CHAPTER 6

EXTERNAL SECTOR

Growth of global trade volume is expected to reach 4.2 percent in 2018, which was 5.2 percent in 2017. Growth is expected to maintain almost steady securing 4.0 percent growth in 2019. Export earnings increased to 5.81 percent in FY2017-18 compared to the last fiscal year. On the other hand, import payments increased to 25.2 percent in FY2017-18 compared to previous fiscal year because of higher domestic demand. During FY2017-18, the current account of balance of payment shows a deficit for high growth of imports. Import expenditures have boosted up massively because of increasing private investment and implementation of mega projects. However, the increase in foreign direct investment, medium and long term loans inflow of the capital and financial accounts contributed to ease the effect. As a result, foreign exchange reserve remained stable and reached at US$32.9 billion at the end of FY2017-18, which allowed slight depreciation of the exchange rate against US dollar. The process of reducing import tariff rate of Bangladesh is still continuing in FY2017-18 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 2018, 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

Following a prolonged period of marked weakness, a cyclical recovery in global manufacturing and investment propelled growth in global trade to an upsurge in 2017, the highest since 2011. According to IMF World Economic Outlook, October 2018, the growth rate of global trade volume (goods and services) is 5.2 percent in 2017 which was 2.2 percent in 2016. The outlook forecasts that the growth of global trade will decrease to 4.2 percent in 2018 and will stand at 4.0 percent in 2019 (Table 6.1). According to the Outlook, the growth of import in advanced economies is expected to reach 3.7 percent and 4.0 percent in 2018 and 2019 respectively. Likewise, export of the advanced economies is expected to reach 3.4 percent and 3.1 percent during the same period. On the other hand, the growth of import in emerging markets and developing economies will decrease at 6.0 percent and 4.8 percent in 2018 and 2019 respectively. Likewise, export growth in emerging markets and developing economies will also decrease to 4.7 percent in 2018, and are expected to reach at 4.8 percent in 2019. 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	
	2016	2017	2018	2019
World Trade Volume (Goods and Services)	2.2	5.2	4.2	4.0
Imports				
Advanced Economies	2.4	4.2	3.7	4.0
Emerging and Developing Economies	1.8	7.0	6.0	4.8
Exports				
Advanced Economies	1.8	4.4	3.4	3.1
Emerging and Developing Economies	3.0	6.9	4.7	4.8

Source: World Economic Outlook, October 2018, IMF

Foreign Trade Scenario of Bangladesh

Balance of Payments

Trade deficit has increased significantly to US$18,258 million in the FY2017-18 compared to US$9,472 million in FY2016-17 due to high import payments. In addition, deficit in service and primary income account has also increased significantly by 39.11 percent and 27.91 percent respectively while the secondary income account increased by 16.13 percent in FY2017-18 compared to previous year due to the high growth of workers' remittances.

The financial account achieved a surplus of US$9,076 million as compared to US$4,247 million in FY2016-17. The overall balance recorded the deficit of US$885 million in FY2017-18 due to higher deficit of US$9,780 million of current account balance. The trend of trade and current account balance (from FY2009-10 to FY2017-18) has been shown in Figure 6.1 and the overall balance of payments position (from FY2009-10 to FY2017-18) has been shown in Table 6.2.

