integration with the global economy at a fast pace. Bangladesh also participated in the Uruguay Round of Negotiations demanding needed concessions and derogations in respect of market access for facilitating growth of her economy. Concessions sought in the URA for herself and for all LDC countries were (i) lower level of commitments, in regard to tariff reduction, (ii) longer implementation schedule for meeting the obligation under different UR Agreements and (iii) seeking of promises of supportive measures. Despite the improvements of market access position of Bangladesh under UR - three important impediments/ issues remained for her which are currently being raised under the on-going Doha Round of Negotiations. They are : (a) erosion of preferential margins-available under different GSP and GSP variant schemes caused by general lowering of MFN rate of tariffs, (b) stringent ROO (Rules of Origin). The ROO as presently formulated meant that often Bangladesh and other LDCs are not able to comply-with the ROO requirements and as such unable to take full advantage of the GSP/GSP type facilities because of her viability. Thus far little tangible progress has been achieved with respect to the demand to make the ROO more flexible though EU is now busy crafting a new set of ROO to accommodate some of the concerns of LDCs like ours. Besides, (c) Bangladesh and other LDCs are finding it difficult to address the emerging NTBs in the global market. These three impediments are in addition to the very important one : very high tariffs on ready-made garments and shoes – the two important items of export interest of Bangladesh. Reference has been made to all these issues in the earlier chapter.

However, Bangladesh's : economic prospect would have improved further if there was some sort of coherence of economic & special trade policies pursued by her neighbours like : India, Pakistan, China facilitating her access to those markets. Lessons drawn from the policies pursued by these countries can also help us to feel vindicated about the soundness of our policy regime. Let us take a look at the Indian and Pakistani policy regimes.

India : After persuing the system of planned and centralized economy for decade she started to follow the liberalizing course of greater trade openness and global economic integration since early nineties. The process has got further momentum with the removal of QRs (quantitative restriction) on imports in 1997 effectively opening the economy to foreign goods. The liberalizing process got a big boost in 2002 and 2003 when large cuts in industrial tariff occurred. Indian tariff level as of 2004 is 30 percent (as opposed to Bangladesh's 29 percent) with seven scales of duty. But in India, specific tariffs now account for over 5 percent of total tariff lines and there are 17 customs duty rates in excess of the normal maximum of 30 percent. There are also a number of exemptions and partial exemptions from the tariff reduction facility. However, one striking feature of Indian tariff scene which remain even today is the very high level of tariff on agriculture products (including on those products which are exported: like tea).

Until recently India had a very comprehensive import licensing system i.e. a de facto import bar applied to all consumer goods, textile fabrics and agricultural products. India finally started repealing this licensing bar in 2001. Since 2004 India has abolished licensing requirement for import of most of the items creating further opportunities for countries like ours. India however still has active State Trading Enterprises (STEs) in rice & wheat and of course in the petroleum sectors. Their importance and clout are however diminishing.

In India, there is presently no across –the board subsides. But there is the system of adhoc-direct subsides and a large variety of indirect export subsidies. Since 2001, India has been subsiding export of excess stock of rice and wheat.

Simultaneously India also moved towards putting in place a more market based exchange rate regime. She now maintains a floating exchange rate. Floating or flexibly managed exchange rate system has also been an important support for the trade liberalization process by offsetting the effects of QR removal and tariff cuts on import competitive domestic industries and by increasing the domestic currency prices received by export industries. The current level of exchange rate is also helpful to exporters and we in Bangladesh see the effect of this as our market gets flooded with Indian products.

All these openness in the Indian market has been accompanied by a strengthening Bureau of Indian Standard. Bureau of Indian Standards is changed with maintenance of standard and safety of products. Through its works it has emerged as a new impediment. New rules on standards introduced in 2000 are causing serious difficulties to export, from Bangladesh for increasing the time and money wise cost for following the laid down procedures and in some cases discriminatory procedures have been put in play to get its approval for getting approval for introducing Bangladeshi products into Indian market. Under the SPS and TBT Agreements of the WTO these rules are not supposed not to discriminate between local and imported products. This is not the situation in India. Another NTB barrier in India that causes great problem is the system under which a few specified products can only be cleared at designated ports only.

India is an active user of WTO-legitimate Anti-Dumping measures. The most targeted country is China followed by EU, USA, Japan etc. But it was also applied to Bangladeshi products. However, it is not realized that the extra protection currently given to Indian industries by Indian AD Measures is increasing the already considerable vulnerability of Indian manufacturing industries in other countries.

