CHAPTER 6

EXTERNAL SECTOR

[Despite some indications of turnaround inthe post-recession global economy towards early 2013, the pace of recoveryin developed economiesis still rather slow.In these economies,the elements of risks still persist even though they could overcome the recession arising from the sovereign debt crisis in Euro area and the dampened domestic demand in the US economy.All this uncertainties had some impact onBangladesh economy,in particular, onthe garments sector. In FY 2012-13 and FY 2013-14, export earnings maintained almost the same pace of growth. On the other hand, import payments rebounded in FY 2013-14 from a negative growth of previous year because of lower domestic demand. Despite contraction of remittances inflow,the current account of balance of payment recorded a surplus of US$ 1,346 million. The capital and financial account of BoP, also recorded a surplus of US$3,719million, resulting in the overall balance of payments of US$5,483 million.This facilitated appreciation of Taka against US Dollar and a recordrise of foreign exchange reserve. Foreign exchange reserve surpassed US$ 21.51 billion mark on 30th June, 2014, which is sufficient for about 6 months of import coverage.]

Global Trade Situation

Global trade volume growth has been showing increasing trend. It is expected that, with the strengthening of recovery, global trade would once again grow faster than GDP growth. According to IMF World Economic Outlook, October, 2014, the growth rate of global trade volume (goods and services) is 3.0 percent in 2013 which was 2.9 percent in 2012. The outlook forecasts that the growth of global trade will increase to 3.8 percent in 2014 and 5.0 percent in 2015 (Table 6.1).According to the Outlook, the growth of import in advanced economies is expected to reach 3.7 percent and 4.3 percent in 2014 and 2015 respectively. Likewise, export of the advanced economies is expected to reach 3.6 percent and 4.5 percent during the same period. On the other hand, the growth of import in emerging markets and developing economies expected to be 4.4 percent in 2014, and 6.1 percent in 2015. Likewise, export growthin emerging markets and developing economies will reduce to 3.9 percent in 2014, but expected to reach to 5.8 percent in 2015.

The trend of growth of world trade volume is shown in the following table:

Table6.1: World Trade Volume

(Percent change)

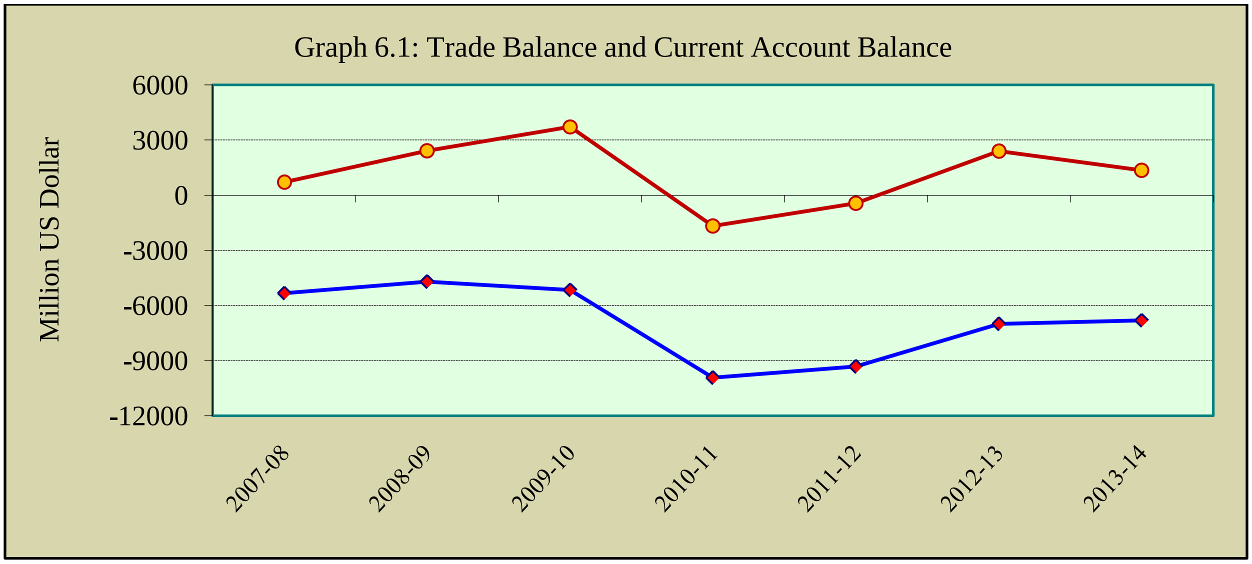
World Trade Volume(Goods and Services)	Actual		Projections	
	2012	2013	2014	2015
World Trade	2.9	3.0	3.8	5.0
Imports				
Advanced Economies	1.2	1.4	3.7	4.3
Emerging & Developing Economies	6.0	5.3	4.4	6.1

World Trade Volume(Goods and Services)	Actual		Projections	
	2012	2013	2014	2015
Exports				
Advanced Economies	2.0	2.4	3.6	4.5
Emerging & Developing Economies	4.6	4.4	3.9	5.8

Source: World Economic Outlook, October 2014, IMF

Balance of Payments

Trade deficit recorded a decrease of 2.90 percent as compared to the deficit of US$7,009 million during FY2012-13 and stood at US$6,806 million in FY2013-14. The current account balance recorded a surplus of US$1,346 million in FY2013-14 as compared to US$2,388 million of surplus in FY2012-13. Due to a large shortfall in primary income and a substantial deficit in service account, current account balance decreased by 43.63 percent in FY2013-14 as compared to the preceding year. The overall balance increased by 6.92 percent and stood at US$5,483 million in FY2013-14 compared to US$5,128 million in FY2012-13. Trade balance and current account balance situation from FY 2007-08 to FY2013-14 is shown in Figure 6.1 and the balance of payments position from FY20087-09 to FY2013-14 is shown in Table 6.2.