Figure 6.1: Trade Balance and Current Account Balance

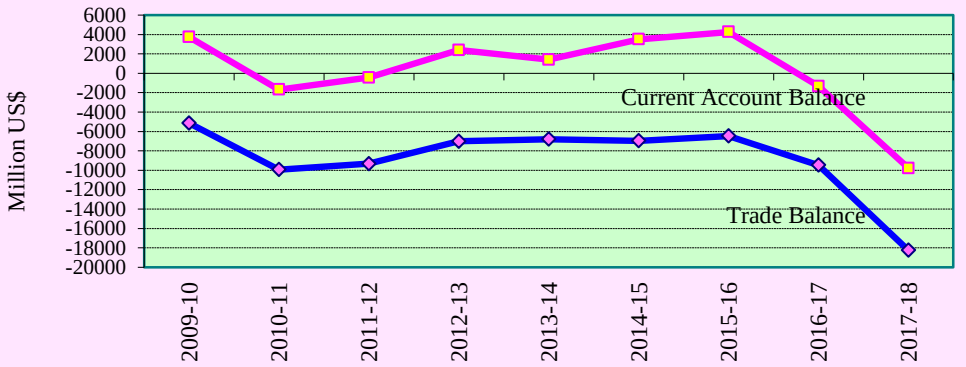


Table-6.2: Balance of Payments

(In million US$)

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14*	2014-15*	2015-16*	2016-17*	2017-18**
Trade balance	**-5155**	**-9935**	**-9320**	**-7009**	**-6794**	**-6965**	**-6460**	**-9472**	**-18258**
Exports f.o.b. (including EPZ)	16233	22592	23989	26567	29777	30697	33441	34019	36205
Import, f.o.b. (including EPZ)	21388	32527	33309	33576	36571	37662	39901	43491	54463
Services	**-1233**	**-2612**	**-3301**	**-3162**	**-4099**	**-3186**	**-2708**	**-3288**	**-4574**
Primary Income	**-1484**	**-1454**	**-1549**	**-2369**	**-2635**	**-2252**	**-1915**	**-1870**	**-2392**
Current transfers (Secondary Income)	**11596**	**12315**	**13423**	**14928**	**14934**	**15895**	**15345**	**13299**	**15444**
of which workers' remittances	10987	11513	12735	14338	14116	15170	14717	12769	14982
Current account balance	**3724**	**-1686**	**-447**	**2388**	**1406**	**3492**	**4262**	**-1331**	**-9780**
Capital and Financial Account	**-139**	**1075**	**1918**	**3492**	**3411**	**1763**	**1408**	**4647**	**9368**
Capital account	**512**	**642**	**482**	**629**	**598**	**496**	**464**	**400**	**292**
Financial account	**-651**	**433**	**1436**	**2863**	**2813**	**1267**	**944**	**4247**	**9076**
Foreign Direct Investment (net)	913	775	1191	1726	1432	1172	1285	1653	1583
Errors and omission	**-720**	**-263**	**-977**	**-752**	**666**	**-882**	**-634**	**-147**	**-473**
Overall balance	**2865**	**-656**	**494**	**5128**	**5483**	**4373**	**5036**	**3169**	**-885**

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

Export Position and Composition of Export Commodities

Country's export earnings stood at US$36,668 million in FY2017-18, which is 5.81 percent higher than the export earnings (US$34,656 million) in FY2016-17. Export earnings increased due mainly to increases of export of agricultural product, ceramic products, handicraft, cotton and cotton products, knitwear, home textile, jute goods, chemical products, woven garments etc. Data on category-wise exports earnings in FY2017-18 shows that export earnings from agricultural product and ceramic products have increased by 38.55 percent and 32.70 percent respectively over the last fiscal year, followed by handicraft products (15.26%), cotton and cotton products (14.03%), knitwear (10.40%), home textile (9.95%), jute goods (9.48%), chemical products (7.66%), woven garments (7.18%), specialised textile (3.67%) and footwear (1.33%). On the other hand, export earnings decreased mainly in terms of petroleum by products (86.18%), engineering products (48.32%), tea (38.03%), plastic products (15.79%), leather and leather goods (12.03%), raw jute (7.24%) and frozen food (3.42%). Export earnings by commodities, commodity-wise percentage share in total export earnings and the growth of export earnings from FY2015-16 to FY2017-18 have been shown in Table 6.3.

