CHAPTER 6

EXTERNAL SECTOR

*Growth of global trade volume is expected to reach 4.2 percent in 2017, up from 2.4 percent in 2016. Growth is expected to maintain almost steady securing 4.0 percent growth in 2018. Despite disintegrated global growth scenario during FY2016-17, Bangladesh has still been able to achieve a commendable growth rate through prudent economic managements as well as growth oriented monetary policy. Export earnings increased to 1.69 percent in FY2016-17 compared to the last fiscal year. On the other hand, import payments increased to 9.00 percent in FY2016-17 compared to previous fiscal year because of higher domestic demand. Despite a slight decrease of remittance inflow and low growth of export, current account balance showed deficit. However, the surplus in the capital and financial account helped to maintain the overall balance of payments surplus of US$3,169 million in FY2016-17. Due to this reason, the exchange rate of Taka against US$ remained broadly stable during the period. Besides, foreign exchange reserve stood at US$*33,407 *million on 30 June 2017, which is sufficient to foot about 9 months of import bills. The process of reducing import tariff rate of Bangladesh is still continuing in FY2016-17 in order to increase the efficiency of the indigenous industries and ensure consistent with the process of world-wide tariff reduction. Bangladesh has been playing an important role on bilateral and regional agreements. Till June 2017, Bangladesh has signed five Regional Trade Agreements (RTAs) of which three are Preferential Trade Agreements (PTAs) and the remaining two are Free Trade Agreements (FTAs).*

Global Trade Scenario

The pickup in growth projected earlier is strengthening. Notable pickup in investment, trade and industrial production, coupled with strengthening business and consumer confidence, are supporting the recovery. Yet the recovery is not complete; although the baseline outlook is better, growth remains weak in many countries. According to IMF World Economic Outlook, October 2017; the growth rate of global trade volume (goods and services) is 2.4 percent in 2016 which was 2.6 percent in 2015. The outlook forecasts that the growth of global trade will increase to 4.2 percent in 2017 and will stand at 4.0 percent in 2018 (Table 6.1). According to the Outlook, the growth of import in advanced economies is expected to reach 4.0 percent and 3.8 percent in 2017 and 2018 respectively. Likewise, export of the advanced economies is expected to reach 3.8 percent and 3.6 percent during the same period. On the other hand, the growth of import in emerging markets and developing economies will increase at 4.4 percent and 4.9 percent in 2017 and 2018 respectively. Likewise, export growth in emerging markets and developing economies will also increase to 4.8 percent in 2017, and are expected to decrease at 4.5 percent in 2018. The trend of growth of world trade volume is shown in the Table 6.1.

Table 6.1: World Trade Volume

(Percent Change)

	Actual		Projections	
	2015	2016	2017	2018
World Trade Volume (Goods and Services)	2.6	2.4	4.2	4.0
Imports				
Advanced Economies	4.2	2.7	4.0	3.8
Emerging and Developing Economies	-0.6	2.0	4.4	4.9
Exports				
Advanced Economies	3.6	2.2	3.8	3.6
Emerging and Developing Economies	1.3	2.5	4.8	4.5

Source: World Economic Outlook, October 2017, IMF

Foreign Trade Scenario of Bangladesh

Balance of Payments

Trade deficit has increased significantly by 46.63 percent to US$9,472 million in the FY2016-17 compared to US$6,460 million in FY2015-16. Deficit in service and primary income account increased significantly by 21.27 percent and 4.80 percent respectively as well while the surplus in secondary income account decreased by 13.44 percent in FY2016-17 compared to previous year. The current account balance recorded a deficit of US$ 1,480 million in FY2016-17 as compared to the surplus of US$4,262 million of the FY2015-16. The overall balance surplus decreased by 37.07 percent to US$3,169 million in FY2016-17 compared to US$5,036 million in FY2015-16. The trend of trade and current account balance and the position of overall balance from FY2009-10 to FY2016-17 have been shown in Graph 6.1 and Table 6.2 respectively.

Graph 6.1: Trade Balance and Current Account Balance

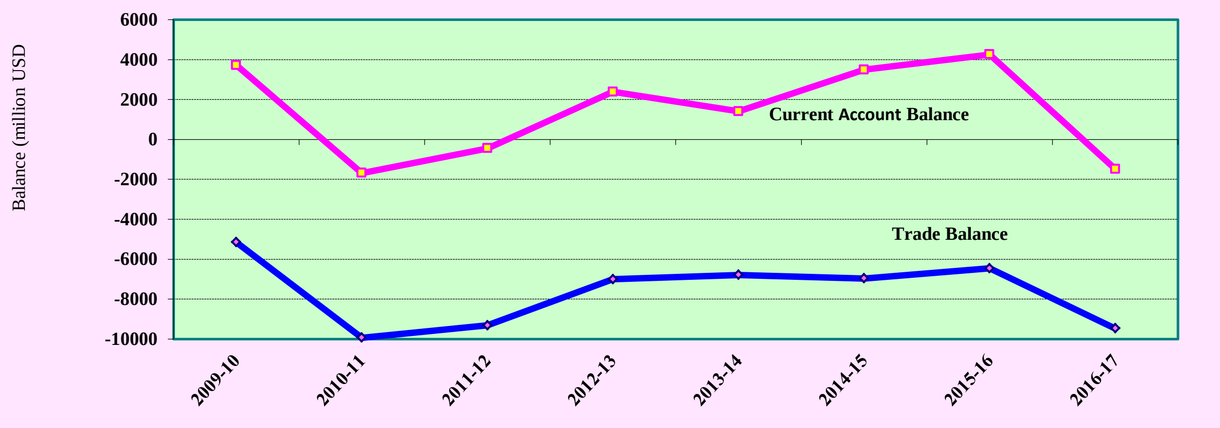


Table-6.2: Balance of Payments

(In million US$)