Source: Bangladesh Bank

Table-6.2: Balance of Payments*

(In million US$)

Items	2008-09	2009-10	2010-11	2011-12	2012-13R	2014-14P
Trade balance	**-4710**	**-5155**	**-9935**	**-9320**	**-7009**	**-6806**
Export f.o.b (including EPZ)	15581	16233	22592	23989	26567	29765
Of which: Readymade garments (RMG)	12348	12497	17914	19090	21516	24492
Import f.o.b (including EPZ)	20291	21388	32527	33309	33576	36571
Services	**-1616**	**-1233**	**-2612**	**-3001**	**-3162**	**-4189**

Items	2008-09	2009-10	2010-11	2011-12	2012-13R	2014-14P
Credit	1832	2478	2573	2694	2830	3065
Debit	3448	3711	5185	5695	5992	7254
Primary income	**-1484**	**-1484**	**-1454**	**-1549**	**-2369**	**-2571**
Credit	95	52	124	193	120	171
Debit	1579	1536	1578	1742	2489	2742
Of which : Official interest payments	238	215	345	373	470	-538
Secondary income	**10226**	**11596**	**12315**	**13423**	**14928**	**14912**
Official transfers	72	127	103	106	97	79
Private transfers	10154	11469	12212	13317	14831	14833
Of which: Workers' remittances	9689	10987	11513	12734	14338	14115
Current account balance	**2416**	**3724**	**-1686**	**-447**	**2388**	**1346**
Capital account	451	512	642	482	629	644
Capital transfers	451	512	642	482	629	644
Financial account	**-825**	**-651**	**651**	**1436**	**2770**	**3075**
(i) Foreign Direct Investment (net)	961	913	775	1191	1726	1504
(ii) Portfolio investment	-159	-117	109	240	368	825
(iii) Other investment	**-1627**	**-1447**	**-233**	**5**	**676**	**746**
Medium and Long term loans (MLT)	1204	1589	1032	1539	2085	2277
MLT amortization payments	641	687	739	789	906	1018
Other long-term loans (net)	-70	-151	-101	79	-150	418
Other short-term loans (net)	-169	62	531	242	-193	355
Other assets	-650	-902	-661	0	0	0
Trade credit (net)	-1277	-1043	-135	-1118	-250	-1045
Commercial Bank	-24	-315	-160	52	90	-241
Assets	129	410	452	443	396	898
Liabilities	105	95	292	495	486	657
Errors and omission	**16**	**-720**	**-263**	**-977**	**-659**	**418**
Overall balance	2058	2865	-656	494	5128	**5483**
Reserve assets	-2058	-2865	656	-494	-5128	**-5483**
Bangladesh Bank	-2058	-2865	656	-494	-5128	-5483
Assets	1883	3616	-481	293	5196	5933
Liabilities	-175	751	175	-201	68	450

Source: Statistics Department, Bangladesh Bank. R = Revised, P= Provisional.
* This classification is based on Balance of Payments Manual 6.
Note: Customs record is used to calculate import f.o.b. from FY11 and onwards.
Banking channel data was used for calculating import f.o.b. for FY10 and backwards.

Export Position and Composition of Export Commodities

The export earnings stood at US$30177million in FY2013-14, which was 11.7 percent higher than the export earnings (US$27028 million) of FY2012-13. Export earnings increased due mainly to increases in export of tea, footwear, leather, ceramic products, handicrafts, frozen food, etc. during the year under report. Analysis of composition of exports in FY2013-14 by major categories reveals that the export earnings over the last fiscal year increased mainly for tea (52.0%), footwear (31.3%), leather (26.5%), ceramics (26.3%), handicrafts (21.0%) and frozen food (17.3%). On the other hand, export earnings decreased in respect of petroleum by product (48.4%), raw jute (45.2%) and jute goods (12.8%). Export growth and composition by commodities from FY2011-12 up to FY2013-14 are shown in Table 6.3.