Table 6.3: Export Earnings Composition and Growth of Export Income

(Million US$)

	Export earnings			Percentage share in total export earnings		Export Growth	
Group wise Commodities	**2015-16**	**2016-17***	**2017-18****	**2016-17***	**2017-18****	**2016-17**	**2017-18**
1. Primary Products	1305	1247	1338	3.60	3.65	-4.41	7.24
a) Frozen Food	536	526	508	1.52	1.39	-1.74	-3.42
b) Tea	2	4	3	0.01	0.01	144.26	-38.03
c) Agricultural Products	309	275	381	0.79	1.04	-11.12	38.55
d) Raw Jute	173	168	156	0.48	0.42	-3.08	-7.24
e) Others	285	274	290	0.79	0.79	-3.91	5.93
2. Industrial Goods	32974	33576	35486	96.88	96.78	1.83	5.69
a) Woven Garments	14739	14393	15426	41.53	42.07	-2.35	7.18
b) Knitwear	13355	13757	15189	39.70	41.42	3.01	10.40
c) Specialized Textile	109	106	110	0.31	0.30	-2.37	3.67
d) Home Textile	753	799	879	2.31	2.40	6.13	9.95
e) Cotton and Cotton Products	103	109	125	0.32	0.34	6.55	14.03
f) Leather and leather goods	1161	1234	1086	3.56	2.96	6.29	-12.03
g) Jute Goods	746	795	870	2.29	2.37	6.45	9.48
h) Chemical products	124	140	151	0.40	0.41	13.21	7.66
i) Footwear	219	241	244	0.70	0.67	9.90	1.33
j) Engineering products	510	689	356	1.99	0.97	35.05	-48.32
k) Petroleum by Product	297	244	34	0.70	0.09	-17.93	-86.18
l) Plastic Product	89	117	98	0.34	0.27	31.40	-15.79
m) Ceramic Products	38	39	52	0.11	0.14	3.85	32.70
n) Handicrafts	10	14	17	0.04	0.05	44.66	15.26
o) Others	721	899	851	2.59	2.32	24.71	-5.37
Total	**34257**	**34656**	**36668**	**100.00**	**100.00**	**1.16**	**5.81**

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

Country-wise Export Earnings

Data on country-wise export shows that USA is the main destination of our export. In FY2017-18, export earnings from USA stood at US$5,983.31 million which is 16.32 percent of country's total export earnings followed by Germany (16.06%), UK (10.88%) and France (5.47%). The major commodities exported to USA are woven garments, knitwear, home textile, cap, frozen food etc. The 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

Fiscal Year	USA	UK	Germany	France	Belgium	Italy	Netherland	Canada	Japan	Others	Total
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	12352.06	34655.9
2017-18**	5983.31	3989.12	5890.72	2004.97	877.9	1559.92	1205.37	1118.72	1131.9	12906.24	36668.17
Percentage share in total export earnings in 2017-18	16.32	10.88	16.06	5.47	2.39	4.25	3.29	3.05	3.09	35.20	100.00

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

Import Status and Composition of Imported Commodities

Country's total import payments (c&f) stood at US$58,865 million in FY2017-18, which was 25.2 percent higher than the import payments of US$47,005 million of FY2016-17. Commodity-wise import payments from FY2013-14 to FY2017-18 have been shown in Table 6.5.

Table 6.5: Commodity-wise Import Payments

(In million US$)

Commodity	2013-14	2014-15	2015-16	2016-17 *	2017-18 **
1. Major Primary Commodities	**5349**	**4477**	**4227**	**4725**	**7270**
Rice	348	508	113	89	1605
Wheat	1126	983	949	1197	1494
Oil Seeds	524	374	534	432	571
Crude Petroleum	929	316	386	478	365
Cotton	2422	2296	2245	2529	3235
2. Major Industrial Commodities	**9475**	**7906**	**8403**	**8894**	**10818**
Edible Oil	1766	924	1450	1626	1863
Petroleum Products	4070	2076	2275	2898	3652
Fertilizer	1026	1339	1117	737	1006
Clinker	615	638	574	644	766
Staple Fiber	492	1078	1018	1017	1180
Yarn	1506	1851	1969	1972	2351
3. Capital Machinery	**2288**	**3321**	**3556**	**3817**	**5462**
4. Others Commodities (including EPZ)	**23620**	**25000**	**26936**	**29569**	**35315**
Total (1+2+3+4)	**40732**	**40704**	**43122**	**47005**	**58865**
% Change (over the corresponding year)	**19.34**	**-0.07**	**5.90**	**9.00**	**25.23**

