

## CHAPTER 6

### EXTERNAL SECTOR

*[Growth of global trade declined to 2.6 percent in 2015 with a decrease of 0.5 percent point compared to previous year because of prevailing weaker growth trend of emerging and developing economies. Despite disintegrated global growth scenario prevailed during FY2015-16, Bangladesh has still been able to achieve a commendable growth rate through her prudent economic managements well as well as inclusive and growth oriented monetary policy. In this context, particularly Ready Made Garments (RMG) and Knitwear has significantly contributed in this regard. Export earnings increased to 9.77 percent in FY 2015-16 compared to the last fiscal year. On the other hand, import expenditure increased to 5.45 percent in FY2015-16 compared to previous fiscal year because of higher domestic demand. Upward trend of both export and import along with increasing remittance inflow associated with implementation of inclusive as well as growth and investment friendly monetary policy induced depreciation of Taka against US Dollar and a record rise of foreign exchange reserve. Foreign exchange reserve surpassed US\$ 30,176 million mark on 30<sup>th</sup> June, 2016, which is sufficient for about 8 months of import coverage.]*

#### Global Trade Situation

Despite escalation of world -wide uncertainty and weaker recovery of advanced economies for slowdown in economic growth, it is expected that global trade would grow less than GDP growth in 2016, but faster than GDP growth in 2017. According to IMF World Economic Outlook, October, 2016, the growth rate of global trade volume (goods and services) is 2.6 percent in 2015 which was 3.5 percent in 2014. The outlook forecasts that the growth of global trade will decrease to 2.3 percent in 2016 and will increase to 3.8 percent in 2017 (Table 6.1). According to the Outlook, the growth of import in advanced economies is expected to reach 2.4 percent and 3.9 percent in 2016 and 2017 respectively. Likewise, export of the advanced economies is expected to reach 1.8 percent and 3.5 percent during the same period. On the other hand, the growth of import in emerging markets and developing economies will decrease at 2.3 percent in 2016, but expected to increase at 4.1 percent in 2017. Likewise, export growth in emerging markets and developing economies will decrease to 2.9 percent in 2016, and are expected to reach 3.6 percent in 2017. The trend of growth of world trade volume is shown in the Table 6.1.

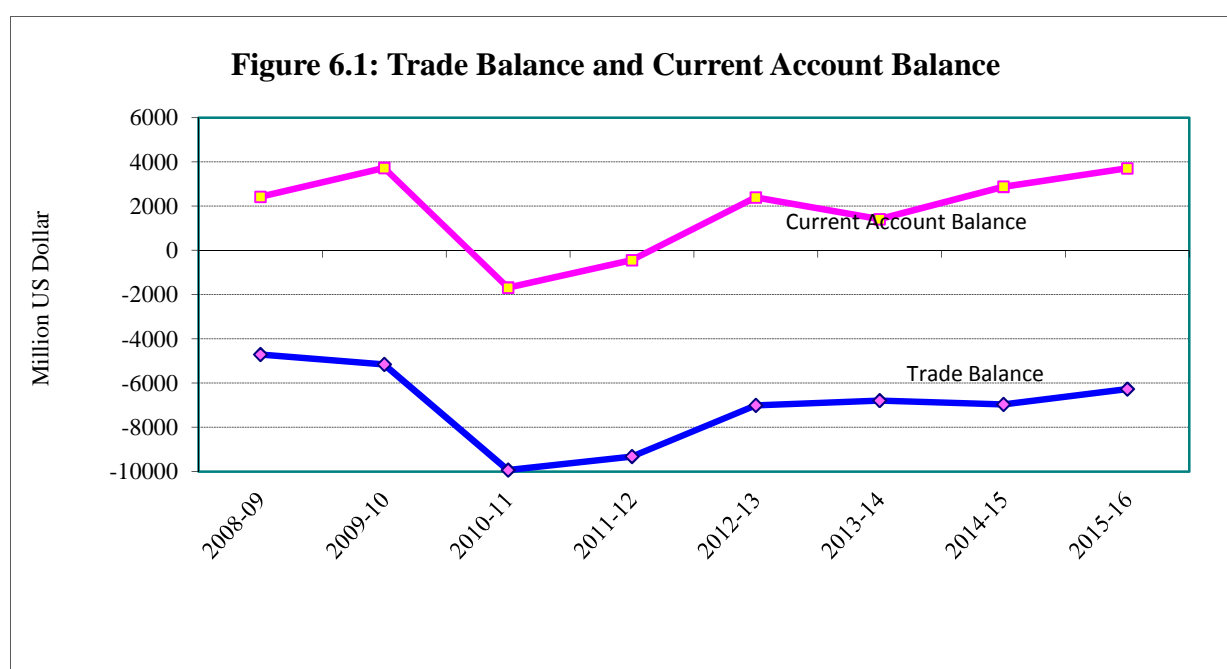
**Table 6.1: World Trade Volume**  
(Percent Change)