All said and done, India like Bangladesh has embraced trade liberalization policy and the related reforms are in progress. The Indian conversion to open trade policy has been facilitated by her recognition that export led growth is possible and feasible for a country of her size when the same was possible for China. India only in the last week of April, 2005 unveiled a set of new measures to further simplify procedures and regulations to raise the level level of exports of agricultural goods. She also plans to increase her exports to US$ 92 billion by 2006 (Indian export was expected to be US$ 80 billion in this year–a rise over 24 percent over last year). India is also continuing for the time-being the popular Duty Entitlement Passbook Scheme (DEPB) under which exporters are given credit which can be used to import inputs till a replacement scheme is finalized. The DEPB was to be phased out by March, 2005 to comply with WTO rules.

However, India is under pressure from WTO & IMF to further free her economy pointing out that considerable scope remains for liberalization of trade regime by reduction of both tariff and non-tariff levels which needs to go down soon to at least to the South East Asian level as per India's commitment made to ASEAN. All these auger well for prospects of Bangladesh exports to India – a very large market holding great possibilities for us.

Bangladesh should always be on the lookout for business opportunities in India. Our businessmen should also point out any WTO incompatible measures taken by India like the one recently aired by BKMEA. It has recently been revealed by BKMEA that India is providing 15 percent cash incentive to her knitwear sector. Jeopardizing the prospects of Bangladesh exporters such factual position in respect of WTO incompatible measures of India needs to be aggressively brought out for securing a level field in India which has the potential of a great market for Bangladesh.

Pakistan : The economy of Pakistan had grown at around 6 percent per annum during the 1960s to 1980s. However, the economic growth slowed down to 4.6 percent in the 1990s. The economic growth was as low as 1.2 percent in 1997/98 and thereafter slightly improved to 3.3 percent in 2000/01. Pakistan was also suffering from double digit inflation during the 1990s. In the early 1990s, inflation was over 12 percent, which declined to 5.6 percent in 2000/01. The gross national investment fell considerably during the 1990s from over 19 percent in 1990/91 to 15.9 percent in 2000/01. These changes adversely affected production activities and the export sector. The export growth fell from 19 percent in 1990/91 to 9 percent in 2000/01.

All these unfavorable economic factors led to decline in per capita income from US$ 509 in 1994/95 to US$ 427 in 2000/01.

To get out of this situation, Pakistan initiated a program of economic reforms in the 1980s, which was further strengthened in the 1990s. Under WTO commitments, tariff rates were rationalized; state-owned production units were privatized, deregulated and denationalized. State trading had been one of the salient market features in Pakistan. Public sector had full control of nationalized banks as well as heavy industry. Rice Export Corporation (REC) was involved in sole procurement of rice and its export. Similarly, Cotton Export Corporation (CFC) was involved in cotton procurement, storage and export. Trading Corporation of Pakistan (TCP), a sector organization was heavily involved in import and export of commodities. With the introduction of economic reforms, the activities and institutions were privatized. Public sector was only providing about 1 percent of the manufacturing output by the year 2000.

Pakistan used to have a high level of tariff and non-tariff barriers. Tariff rates have been significantly curtailed since 2001 and quota and other protective walls were removed. Pakistan also bound itself into 108 commitments (out of 620) pertaining to General Agreement on Trade in Services (GATs). It includes financial services, insurance and telecommunications. Pakistan also bound its agriculture sector and about 81 percent of

Pakistan's agricultural imports tariff (HS Chapters 1-24) are bound. For industrial products (HS Chapters 25-97), Pakistan has band 25 percent of its tariff ceiling, which now ranges from 40 percent to 50 percent. These rates have come down to 25 percent in 2002/03.

The tariff slabs have been reduced to four. These are 10 percent, 15 percent, 20 percent and 25 percent now. The widely applied slabs are 10 percent and 15 percent. Thus, not only were the tariff rates substantially reduced but they were also massive simplified.

However, there remains a high tariff wall for the automobile sector, particularly for motor vehicles like cars and scooters, etc..

Pakistan has granted very limited preferences to its trade partners. However, for Iran and Turkey (ECO-members) and for SAARC Preferential Trade Area (SAPTA), Pakistan allowed tariff between 10 percent and 35 percent for 677 products.

The Pakistan Standards and Quality Control Authority (PSQCA) develops and adopts standards. It also provides testing facilities for this purpose. Another agency, Pakistan Environment Protection Agency (PEPA), develops, implements and monitors environment related matters. There are about 4621 national standards for food, agriculture and chemicals. They have also been extended to electronics, engineering and textile products etc. Pakistan in utilizing international standards like ISO, IEC and OIML.