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 FY2017-18. During this period 27.07 percent of the total imported commodities came from China. India was the second largest source of import (15.19%) while Japan held the third position (4.11%). Country-wise import payments from FY2007-08 to FY2017-18 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
2017-18**	8941	15937	2255	2422	676	1129	1907	2160	1342	22096	58865
Share (%)***	15.19	27.07	3.83	4.11	1.15	1.92	3.24	3.67	2.28	37.54	100.00

Source: Statistics Department, Bangladesh Bank and National board of Revenue (NBR).
As percentage of total of FY2016-17, *Revised, ** Provisional, *** Percentage share in total import payments in FY2017-18

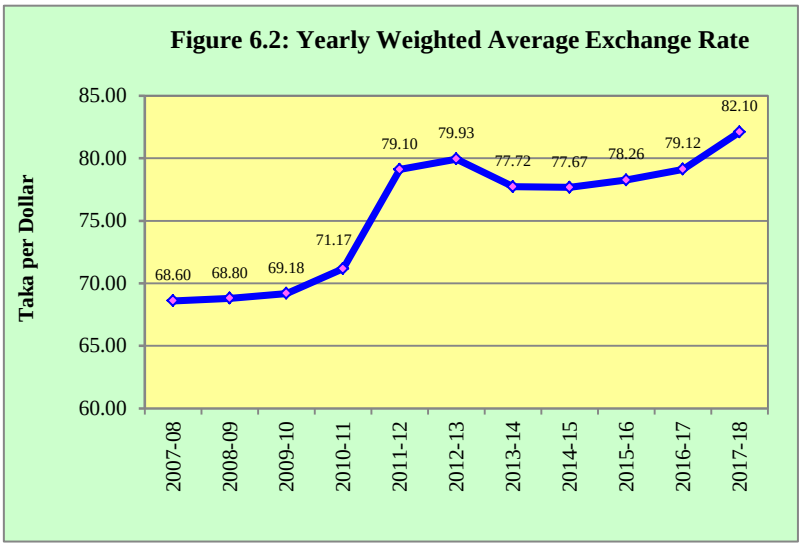
Exchange Rate

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 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 stabilising market. Bangladesh observed overall 3.77 percent depreciation of Taka against US dollar in FY2017-18 due mainly to increased demand for import payments. The weighted average inter-bank rate stood at Tk.82.10 per US$ in FY2017-18, which was Tk.68.80 per US$ in FY2007-08. The weighted average of Taka-Dollar exchange rates from FY2007-08 to FY2017-18 is shown in Table 6.7 and Figure 6.2.

Table 6.7: Weighted Average Exchange Rate (Tk. 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
2017-18	82.10