World Trade Volume (Goods and Services)	Actual		Projections	
	2014	2015	2016	2017
World Trade	3.5	2.6	2.3	3.8
<b>Imports</b>				
Advanced Economies	3.5	4.2	2.4	3.9
Emerging & Developing Economies	3.7	-0.6	2.3	4.1
<b>Exports</b>				
Advanced Economies	3.5	3.6	1.8	3.5
Emerging & Developing Economies	3.1	1.3	2.9	3.6

Source: World Economic Outlook, April 2016, IMF

## Balance of Payments of Bangladesh Economy

Trade deficit has decreased significantly by 9.92 percent to US\$ 6,274 million in the FY2015-16 compared to US\$ 6,965 million in FY2014-15. Service account and primary income account deficit decreased significantly by 12.34 percent and 10.00 percent respectively as well as the secondary income account decreased by 3.40 percent in FY2015-16 compared to previous year. The current account balance recorded a surplus of US\$ 3,706 million in FY2015-16 as compared to the surplus of US\$ 2,875 million of the FY2014-15. As a result, the overall balance surplus increased by 15.16 percent to US\$ 5,036 million in FY2015-16, which was US\$ 4,373 million in the FY2014-15. The trend of trade and current account balance has been shown in Figure 6.1 and the overall balance of payments position (from FY2008-09 to FY2015-16) has been shown in Table 6.2.



**Table-6.2: Balance of Payments**

(In million US\$)

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15*	2015-16**
<b>Trade balance</b>	<b>-4710</b>	<b>-5155</b>	<b>-9935</b>	<b>-9320</b>	<b>-7009</b>	<b>-6794</b>	<b>-6965</b>	<b>-6274</b>
Exports f.o.b. (including EPZ)	15581	16233	22592	23989	26567	29777	30697	33441
Import, f.o.b. (including EPZ)	-20291	-21388	-32527	-33309	-33576	36571	-37662	-39715
<b>Services</b>	<b>-1616</b>	<b>-1233</b>	<b>-2612</b>	<b>-3301</b>	<b>-3162</b>	<b>-4099</b>	<b>-3186</b>	<b>-2793</b>
<b>Income</b>	<b>-1484</b>	<b>-1484</b>	<b>1454</b>	<b>-1549</b>	<b>-2369</b>	<b>-2635</b>	<b>-2869</b>	<b>-2582</b>
<b>Current transfers</b>	<b>10226</b>	<b>11596</b>	<b>12315</b>	<b>13423</b>	<b>14928</b>	<b>14934</b>	<b>15895</b>	<b>15355</b>
of which workers' remittances	9689	10987	11513	12735	14338	14116	15170	14717
<b>Current account</b>	<b>2416</b>	<b>3724</b>	<b>-1686</b>	<b>-447</b>	<b>2388</b>	<b>1406</b>	<b>2875</b>	<b>3706</b>

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15*	2015-16**
balance								
Capital and Financial Account	-374	-139	1075	1918	3492	3411	2421	2088
Capital account	451	512	642	482	629	598	496	478
Financial account	-825	-651	433	1436	2863	2813	1925	1610
(i) Foreign Direct Investment (net)	961	913	775	1191	1726	1432	1830	2001
Errors and omission	16	-720	-263	-977	-752	666	-923	-758
Overall balance	2058	2865	-656	494	-5128	5483	4373	5036

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

## Export Position and Composition of Export Commodities

Country's export earnings stood at US\$34,242 million in FY2015-16, which was 9.77 percent higher than the export earnings (US\$31,209 million) of FY2014-15. Export earnings increases due mainly to increasing export of raw jute, readymade garments, shoe product, engineering products, chemical products, petroleum product, and handicrafts etc. during the year under report. Analysis of composition of exports in FY2015-16 by major categories reveals that the export earnings over the last fiscal year increased mainly for petroleum products (280.77%), raw jute (54.46%), other primary products (17.21 %), shoe products (15.87%), engineering products (14.09 %), readymade garments (12.81%), handicraft products (11.11 %), chemical products (10.7%), other manufacturing products (8.00 %) and knitwear (7.47 %). On the other hand, export earnings decreased as a result of decreasing exportable items. Export growth and composition by commodities from FY2013-14 to FY2015-16 are shown in Table 6.3.