Pakistan has revised its SPS rules in the light of SPS-WTO agreement. The Ministry of Agriculture and Livestock takes measures in the areas of food, animals and agricultural produce. The Animal Quarantine Department provides certification to exporters and importers of animals and related products.

In terms of exports subsidy, Pakistan has been practicing concessions like income tax rebates, confessional export finance etc. In the field of productions, small and medium enterprise organizations are provided concessionary financing for production and business.

Despite Pakistan's accelerated program of liberalization of the economy since the 1990s., the share of trade as a percentage of GDP has decreased over time. Total exports and imports which constituted 27 percent of GDP in 1973/74 grew to 33 percent in 1997/98. However, they fell to around 29 percent in 1999/00. Thus, liberalization has not led to expansion in trade for Pakistan. But the current account deficit, as percentage of GDP, which was 4.8 percent in 1990/91 but it decreased to around 1 percent in 2000/01. The economy as a whole is going at around 6 percent a year.

Pakistan's Trade with SAARC

Pakistan does not have significant trade with SAARC. Its exports are greater than imports from SAARC. Within SAARC, Pakistan mainly has trade relations with India, Bangladesh and Sri Lanka. But Bangladesh has god opportunities now in Pakistan as her econmy growing fast and now that SAFTA is coming to life in January, 2006.

CHAPTER-VII

As expected January 01, 2005 has seen the start of a new trade and market-operating environment in regard to Bangladesh's main item of export – RMG readymade garments (which constituted about 75% of total export). On that day the 31 year old RMG quota regime stood abolished and free trade regime started operating. Though the government and the exporter got a ten years notice period since the signing of the ATC (Agreement on Textile & Clothing) in 1994 about the things to come, clearly not enough preparatory work was unfortunately in place for facing the challenge of the quota-free global market by our readymade garments sector. We were lulled into a kind of quiet satisfaction by the ever bigger export earning which were flowing in regularly over the last few years from this sector. The BGMEA (Bangladesh Garments Manufacturer, Exporters Association) did exhorted the government to take action like creation of a large fund for (a) developing a strong backward linkage industries, (b) improving the operation of the Chittagong port (c) establishment of central Bonded Warehouse etc. Despite periodic government assurances, no significant material change in the situation occurred.

Now a kind of moment of truth has arrived in bold relief to all. Concerned quarters are all up in arms when a 21 percent drop in garment export occurred in January, 2005 signalling a loss in business to rival China and the apprehension that hundreds of factories may soon close. The nosedive in exports was in line with the forecasts made by World Bank and the International Monetary Fund (IMF) which predicted that countries like Bangladesh would lose out in the post MFA regime to China with its vast economies of scale.

However, the scare call got a little muted as the figures for January-March, 2005 RMG exports come in Bangladesh exported 1.75 million dozens of woven shirt to US in January – March, 2005 against 1.37 million dozen exported during the same period (i.e. Jan-March, 04), Bangladesh also exported 2.4 million dozen trousers against 1.37 million dozens in the same period last year. But these improved figures were no comfort for Bangladesh as China's clothing export during January-March, 2005 rose 28.1 percent on a year-on-year basis to US$ 9.34 billion. Textile exports from China in the same period increased by 34.6 percent to US$ 5.26 billion. It is estimated that Chinese export to US market in these two items has increased by almost 80 percent over the Jan-Feb, 2004 figures. Another feature of Chinese export surge in the US market is that her exports have risen significantly in higher value added items like jackets, overcoats etc. Together they constituted about 35 percent of the value of readymade garment items exported as opposed to the general pattern of 90 percent of Chinese export items to USA being low-value shirts/trousers etc. in even 2004. US import of readymade garments and textiles rose by 15 and 14 percents respectively in January-February, 2005 over the same period in 2004. This means that Chinese surge in US market was associated with sharp slowdown of imports from non-Chinese sources.

The position in regard to Chinese export surge to EU is also an alarming news though the extent is still not properly known as longer time is needed to collect information from all 25 member countries. As of first week of April, 2005, figures collected from 20 EU member countries learnt to have provided "a mixed picture" but by April 27, 2005, it has been estimated that Chinese textile exports to EU markets have soared in same cases, five fold since January 01, 2005 compared figures of last year. EU's executive body expects to get actual facets and figures of first quarter of 2005 by June, 2005. But the concern about deluge of Chinese export in EU is widespread in different. EU countries like : Sweden, France and the Netherlands have called to take up safeguard measure to counter the influx of Chinese goods in there.