Source: Bangladesh Bank



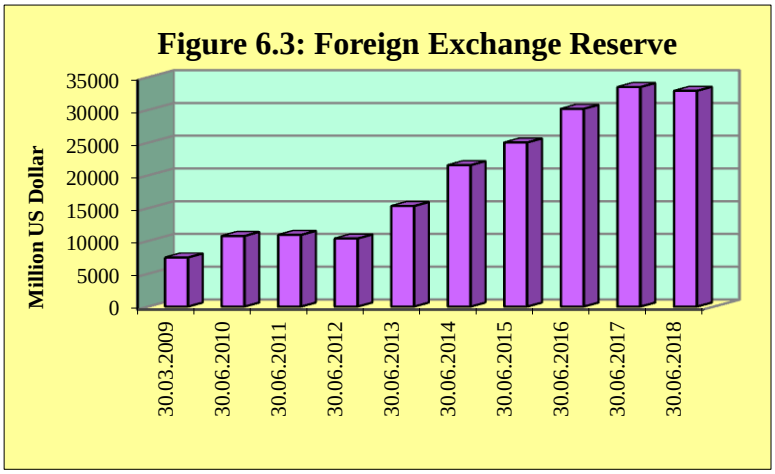
Foreign Exchange Reserves

Bangladesh Bank maintained stability in retaining foreign exchange reserves. The gross foreign exchange reserves had reached US$32,916 million at the end of June 2018 mainly due to higher growth of import payment. Foreign exchange reserves reached to US$32,078.6 million on July 2018. Table 6.8 and Figure 6.3 show the foreign exchange reserve position at the end of June 2008 to June 2018.

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
30.06.2018	32916

Source: Bangladesh Bank



Measures Taken in Foreign Exchange Regime during FY2017-18

The following remarkable changes on exchange arrangements during the FY2017-18 have been made:

- **Foreign Exchange Transactions by the Units of Export Processing Zones (EPZs) in Bangladesh:**
  Besides industrial units, EPZ developers and different service providing units (water supply/treatment, dust management, cleaning, effluent treatment plant, etc.) are allowed to operate in EPZs to serve the industrial units therein. To facilitate such developers/service providers of EPZs, EPZ developers and different service providing companies of EPZs, exclusively formed and registered to serve a particular EPZ will be treated as industrial units of EPZs. Existing foreign exchange regulations applicable for EPZ units (as mentioned in GFET, FE Circulars, FE Circular Letters, etc.) shall be applicable for such entities also.
- **Operations of Taka Accounts for enterprises of Export Processing Zones (EPZs) and Economic Zones (EZs):**
  Besides encashment from Foreign Currency (FC) accounts, Taka accounts of Type B and Type C industrial units of EPZs are allowed to be credited with authorised payment received in Taka. This clarification is also applicable for transactions in Taka accounts by Type B and Type C enterprises of EZs.
- **Use of share capital and authorised loans through foreign currency/local currency accounts by industrial enterprises operating in Export Processing Zones (EPZs):**
  Equity from foreign shareholders of 'Type A' and 'Type B' enterprises and authorised loan received in foreign currency from external sources by EPZ enterprises are permitted to be credited in their FC accounts. 'Type C' enterprises of EPZs are allowed to obtain foreign exchange from Authorised Dealers (ADs) to settle obligations for importing capital machinery by the conversion of equivalent equity and/or authorised loan received in local currency. Similarly, 'Type B' enterprises are allowed to convert their local equity/authorised loan received in local currency into foreign exchange to settle obligations for importing capital machinery if equity/authorised foreign loan received from abroad falls short to meet such obligations.
- **Issuance of bank guarantees against import under buyer's credit:**
  To facilitate short term import finance, Authorised Dealers (ADs), on behalf of industrial importers, are allowed to issue repayment bank guarantees without Bangladesh Bank approval favouring International Islamic Trade Finance Corporation extending short term buyer's credit up to 180 days for import of industrial raw materials for own use by importers on sight basis.
- **Release of foreign exchange on account of Overseas Allowance in favour of the cockpit and cabin crews of Biman Bangladesh Airlines Ltd.:**
  ADs and Licensed Money Changers are allowed to release foreign exchange on

account of overseas allowances of the cockpit and cabin crews of Biman Bangladesh Airlines Ltd.