**Table 6.3: Export Earnings Composition and Growth of Export Income**

(Million US Dollar)

Group Wise Commodity	Total Export Earnings			Share of Total Export (%)			Export Growth (%)		
	2013-14	2014-15*	2015-16**	2013-14	2014-15*	2015-16**	2013-14	2014-15*	2015-16**
<b>1. Primary Commodities</b>	<b>1379</b>	<b>1266</b>	<b>1305</b>	<b>4.57</b>	<b>4.06</b>	<b>3.81</b>	<b>5.27</b>	<b>-8.19</b>	<b>3.08</b>
Raw Jute	126	112	173	0.42	0.36	0.51	-45.22	-11.11	54.46
Tea	4	3	2	0.01	0.01	0.01	100.00	-25.00	-33.33
Frozen Food	638	568	536	2.11	1.82	1.56	17.28	-10.97	-5.63
Agricultural Products	402	339	308	1.33	1.09	0.90	14.53	-15.67	-9.14
Other Primary Products	209	244	286	0.69	0.78	0.83	14.21	16.75	17.21
<b>2. Manufactured Goods</b>	<b>288808</b>	<b>29943</b>	<b>32952</b>	<b>95.43</b>	<b>95.94</b>	<b>96.19</b>	<b>12.02</b>	<b>3.94</b>	<b>10.05</b>
Jute Goods	699	757	747	2.32	2.43	2.18	-12.73	8.30	-1.32
Leather	506	398	278	1.68	1.28	0.81	26.50	-21.34	-30.15
Petroleum Products	162	78	297	0.54	0.25	0.87	-48.41	-51.85	280.77
Readymade Garments	12442	13065	14739	41.22	41.86	43.02	12.70	5.01	12.81
Knitwear	12050	12427	13355	39.92	39.82	38.98	15.02	3.13	7.47
Chemical Products	93	112	124	0.31	0.36	0.36	0.00	20.43	10.71
Shoe	172	189	219	0.57	0.61	0.64	-58.95	9.88	15.87
Handicrafts	8	9	10	0.03	0.03	0.03	33.33	12.50	11.11
Engineering Products	367	447	510	1.22	1.43	1.49	-0.27	21.80	14.09
Other mfg. Products	2309	2461	2673	7.65	7.89	7.80	28.28	6.58	8.61
<b>Total (1+2)</b>	<b>30187</b>	<b>31209</b>	<b>34257</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>11.69</b>	<b>3.39</b>	<b>9.77</b>

Source: Export Promotion Bureau (EPB),\* Revised, \*\* Provisional

## Country-wise Export Earnings

Country-wise export data shows that USA is the main destination of our export. In FY2015-16, USA secured the top position in respect of importing commodities from Bangladesh. Export earnings from USA stood at US\$6,220.65 million in FY2015-16, which is 18.17 percent of country's total export earnings. The major commodities exported to USA are woven garments, knitwear, frozen food, cap, home textile etc. The other destinations of the country's exports are Germany (14.57%), UK (11.13%) and France (5.41%). 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	Netherlands	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	5419.6 0	3962.6 0	2764.90	1513.89	730.81	1036.60	712.47	1090.02	750.26	9046.21	27027.3 6
2013-14	5583.6 2	4720.4 9	2917.73	1677.67	970.53	1332.38	858.13	1099.63	862.07	10154.5 5	30176.8 0
<b>2014-15</b>	<b>5783.4</b>	<b>4705.4</b>	<b>3205.5</b>	<b>1743.5</b>	<b>975.1</b>	<b>1382.4</b>	<b>840.34</b>	<b>1029.1</b>	<b>915.2</b>	<b>10629.0</b>	<b>31208.9</b>
<b>2015-16</b>	<b>6220.65</b>	<b>4988.08</b>	<b>3809.70</b>	<b>1852.16</b>	<b>1015.33</b>	<b>1385.67</b>	<b>845.92</b>	<b>1112.88</b>	<b>1079.55</b>	<b>11931.88</b>	<b>34241.82</b>
<b>Percentage*</b>	<b>18.17</b>	<b>14.57</b>	<b>11.13</b>	<b>5.41</b>	<b>2.97</b>	<b>4.05</b>	<b>2.47</b>	<b>3.25</b>	<b>3.15</b>	<b>34.85</b>	<b>100.0</b>

Source: Export Promotion Bureau, \*percentage share of total export earnings of FY 2015-16.

## Import Status and Composition of Imported Commodities

Country's total import payments in C&F stood at US\$42,921 million in FY2015-16, which was 5.45 percent higher than the import payments of US\$ 40,704 million of the preceding year. Commodity-wise import payments (from FY2010-11 to FY2015-16) have been shown in Table 6.5.

**Table 6.5: Comparative Situation of Commodity-wise Import Payment**

(In million US\$)

Commodity	2010-11	2011-12	2012-13	2013-14	2014-15*	2015-16**
<b>a) Principal Primary Commodities</b>	<b>5591</b>	<b>4149</b>	<b>4075</b>	<b>5349</b>	<b>4477</b>	<b>4206</b>
Rice	830	288	30	348	508	112
Wheat	1081	613	696	1126	983	945
Oil seeds	103	177	242	524	374	532
Crude petroleum	888	987	1102	929	316	384
Cotton	2689	2084	2005	2422	2296	2233
<b>b) Principal industrial Goods</b>	<b>7546</b>	<b>9263</b>	<b>8529</b>	<b>9475</b>	<b>7906</b>	<b>8506</b>
Edible oil	1067	1644	1402	1766	924	1436
Petroleum Products	3221	3922	3642	4070	2076	2256
Fertilizer	1241	1381	1188	1026	1339	1112
Clinker	446	504	487	615	638	571