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16*	2016-17**
Trade balance	**-5155**	**-9935**	**-9320**	**-7009**	**-6794**	**-6965**	**-6460**	**-9472**
Exports f.o.b. (including EPZ)	16233	22592	23989	26567	29777	30697	33441	34019
Import, f.o.b. (including EPZ)	-21388	-32527	-33309	-33576	36571	-37662	39901	43491
Services	**-1233**	**-2612**	**-3301**	**-3162**	**-4099**	**-3186**	**-2708**	**-3284**
Primary Income	**-1484**	**1454**	**-1549**	**-2369**	**-2635**	**-2869**	**-1915**	**-2007**
Current transfers (Secondary Income)	**11596**	**12315**	**13423**	**14928**	**14934**	**15895**	**15345**	**13283**
of which workers' remittances	10987	11513	12735	14338	14116	15170	14717	12591
Current Account Balance	**3724**	**-1686**	**-447**	**2388**	**1406**	**2875**	**4262**	**-1480**
Capital and Financial Account	-139	1075	1918	**3492**	**3411**	**2421**	**1408**	**4493**
Capital account	**512**	**642**	**482**	**629**	**598**	**496**	**464**	**314**
Financial account	**-651**	**433**	**1436**	2863	2813	**1925**	**944**	**4179**
(i) Foreign Direct Investment (net)	913	775	1191	1726	1432	1830	1285	1706
Errors and omission	**-720**	**-263**	**-977**	**-752**	**666**	**-923**	**-634**	**156**
Overall balance	**2865**	**-656**	**494**	**-5128**	**5483**	**4373**	**5036**	**3169**

Source: Bangladesh Bank. *= Revised. **= Provisional.

Export Position and Composition of Export Commodities

Country's export earnings stood at US$34,835 million in FY2016-17, which is 1.69 percent higher than the export earnings (US$34,257 million) of FY2015-16. Export earnings increase due mainly to increasing export of tea, handicraft, engineering products, plastic products, chemical products, footwear, cotton and cotton products etc. During the period, export earnings from tea increased by 144.26 percent followed by handicraft products (44.66%), engineering products (35.05%), plastic products (31.40%), chemical products (13.21%), footwear (9.90%), cotton and cotton products (6.55%), jute goods (6.45%), leather and leather goods (6.29%) and home textile (6.13%). On the other hand, export earnings from petroleum by product decreased by 17.93 percent in FY2016-17 compared to FY2015-16 followed by agricultural products (11.12%) and raw jute (3.08%). Export earnings by commodities, commodity-wise percentage share in total export earnings and the growth of export earnings from FY2014-15 to FY2016-17 have been shown in Table 6.3.

Table 6.3: Export Earnings by Commodity and Growth of Export Earnings

(Million US$)

	Export earnings			Percentage share in total export earnings		Export Growth	
Group wise Commodities	**2014-15**	**2015-16***	**2016-17****	**2015-16***	**2016-17****	**2015-16* over 2014-15**	**2016-17**over 2015-16***
1. Primary Products	**1266**	**1305**	**1247**	**3.81**	**3.58**	**3.07**	**-4.41**
a) Frozen Food	568	536	526	1.56	1.51	-5.68	-1.74
b) Tea	**3**	**2**	4	0.01	0.01	-39.00	144.26
c) Agricultural Product	**339**	309	275	0.90	0.79	-8.75	-11.12
d) Raw Jute	112	173	168	0.51	0.48	54.62	-3.08
e) Others	244	285	274	0.83	0.79	16.74	-3.91
2. Industrial Goods	**29922**	**32974**	**33576**	**96.25**	**96.39**	**10.20**	**1.83**
a) Woven Garments	13065	14739	14393	43.02	41.32	12.81	-2.35
b) Knitwear	12427	13355	13757	38.99	39.49	7.47	3.01
c) Specialised Textile	107	109	106	0.32	0.30	1.61	-2.37
d) Home Textile	804	753	799	2.20	2.29	-6.38	6.13
e) Cotton and Cotton Products	107	103	109	0.30	0.31	-3.96	6.55
f) Leather and leather goods	1131	1161	1234	3.39	3.54	2.65	6.29
g) Jute Goods	757	746	795	2.18	2.28	-1.40	6.45
h) Chemical products	112	124	140	0.36	0.40	10.40	13.21
i) Footwear	190	219	241	0.64	0.69	15.36	9.90
j) Engineering products	447	510	689	1.49	1.98	14.11	35.05
k) Petroleum by Product	78	297	244	0.87	0.70	280.78	-17.93
l) Plastic Product	101	89	117	0.26	0.34	-11.88	31.40
m) Ceramic Products	43	38	39	0.11	0.11	-12.35	3.85
n) Handicrafts	9	10	14	0.03	0.04	11.22	44.66
o) Others	544	721	899	2.10	2.58	32.60	24.71
Total	**31209**	**34257**	**34835**	**100.00**	**100.00**	**9.77**	**1.69**

Source: Export Promotion Bureau. * Revised, ** Provisional

Country-wise Export Earnings

Country-wise export data shows that USA is the major destination of Bangladesh's export. In FY2016-17 export earnings from USA stood at US$5,846.64 million, which is 16.78 percent of country's total export earnings followed by Germany (15.72%), UK (10.25%) and France (5.43%). The major commodities exported to USA are woven garments, knitwear, frozen food, cap, home textile etc. Country-wise export earnings have been shown in Table 6.4.