- **Import and export of Bangladeshi currency notes:**
  An outgoing/ incoming passenger is allowed to carry with at the time of departure from/arrival into Bangladesh up to Tk.10,000 which was Tk.5,000 earlier.
- **Application of Bangladesh Investment Development Authority Act, 2016 for remittance on account of payment of royalty, fees for technical knowledge or technical assistance and franchise fees:**
  Private sector industrial enterprises approved by Bangladesh Investment Development Authority (BIDA) are allowed to release foreign exchange on account of royalty, fees for technical knowledge or technical assistance and franchise fees to foreign persons or institutes in accordance with the prescribed manner as defined by BIDA through AD banks.
- **Collection of Demurrage, Detention, Handling or equivalent charges by the foreign shipping lines/ their agents as source of fund for calculation of their remittable surplus:**
  In view of scope of wider sources of fund in Bangladesh, the legitimate charges (Charges of Demurrage, Detention, Handling or equivalent charges) in addition to freight charges are also allowed to consider for calculation of remittable surplus of foreign shipping lines/their agents working in Bangladesh subject to deduction of taxes and commission.
- **Payments through Asian Clearing Union (ACU):**
  To facilitate transactions under ACU mechanism, along with 'ACU Dollar', ADs are advised to resume transactions in 'ACU Euro' to settle current account transactions among ACU member countries and ‘Japanese Yen (JPY)’ has also been incorporated as a settlement currency in ACU mechanism.
- **Outward remittance facilities for exporters:**
  To facilitate export trade in meeting urgent needs, ADs are allowed to provide remittance facilities to the exporters for bonafide service payments to beneficiary's bank account abroad up to US$5,000 or equivalent, subject to observance of some specific terms and conditions.
- **Drawing of shipping documents:**
  In case the shipment is made against full payment received in advance through normal banking channel, ADs can allow carrier companies to draw railway receipts, bills of lading, airway bills and other documents of title to cargo to the order of importer or other designated parties as per stipulations of export letter of credit/valid sales contract. In this context, designated AD shall issue a certificate to the exporter to be produced to the carrier company, enabling them to draw the shipping documents accordingly.
- **Use of balances held in single pool for 30 days:**
  Exporters are allowed to use the unencumbered balances held in the single pool within 30 days to meet the import

payments of exporters' subsidiaries/sister concerns.

- **Enhancement of loan limit from Export Development Fund (EDF):**
  The limit of the loan from EDF against the foreign currency financing of input procurement for member mills of BGMEA and BTMA has been enhanced from US$20.00 million to US$25.00 million.
- **Foreign Exchange Transactions by the Enterprises of Economic Zones (EZs) in Bangladesh:**
  National Board of Revenue (NBR), the Customs (Economic Zones) Procedures, 2017 to waive export/import formalities for transactions between enterprises operating in Domestic Processing Area (DPA) of EZs and in Tariff Area (TA) of Bangladesh. In accordance with the revised order, it has been decided to allow such transactions to be settled in Taka without observance of regulatory procedures.
- **Business-to-Consumer export through sales orders received on internet:**
  In order to promote Business-to-Consumer export by hosting goods on e-Commerce website accessible through internet to foreign buyers, Authorised Dealers are allowed to provide acquiring services to eligible exporters for repatriation of export proceeds against sales orders of exportable goods received on e-Commerce website subject to observe some operational procedures.
- **Issuance of guarantee on behalf of foreign owned/controlled companies in favour of residents against foreign back to back guarantee:**
  ADs are allowed to issue guarantee in Taka or equivalent convertible foreign currency on behalf of foreign owned/controlled companies operating in Bangladesh, favouring concerned authorities in Bangladesh against foreign back to back guarantee acceptable to them subject to observance of some instructions.

Foreign Trade Policy

Tariff Regime

Bangladesh has been following the Most Favored Nation tariff rate from FY2000-01 in order to facilitate smooth implementation of the import policy of the Government. Tariff structure from FY2000-01 to FY2017-18 has been presented in Table 6.9.

Table 6.9: Tariff Structure from FY2000-01 to FY2017-18

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

Fiscal Year	Operative Tariff (%)	Maximum Tariff Rate (%)	Number of Operative Tariff Slabs
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
2017-18	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 started since FY1991-92 is still continued in FY2017-18 in order to 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 percent which decreased at 14.56 percent in FY2017-18. At present, ad-valorem 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 with Customs Duty. The MFN Un-weighted import average from FY2003-04 to FY2017-18 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
2014-15	14.44
2015-16	14.37
2016-17	14.61
2017-18	14.56