Commodity	2010-11	2011-12	2012-13	2013-14	2014-15*	2015-16**
Staple fiber	180	428	454	492	1078	1172
Yarn	1391	1384	1356	1506	1851	1959
c) Capital machinery	2325	2005	1835	2288	3221	3399
d) Other commodities (including EPZ)	18196	20099	19645	23563	25000	26810
Grand Total (c&f)	33658	35516	34084	40675	40704	42921
Percentage Change	41.79	5.52	-4.03	19.34	0.07	5.45

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

## Country-wise Import Payments

In terms of value of total imported commodities, China secured the first position as a source of country's import in FY2015-16. During this period 29.57 percent of the total imported commodities came from China. India was the second largest source of import (13.37%) while Singapore held the third position (5.25 %). Country-wise import payments (from FY2006-07 to FY2015-16) have been shown in Table 6.6.

**Table 6.6: Country-wise Import Payments**

(In million US\$)

Fiscal Year	China	India	Singapore	Malaysia	Japan	South Korea	Hong Kong	Taiwan	US A	Other s	Total
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	7550	5985	2407	2084	1291	1182	762	897	792	17782	40784
2014-15*	11268	5588	2894	1361	1816	1417	881	1060	880	13539	40704
2015-16**	12691	5739	2252	1661	2079	1427	827	1004	1134	14107	42921
Percent (As % of Total)	29.57	13.37	5.25	3.87	4.84	3.32	1.93	2.34	2.64	32.87	100.00

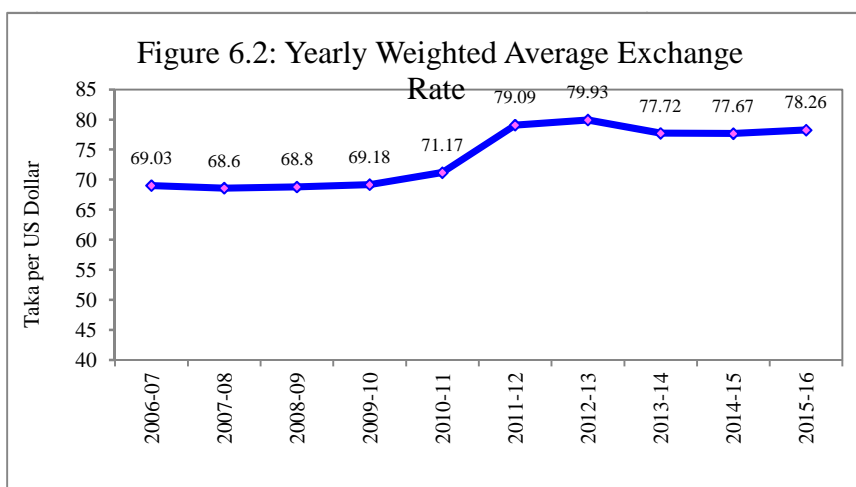
Source: Bangladesh Bank. As percentage of total of FY2015-16, \*Revised,\*\* Provisional

## 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 banks are now free to set their own rates for inter-bank and customer transactions. However, in order to avoid too much 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 0.76 percent depreciation against US dollar in FY2015-16 due mainly to decrease in the flow of inward remittances on account of wage earner remittances as well as increased demand for import payments. The weighted average inter-bank rate stood at Taka 78.26 per US\$ in FY2015-16, which was Taka 69.03 per US\$ in FY2006-07. The weighted average Taka-Dollar exchange rates from FY2006-07 to FY2015-16 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
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
2014-15	77.67
2015-16	78.26
Source: Bangladesh Bank	



It should be mentioned that, the weighted average interbank rate stood at Taka 78.26 per US\$ in June 30, 2016 against Taka 77.67 per US\$ as on 30 June 2015. During FY2015-16 the import payment stood at 42,921 million US\$, which is 5.45 percent higher than 40,704 million US\$ of FY2014-15. Moreover, during FY2015-16 the remittance earnings stood at 14,931.14 million US\$, which is 2.52 percent lower than 15,316.91 million US\$ of previous period. As a result, Taka against Dollar depreciated slightly.