It has also been learnt that the Chinese export surge is also causing cuts in the market share of Cambodia, Nepal and Pakistan though India, Philippines and Vietnam are doing reasonably better due to their better competitive ability in both US & EU markets.

Fortunately for Bangladesh, the Chinese export surge in both US & EU markets have caused problems for the domestic industries in both the countries and demands have been voiced by the US garment industry NTA (The National Textile Association) to curb import of 14 types of garments from China. In fact, NTA had urged to re-impose quota upon China as extreme disruption has been caused to the American Textiles industry by an unpredicted flood of imports from China. In response, the US government was about to launch an investigation as a first necessary step (under the relevant WTO rules) for imposing restriction on Chinese goods. EU was also about to follow suit. The EU's executive arm has also unveiled "alert levels" for different garment categories on which it would have considered limiting Chinese readymade garment imports as soon as relevant figures were collected. Ultimately, both US & EU decided against taking formal steps against Chinese RMG goods entry into the country and were able to come to an understanding with China who promised.to limit growth of her exports to these markets at prescribed rate (8%- 10%) during 2006-2007 period.

The measures now agreed between China and the US & EU authorities came as music to Bangladesh garments exporters. "Such measures will be great relief for Bangladesh apparel exporters" said BGMEA President Anisul Huq.

While these short term breathing time is useful, our attention need to be focused on well known course of actions. They are :

(i) Securing duty free access of RMGs in the US market in line with AGOA type of facility granted to 33 African & Caribbean LDC countries
(ii) More emphasis on knitwear : Rules of Origin requirement has been relaxed for knitwear readymade garments and local value addition is high in knitwear export to EU. It has put Bangladesh on a better standing against the competitors.
(iii) Development of backward linkages : Development of backward linkage industry would cut lead time by timely delivery of raw materials for readymade garments. More importantly use of locally produced fabrics (and yarn) will increase local value addition that would help to qualify for GSP facilities.
(iv) Diversification of products and markets with more focus on agro-based industry - the fastest growing export sector in the world.

Indeed Bangladesh is actively pursuing the proposal of duty free access of RMG in the market through a bill submitted in the US Congress for its approval. The bill called "Trade Relief Assistance for Developing Countries calls for duty free access of Bangladesh and 13 other LDCs not covered in the AGOA. The bills passage will be a milestone for the steady growth prospect of Bangladesh RMG.

CONCLUDING REMARKS

CHAPTER VIII

In the previous pages, we have conducted an assessment of present environment of export scene and the current status of export performance of Bangladesh. We have noted the slender base of Bangladesh export basket and the present quite difficult situation the most important item of that basket, namely: RMG is now facing in the US and EU markets due to discontinuation of quota arrangement. The gradual erosion of preference margin of our products we are facing or would be facing in GSP granting countries is another big challenge for our products to stay competitive in those markets. The unhelpful criteria of the present Rules of Origin (ROs) in constraining our export capability in the GSP granting countries is also becoming clearer to our producers of goods, the policy makers and negotiators. We have also taken note of the fact that market access gets enhanced for a product when it is quality-wise, price-wise and delivery-schedule wise competitive in relation to similar products from other countries. These three crucial attributes of a successful market-savvy product can occur when the national macro-economic indicators are in order alongside the business-friendly trade and other related policies of the government. It goes without saying that the producers and exporters would have to be highly competent and knowledgeable in the matter of most cost –effective production process to benefit from the facilitatory environment created by the government and the international community. Finally, we have noted that in the globalized world of to-day businesses-both domestic and international-can and will only be conducted in the ways laid down by Uruguay Round Agreements sanctioned WTO regime which would further be changed through the final outcome of Doha Round Negotiation.

The on-going Doha Development Agenda Round Negotiations (in progress since 2002) would also extend further (and in some cases refine) the ambit of WTO regime and would incorporate many other business related areas. Bangladesh can hope to secure benefits for her exporters and producers of goods and services only when she actively engages herself in the Negotiation process of the Doha Round. The participation in the Negotiation process by the governmental agencies/representatives can only be robust, relevant and incisively pointed if the private sector takes more responsibility for its fate and feeds the negotiators with all facts and analysis and takes pro-active stances. The present highly laudable BGMEA initiative in propagating and lobbying for securing the duty-free status for Bangladesh RMG in the US market is a case in point. It shows what public-private partnership can achieve together in protecting and promoting the legitimate interest of the produces and exporters of Bangladesh.