Table 6.3: Export Earnings Composition and Growth of Export Income

(In million US$)

	Total Export			Share of Total Export (%)			Export Growth (%)		
Group wise Commodities	**2011-12**	**2012-13**	**2013-14***	**2011-12**	**2012-13**	**2013-14***	**2011-12**	**2012-13**	**2013-14***
1. Primary Products	**1267**	**1310**	**1379**	**5.2**	**4.8**	**4.6**	**-3.7**	**3.4**	**5.2**
a)Frozen Food	598	544	638	2.5	2.2	2.6	-4.3	-9.0	17.3
b) Tea	3	2.4	3.7	0.0	0.0	0.0	0.0	-18.7	52.0
c) Agricultural Product	304	351	402	1.3	1.4	1.7	16.0	15.5	14.5
d) Raw Jute	266	230	126	1.1	0.9	0.5	-25.5	-13.5	-45.2
e) Others	96	183	209	0.4	0.8	0.9	39.1	90.6	14.2
2. Industrial Goods	**23035**	**25717.5**	**28798**	**94.8**	**95.2**	**95.4**	**6.6**	**11.6**	**12.0**
a) Woven Garments	9603	11040	12442	39.5	45.4	51.2	13.9	15.0	12.7
b) Knitwear	9486	10476	12050	39.0	43.1	49.6	0.0	10.4	15.0
c) Specialized Textile	139	124	109	0.6	0.5	0.4	-15.6	-10.8	-12.1
d) Home Textile	906	792	793	3.7	3.3	3.3	14.8	-12.6	0.1
e) Cotton and Cotton Product	113	125	116	0.5	0.5	0.5	-16.3	10.6	-7.2
f) Leather	330	400	506	1.4	1.6	2.1	10.7	21.2	26.5
g) Jute Goods	701	800	698	2.9	3.3	2.9	-7.5	14.1	-12.8
h) Chemical products	103	93	93	0.4	0.4	0.4	-1.9	-9.7	0.0
i) Footwear	336	419	550	1.4	1.7	2.3	12.8	24.7	31.3
j) Engineering products	376	367	366	1.5	1.5	1.5	21.3	-2.4	-0.3
k) Petroleum by Product	275	314	162	1.1	1.3	0.7	5.4	14.2	-48.4
l) Plastic Product	89	85	86	0.4	0.3	0.4	29.0	-4.5	1.2
m) Ceramic Products	34	38	48	0.1	0.2	0.2	-10.5	11.8	26.3
n) Handicrafts	5	6.2	7.5	0.0	0.0	0.0	25.0	20.0	21.0
o) Others	539	639	772	2.2	2.6	3.2	14.7	18.6	20.8
Total	**24302**	**27028**	**30177**	**100.0**	**100.0**	**100.0**	**6.0**	**11.2**	**11.7**

Source: Export Promotion Bureau, Ministry of Commerce, Bangladesh Bank

Country-wise Export Earnings

Analysis of country-wise export shows that USA is the main destination of our export. It appears from Table 6.4 that USA secured the top position in respect of importing commodities from Bangladesh in FY2013-14. During the period, under report the export earnings from USA were US$5583.6 million which is 18.50 percent of country's total export earnings. The principal commodities exported to USA are woven garments, knitwear, frozen food, cap, home textile etc.

The other Export destinations are Germany (15.64%), UK (9.67%) and France (5.56%), etc. have the respective positions. The country-wise export earnings are shown in Table 6.4.

Table 6.4: Country-wise Export Earnings

(In million US$)

Fiscal Year	USA	Germany	UK	France	Belgium	Italy	Nether lands	Canada	Japan	Others	Total
2005-06	3030.2	1764.1	1048.6	677.5	359.3	425.8	327.4	407.0	137.8	2349.5	10526.2
2006-07	3441.0	1955.4	1174.0	731.8	435.8	515.7	459.0	457.2	147.5	2860.6	12177.9
2007-08	3590.6	2174.7	1374.0	953.1	488.4	579.2	653.9	532.9	172.6	3591.4	14110.8
2008-09	4052.0	2269.7	1501.2	1031.1	409.8	615.5	970.8	663.2	202.6	3849.3	15565.2
2009-10	3950.5	2187.4	1508.5	1025.9	390.5	623.9	1016.9	666.8	330.6	4503.7	16204.7
2010-11	5107.5	3438.7	2065.4	1538.0	666.2	866.4	1107.1	944.7	434.1	6760.1	22928.2
2011-12	5100.9	3689.0	2444.6	1380.4	742.0	977.4	691.3	993.7	600.5	7682.2	24301.9
2012-13	5419.60	3962.60	2764.90	1513.89	730.81	1036.60	712.47	1090.02	750.26	9046.21	27027.36
2013-14	**5583.62**	**4720.49**	**2917.73**	**1677.67**	**970.53**	**1332.38**	**858.13**	**1099.63**	**862.07**	**10154.55**	**30176.80**
Percent of Total*	**18.50**	**15.64**	**9.67**	**5.56**	**3.22**	**4.42**	**2.84**	**3.64**	**2.86**	**33.65**	**100**

Source: Export Promotion Bureau, *percentage share of total export earnings of FY2013-14.

Import Status and Composition of Imported Commodities

The total import payments (c&f) stood at US$ 40675 million during FY2013-14, which was 19.3 percent higher than the import payments of US$ 34084 million of the preceding year. Table 6.5 shows the overall import situation of the country.