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 purview of WTO ambit. In order to raise awareness among the stakeholders concerned, WTO cell conducts routine workshops/training programmes and symposia every year. During FY2017-18, orientations on TRIPS, SPS, Trade in Services, Anti-dumping etc. and feedback session on 'Outcome of 11th WTO Ministerial Conference and way forward for the LDC graduation' 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 TRIMS 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' to capacitate Bangladesh's trade regime. 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' have been done under TIER-1 project of EIF. The findings of those studies will result in many positive changes in export earnings. Soaring negotiation skill of the officials, heightened trade in services, reduction of non-tariff barriers will be in the sight once these projects are implemented. Other projects under WTO cell, ministry of commerce i.e., 1) Bangladesh Regional Connectivity Project 2) Export Diversification and Competitiveness Development Project(tier-2) 3) E- banijjo korbo, nijer babsa gorbo project will certainly contribute to establish digital Bangladesh as envisaged under the 'vision-2021'.

- Bangladesh played the role of LDC coordinator for fourth term consecutively from 15 February 2015 to 18 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). Around 30 developed and developing countries have declared special preferential market access for LDCs in service sectors. Availing these offers will genuinely boost service export of Bangladesh.
- 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 categorization of all measures into three categories, namely category-A, B &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&C) to the WTO by one year after the agreement entered into force. In this context, Bangladesh has notified categories to the WTO on 21 February 2018.
- WTO cell, on behalf of Ministry of Commerce has been taking different initiatives to increase export under

multilateral trading system (WTO trading regime). Bangladesh has been trying to get duty free quota free facility (DFQF) from all developed countries. Thus Bangladesh has been enjoying the preferential market access to almost all the major markets under WTO initiative and it became enormous support to the economy to move forward. DFQF facility for LDCs has also been promised by developing countries: China, India, South Korea, Chile, and Thailand. All developed countries excluding the USA, Russia and Ireland give 100 percent DFQF facility for LDCs. The European Union, Canada and China have simplified their Rules of Origin for LDCs.

Regional Trade Agreements (RTAs) in Bangladesh

Bangladesh has been playing an important role on bilateral and regional agreements. Till June 2018, 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)

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 06 January 2004 with a view to extending mutual trade and economic co-operation among the member states.

The Trade Liberalization Programme (TLP) under SAFTA has commenced from 01 July 2006 .Under TLP Phase-II, all member states reduced their sensitive list by 20 percent, which has been effected from 01 January 2014. Consultations are going on with the stakeholders for further reduction of the sensitive lists under Phase-III.

It is worthwhile to mention that Bangladesh, as an LDC enjoys duty free access to India for all products except 25 items. In addition, Bhutan and Maldives keep short sensitive list. Bangladesh may utilize this opportunity to access their market. Successful completion of negotiation under phase-III would significantly increase market access of Bangladesh in all the SAFTA member countries.

SAARC Agreement on Trade in Services (SATIS)

SAARC Agreement on Trade in Service (SATIS) was signed during the sixteenth SAARC Summit held in Thimphu on 28-29 April 2010 with a view to expand cooperation in trade and services and further deepen the integration of the regional economics. The agreement entered into force on 29 November 2012.

All the member states have ratified Agreement and exchanged the offer list and request list of service with a view to finalize the schedules of commitments. In the meantime Bangladesh has offered 02 service sectors (telecom and tourism) and submitted its schedules of commitments. Bangladesh has also requested to all the member states to liberalize ten service sectors: Accounting and Auditing, Management Consulting Services, Computer related Services, Telecom Services, Financial Services, Construction & Engineering, Education Services, Audio-visual Services, Courier Services and Maritime Services. Discussion and

negotiations among the member states are going on for finalizing the Schedules of Commitments. Bangladesh would be benefitted in the area of investment and trade after implementation of the Agreement.