Table 6.4: Country-wise Export Earnings

(In million US$)

Fiscal Year	USA	UK	Germany	France	Belgium	Italy	Netherland	Canada	Japan	Others	Total
2007-08	3590.56	1374.03	2174.81	953.13	488.39	579.23	653.88	532.90	172.56	3591.31	14110.80
2008-09	4052.00	1501.20	2269.70	1031.05	409.80	615.51	970.80	663.20	202.60	3849.33	15565.19
2009-10	3950.47	1508.54	2187.35	1025.88	390.54	623.92	1016.88	666.83	330.56	4503.68	16204.65
2010-11	5107.52	2065.38	3438.70	1537.98	666.24	866.42	1107.13	944.67	434.12	6760.06	22928.22
2011-12	5100.91	2444.57	3688.98	1380.37	741.96	977.41	691.30	993.67	600.53	7682.20	24301.90
2012-13	5419.60	2764.90	3962.60	1513.89	730.81	1036.60	712.47	1090.02	750.26	9046.21	27027.36
2013-14	5583.62	2917.73	4720.49	1677.67	970.53	1332.38	858.13	1099.63	862.07	10164.37	30186.62
2014-15	5783.43	3205.45	4705.36	1743.54	975.13	1382.35	840.34	1029.13	915.22	10628.99	31208.94
2015-16*	6220.65	3809.7	4988.08	1852.16	1015.33	1385.67	845.92	1112.88	1079.55	11947.24	34257.18
2016-17**	5846.64	3569.26	5475.73	1892.55	918.85	1462.95	1045.69	1079.19	1012.98	12531.25	34835.09
Share (%)***	16.78	10.25	15.72	5.43	2.64	4.20	3.00	3.10	2.91	35.97	100.00

Source: Export Promotion Bureau, * Revised, ** Provisional, *** Percentage share in total export earnings in FY2016-17

Import Status and Composition of Imported Commodities

Country's total import payments (c&f) stood at US$47,005 million in FY2016-17, which was 9.0 percent higher than the import payments of US$43,122 million of FY2015-16. Commodity-wise import payments from FY2010-11 to FY2016-17 have been shown in Table 6.5.

Table 6.5: Commodity-wise Import Payments

(In million US$)

Commodity	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16*	2016-17**
1. Major Primary Commodities	**5626**	**4149**	**4075**	**5349**	**4477**	**4227**	**4725**
Rice	830	288	30	348	508	113	89
Wheat	1081	613	696	1126	983	949	1197
Oil Seeds	103	177	242	524	374	534	432
Crude Petroleum	923	987	1102	929	316	386	478
Cotton	2689	2084	2005	2422	2296	2245	2529
2. Major Industrial Commodities	**7511**	**9263**	**8529**	**9475**	**7906**	**8403**	**8894**
Edible Oil	1067	1644	1402	1766	924	1450	1626
Petroleum Products	3186	3922	3642	4070	2076	2275	2898
Fertilizer	1241	1381	1188	1026	1339	1117	737
Clinker	446	504	487	615	638	574	644
Staple Fiber	180	428	454	492	1078	1018	1017
Yarn	1391	1384	1356	1506	1851	1969	1972
3. Capital Machinery	**2325**	**2005**	**1835**	**2288**	**3321**	**3556**	**3817**
4. Others Commodities (including EPZ)	**18196**	**20099**	**19645**	**23563**	**25000**	**26936**	**29569**
Total (1+2+3+4)	**33658**	**35516**	**34084**	**40675**	**40704**	**43122**	**47005**
% Change (over the corresponding year)	**41.79**	**5.52**	**-4.03**	**19.34**	**-0.07**	**5.90**	**9.0**

Source: Statistics Department, Bangladesh Bank and National board of Revenue (NBR). *Revised, **Provisional

Country-wise Import Payments

China remained the main source of import for Bangladesh in FY2016-17. During this period 28.28 percent of the total imported commodities came from China. India was the second largest source of import (13.48%) while Singapore held the third position (4.50%). Country-wise import payments from FY2007-08 to FY2016-17 have been shown in Table 6.6.

Table 6.6: Country-wise Import Payments

(In million US$)

Fiscal Year	India	China	Singapore	Japan	Hong Kong	Taiwan	South Korea	USA	Malaysia	Others	Total
2007-08	3393	3137	1273	832	821	478	620	490	451	10134	21629
2008-09	2864	3452	1768	1015	851	498	864	461	703	10031	22507
2009-10	3214	3819	1550	1046	788	542	839	469	1232	10239	23738
2010-11	4569	5918	1294	1308	777	731	1124	677	1760	15500	33658
2011-12	4743	6440	1710	1455	703	792	1544	709	1406	16014	35516
2012-13	4777	6328	1422	1180	612	733	1296	538	1903	15295	34084
2013-14	5985	7550	2407	1291	762	897	1182	792	2084	17782	40732
2014-15	5588	11268	2894	1816	881	1060	1417	880	1361	13539	40704
2015-16*	5722	12582	1203	2075	827	1004	1417	1134	1184	15974	43122
2016-17**	6336	13292	2113	2031	726	990	1483	1358	1040	17636	47005
Share (%)***	13.48	28.28	4.50	4.32	1.54	2.11	3.15	2.89	2.21	37.52	100.00

