

TRADE POLICY

1. THE CONTEXT

The Centre for Policy Dialogue (CPD), in collaboration with *The Daily Star* and *Prothom Alo*, formed a Task Force in 2001 to prepare a Policy Brief on “Industry and Trade” with the objective of placing before the newly elected government a set of actionable agendas to stimulate development of trade and industry. Along with Policy Briefs prepared for other important sectors, this Policy Brief was presented at “Election 2001: National Policy Forum” held in Dhaka during August 20-22, 2001.

A meeting of the Chairpersons and Member-Secretaries of the sixteen Task Forces of the CPD’s Pre-election Policy Brief 2001 was held under the chairmanship of Professor Rehman Sobhan, the Convenor of the Task Force 2001, on 14 January, 2003 to discuss the rationale for launching a participatory policy benchmarking exercise by reviewing the implementation status of the recommendations contained in the Policy Briefs 2001. It was decided in the meeting that undertaking a review of the recommendations contained in the pre-election Policy Briefs would be useful and timely. In accordance with this decision, the different Task Forces were reconvened. It was also decided that the Task Force on Industrial and Trade Policy will be split into two separate Task Forces: (i) Task Force on Industry, Privatisation and SMEs, and (ii) Task Force on Trade Policy.

2. OBJECTIVES

Following are the objectives of the Policy Brief on “Trade”;

- Examine the relevance of recommendations made in the Pre-election Policy Brief 2001 on trade-related issues and prioritise them;
- Document the initiatives of the GOB with regard to the various policy recommendations contained in the Pre-election Policy Brief 2001; and
- Identify unfinished tasks and make policy suggestions regarding what more needs to be done to stimulate the external sector of Bangladesh in the future.

3. DEVELOPMENT OF THE EXTERNAL SECTOR: ISSUES AND CHALLENGES

The average annual growth rate of export during the 1980s was 9.2 per cent. The growth rate jumped to 14.4 per cent during the 1990s. The corresponding growth rates for imports were 4.4 per cent and 10.9 per cent. The higher growth rate of exports indicates that export earnings were financing an increasing share of imports; more specifically, the share of imports financed by exports rose from 31 per cent in 1980/81 to 67 per cent in 1999/00. Export growth has been accompanied by a change in export composition, away from primary commodities to export of manufactured goods.

While export growth has been striking, the commodity-concentration and market-concentration of exports have emerged as matters of concern. Woven and knit garments now contribute about three-fourths of total exports, while EU and USA absorb more than four-fifths of Bangladesh’s total exports. The high degree of product - and market-concentration of exports reflects the vulnerability of

Bangladesh's external sector. Thus, export diversification and market diversification continue to remain major challenges confronting the external sector of the country.

Domestic supply side constraints have been primarily responsible for the narrowness of the export basket. The problem has been exacerbated by market access challenges. If Bangladesh is to realise its potential export opportunities thrown up by Uruguay Round liberalisation, then supply-side constraints need to be addressed immediately. Supply-side bottlenecks relate to infrastructure, communications, ports, capacity in implementing export incentive regime, functioning of export-related institutions, governance of the external sector, etc.

While market liberalisation occurring under the Uruguay Round Agreement is opening up export opportunities for Bangladesh, at the same time it is squeezing access to export markets in some areas and also exposing Bangladesh's exports to more intense competition. Access to developed country markets is being constrained by stringent product quality standards under the TBT and SPS Agreements, strict environmental conditions often reflected in ecolabeling requirements, high labour standards, and anti-dumping and countervailing duties which many have viewed as new-protectionist measures, adopted by the developed countries. At the same time, Bangladesh's exports are facing stiffer competition due to the erosion of GSP tariff preferences resulting from ongoing tariff liberalisation under the Uruguay Round, the enactment of the US TDA 2000 which provides duty-free and quota-free market access to garments exports from Sub-Saharan African and Caribbean Basin Initiative countries which are Bangladesh's competitors, the gradual phase-out of the MFA which will culminate in a quota-free garments market from January 1, 2005, and Mexican export of apparels to the US market under preferential trade arrangements of NAFTA.