Table 6.5 Comparative Situation of Commodity-wise Import Payment

(In million US$)

Commodity	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
a) Principal primary Commodities	**2916**	**2940**	**5591**	**4149**	**4075**	**5349**
Rice	239	75	830	288	30	348
Wheat	643	761	1081	613	696	1126
Oilseeds	159	130	103	177	242	524
Crude petroleum	584	535	888	987	1102	929
Cotton	1291	1439	2689	2084	2005	2422
b) Principal industrial goods	**5035**	**4957**	**7546**	**9263**	**8529**	**9475**
Edible oil	865	1050	1067	1644	1402	1766
Petroleum products	1997	2021	3221	3922	3642	4070
Fertilizer	955	717	1241	1381	1188	1026
Clinker	314	333	446	504	487	615
Staple fiber	112	118	180	428	454	492
Yarn	792	718	1391	1384	1356	1506
c) Capital machinery	**1420**	**1595**	**2325**	**2005**	**1835**	**2288**
d) Other commodities (including EPZ)	**13136**	**14246**	**18196**	**20099**	**19645**	**23563**
Grand Total (c&f)	**22507**	**23738**	**33658**	**35516**	**34084**	**40675**
Percentage Change	**4.1**	**5.5**	**41.8**	**5.5**	**-4.0**	**19.3**

Source: Statistics Department, Bangladesh Bank.

Country-wise Import Payments

In terms of value of total imported commodities, China held the first position for our import in FY2013-14. During this period 18.41 percent of the total imported commodities came from China. India was the second largest source of import (14.71 percent) while Singapore held the third position (5.84 percent). Table 6.6 shows the country-wise import payments during FY2005-06 to FY2013-14.

Table 6.6: Country-wise Import Payments

(In million US$)

Fiscal Year	China	India	Singa-pore	Mala-ysia	Japan	South Korea	Hong Kong	Taiwan	USA	Others	Total
2005-06	2079	1868	849	302	651	489	626	473	345	7064	14746
2006-07	2571	2268	1035	334	690	553	747	473	380	8106	17157
2007-08	3137	3393	1273	451	832	620	821	478	490	10134	21629
2008-09	3452	2868	1768	703	1015	864	851	498	461	10027	22507
2009-10	3819	3214	1550	1232	1046	839	788	542	469	10239	23738
2010-11	5918	4569	1294	1760	1308	1124	777	731	677	15500	33658
2011-12	6440	4743	1710	1406	1455	1544	703	792	709	16014	35516
2012-13	**6328**	**4777**	1422	1903	1180	1296	612	733	538	15925	34084
2013-14	**7490**	**5985**	**2374**	**2055**	**1280**	**1182**	**756**	**897**	**792**	**17864**	**40675**
Percent of total*	**18.41**	**14.71**	**5.84**	**5.05**	**3.15**	**2.91**	**1.86**	**2.21**	**1.95**	**43.92**	**100.00**

Source: Bangladesh Bank. * Percentage share of FY2013-14.

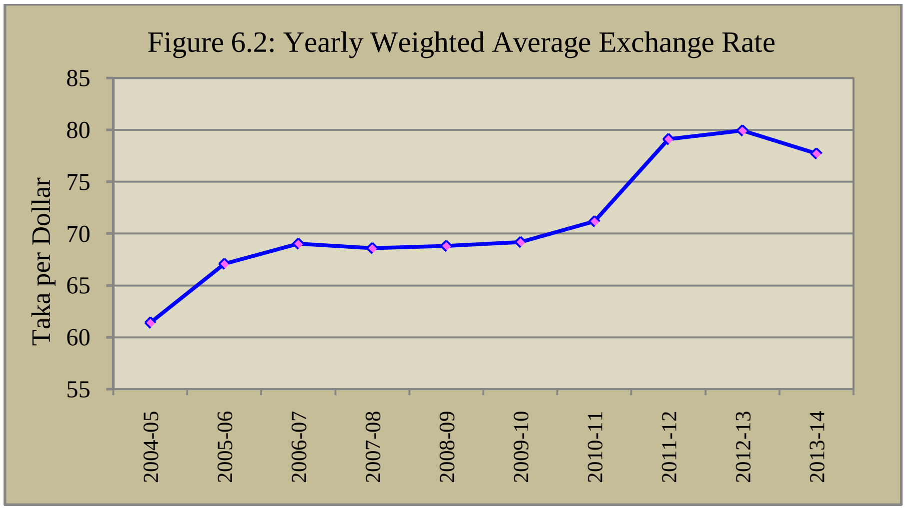
Exchange Rate

Bangladesh Bank has introduced the floated exchange rate system in 31 May 2003. Under this regime, exchange rate is being determined on the basis of demand and supply of the respective currencies. Authorized Dealer banks are now free to set their own rates for interbank and customer transactions. However, in order to achieve monetary policy goal and to avoid undue 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 stabilizing the market. The exchange rate of Taka against US Dollarwas almost stable throughout FY2013-14. The weighted average exchange rate stood at Taka 77.72 per US Dollar in FY2013-14 while it was Taka 79.93 per US$ in FY2012-13 showing appreciation of about 2.76 percent. In spite of slight fall in the inward remittances and increase in the growth of import payments, Taka remains stable due to positive growth in export earnings and most of all for the satisfactory implementation of prudential monetary policy by Bangladesh Bank. In FY2013-14, Bangladesh Bank has bought US$5.15 billion from the scheduled banks to ensure stability in the exchange rate keeping in mind the interest of exporters and wage earners. Apart from these, other monetary policy instruments i.e. repo, reverse repo etc. have been used to keep the exchange rate stable. Taka-Dollar exchange rates from FY2004-05 to FY2013-14 (period average) are provided in Table 6.7 and Figure 6.2.