Source: Bangladesh Bank. As percentage of total of FY2015-16, *Revised** Provisional, *** Percentage share in total import payments in FY2016-17

Exchange Rate

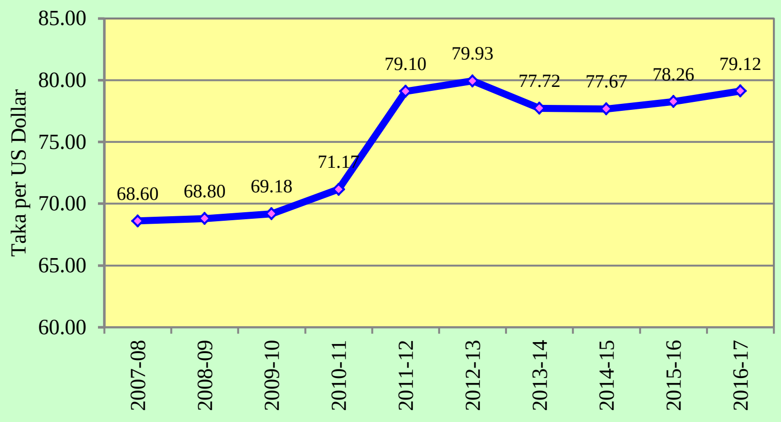
Bangladesh Bank floated its exchange rate for Taka with effect from 31 May, 2003. Under this regime, exchange rate is being determined on the basis of demand and supply of the respective currencies. Authorised Dealer (AD) banks are now free to set their own rates for inter-bank and customer transactions. However, in order to avoid excessive volatility in the foreign exchange market, Bangladesh Bank remains vigilant in its role in the foreign exchange market by closely monitoring the exchange rate movement and the buying and selling of foreign exchanges for stabilising market. Bangladesh observed overall 1.09 percent depreciation of Taka against US$ in FY2016-17 due mainly to decrease in the flow of inward remittances on account of wage earner remittances and increased demand for import payments as well. The weighted average inter-bank rate stood at Taka 79.12 per US$ in FY2016-17, which was Taka 68.80 per US$ in FY2007-08. The weighted average Taka-Dollar exchange rates from FY2007-08 to FY2016-17 have been shown in Table 6.7 and Figure 6.2.

Table 6.7: Weighted Average Exchange Rate (Taka per US$)

FY	Weighted Average Exchange Rate
2007-08	68.60
2008-09	68.80
2009-10	69.18
2010-11	71.17
2011-12	79.09
2012-13	79.93
2013-14	77.72
2014-15	77.67
2015-16	78.26
2016-17	79.12

Source: Bangladesh Bank

Figure 6.2: Yearly Weighted Average Exchange Rate



Foreign Exchange Reserves

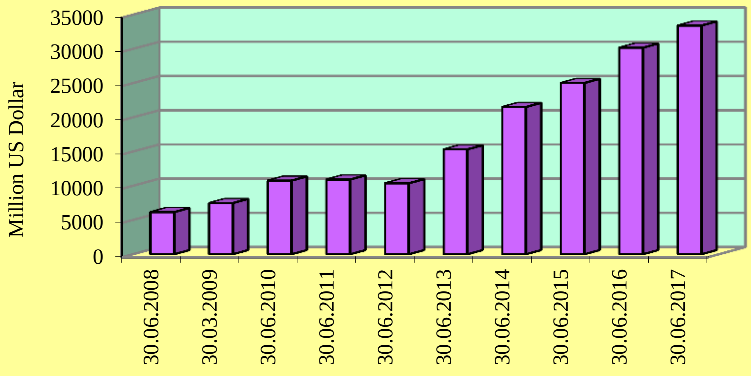
Bangladesh Bank maintained stability in retaining foreign exchange reserves. The gross foreign exchange reserves had reached US$33,407 million at the end of June 2017 mainly due to growth of export earnings, FDI inflow and inflow of medium and long-term loans. Table 6.8 and Figure 6.3 show the foreign exchange reserve position at the end of June, 2008 to June, 2017.

Table 6.8: Foreign Exchange Position

Date	Amount (In million US$)
30.06.2008	6149
30.03.2009	7471
30.06.2010	10750
30.06.2011	10912
30.06.2012	10364
30.06.2013	15315
30.06.2014	21508
30.06.2015	25020
30.06.2016	30176
30.06.2017	33407

Source: Bangladesh Bank

Figure 6.3: Foreign Exchange Reserve



Measures Taken in Foreign Exchange Regime during FY2016-17

The following remarkable changes on exchange arrangements during the FY2016-17 have been made:

- The limit of releasable foreign exchange to private sector participants for attending seminars, conferences, workshops, training, etc. abroad on per diem basis has been increased to US$350 for SAARC member countries or Myanmar and US$400 for other countries.
- The maximum limit per transaction of the repatriation of service (export related) payment through Online Payment Gateway Service Providers (OPGSPs) has been increased from US$ 2,000 to US$ 5,000.
- Usage from the exporters' retention quota (ERQ), limit for remittable amount of IT/Software firms to meet their bonafide expenses has been enhanced from US$25,000 to US$ 30,000 in a calendar year. Within this limit, the limit for payment through international cards has also been enhanced from US$ 2,500 to US$ 6,000.
- **U**nder the USA PATRIOT Act of 2001 to open a *nostro* account in the USA, Authorised Dealers (ADs) can remit towards cost of agent services of legal process.
- To facilitate the establishment of drawing arrangement between the exchange house abroad and the bank operating in Bangladesh, the minimum limit for security deposit by Electronic Fund Transfer (EFT) method has been decreased from US$25,000 to US$10,000 in foreign currency and from 5 lakh to 2 lakh in Taka.
- In order to enhance the scope of business travel abroad by officials of enterprises located in Export Processing Zones (EPZs) and Economic Zones (EZs), card issuing banks are allowed to issue International debit/prepaid card up to three top tier officials of concerned enterprise against balances held in foreign currency accounts. EPZs and EZs enterprises can avail such card facility from one card issuing bank only.
- Type A industries in EPZs/EZs are allowed to access short term foreign currency loans from parent companies/shareholders abroad and other Type A subsidiaries/associates operating in EPZs/EZs.
- In order to keep minimum involvement of AD's own fund for settlement of import payment, ADs maintaining Exporter's Retention Quota (ERQ) accounts are allowed to transfer fund from ERQ accounts to other ADs of same exporters or their subsidiaries/sister concerns.
- In order to facilitate the re-conversion by the foreign tourists, any licensed Money Changers (MC) whether it en-cashed earlier or not are allowed to reconvert the unspent Bangladesh Taka belong to the tourist within the permissible limit.
- Authorised Dealer banks are allowed to issue guarantee, bid bond or performance bond in local currency against taka equivalent on behalf of a non-resident

firm/company favouring residents in Bangladesh provided a back to back foreign currency guarantee with suitable coverage for exchange rate fluctuation from counter guarantee issuing banks abroad.

- To make wider the scope of Taka working capital loans for foreign owned/controlled companies operating in Bangladesh, resident persons/companies are allowed to purchase Commercial Papers (CPs) issued by such companies.
- Individuals and institutions resident in Bangladesh are allowed to purchase Taka bonds issued by foreign owned/controlled companies in Bangladesh along with the permission of the Bangladesh Securities and Exchange Commission.
- Authorised Dealers are permitted to issue and repatriate inward remittances against ICT related services through international card against the services provided by individual developers/ freelancers.
- Developers and other service providing enterprises exclusively formed and registered to serve a particular EZ has also given the same status of the industrial enterprises established in different EZs. With some exceptions in the foreign exchange regulations for the enterprises of the Export Processing Zones (EPZs), this circular has also been applicable for the enterprises of the EZs in Bangladesh. In some cases enterprises of the EZs has given more extra incentive for investment.
- ADs are allowed to use balances held in ERQ accounts or by fund of unencumbered foreign currency transferred from ERQ accounts maintained with other ADs of the same borrowers on account of repayment of foreign loan. Such remittances may also be affected by nominated ADs out of fund transferred from ERQ accounts of borrowers' subsidiaries/sister concerns.
- To release foreign exchange for study of Bangladeshi students in permissible courses abroad, it has now been decided that, ADs are allowed to remit fees, charges etc. through their designated entity which is clearly mentioned in the admission documents (I-20, Admission Acceptance Letter etc.) of the concerned main educational institution.

Foreign Trade Policy

Tariff Regime

Bangladesh has been following the Most Favored Nation (MFN) tariff rate since FY2000-01 in order to facilitate smooth implementation of the import policy of the Government. Tariff structure from FY2000-01 to FY2016-17 has been presented in Table 6.9.

Table 6.9: Tariff Structure from FY2000-01 to FY2016-17

Fiscal Year	Operative Tariff (%)	Maximum Tariff Rate (%)	Number of Operative Tariff Slabs
2000-01	0, 5, 15, 25, 37.5	37.5	5
2001-02	0, 5, 15, 25, 37.5	37.5	5
2002-03	0, 7.5, 15, 22.5, 32.5	32.5	5
2003-04	0, 7.5, 15, 22.5, 30	30	5
2004-05	0, 7.5, 15, 25	25	4
2005-06	0, 7.5, 15, 25	25	4
2006-07	0, 5, 12, 25	25	4
2007-08	0, 10, 15, 25	25	4
2008-09	0, 3, 7, 12, 25	25	5
2009-10	0, 3, 5, 12, 25	25	5
2010-11	0, 3, 5, 12, 25	25	5
2011-12	0, 3, 5, 12, 25	25	5
2012-13	0, 3, 5, 12, 25	25	5
2013-14	0, 2, 5, 10, 25	25	5
2014-15	0, 2, 5, 10, 25	25	4
2015-16	0,1, 2, 5, 10, 25	25	4
2016-17	0,1,5,10,15,25	25	6

Source: NBR Database

Duty concessions and general exemptions to the applied MFN tariff rates are being provided in accordance with Section 20 of Customs Act on a case-by-case basis through Gazette notification. At present, three types of tariff concessions on these MFN rates are being provided: (i) import under different bilateral/regional trade agreements, (ii) imports of capital machinery and spares/parts by registered industrial consumers including export-oriented industries and (iii) import of raw material for a specific use or user (i.e. end use provisions) such as dairy and poultry, pharmaceuticals, leather and textile industries. At present tariff concession are being provided along with MFN tariff rate in respect of following goods:

- Capital machinery and parts imported by export oriented industry
- Capital machinery and parts imported by registered industry
- Raw materials imported by pharmaceutical industry
- Raw materials used in textile industry
- Accessories used in agriculture sector
- Computer and computer accessories
- Medical equipment and accessories
- Newsprint imported by newspaper and periodical publishers

- Raw materials used by the insecticide manufacturers which used in agriculture
- Machinery, parts and accessories imported by poultry firm.