What are the policies that Bangladesh needs to put in place in order to derive the benefits of, as well as face the challenges emanating from, the ongoing process of globalisation and liberalisation? The Policy Brief 2001 on "Trade and Industry" had recommended some policies that would enable Bangladesh to address these issues. The economic underpinning of the policy recommendations is simple and fairly straightforward. Sustained export growth depends crucially on three major factors: (i) an open international trading system, offering the fullest access to export markets, (ii) the existence of internationally competitive supply capabilities, and (iii) the existence of a supportive institutional infrastructure to take full advantage of market opportunities. The overall policy framework should include the following: (i) economic openness, (ii) appropriate macroeconomic policies including price stability and an appropriate exchange rate, (iii) hassle-free regulatory framework in terms of transparent business regulations and simplified export and import procedures, (iv) adequate infrastructure, and (v) close partnership between the Government and the business community. To build export supply capabilities and encourage product diversification, specific measures and incentives are necessary with regard to investment finance, technology acquisition, human resources development, as well as direct fiscal and financial incentives. Given the relatively small size of exporting

firms, government-backed trade-related services are an essential component of any export expansion strategy. In this context, key services include export financing scheme, quality control, marketing and distribution services and the trade promotion activities of the trade promotion organisation.

The foregoing analysis of the growth performance of the external sector and the factors constraining more rapid export expansion indicates clearly that the situation in the export sector of Bangladesh has not changed in any significant manner from what it was in 2001 when the Policy Brief on “Trade and Industry” was prepared. In fact, some recent developments have added to the problems already existing in the external sector. Thus, for example, the very recent war in Iraq has important implications for the external sector of Bangladesh. On the one hand, the large war spending in the United States, by causing a contraction in consumer spending, is likely to lead to a fall in the Bangladesh’s exports, particularly in the RMG sector, in the very near future. On the other hand, the lay-off of Bangladeshi workers in Iraq will cause some reduction in remittances. In so far as export contraction to the US is concerned, this is a reflection of the vulnerability caused by market concentration of exports, with the solution lying in diversification of Bangladesh’s export market, something that had already been alluded to in Policy Brief 2001.

The upshot of this discussion is that policy recommendations made in Policy Brief 2001 are, by and large, still very relevant today. It would therefore make good sense to cross-check the extent to which the policy recommendations made in the Policy Brief 2001, which reflects the collective wisdom of civil society at large, have been adopted by GOB or are in the process of adoption as indicated by public policy statements of the Prime Minister and relevant Ministers, as well as relevant Government documents. This is a task to which we turn to in the following section.

It is worthwhile noting at this point that the policy recommendations contained in the Policy Brief 2001 fall into two categories, viz., short-and-medium-term and long-term. Short-and medium –term policy recommendations deserve top priority insofar as implementation is concerned, while long-term policy recommendations, particularly those involving institutional changes, would evidently rank lower in the implementation priority scale. Hence, in listing the policy recommendations of the Policy Brief 2001 in the following section, recommendations have been arranged according to their priority as perceived by the Task Force, with the recommendation deserving highest priority being placed at the very top of the list, and so on.

4. POLICY RECOMMENDATIONS OF POLICY BRIEF 2001 AND THEIR IMPLEMENTATION BY GOB

4.1 Trade-Related Infrastructure

Action 1: Take steps for improving port management. Concrete steps should be taken to develop inland container freight stations.

GOB Initiative: In a meeting of the National Committee on Exports held on 24 April 2003, it was decided that: (i) all export formalities in port will be cleared within three

hours instead of four to seven days; (ii) red tape will be cut drastically; (iii) port charges will be reduced by 20-25 per cent; (iv) efficiency will be improved in Chittagong Port; and (v) private sector will be allowed to set up an inland container depot in Gazipur. However, the issue of setting up a deep-sea container port at Patenga is still undecided.

Action 2: Introduce priority investment programmes for infrastructure development. Towards this end, the Dhaka Eastern by-pass, Jamuna Railway Link Project and rehabilitation of the core railway network should be implemented.

GOB Initiative: Concrete actions are yet to be taken.

Action 3: Declare the Dhaka-Chittagong Highway as an Export Highway. Set up industrial parks along the highway.

GOB Initiative: The tender process of the Dhaka-Chittagong Highway has been completed and construction work is going to start soon.

Action 4: Reform telecommunication sector to stimulate and facilitate IT-based industrial activities.

GOB Initiative: Please see the Task Force Report on the IT sector.

Action 5: Establish an effective infrastructure for multi-modal transport in the form of inland container depots and dry ports at points relevant to Chittagong and Mongla Ports.

GOB Initiative: No action has been taken.

Action 6: Modernise the railway transport system for industrial transportation.

GOB Initiative: No action has been taken.