On the basis of above summation, the following minimum set of activities are recommended for advancing and improving market access situation of Bangladesh :

(i) Bangladesh should continue to make all out national efforts –both at diplomatic and informal channel-to achieve duty-free facility for the RMG sectors in the US market without staging and with good ROO criteria.

(ii) BGMEA's laudable initiative should be forcefully persued by the government to have the bill "Tariff Relief Assistance for Developing Economies Act 2005 (Trade Act 2005)" passed by the US Congress to become a law. The bill seeks to provide duty-free market access of all products from Bangladesh and 13 other LDCs to the US market as has been extended to sub-Saharan & Carribean LDC under the aegis of AGOA.

(iii) Bangladesh should make determined efforts to have the EU's Rules of Origin criteria rationalized for goods to be eligible for preferential duty access in the EU market. The ROO criteria should ideally be product specific and be in accordance with our capability in respect of items of our potential export interest.

In this regard, the ROO criteria of Canada GSP scheme would be a good precedence to be followed.

(iv) Bangladesh must also have an uniform stand in regard to EU's ROO criteria-on issues like cumulation by resolving the inter-sectoral disagreements.

The Chambers including Dhaka Chamber of Commerce & Industry can play a robust role in bringing the different sectors together.

(v) Correct response of Bangladesh in the face of surge of Chinese exports to US & EU markets- while continuing efforts at (i), (iii) above is to raise productivity and reduce cost. The RMG industry is changing in many ways under the impact of IT opportunities, improvement in shipping and reduced inventories throughout the production chain. Our industry and government must move together to invest and move towards these latest techniques and procedures.

Increased attention must be given by the industry training for updating production and marketing capability. The Chambers can continue their efforts in this regard and also for raising awareness of meeting exporters concern.

The Government can initiate to launch MGF (Matching Grant Facility Fund) type public-private partnership programme to assist our exporters to enhance their capabilities in the areas of securing market intelligence ………………………… product development, quality enhancement and market development.

(vi) Bangladesh should chalk out realistic but detailed programme of exploring Chinese and Indian markets for our (a) garments, (b) frozen food (c) horticultural and (d) agricultural products – both fresh and processed.

(vii) Bangladesh must participate robustly in Doha Round of Negotiation with full preparation to secure better market access for both of her manufactured and agricultural products in both developing and developed countries through granting of time-bound special and discriminatory treatment for the LDCs.

viii) Efforts also need to be made to enhance the industry/export sectors capacity to meaningfully offer back-up support to the government negotiations efforts. There needs to be close and regular interaction between the Ministry of Commerce (WTO Cell) and the different Chambers and Trade Associations.

ix) The Chambers of Commerce & Industry and their apex body should have a strong WTO Cells to interface between the government and the industry.

The Dhaka Chamber of Commerce & Industry may take a strong lead in this regard. The exporters & industry leaders need to be kept well-informed of WTO provisions concerning their products on a regular basis by the Chambers & Trade Associations.

x) Government of Bangladesh must encourage through supply of information and when considered necessary through WTO permitted incentive package to induce the producers to embark on product diversification. The Bangladesh Mission abroad can play a big role in identifying such products and in developing product ideas.

xi) The Chambers must continue to engage the government in regard to development and maintenance of proper macro-economic policy framework and to enhance the conducive environment for production and profitability.

xii) The government and industry leaders should proceed together in setting up more industries where Bangladesh has already make a mark like: (i) agro-based and agro-processing industry (ii) light engineering industry (iii) pharmaceutical industry (for taking the advantage of special dispensation in regard to IPR (Patent Rules) under which the LDCs would be allowed until 2016 to produce and export patented products to LDCs) (iv) frozen food and shrimps (v) leather and leather products (vi) newer type of jute products (vii) cement (viii) ceramic products (ix) bicycles (x) ICT & software.

xiii) There should be joint efforts by the industry and the technical institutions to update the curricula of the technical courses to ensure supply of proper quality man-power for the industry.

xiv) The government must work in partnership with Chambers/Private sector in setting up different world class-quality assurance institutions which will help to raise and maintain the quality of our products.

xv) Bangladesh must also try to identify some top of the line high-tech products which can be produced by harnessing more carefully her present capability. Products in the area of bio-tech can be such products. For this the government and private partnership is essential. Introduction of such products can help Bangladesh to achieve quantum leap in her export earnings as opposed to present model of incremental expansion.

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