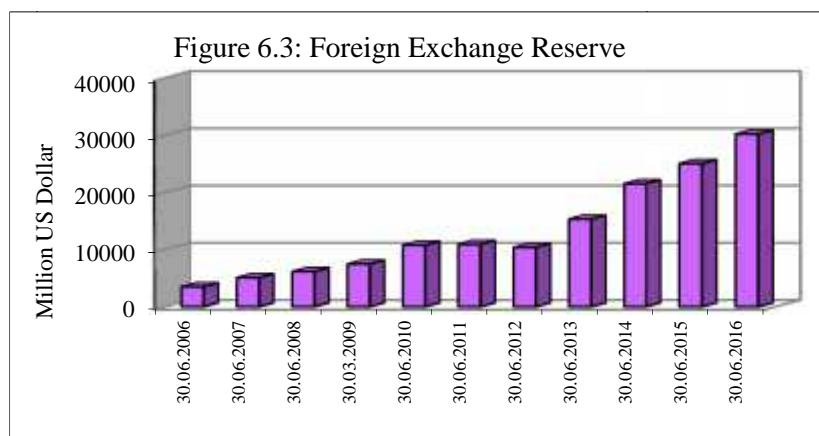
### Foreign Exchange Reserves

Bangladesh Bank maintained stability in retaining foreign exchange reserves. The gross foreign exchange reserves of Bangladesh Bank had reached US\$30,176 million at the end of June 2016 due to higher growth of export earnings. Table 6.8 and Figure 6.3 show the foreign exchange reserve position at the end of June, 2006 to the end of June, 2016.

**Table 6.8: Foreign Exchange Position**

Date	Amount (In million US Dollar)
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	21508
30.06.2015	25020
30.06.2016	30176

Source: Bangladesh Bank



## Measures Taken in Foreign Exchange Regime during FY2015-16

The following remarkable changes on exchange arrangements during the FY2015-16 have been made:

- Ñ Authorised Dealing (AD) banks are permitted for holding of collaterals and issuing guarantee against foreign loan for obtaining foreign loan easily.
- Ñ Money Changers are allowed to sell releasable foreign currency of US\$1,000 or equivalent other foreign currency to be carried by each Hajj pilgrims.
- Ñ AD banks are allowed to release of foreign exchange against cost of advertisement for publication in foreign electronic and online media.
- Ñ The Foreign Exchange Regulation Act, 1947 has been amended by the Parliament on 6 September, 2015 which has been named as Foreign Exchange Regulation (Amendment) Act, 2015.
- Ñ To receive inward remittances from abroad through banking channel (other than remittances sent by Bangladesh nationals working abroad) declaration on Form C is not required for amounts up to US\$10,000 or equivalent. Earlier the same limit was US\$ 5,000 or equivalent.
- Ñ To facilitate study abroad by Bangladeshi students in permissible courses, general permission has been given to deposit foreign currency to be blocked in designated bank accounts or student accounts abroad for visa/admission processing.
- Ñ Besides traditional mode of payment, visa processing fees may be remitted through online using international cards or virtual cards.
- Ñ Under the Financial Sector Support Project (FSSP), BB will provide long term financing in foreign currency to the eligible banks and financial institutions for on-lending/re-financing to mainly small and medium scale enterprises in the country for purchasing capital machinery and equipment for up-gradation, expansion or for newly set up manufacturing industries, relocating factories to designated industrial zones, etc. with a maturity from 3 to 10 years.
- Ñ AD banks have been allowed to extend mortgage loans in Taka to NRBs working abroad for the purpose of housing in Bangladesh subject to observance of the existing guidelines of Prudential Regulations for Consumer Financing. The housing finance facility provided to NRBs will not exceed the debt equity ratio of 50:50.
- Ñ From January, 2016 ADs have been waived from the requirement of submitting the Travel and Miscellaneous Forms and supporting documents related to such forms with the monthly/periodic returns to Bangladesh Bank.
- Ñ The minimum threshold amount for transaction through Asian Clearing Union (ACU) member central banks under ACU arrangement has been set at 500 ACU Dollar or ACU Euro.

- Ñ Bangladesh Bank has established a revolving fund of US\$ 200 million titled as the Green Transformation Fund (GTF) to accelerate sustainable growth in export oriented textile and leather sectors conducive to transformation of green economy in the country.
- Ñ BB has issued a Notification allowing incoming passengers irrespective of their resident status to bring gold or silver in bullion/ingot into Bangladesh up to the prescribed limit in terms of relevant baggage rules under the Customs Act, 1969, in force.
- Ñ Foreign Exchange Regulations are applicable for enterprise and developers operating in Economic Zones (EZs) in Bangladesh as per recently approved act titled ‘The Bangladesh Economic Zones Act, 2010’
- Ñ The limit of international cards for online payment has been increased from US\$100 or its equivalent to US\$ 300 or its equivalent per transaction against legitimate purchases of goods and services from reputed and reliable sources abroad.
- Ñ BB has allowed ADs to issue guarantees in foreign currency up to Saudi Riyal (SR) 200,000 from earlier SR 100,000 to the official pilgrimage (Umrah) service providers in Saudi Arabia.
- Ñ BB has issued a circular describing the eligible foreign exchange transactions for freight forwarders licensed by National Board of Revenue (NBR).
- Ñ ADs have been allowed to release foreign exchange to the resident Bangladeshi nationals intending to travel abroad without visa;
- Ñ Export Development Fund (EDF) for a manufacturer-exporter against an export LC/firm export contract/inland back to back LC has been enhanced from US\$15.00 million to US\$20.00 million.