4.2 Strengthening the RMG Sector to Meet Post-MFA Challenges

Action 1: Set up an Apparels-Textile Board with the Prime Minister as the Chair to ensure that all initiatives concerning the RMG sector receive priority attention and support of all relevant government ministers and agencies.

GOB Initiative: A committee has been formed regarding this matter, which is still at the infancy stage and having regular discussions with the government. In a meeting of the National Committee on Exports held on 24 April 2003, it was decided that an Apparel Board will not be formed right now.

Action 2: Remove anomalies in the operation of banks that hinder the functioning of the export-oriented RMG sector. The following areas of action may be considered: (a) Procedure of obtaining prior permission from Bangladesh Bank for exporting goods against stock-lot should be withdrawn; (b) Negotiating banks should be authorised to consider discounts of up to 20%; (c) Condition for obtaining approval for discount

from the Bangladesh Bank should be relaxed and discounts approved by the EPB should be treated as valid; and (d) Private commercial banks should immediately cease charging “LC Acceptance Charge” as done by the Nationalised Commercial Banks.

GOB Initiative: No action has been taken.

Action 3: Identify the implications of US TDA 2000, formation of NAFTA, accession of China into WTO and other related developments on Bangladesh’s future export sector performance and design a strategic response to address the attendant challenges.

GOB Initiative: Under US TDA 2000, Sub-Saharan African and Caribbean Basin Initiative countries enjoy duty-free and quota-free access to the US garments market. This has placed Bangladesh’s exports of garments at a disadvantage since there is an MFA-quota restraint on her exports, together with an import duty imposed on such exports.

In her maiden speech to the nation after assuming office, the Prime Minister had mentioned that special teams would be sent abroad on an urgent basis to negotiate for enhanced quota in RMG export. A *lobbyist firm* was appointed to advocate Bangladesh’s case for quota-free and duty-free access for garments exports to the US market. However, the lobbying firm made it clear that both quota-free and duty-free facilities would not be available, and that Bangladeshi garments exporters would have to choose any one of the two facilities. The firm advised that Bangladesh should choose duty-free access in view of the fact that Bangladesh’s apparels exports face high tariffs in USA; in 2000, 16 categories of apparel, comprising more than 80 per cent of apparels import into USA from Bangladesh, were assessed a trade-weighted average tariff of 15.5 per cent. On the basis of the advice of the lobbyist firm, BGMEA decided in February, 2002 to lobby only for duty-free access to the US market, leaving out the demand for quota-free access.

Bangladesh’s Permanent Representative at the WTO took up the issue of quota-free access for export of textiles and clothing from LDCs to the developed countries in August, 2002 at a meeting of the WTO General Council. Ministers had agreed at the Doha Meeting of the WTO that the issue of accelerated quota growth for LDCs and small suppliers be examined and recommendations be made to the WTO General Council. Existing quotas are restricting growth of garments exports from Bangladesh since she has already utilised almost three-quarters of the current year quota for cotton knit shirts, cotton and MMF shirts and MMF trousers, while for cotton trousers the quota is almost exhausted. Quota imposing countries are opposing the implementation of the Doha Ministerial decision noted above, and consequently recommendations on this issue are yet to be made to the WTO General Council.

It is interesting to note that in a meeting held in July, 2002 with the members of the MCCI, a visiting trade delegation from Nigeria invited Bangladeshi entrepreneurs to invest in the Nigerian apparel sector to avail of the country’s duty- and quota-free

access in the US market. This is a warning bell to Bangladesh's trade policymakers that if Bangladesh fails to gain duty- and quota-free access to the US, then it may spur capital outflow from the country's RMG sector to more profitable havens like the Sub-Saharan African countries.

Action 4: Design a comprehensive strategy for the export-oriented RMG sector to address the challenges in the global market. The above strategy would include (a) identification of areas of major risks, (b) action agendas to address the risks, and (c) implementation of action agendas.

GOB Initiative: A major study was commissioned in 2002 by the Ministry of Commerce to identify strategies to address post-MFA challenges which the RMG sector may face. In May 2003 GOB has formed a 16-member committee, called the 'Implementation Task Force', which is headed by the Commerce Minister and aims at implementing recommendations made by the study on the post-MFA development strategy and technical assistance for the RMG sector. The objective of this forum is to safeguard the country's RMG sector from possible debacle in the post-MFA era. The Task Force will undertake steps and guide the Government on implementing the recommendations made in March 2003. Recommendations include competitive human resources and infrastructure development, central bonded warehouse and reforms in other relevant sectors. The Task Force will address pressing issues in raw materials, backward linkage industries, port facilities, infrastructure, investment, tariff, market research and product development activities.