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

FY	Weighted Average exchange Rate
2004-05	61.39
2005-06	67.08
2006-07	69.03
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

Source: Bangladesh Bank



Some Measures Takenin Foreign Exchange Regime in FY2013-14

Bangladesh Bank has taken various remarkable measures in foreign exchange regime during FY 2013-14. Some of these are listed below:

- The ceilings of import value (through LC or contract) by the authorized dealers have been enhanced to US$10,000 (earlier it was Tk.5 lakh) in cases where pro-forma invoices are issued directly by foreign suppliers and US$20,000 (earlier it was Tk.10 lakh) in cases where indents are issued by local agents of the foreign suppliers.
- To bring viability and usefulness in the activities of money changers, authorized dealers have been advised to co-operate them in operating FCaccounts so that they can deposit foreign currency beyond the specified limit of US$25,000.
- Authorized dealers have been allowed to remit advance payment of US$5,000 against import without permission from Bangladesh Bank. Earlier the facility of advance payment was US$2500 against import of books, journals and lifesaving medicines.
- An incoming/outgoing passenger may now bring in/take out up to Tk.5,000 which was Tk.2,000 earlier.
- Authorized dealers may, without prior approval of Bangladesh Bank, hold collaterals on behalf of overseas bank branches or correspondents in respect of external borrowing by industrial enterprises approved by Board of Investment. This action will ease obtaining/handling borrowing from abroad.
- Service sector industries which are within the purview of Industrial Policy in force are allowed to remit up to 1percent of annual sales as declared in their previous years' income tax return towards costs of training and consultancy services as per relevant contract with the foreign trainer/consultant. Earlier this facility was available only for manufacturing industries.

- Authorized dealers are allowed to encashment of inward remittances against agency services on one-off basis without permission of Bangladesh Bank after satisfying themselves with the genuineness and bonafide of the requests from their customers.
- To facilitate foreign exchange transactions against transportation services for import and export, general authorization has been accorded to shipping lines/air lines/licensed freight forwarders to open and maintain foreign currency accounts.
- Global private travel entitlement has been enhanced to US$12,000 per adult passenger during a calendar year, with up to US$5,000 or equivalent for travel to SAARC member countries and Myanmar and up to US$7,000 or equivalent for travel to other countries. As before, for minors (below 12 years in age) the applicable quota will be half the amount admissible for adults. The limit of foreign exchange in the form of cash is up to US $3,000 per person per trip.

Foreign Exchange Reserves

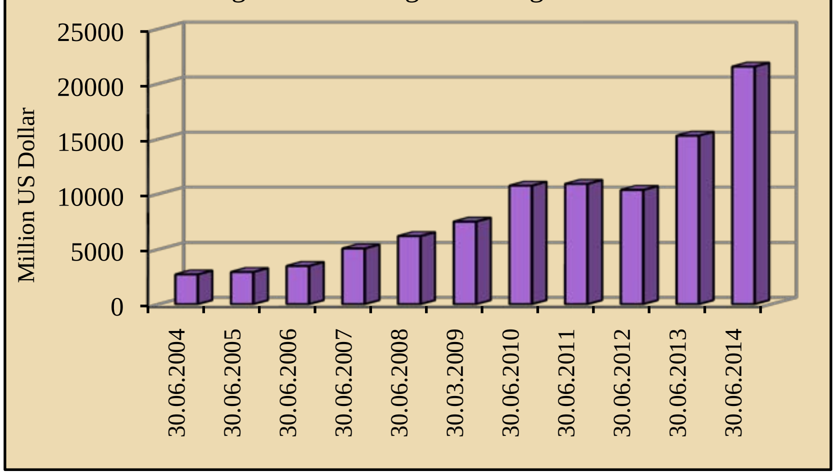
Bangladesh Bank maintained stability in retaining foreign exchange reserves. The gross foreign exchange reserves had reached US$21,558 million at the end of FY2013-14 which is 40.76 percent higher than US$15,315 million as of the end of FY2012-13. In order to strengthening the long term stability of the country's reserve position and diversifying the external asset portfolio, Bangladesh Bank invested in sovereign/supranational/highly reputed corporate bonds, Treasury Bills of US Government and in short term deposit with highly reputed commercial banks. Table 6.8 and Figure 6.3 shows the foreign exchange reserve position from end June 2004 to end June 2014.

Table 6.8: Foreign Exchange Reserves

Date	Amount (In million US$)
30.06.2004	2705
30.06.2005	2930
30.06.2006	3484
30.06.2007	5077
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	21558

Source: Bangladesh Bank

Figure 6.3: Foreign Exchange Reserves



Foreign Trade Policy

Tariff Regime

Bangladesh has been following the Most Favored Nation (MFN) tariff rate from FY 2000-01 in order to facilitate smooth implementation of the import policy of the Government. Tariff structure from FY 2000-01 to FY 2013-14 has been presented in the below table:

Table6.9: Tariff structure from FY2000-01 to FY2013-14

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

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 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 started since FY1991-92 is still continued in FY2013-14 in order increase the efficiency of the indigenous industries and makes consistency with the process of world-wide tariff reduction. The Un-weighted import average tariff rate in FY1991-92 was 57.22% which decreased at 14.44% in FY2013-14. The MFN Un-weighted import average is given below:

Table 6.10: MFN un-weighted 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

Source: National Board of Revenue (NBR)

World Trade Organization (WTO) and Bangladesh

The WTO Cell, established under Ministry of Commerce of Bangladesh, deals with all activities related to WTO issues. The main functions of the WTO Cell are to assist relevant ministries and offices to formulate policy in compliance with WTO rules-regulations in the international trade; to work for enhancing overall capacity on WTO issues; to work towards achieving better market access in addition to safeguard the interests of the country in the multilateral trading system; to take part in the negotiations through formulating country positions on various trade issues; and to exchange views with the stakeholders on various trade issues and prepare Position Paper.