## 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 FY2015-16 has been presented in Table 6.9.

**Table 6.9: Tariff Structure from FY2000-01 to FY2015-16**

<b>Fiscal Year</b>	<b>Operative Tariff (%)</b>	<b>Maximum Tariff Rate (%)</b>	<b>Number of Operative Tariff Slabs</b>
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



<b>Fiscal Year</b>	<b>Operative Tariff (%)</b>	<b>Maximum Tariff Rate (%)</b>	<b>Number of Operative Tariff Slabs</b>
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	5
2015-16	0,1, 2, 5, 10, 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 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 continuing in FY2015-16 in order to increase the efficiency of the indigenous industries and make consistency with the process of world-wide tariff reduction. The Un-weighted import average tariff rate in FY1991-92 was 57.22 percent which decreased at 14.37 percent in FY2015-16. At present, ad-voluerum duties are being imposed on 99.57 percent tariff line. Specific duties are in existence at different rate on some products such as sugar, cement clinker, bitumen, gold, steel products-scraped ship against 0.43 percent tariff line. Value Added Tax, Regulatory Duty, Supplementary Duty, Advanced Income Tax and Advanced Trade VAT are

imposed on importable goods in addition to Customs Duty. The MFN Un-weighted import average from FY2003-04 to FY2015-16 is given below:

**Table 6.10: MFN Un-weighted Import Average**

<b>Fiscal Year</b>	<b>MFN Un-weighted average (%)</b>
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

**Source:** National Board of Revenue (NBR)

## **World Trade Organization (WTO) and Bangladesh**

Major functions of WTO Cell are stated below:

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 organisations in the Bangladesh delegation.
2. Bangladesh has been pursuing to ensure duty-free and quota-free market access of Bangladeshi products in the developed and developing country market. In the mean time, many developed and developing countries except United States allowed duty-free and quota-free market access towards Bangladeshi products. As per Bali decision, the US will

increase the coverage of their DF&QF scheme and Bangladesh would be benefited from the initiatives.

3. In the 9<sup>th</sup> WTO Ministerial Conference held in Bali, Indonesia, a guideline for the DFQF scheme has been submitted for the first time at the multilateral level to introduce simple and transparent Rules of Origin for the LDCs. To implement the “Bali Decision” on Rules of Origin (RoO), relevant WTO body such as, Committee on Rules of Origin has been reviewing the RoOs criteria under various preferential schemes. Bangladesh has been participating and providing inputs at the related forum for the sake of introducing simple and transparent RoOs for preferential schemes. Many countries have already revised their RoO in line with the elements of guideline. The more the countries will modify their preferential RoO as per guideline, the more LDCs including Bangladesh will be benefited from extensive utilisation of the preferential schemes and exports from LDCs will be increased in preference giving countries.
4. Bangladesh joined the EIF (Enhanced Integrated Framework) process in November 2009. EIF is a joint initiative of six international organisations 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. However, the Draft DTIS has been validated by the Government of Bangladesh this year. Ministry of Commerce is now on the process to submit project proposal under Tier-1 of EIF.
5. Bangladesh conducted a Needs Assessment exercise with a view to identifying 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 has 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). With the active role of LDCs including Bangladesh, transition period under the Trade Related Intellectual Property Rights (TRIPS) has been extended up to 31 July, 2021 in favour of LDCs. With a view to achieving extension in the field of pharmaceuticals under the TRIPS Agreement, on behalf of the LDCs, Bangladesh submitted the Motivated Request at the WTO’s TRIPS Council during earlier period of 2015.
6. After long and intense negotiation, a Waiver Decision (MFN Waiver) was adopted in the 8<sup>th</sup> WTO Ministerial Conference held in 2011 with a view to providing preferential market access to Least Developed Countries in the area of trade in services. Regarding operationalisation of Services Waiver for LDCs, it is decided in the 9<sup>th</sup> WTO MC held in Bali in 2013 that Council for Trade in Services (CTS) of the WTO will initiate a process for expeditious implementation of the Waiver Decision. Furthermore, it was also decided

that LDC group would submit collective request which includes potential service sectors and modes at the WTO's Council for Trade in Services. In the meantime, collective request has been submitted by the LDC group at the CTS. However, a High-Level meeting was held at the WTO secretariat on 1-2 February, 2015 to review the preparation and pledges by developed and developing countries on collected request with regard to providing commercially meaningful preferential market access. However, as of now, as many as 11 countries submitted formal notifications declaring preferential schemes for LDCs. Ministry of Commerce is now taking initiatives to analyse and assess the notifications. If preferential market is achieved in the field of services trade, it will be as effective as the DFQF scheme for trade in goods.