Reduction of Tariff

The process of reducing import tariff rate of Bangladesh that started since FY1991-92 is still continuing in FY2016-17 in order to increase the efficiency of the indigenous industries and ensure consistency with the process of world-wide tariff reduction. The unweighted import average tariff rate in FY1991-92 was 57.22 percent which decreased at 14.61 percent in FY2016-17. At present, ad-valorem duties are being imposed on 99.57 percent tariff line. Specific duties are in existence at different rates on some products such as sugar, cement clinker, bitumen, gold, steel products-scraped ship against 0.43 percent tariff line.

The MFN Un-weighted import average from FY2003-04 to FY2016-17 is given below:

Table 6.10: MFN Unweighted Import Average

Fiscal Year	MFN Un-weighted average (%)
2003-04	18.85
2004-05	16.53
2005-06	16.39
2006-07	14.87
2007-08	17.26
2008-09	15.12
2009-10	14.97
2010-11	14.85
2011-12	14.83
2012-13	15.10
2013-14	14.44
2014-15	14.44
2015-16	14.37
2016-17	14.61

Source: National Board of Revenue (NBR)

World Trade Organisation (WTO) and Bangladesh

WTO cell, under the Ministry of Commerce, primarily is mandated to discharge all functions related to WTO. Implementing WTO rules and regulations, availing the opportunities under the WTO, building trade capacities and protecting interest of the state in international trade regime are its main responsibilities. Besides, Major functions of WTO Cell are stated below:

- The WTO is facilitating rule-based multilateral trading system across the world in order to expedite international trade in an easy and rapid manner. Due to the expansion of trade across the nations, the WTO acts as a platform of talks and negotiations where each country has equal rights. Against these backdrops, the WTO cell under the Ministry of Commerce is ordained to coordinate and operate among the different strata of trade entities (both public and private) that fall within the WTO ambit. In order to raise awareness among the stakeholders concerned, WTO cell conducts routine workshops/programmes and symposia every year. During FY2016-17, orientations on TRIPS, SPS, Trade in Services, Anti-dumping etc. and feedback session on 'Outcome of 10th WTO Ministerial Conference and LDC's Service Waiver' were held where more than 250 participants partook in. Besides, WTO cell is also monitoring the implementation of the agreements of WTO i.e. Agreement on Agriculture, Agreement on SPS, Agreement on TBT, Agreement on TRIM, Agreement on Rules of Origin, Agreement on Safeguard, Agreement on Subsidies and Countervailing Measures etc.

- Supported by the Enhanced Integrated Framework (EIF) WTO cell has accomplished 'Diagnostic Trade Integration Study'. This study ended up with an Action Matrix identifying the existing trade barriers in the country leading to addressing those by own funds and various Aid for Trade schemes. Moreover, under the 'Strengthening Institutional Capacity and Human Resource Development for Trade Promotion' project, studies like 'Export Potentiality of Trade in Services of Bangladesh: Identifying Opportunities and Challenges' and 'Identification of Non-tariff Barriers Faced by Bangladeshi Products in Major Export Markets' are being rolled under TIER-1 project of EIF. Enhanced negotiation skill of the officials, heightened trade in services, reduction of non-tariff barriers will be in the sight once these projects are implemented.
- Bangladesh played the role of LDC coordinator for fourth term consecutively from 15th February 2015 to 18th February 2016. During the period Bangladesh laid the stone for granting the LDCs an exemption from obligations to implement or enforce patents as well as data protection for pharmaceutical and agro-chemical products until January 2033. Nonetheless, Bangladesh also paved the way for formulating a guideline for Preferential Rules of Origin and Service Waiver Extension (Preferential Market Access Waiver until 2030) which can be considered remarkable achievement of the country.
- The WTO Trade Facilitation Agreement came into force on 22 February 2017 with the stipulated ratification of two-third members of the WTO. Bangladesh also ratified the Agreement on 13 June 2016 as the 94th country. This is the first multilateral agreement after the establishment of the WTO in 1995. The main objective of the Agreement is to establish a modern trade facilitation system globally so that time and cost of trade transactions can be reduced significantly. The LDCs, including Bangladesh, have been granted various flexibilities under this Agreement. One of the important flexibilities for LDCs is the opportunity of phase-wise implementation of the Agreement by categorisation of all measures into three categories, namely category-A, B and C. Each LDC has the freedom to identify categories of measures individually depending on its own status and resources. However, LDCs are required to notify the categories (A, B and C) to the WTO by one year after the Agreement entered into force. In this context, Bangladesh needs to notify categories to the WTO by 21 February 2018. The WTO cell under the Ministry of Commerce is working on it and the process of categorisation of measures is at almost final stage. Notification of categories will be sent to the WTO by 21 February 2018.

Regional Trade Agreements (RTAs) in Bangladesh

Bangladesh has been playing an important role on bilateral and regional agreements. Till

June 2017, Bangladesh has signed five RTAs of which three are Preferential Trade Agreements (PTAs) and the rest of two are Free Trade Agreements (FTAs). A brief of the RTAs is given below:

South Asian Free Trade Area (SAFTA)

South Asian Free Trade Area (SAFTA) has been established by SAARC member countries to enhance regional trade. The agreement was signed at the twelfth summit of the SAARC heads of governments held in Islamabad on 6 January 2004 with a view to extending mutual trade and economic co-operation among the member states. Afghanistan joined SAFTA in 2007.