1. Bangladesh has been attending all the WTO Ministerial Conferences and has been taking initiatives to safeguard the interests of Bangladesh which are as follows;
    - i. To ensure Duty-free and quota-free market access in developed and developing countries;
    - ii. To create more opportunities for exportation of semi-skilled and unskilled manpower from Bangladesh under Mode-4 i.e. movement of natural person in services sector;
    - iii. To take collective initiative for the extension of transition period for pharmaceutical products exempted under the TRIPS Agreement.

iv. To have stakeholders' consultation for making Bangladesh's position on different trade issues prior to attending the WTO Ministerial Conferences and to ensure the representation of these organizations in the Bangladesh delegation.

2. Bangladesh joined the EIF (Enhanced Integrated Framework) process in November 2009. EIF is a joint initiative of six international organizations namely, WTO, UNCTAD, UNDP, World Bank, IMF and ITC, with a view to enhancing trade-related capacity of LDCs. Under this process, the World Bank has been nominated to conduct Diagnostic Trade Integration Study (DTIS). The draft DTIS has identified existing constraints and challenges in trade and potential sectors of exports. In addition, an action matrix was prepared to address the constraints of the trade. After the validation of draft DTIS, based on its study and action matrix, project will be formulated to address the existing trade constraints. Mobilizing the necessary fund under Aid for Trade would be easier for the projects identified under the DTIS. The Validation of the DTIS is at the final stage.

3. Bangladesh conducted a Needs Assessment exercise with a view to identify the needs for technical and financial assistance for protecting intellectual property rights and the report was submitted to the WTO. In the meantime, Switzerland, EU, USA have given the assurance to enhance the TRIPS capacity of Bangladesh and the signing of an MOU is at the final stage in this regard. Moreover, Bangladesh has ratified the amendment proposal of TRIPS article 31(F) and (H). It is hoped that the export of pharmaceuticals would be increased.

4. In order to ensure and maintain fair competition in the market by controlling anti-competitive activities, a competition law, titled as "Competition Act 2012" was formulated and passed by the Parliament. The formation of Competition Commission under this law is in progress.

5. A Bangladesh Delegation attended the 8th WTO Ministerial Conference of the WTO held in Geneva from15-16 December 2011. Bangladesh performed as the Coordinator of the LDCs Group in the WTO 8th Ministerial Conference. In the conference, following decisions related to the interests of LDCs were adopted:
   a. With a view to providing preferential market access to LDCs in services trade, a Waiver Decision (MFN Waiver) was adopted;
   b. The issue of extending the TRIPS related exemption for LDCs beyond July 2013 will be considered on the basis of request from LDCs;
   c. Simplifying LDCs' accession process to the WTO.

6. The WTO Cell of the Ministry of Commerce takes appropriate steps against the different measures (Anti-dumping duty, Safeguard Duty etc) imposed by other countries on Bangladeshi products. It is noted that WTO Cell of the Ministry of Commerce took initiatives to protect the interest of Bangladesh when Turkey imposed safeguard duty on Readymade Garments of Bangladesh in 2011. A delegation headed by Commerce

Secretary attended a hearing in Turkey regarding this issue and submitted the facts and statistics in favour of Bangladesh's export.

7. The 4^{th} Trade Policy Review (TPR) of Bangladesh was held at the WTO Secretariat in Geneva during 15-17 October 2012. A 15 member delegation headed by Commerce Secretary participated in the Trade Policy Review. Representatives from various ministries, organizations and private entities were included in the delegation team. In this process, all trade related policies of Bangladesh were reviewed by the member countries to observe whether the trade policies are in line and consistent with the WTO rules. Member countries appreciated Bangladesh for her continuous efforts to follow the WTO rules and increase the trade volume during the years.

8. The 9^{th} WTO Ministerial Conference was held on 03-06 December 2013 in Bali, Indonesia. "Bali Package" was accepted unanimously through the inclusion of three issues namely, Development Issues, Trade Facilitation Agreement and Agriculture. Among the Development Issues, four issues and Monitoring Mechanism are directly related to the interests of the LDCs. The four issues are Duty-free Quota-free market access, Rules of Origin, Operationalization of Service Waiver and Cotton Issues. The major outcome of the Bali decision are:
    a. DFQF: Developed countries that did not yet provide duty-free and quota-free (DF&QF) market access to at least 97 percent products of LDCs according to the Hong Kong decision taken in 2005 will improve their DF&QF scheme prior to the next ministerial conference. It is mentionable that all developed countries except the US have provided tariff preferences to almost all products.
    b. Relaxed Rules of Origin: A guideline has been submitted for the first time at the multilateral level to introduce simple and transparent Rules of Origin for the LDCs.
    c. Trade in Services: It was decided that the LDCs will submit a collective request by July 2014. After submission of the collective request, a Signaling Conference will be held in December 2014.