Action 5: Design and implement a comprehensive strategy to strengthen the RMG sector's backward linkage in textile and forward linkage in marketing. Towards this end, create a dedicated fund for support to the textile sector and put in place adequate incentives to stimulate investment in this sector.

GOB Initiative: It is important to note that the garments manufacturers echoed this policy recommendation of the Task Force in December, 2001 when they sought loan and equity support from the Government for financing backward linkage industry in the textile sector. They called for providing term loan at 5% interest rate to encourage entrepreneurs in setting up backward linkage industries. The RMG sector leaders had submitted to GOB that half of the 25 per cent cash incentive allotted for the textile sector could be used as interest support for new enterprises in the backward linkage chain, while the remaining 12 per cent can be disbursed as cash incentives. The garments sector leaders had proposed an annual budgetary allocation of Tk 2000 crore for promoting backward linkage in the textile sector.

The Bangladesh Bank had responded to the credit need of the RMG sector by reducing the bank rate from 7 per cent to 6 per cent to encourage commercial banks to reduce their industrial lending rate, and also by lowering interest rate on export credit for the RMG sector. At the same time, the Government decided to cut interest rate on export advance by about 3 percentage points and fixed it at 7 per cent specially for the RMG sector; this interest rate is of course higher than the 5 per cent rate requested by

the RMG sector. Thus, some action has been taken by GOB to ease the credit situation for export-oriented garments producers. However, no action has apparently been taken by the Government to create a dedicated fund for promoting backward linkage in the textile sector.

The EU's SAARC Cumulation Rule of Origin for accessing GSP facilities in the EU region has created a new situation for encouraging backward linkage in the textile sector putting the latter under considerable competitive pressure. As is well known, the SAARC Cumulation Rule, by encouraging Bangladesh's export-oriented garments exporters to use imported fabric from SAARC countries, may adversely impact on the process of backward integration in the country. On the other hand, the RMG sector has welcomed this initiative. Consequently, this Rule has created bitterness between the RMG sector and the textile sector. In November, 2001, the Government decided to form an inter-ministerial committee to resolve the problem between the textile and apparels industries after a BTMA delegation called on the Prime Minister. A study was commissioned to provide recommendations to the government. The study came up in favour of going for RC under a Tariff Rate Quota. Any concrete decision is yet to be taken in this regard.

Smuggled yarn from a neighbouring country, which was being used by Bangladesh's garments exporters, was adversely affecting the local textile industry. The Government responded to this by banning the import of yarn through four land ports, viz., Hili, Sona Masjid, Buribari and Bhomaa in November, 2001. However, while inaugurating BATEXPO 2002, the Prime Minister assured the RMG producers that GOB would withdraw the ban on imports of yarn through the land ports. If the ban is lifted, then the prospect of backward integration would receive a jolt. In any case, the issue needs to be studied seriously by GOB before taking any further policy action.

Action 6: Establish locational facilities such as RMG village to facilitate smooth operations of export-oriented RMG enterprises.

GOB Initiative: In December, 2001 BGMEA sought GOB support for setting up of a textile village that would speed up the process of providing utility connections to garments factories. In January, 2002 a BGMEA delegation apprised GOB of the existing gas problem in the RMG sector, including unnecessary delaying in getting connection, and sought the cooperation of GOB in solving this problem. However, GOB is yet to take any visible initiative in setting up of textile/RMG villages. The GOB has indicated that it will take initiatives to set up *garments palli*.

Action 7: Explore the feasibility of centralised bonded warehouses to cut down on lead-time.

GOB Initiative: Although the idea of setting up centralised bonded warehouses in the RMG sector has been mooted, no concrete decision has been taken so far. In a meeting of the National Committee on Exports held on 24 April 2003, it was decided

that a committee will be formed to submit reports on the possibility of a central bonded warehouse.

4.3 Skill and Technology Upgradation in Leather and Leather Products Industries

Action 1: Set up a Tannery Modernisation Fund to upgrade technology and raise productivity in the industry.

GOB Initiative: No action has been taken.

Action 2: Introduce adequate fiscal and financial incentives and other necessary support policies to raise productivity and improve quality to make the sector globally competitive.

GOB Initiative: No action has been taken.