The implementation of SAFTA Trade Liberalisation Programme (TLP) has begun since 1 July 2006 after ratifying and finalising the sensitive lists, rules of origin, identifying technical support for capacity building, revenue mechanism for reducing sensitive lists for LDCs. Non-LDC member countries have brought down the tariffs on the items beyond their sensitive lists to 0-5 percent within 2012 and Sri Lanka by 2013. According to the rules of the Agreement, every developing country (India, Pakistan and Sri Lanka) has brought down the tariffs on the items beyond their sensitive lists to 0-5 percent by 2009 for LDCs. On other hand, LDC member countries brought down the tariffs on the items beyond their sensitive lists to 0-5 percent within 31 December 2015.

In November 2011, India has provided duty free access for all products from LDCs, except only 25 items which are still in their sensitive list. Pakistan has brought down their tariffs to 5 percent on all products beyond their sensitive list for LDC members.

Under TLP Phase II, every SAFTA country has reduced 20 percent products from sensitive list and it is implemented since 1 January 2014. At present, the activities of TLP Phase III are underway for further substantial reduction of the sensitive list of the respective member countries. The delegations from Member States agreed to the following reduction in the products covered in their Sensitive Lists under Phase-III. All member countries have submitted their notifications to remove para tariffs and non-tariff barriers among themselves. For this purpose, Committee of Expert (CoE) is consulting for making mechanism to remove these barriers.

SAARC Agreement on Trade in Services (SATIS)

SAARC Agreement on Trade in Service was signed during the Sixteenth SAARC Summit held in Thimphu on 28-29 April, 2010. SAARC Agreement on Trade in Services has been ratified by all Member States and entered into force on 29 November 2012 with the issuance of Notification by the Secretary-General of SAARC. The offer list and request list of service have been exchanged among the member countries. So far, meetings of the expert group on SATIS have been held. The 11th meeting of the Expert Group held in Islamabad on 5 July, 2015 noted that only Afghanistan, Bangladesh, Bhutan, India and Nepal are ready with their Final Offer Lists and are ready for tabling of these Final Offers. Subsequently, Maldives and Sri Lanka also informed that they are also ready with their Final Offer Lists under SATIS. Confirmation is still awaited from Pakistan. Once confirmation from all member states has been received, these lists would be forwarded to the SAARC Secretariat by all member states for circulation. These Final Offer Lists would be examined by the Member States and subsequently tabled during the 12th meeting of the Expert Group schedule to be held in New Delhi in 2017.

Asia-Pacific Trade Agreement (APTA)

In 1975, under the initiative of ESCAP Asia-Pacific seven countries namely Bangladesh, India, Lao PDR, the Republic of Korea, Sri Lanka, the Philippines, Sri Lanka and Thailand formed a RTA named as Bangkok Agreement. The objective of the Agreement is to enhance intra-regional trade through the exchange of tariff concessions among member countries. Thailand and the Philippines have not yet ratified the Agreement. In January 2002, as joining of China the agreement got new momentum. Prior to joining China two rounds of negotiations were concluded. After joining China the Agreement was renamed as Asia-Pacific Trade Agreement (APTA), which was signed in November, 2005.

The third round of negotiations was held after accession of China which was concluded in 2006. In these three rounds the member countries have exchanged a large number of products for tariff preference. The Second Ministerial Council Meeting held on 26 October 2007 at Goa, New Delhi led to the fourth round of negotiations. In this round extended to wide range of issues other than deepening of tariff concession and increasing of product coverage, e.g. non-tariff barriers, trade facilitation, service sector and investment. In the fourth round beside the tariff concessions, three Agreements such as Trade Facilitation, Investment and Services were signed.

Mongolia has joined as a new member of APTA in 13 January 2017 in the Ministerial Council meeting by which 4th round of negotiation has been concluded. Generally, Bangladesh has provided APTA members tariff concession by 10 to 70 percent in 598 products. In addition, Bangladesh has provided tariff concession to all LDC members by 20-50 percent on additional 4 products. However, in the ministerial meeting it was decided that APTA participating states will provide at least 33 percent tariff concessions measured as an average of Margin of Preference (MOP) for all products covered, except in the case of least developed participating states and Sri Lanka, who were granted greater flexibility in meeting these requirements. In addition, the preferences under APTA will cover over 10,000 items. It was also agreed to implement the results of the fourth round of negotiations as well as the Sectoral Rules of Origin at the latest by the 1st of July 2017 subject to completion of domestic procedure.

Trade Preferential System among OIC Countries (TPS-OIC)

In 1991, the Trade Preferential System among OIC Countries (TPS-OIC) was formed a framework agreement with a view to expanding trade on preferential basis. This agreement came into force in October, 2003 after ratification of 10 countries. As of

October, 2014, 40 countries signed and 30 of them ratified. Trade Negotiation Committee (TNC) of TPS-OIC concluded the first round of trade negotiation. During the first round of negotiation, member countries finalised the Protocol on the Preferential Tariff Scheme for the TPS-OIC (PRETAS).

Thirty three countries signed the PREATAS and 16 of them ratified it. It is remarkable that Tariff Reduction Programme (TRP) has come into force on 5 February 2011. Bangladesh has signed rules of origin on 25 February 2011 and ratified it on 23 June in the same year. As an LDC Bangladesh has received three years grace period that is why Bangladesh is scheduled to start TRP since 1st January 2014 and it will be concluded by the next 6 years. Besides, Bangladesh has got 10 percentage special privileges on value addition which is 30 percent as an LDC that will help Bangladesh to export in other member states. However, as per information of Standing Committee for Economic and Commercial Cooperation of the Organisation of Islamic States, by July 2017, Turkey, Malaysia, Pakistan, Jordan, Bangladesh and Iran have conveyed their updated concession lists.