Asia-Pacific Trade Agreement (APTA)

The objective of the Agreement is to enhance intra-regional trade through the exchange of tariff concessions among member countries. The 4th round negotiation has been concluded and announced during 4th Ministerial Council held in Bangkok, Thailand on 13 January 2017. The 4th round negotiation on tariff concession has been implemented from 01 July 2018. Under the 4th round products falling under 10,677 HS codes will get tariff preference for their export to the APTA participating states. 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. 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 July 2017 subject to completion of domestic procedure. The preparation for the 5th round of negotiation is underway. It is mentionable that Bangladesh has vast opportunity to export their products to APTA member countries utilizing MoP concession.

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. TPS-OIC launched first round trade negotiation in April 2003 which was concluded in November 2005 with finalization of the Protocol on the Preferential Tariff Scheme for the TPS-OIC (PRETAS). Thirty three countries signed the PRETAS and 17 out of them including Bangladesh ratified it. It is remarkable that Tariff Reduction Programme (TRP) has come into force on 05 February 2011. Bangladesh has signed rules of origin on 15 February 2011 and ratified it on 23 June in the same year. As an LDC, Bangladesh has received three years grace period. 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. TPS-OIC would be a good platform for Bangladesh to expand their exportable products to Muslims countries.

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 was signed in Indonesia on 13 May 2006. The D-8 PTA entered into force on 25 August 2011. Bangladesh has ratified the preferential trade agreement in 2017. The agreement is expected to increase trade of Bangladesh with member countries, especially developing

countries like Nigeria, Indonesia, and Malaysia.

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

The BIMSTEC Framework Agreement was signed in June 1997 and agreement on FTA concluded in February 2004. Member countries are–Bangladesh, India, Sri Lanka and Thailand, Myanmar, Nepal and Bhutan.

Fast and Normal track methods are adopted in order to implement the duty reduction process under BIMSTEC agreement. In case of First Track products, non-LDCs are to open up their markets for the products of LDCs in 1 year and LDCs are to do the same for non-LDCs in 5 years. On the other hand, for Normal Track products, non-LDCs are to open up their market for the products of LDCs in 3 years and the LDCs to follow 10 year schedule in order to open up their markets for the products of non-LDCs. Least Developed Member Countries of BIMSTEC FTA are to enjoy special and differential treatment.

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. Recently BIMSTEC summit was held in Nepal at August 2018 whereby the BIMSTEC leaders renewed their commitment to an early conclusion of BIMSTEC FTA. BIMSTEC FTA may help Bangladesh explore new markets like Thailand and Myanmar i. e the BIMSTEC members who are not partner to Bangladesh in any other regional trade agreements. 21st TNC meeting is to be held in Dhaka on 18-19 November 2018. It has been expecting that the FTA Agreement could be finalized in the meeting.

Bilateral Trade Agreement

Till to date Bangladesh has signed more than forty bilateral trade agreements. 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 and Sri Lanka.

EU-Bangladesh Business Climate Dialogue

EU- Bangladesh Business Climate Dialogue was held on 19 May 2016. In the meeting, 5 working groups based on the relevant sector

were formed. The Working Group has identified investment and trade problems of EU-dominated countries in Bangladesh. Subsequently several rounds of Dialogue has been held on 4 October 2018.

Cross-border paperless Facilitation

The framework agreement on Facilitation of Cross Border Paperless Trade in Asia and the Pacific prepared by UNESCAP has been signed by Bangladesh on 29 August 2017. With this agreement, regional trade will be faster.

Border Haats

Border Haats along the India-Bangladesh Border were established with the intention to contribute to the economic benefits of the border communities, and also to build a much needed mutual trust and higher trade openness. Four Border Haats are currently operating at the India-Bangladesh border. Six new Border Haats are under construction. Moreover it was also decided at the recent meeting of Joint Committee on Border Haat that additional 6 Border Haats will be established by 2019.

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 and 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 4th bilateral meeting under TICFA was recently concluded on 15 September 2018 in Washington, D.C. The discussions mainly focused on bilateral trade and investment climate, ease of doing business, market access and tariff restructuring, intellectual property rights, digital economy, regional connectivity issues, energy and infrastructure development issues, transparency in government procurement and labor rights.