9. In Bali Conference, a WTO agreement on Trade Facilitation was concluded. Trade Facilitation Agreement (TFA) will reduce time and cost of business transactions. As a result business will be very competitive. Through the implementation of TFA, both Importers and Exporters will be benefited and trade volume will increase. Special preferences have been kept in the agreement for the LDCs.

10. According to Istanbul convention, a 10-year work programme from 2011-2021, titled as "Istanbul Plan of Action" had been adopted at the convention with regard to economic and social development of the LDCs. The main objective of the convention was to help at least half of the LDCs becoming developing countries within 10 years through flourishing their economic and social advancement. With a view to implementing the work programme, the Ministry of Finance had prepared a "National Plan of

Action".Ministry of Commerce has taken various initiatives to address trade related aspects of the National Plan.

11. On 25 November 2013, the "Trade and Investment Cooperation Forum Agreement (TICFA)" was signed between Bangladesh and the United States of America. TICFA treaty has provided a platform for regular discussion on Trade & Investment issues between the two countries.

Regional Trade Agreements (RTAs) in Bangladesh

1. South Asian Free Trade Area (SAFTA)

The activities of the sensitive lists and trade liberalization programme (TLP) of the South Asian Free Trade Area (SAFTA) agreement came into force on 01 July 2006 which has been continuing. Under TLP Phase II, the member countries have reduced 20 percent products from their sensitive lists and it has come into force on 01 January 2012. It is to be noted that in November 2011, India provided duty free access for all products from LDCs, except only 25 items (at six digit level) which are still in their sensitive list. It is expected that this will reduce trade deficit of Bangladesh with the SAARC countries; especially with India. The existing sensitive lists of Bangladesh contain 887 (at six digit level) products for LDC member countries and 993 (at six digit level) products for non-LDC member countries. At present, the activities of TLP Phase III are underway for further reduction of the number of items from the sensitive lists of the member countries. The competent authorities of Bangladesh are working on this issue in consultation with the stakeholders. Notably, meanwhile Bangladesh has become the second largest exporting country under SAFTA. In 2011 export of Bangladesh under SAFTA was US$ 350 million which increased to US$ 420.50 million in 2012.

2. SAARC Agreement on Trade in Services (SATIS)

SAARC Agreement on Trade in Services (SATIS) was signed by the SAARC member countries during the 16th SAARC Summit held on 29 April 2010 in Thimpu, Bhutan. In 2012, all member countries including Bangladesh exchanged their offer lists and request lists. Bangladesh offered in two sectors such as telecom and tourism and requested for ten sectors. The negotiation is going on for finalizing the schedules of commitments of the member countries. It is expected that implementation of SATIS will increase investment and trade in service sector of Bangladesh.

3. Asia-Pacific Trade Agreement (APTA)

In 2005, the Bangkok Agreement was reorganized and renamed as Asia-Pacific Trade Agreement (APTA). At present, its member countries are Bangladesh, India, Lao PDR, the Philippines, the Republic of Korea, Sri Lanka and China. Till to date three rounds of negotiations have been concluded. The third round of negotiations was concluded in 2006. In this round China provided 77.9 percent tariff preference on 161 items, South Korea provided 64.6 percent on 306 items and India provided 39.7 percent on 48 items for LDC member countries. The fourth round of negotiations on tariff concession was scheduled to be concluded in the 40th meeting of the APTA Standing Committee held on 9-11 April 2013 which has not yet taken place. The fourth round of negotiations is expected to provide extended coverage to wide range of issues other than deepening of tariff concession and increase of product coverage such as non-tariff barriers, trade facilitation, service sector and investment. In this round other than tariff concessions Framework Agreements on Trade Facilitation, Agreement on Investment Protection and Liberalization of Trade in Services have been signed. It is expected that if these agreements are implemented investment and trade in service sector of Bangladesh will increase. It is to be noted that though fourth round of negotiations has not yet been concluded; negotiation on tariff concession has been concluded. Commencement date of implementation of tariff concession of fourth round will be fixed by the upcoming fourth APTA Ministerial Council meeting to be held in Dhaka, Bangladesh on 27-28 August 2013.

4. Trade Preferential System among OIC Countries (TPS-OIC)

In order to expand intra-OIC trade, the Trade Preferential System among OIC Countries (TPS-OIC) was formed in 1991. Under this agreement, Bangladesh has signed the Agreement on Rules of Origin on 25 February 2011 and ratified it on 23 June 2011. Besides, Bangladesh has submitted an offer list of 476 products in January 2012. It is expected that as an LDC Bangladesh can increase its export to the OIC countries by utilizing flexible rules of origin (30 percent value addition) criterion. It may be noted that TRP has come into force on 05 February 2011. As an LDC Bangladesh has got three years grace period which implies that Bangladesh has to start TRP from 01 January 2014.