7. The 4<sup>th</sup> 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 relevant ministries, organisations and private entities were in the delegation team. Trade related policies and activities of member countries are reviewed and examined to identify whether there are consistent or not with the rules and regulations of WTO through the Trade Policy Review. There is no provision of taking any legal actions if anything found inconsistent in the review. According to WTO rules it is administered only to ensure the transparency.
8. Bangladesh has taken the office as WTO LDC Co-coordinator for the year of 2015 in Geneva. Bangladesh has been entrusted with LDC Co-ordinatorship for the fourth times because of its strong leadership quality and capability to carry forward the LDC issues in the Various WTO Forums.
9. The 10<sup>th</sup> Ministerial Conference was held in Nairobi, Kenya from the 15<sup>th</sup> to 18<sup>th</sup> December, 2015 under the leadership of the honourable Minister, Ministry of Commerce. Bangladesh led the LDC group as the coordinator of the group during this time. Despite difference in opinion between the LDCs and the Developed countries in different issues, under the strong leadership of the honourable Minister, Ministry of Commerce, a declaration was made in favour of the LDCs.
10. It was affirmed in the declaration that a fruitful market facility would be provided for the LDCs. Besides, a declaration was made for taking necessary steps, so that the big regional trade related treaties like TPP can not hamper the philosophy and principles of the WTO. Two important decisions among others were taken in favour of the LDCs. One of those is regarding Rules of Origin and Outsourcing and the other is related to Preferential Market Access for the LDCs in the Service Sector. Moreover, by dint of the continuous effort of Bangladesh, it was decided that with respect to pharmaceutical products, to implement or apply Sections 5 and 7 of Part II of the TRIPS Agreement or to enforce rights provided for under these Sections would be valid until 1 January 2033.

11. Rules of Origin plays a significant role for utilising Preferential Market Access, especially duty free/ quota free market access effectively. If the conditions of Rules of Origin are not favourable, sometimes no advantage can be taken from very good schemes. For this reason, LDCs including Bangladesh have been going on with negotiation for easy and transparent Rules of Origin. As an aftermath of this, decision was taken in Nairobi to formulate an easy and transparent Rules of Origin. As a result it would be possible to ascertain the highest utilisation of duty free/quota free facilities. As a result of this decision, it would be possible to export goods under given facilities by producing goods with 75 percent outsourced raw materials. Besides, facilities of single stage transformation would be enjoyed in exporting garments, chemicals and processed agricultural goods.
12. For providing Preferential Market Access to LDCs the waiver in service sector has been extended till 2030. This decision highly important for Bangladesh, because the country has ample opportunity in Trade in Services especially in human-resource based Trade in Services. Bangladesh will get advantage in exporting human-resource in service sector under Mode-4.
13. Expansion of the Pharmaceutical Sector of Bangladesh will get an improved pace because of the extension of waiver in case of providing IPR for pharmaceutical products until 1 January 2033. Side by side crores of people especially poor people of Africa will get medicines in affordable price. Besides, it has been decided that the LDC countries are permitted to provide subsidies in internal transportation of agricultural export goods till 2030.

### **Regional Trade Agreements (RTAs) in Bangladesh**

Bangladesh is a member of various regional trade agreements (RTAs) which are stated below:

#### **1. South Asian Free Trade Area (SAFTA)**

South Asian Free Trade Area (SAFTA) Agreement has come into force on 1 July, 2006 among the SAARC member countries and reducing its sensitive lists and tariff. Under the trade liberalisation programme (TLP) phase-II, the member countries have reduced 20 percent products from their sensitive lists and it has come into force on 1 January, 2012. Besides, the most important facilities provided by India to SAARC-LDC member countries is the duty-free and quota-free market access for almost all products except 25 products. As a result the export trade volume of Bangladesh will increase in India as well as other SAARC countries which will reduce the trade gap. At present Bangladesh has reduced the number of Sensitive List items to 1,022 for LDCs and 1,031 for developing member states. Consultations are going on with the stakeholders for reducing the sensitive lists under Phase-III. All the SARRC member countries already issued notification for the elimination of non-tariff and para-tariff barriers among themselves. SAFTA Committee of Experts is working on updating the database regarding NTMs/PTMs being faced by member countries.

## **2. SAARC Agreement on Trade in Services (SATIS)**

SAARC Agreement on Trade in Services (SATIS) was signed by the SAARC member countries during the 16<sup>th</sup> 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 finalising the schedules of commitments of the member countries. In the latest 11th Expert Group Meeting on SAATIS held on 5 July, 2016 in Islamabad Bangladesh, Afghanistan, India, Nepal and Bhutan submitted their offer list and the rest will do the same soon. It is expected that implementation of SATIS will increase investment and trade in service sector of Bangladesh.