Preferential Trade Agreement among Developing Countries 8 (D-8)

Eight developing OIC countries reached at consensus to form a regional bloc on 15 June 1997 in Istanbul, Turkey aimed at trade and economic cooperation. The regional bloc consists of Bangladesh, Egypt, Indonesia, Iran, Malaysia, Nigeria, Pakistan and Turkey. As a result, a Preferential Trade Agreement (PTA) among D-8 Member States (D-8) was signed in Indonesia on 13 May 2006. The D-8 PTA entered into force on 25 August, 2011. Recently, the Cabinet of Bangladesh has approved the proposal of the ratification of D-8 PTA.

Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC)

A regional economic co-operation bloc under the name BISTEC (Bangladesh, India, Sri Lanka and Thailand Economic Co-operation) was formed at a meeting held in Bangkok in June 1997. Later, after including Myanmar into the bloc, it was renamed as BIMSTEC (Bangladesh, India, Myanmar, Sri Lanka and Thailand Economic Co-operation) at a special Ministerial Meeting in Bangkok on 22 December 1997. Bhutan and Nepal were admitted as new members at the 6th Ministerial Meeting in February 2004 in Phuket and the Framework Agreement was signed. In view of the inclusion of Nepal and Bhutan, the name of the Agreement was changed to Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation' (BIMSTEC) by a decision of the first BIMSTEC Summit held on 31 July 2004 in Bangkok. The Framework Agreement was signed at the 6th Ministerial Meeting which covered (i) Trade in Goods, (ii) Trade in Services, and (iii) Investment.

In case of tariff reduction process (TRP), BIMSTEC FTA has adopted fast track and normal track approach. Under the fast track approach non-LDCs (India, Sri Lanka and Thailand) will complete the TRP for LDCs (Bangladesh, Myanmar, Bhutan and Nepal) on the selected items within a year and for non-LDCs within three years. Conversely, LDCs will complete the same under the fast track approach within five years for non-LDCs and within three years for LDCs.

Under normal track approach non-LDCs will complete TRP for the LDCs on the selected items within three years and for the non-LDCs within five years. On the other hand, LDCs will complete TRP for non-LDCs on the items selected under the normal track approach within ten years and for LDCs within eight years.

20th TNC meeting was held during 7-9 September 2015 in Thailand. Agreement on Trade in Goods, Agreement on Cooperation and Mutual Assistance in Customs Matters, Agreement on Dispute Settlement Procedure and Mechanism are in final stage. Though tariff concession was to be started from 1 July 2016 it has not started yet. However different activities in different sectors covered by BIMSTEC are going on.

Bilateral Trade Agreement

Till to date Bangladesh has signed 45 bilateral trade agreements including Afghanistan, Albania, Algeria, Belarus, Bhutan, Brazil, Bulgaria, Cambodia, China, Czech Republic, Egypt, Germany, Hungary, India, Indonesia, Iran, Iraq, Kenya, Democratic People's Republic of Korea, Kuwait, Libya, Malaysia, Mali, Morocco, Myanmar, Nepal, Pakistan, the Philippines, Poland, Romania, Senegal, Sri Lanka, Sudan, Thailand, Turkey, Uganda, Ukraine, the United Arab Emirates, Uzbekistan, Viet Nam, Zambia and Zimbabwe. All these agreement are goodwill trade agreements which did not cover exchange of tariff preference or trade facility. All agreements were signed only for promoting bilateral diplomatic relation, except PTA with Iran.

Bangladesh has not formed any bilateral FTA till today. FTA Policy Guidelines-2010 to examine the possibilities of forming bilateral FTAs with different countries was approved on 23 December 2010 by the Government of Bangladesh. Meanwhile, Bangladesh has examined the possibility of forming bilateral FTAs with Malaysia, India, Turkey, Sri Lanka, Macedonia, Jordan, Mauritius, South Africa, China and separate FTAs/PTAs with five countries of Africa, e.g. Morocco, Nigeria, Senegal, Mali and Sierra Leon. Besides, examinations on the possibility of forming PTA among the Member Countries of the Indian Ocean Rim Association (IORA), and with Myanmar and Bhutan have been completed. Meanwhile, Bangladesh has started its preliminary negotiation to formulate FTA with Turkey.

Trade and Investment Cooperation Forum Agreement (TICFA)

The Trade and Investment Cooperation Forum Agreement (TICFA) was signed between Bangladesh and United States of America on 25 November 2013. After completion of internal procedures the agreement came into force from 30 January 2014. Signing the TICFA has created an opportunity for discussion between the two countries on a regular basis. The first and second bilateral meeting under TICFA was held on 28 April 2014 and 23-24 November 2015 in Dhaka and USA respectively. In these meetings Bangladesh side highlighted and discussed on ‘GSP Action Plan’, bilateral trade between Bangladesh and USA, US investment in Bangladesh and transfer of technology, expansion of Bangladeshi goods and services to the US market, implementation of Bali Package, and Istanbul Plan of Action. On the other hand, the US side discussed on tariffs and fire, electrical and structural safety equipment, public tender specifications, double fumigation-cotton, diabetes drugs, currency issues, delayed payment, Intellectual Property Rights (IPR), Regional Economic Development, establishment of TICFA Labor Affairs Committee, TICFA Women's and Economic Empowerment Committee. Both the countries put forward position of the respective the Governments on the issues. It is expected that this forum will pave the way for enhancing trade and investment cooperation between the countries.

The 3rd meeting of Trade and Investment Cooperation Forum Agreement (TICFA) was concluded on 17 May 2017 in Dhaka between the USA and Bangladesh.