5. Preferential Trade Agreement among D-8 Member States (D-8)

A regional economic bloc was formed in 1997 comprising eight developing OIC countries, viz. Bangladesh, Egypt, Indonesia, Iran, Malaysia, Nigeria, Pakistan and Turkey. Among these countries a Preferential Trade Agreement (PTA) was signed in Indonesia on 13 May 2006. The tariff reduction process (TRP) under this PTA has come into force on 25 August 2011**.** But Bangladesh has not yet ratified the agreement due to divergent views on value addition criteria of rules of origin. In the negotiations, Bangladesh frequently advocated for 30 percent value addition but no other D-8 member countries agreed. Since the Agreement on Rules of Origin is an integral part of the PTA; exchange of tariff concessions will not be applicable for Bangladesh.

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

A regional economic cooperation bloc under BIMSTEC comprising Bangladesh, Bhutan, India, Myanmar, Nepal, Sri Lanka and Thailand was formed in 1997. In order to form a BIMSTEC FTA, a framework agreement was signed in February 2004 which covered (i) trade in goods, (ii) trade in services, and (iii) investment. Meanwhile, the agreement on Trade in Goods has been finalized and negotiation on trade in services and investment is underway. The framework agreement incorporated thirteen sub-sectors: (1) Trade and Investment, (2) Technology, (3) Energy, (4) Transport and Communication, (5) Tourism, (6) Fisheries, (7) Agriculture, (8) Cultural Operation, (9) Environment and Disaster Management, (10) Public Health, (11) People to People Contact, (12) Poverty Alleviation, and (13) Counter-Terrorism and Trans-National Crime.

Under this agreement (1) Agreement on Trade in Goods, (2) Agreement on Trade in Services, (3) Agreement on Investment, (4) Agreement on Cooperation and Mutual Assistance in Customs Matters, (5) Protocol to Amend Framework Agreement on the BIMSTEC Free Trade Area (BIMSTEC FTA), (6) Agreement on Dispute Settlement Procedure and Mechanism have been finalized.

In the 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 tariff reduction process (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.

Till to date 19 meetings of TNC have been held. The last (19^{th}) meeting was held in Bangkok on 21-23 February 2011. In accordance with the decision of the 19^{th} TNC meeting, the product distributions are as follows:

i. Fast Track Elimination 10 percent;
ii. Normal Track Elimination 48 percent;
iii. Normal Track Reduction 19 percent and
iv. Negative List 23 percent

It is to be noted that the aforesaid lists was revised as per HS 2007 and exchanged among the member countries. Besides, the text of Agreement on Rules of Origin was finalized in this meeting. However, the tariff reduction process on trade in goods has not yet begun.

7. Agreements on Free Trade Area Agreement (FTA)

In order to establish bilateral FTAs with different countries, a FTA Policy Guidelines 2010 was prepared by the Ministry of Commerce which was approved in December 2012. In light of this Policy Guidelines, the possibility of forming bilateral FTAs with several countries have been examined. Meanwhile Bangladesh Tariff Commission has examined the possibility of forming of bilateral FTAs with Malaysia, India, Turkey and Sri Lanka. Besides, the possibility of forming FTA with Gulf Cooperation Council (GCC), Macedonia and some African and Middle East countries are under examination. Till to date Bangladesh has signed more than forty bilateral trade agreements

Bilateral Trade

The first border and second border huts began their operation at *Baliamari* in the border of Kurigram and *Dollaro* of *Shunamgonj* on 18 July 2011 and on 01 May 2012 respectively under the Memorandum of Understanding (MOU) on Establishment of Border Hut in Bangladesh-India Border signed on 22 October 2010. As a result, the people of the border areas of both countries can buy and sell their commodities smoothly which gradually decreases informal trade.

With the persistent efforts of the Ministry of Commerce meanwhile India has withdrawn some important trade barriers. For example, 4 percent special additional duty on readymade garments and 14 percent countervailing duty on jute products were withdrawn on 14 January 2010 and 20 April 2011 respectively which boosted export of readymade garments and jute products from Bangladesh to India. In March 2012, the existing Bangladesh-India bilateral trade agreement has been renewed for further three years.

Till today six meetings of Bangladesh-Myanmar Joint Trade Commission have been concluded. The Secretary Level meetings were held regularly in the last three years. The last (sixth) meeting was held in Dhaka on 11-12 November 2012. Progress has been made in terms of carrying out bilateral trade using banking channel, Asia Clearing Union and increasing volume of trade in a single invoice. Important progress in starting of border hut in the part of Bangladesh in the border of Bangladesh-Myanmar became possible through these aforesaid meetings. Besides, Bangladesh-Myanmar Naval Protocol is at the final stage.

In 2009, a 5 Year Trade Agreement and its Protocol was signed which resulted in duty free market access of the products between Bangladesh and Bhutan. At present, bilateral trade between Bangladesh and Bhutan is going on through *Nokugaon* and *Baluahat* land customs stations, in addition to those located at *Burimari*and *Tamabil.*

Bangladesh-Nepal Secretariat Level meeting was held in Kathmandu in 2012. Moreover, Joint Secretary Level Technical Committee meeting was held in the same year. This meeting discussed the issues on tariff and non-tariff barriers, investment, development in communicational infrastructures etc. and finalised a strategy for disposal of bilateral trade disputes. The value of trade of both countries has reached around US$ 60 million following of removal of tariff and non-tariff barriers.