## **3. Asia-Pacific Trade Agreement (APTA)**

With the initiative of UNESCAP in 1975 the “Bangkok Agreement” was signed among seven countries –Bangladesh, India, Lao-PDR, Thailand, the Republic of Korea, Sri-Lanka and the Philippines aiming to facilitate trade and commerce within the region. Later on, Thailand and the Philippines did not ratify the Agreement. In 2001 China joined as a new member ushering in a new dimension. In November 2005 the “Bangkok Agreement” was renamed as the “Asia Pacific Trade Agreement (APTA)” in the ministerial meeting. The third round on tariff negotiations concluded in 2006 created an opportunity to obtain benefit of about 4000 products. APTA trade negotiating countries exchanged their tariff schedule of commitment in the 2<sup>nd</sup> ministerial level meeting held in Goa, India on 26 October, 2007. The fourth Round Negotiation commenced in October 2007 aiming at deepening and expanding the tariff benefits along with other issues such as Non-tariff Barriers, Trade Facilitation, Trade in Services, and Investment. The Fourth Round is yet to conclude. In the meantime three Framework Agreements: Agreement on Trade Facilitation, Agreement on Investment and Agreement on Liberalization of Trade in Services have been signed and ratified by the member countries in the third ministerial council meeting held in South Korea on 15 December, 2009. Lastly 48<sup>th</sup> APTA Standing Committee meeting was held on 22-23 December, 2015 aiming to conclude the fourth round negotiation in the 4<sup>th</sup> ministerial level meeting and initiation of fifth round. Besides the products, service sector and investment sector will be negotiated in the fifth round.

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

Framework Agreement on Trade Preferential System among OIC Countries (TPS-OIC) was signed in 1997 to expand trade on a priority basis. As many as 30 member countries have so far signed the agreement and only 25 members ratified the Agreement. Bangladesh has signed the Rules of Origin on 25 February, 2011 and ratified on 23 June, 2011 under this agreement. Besides, Bangladesh has sent an offer list of 476 items on February, 2012. As a result Bangladesh will be able to expand its export trade volume to other member countries by utilizing Rules of Origin (30 percent value addition). The tariff reduction process started on 5 February, 2011 when the Protocol on the Preferential Tariff Scheme (PRETAS) entered

into force. As an LDC Bangladesh will get the grace period of 3 (three) years and its tariff reduction will start from 1 January, 2014 to be completed within 6 (six) years henceforth.

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

The establishment of D-8 was announced officially through the Istanbul Declaration of Summit of Heads of State/Government on 15 June, 1997 with aim of trade development cooperation among member countries like Bangladesh, Egypt, Indonesia, Iran, Malaysia, Nigeria, Pakistan and Turkey. The D-8 Preferential Trade Agreement was signed on 13 May, 2006 and came into force on 25 August, 2011. Bangladesh is yet to ratify the Rules of Origin because Bangladesh's proposal to reduce the Value Addition criteria to 30 percent has not yet been approved by the member countries. Bangladeshis is still continuing its negotiation with the member countries. The last D-8 meeting was held on 01 July, 2016 and decided that tariff commitment will be exchanged among the member countries except Egypt and Bangladesh.

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

The BIMSTEC Framework Agreement was signed in June, 1997 and a Framework Agreement was signed in February, 2004 with a view to forming BIMSTEC Free Trade Area. Member countries are Bangladesh, India, Myanmar, Sri Lanka, Thailand, Nepal and Bhutan. Negotiations are going on in trade in goods, trade in services and investment sectors under this agreement. Fourteen sectors have been identified for cooperation under the agreement. These are- (1) trade and investment, (2) technology, (3) energy, (4) transport and communication, (5) tourism, (6) fisheries, (7) agriculture, (8) cultural cooperation, (9) environment and disaster management, (10) public health, (11) people to people contact, (12) poverty alleviation (13) counter terrorism and trans national crime and (14) climate change.

A BIMSTEC Trade Negotiating Committee (TNC) has been constituted to conduct negotiations on (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 the Framework Agreement on the BIMSTEC Free Trade Area, (6) Agreement on Dispute Settlement Procedures and Mechanism. Last 20<sup>th</sup> Trade Negotiating Committee Meeting (TNC) was held on 7-9 September, 2015 in Thailand. The meeting was decided that India would develop a draft Protocol on Custom Matter and it will be placed before the next TNC meeting and the tariff liberalization program will be effective from 1 July, 2016. Besides, negotiation on trade in services and investment is going on among the member countries.

**7. Free Trade Area Agreement (FTA)**

At present, there is no bilateral FTA agreement between Bangladesh and any other countries in the globe. Ministry of Commerce has prepared a FTA Policy Guidelines-2010 and the Guidelines were already approved by the competent authority. By this time, Ministry of

Commerce has got the various proposals from different countries for bilateral FTA with them. The Ministry is examining the feasibility of the proposals under the FTA Policy Guidelines-2010. By this time formal discussion has been initiated between Bangladesh and Turkey with a view to develop a bilateral FTA agreement. The terms of reference (TOR) for the agreement are finalised from Bangladesh side and are awaiting the approval of the Turkish government. Besides, Bangladesh has been carried out feasibility study for bilateral PTA/FTA with Malaysia, China, Sri- Lanka, Myanmar, Nigeria, Mali, Macedonia, Mauritius and few countries in Middle-east.

### **Bilateral Trade**

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 good will 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.

### **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. 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 Governments on the issues. It is expected that this forum will pave the way for enhancing trade and investment cooperation between the countries.