Action 3: Support the establishment of linkage industries such as lasts, cutting dices, etc. to reduce high import dependence and promote price competitiveness of the sector.

GOB Initiative: The Bangladesh Bank reduced the bank rate from 7 per cent to 6 per cent in October, 2001 in order to reduce commercial banks' industrial lending rate. Apart from this, no specific action has been taken so far to stimulate growth of backward linkage industries in the leather sector.

Action 4: Allow duty-free imports of raw hides and skins, and also wet blue and finished leather, for feeding the leather footwear exporters.

GOB Initiative:

Action 5: Introduce financing and other incentives to stimulate local investment in the sector.

GOB Initiative: As noted above, the bank rate was reduced by one percentage point to stimulate investment in the industrial sector.

Action 6: (i) Provide support to promote compliance with consumer safety and international standard of packaging to improve marketing of leather and leather goods; (ii) ensure direct fiscal incentives in the form of export cash subsidies, import licence benefits against export performance; (iii) allow tax-free export earnings, reduce air-freight costs, duty drawback, etc. to promote export; (iv) introduce export credit guarantee schemes; (v) exempt tax and VAT on exportables in this sector; (vi) exempt import of sewing machine needles and parts from 15 per cent VAT; (vii) introduce open account facilities or other flexible import arrangements in place of L/C to promote export; (viii) provide long-term tax holiday to encourage local and foreign investment in this sector.

GOB Initiative: (i) Product and packaging standards as well as environmental standards in importing countries have to be satisfied for gaining market access.

Bangladeshi firms face serious problems in satisfying international products, packaging and environmental standards in developed importing countries; environmental standards are particularly stringent in the case of exports of leather and leather products. Given the weak standard-setting infrastructure in the country, GOB has been unable to provide support to the leather and leather products export industries. It may be noted here that under the Uruguay Round Agreement on Technical Barriers to Trade (TBT), developed countries may, upon request from the exporting country, provide technical and financial assistance to an LDC like Bangladesh to strengthen its standards system. It is not known whether Bangladesh has requested any developed country for such assistance for its leather sector, or not.

(ii) Finished leather goods exporters are entitled to get cash incentives. Leather exporters have been urging the Prime Minister to increase the subsidy for finished leather export. However, in a meeting of the National Committee on Exports held on 24 April 2003, the Prime Minister turned down the plea of leather exporters.

(iii) Export earnings in the leather sector have not been made tax-free. Duty drawback facilities are however available for this sector.

(iv) Export credit guarantee is available.

(v) No action has been taken.

(vi) No action has been taken.

(vii) No action has been taken.

(viii) Tax holiday for five years is available to foreign investors in the leather sector (as in other sectors).

Action 7: Introduce measures to enable adaptation of new and modern technology such as modern soling through joint ventures and international collaboration.

GOB Initiative: Although adequate incentives are available for setting up joint venture in Bangladesh, no specific incentives are provided for technology adaptation.

Action 8: Support the upgradation of component industries such as lasts, cutting dices and shoe trims through duty concessions, duty-free stock facilities, etc.

GOB initiative: No action has been taken.

Action 9: Ensure legal, institutional and other supportive measures for the development of backward linkage industries of this sector.

GOB initiative: No action has been taken.

4.4 Development of Export – Oriented Agro-based Industries

Action 1: Provide credit, interest and tax support and other facilities/incentives to promote export-oriented agro-processing industries.

GOB initiative: It may be noted that in the face of a sharp fall in international market prices, frozen food exporters sought bailout package from the Government, including interest waiver on loan and block account facility, in May 2002. In 2002, GOB had announced 15 per cent cash incentive for the frozen food sector. The Commerce Minister recommended that the Finance Ministry waive the interest partially and

sanction fresh loans to the enterprises after transferring the same amount to block accounts. Through a circular issued on May 2, 2002, the Government requested banks to waive interest partially and provide block account facility.

GOB has taken some initiative to reduce cost of funds available to agro-based ventures, but this is not a concerted effort and still depends on bank/client relationship which varies from bank to bank and client to client.

Action 2: For supporting preservation of horticulture products, import of related equipments such as reaper vans and refrigerated containers should be exempted from duty and VAT.

GOB initiative: No action has been taken.

Action 3: To support food-processing industries, import of chemical preservatives and preservative technology should be exempted from tax, VAT and duty.

GOB initiative: Reduction of duties on many inputs to support food-processing industries has been implemented but VAT exemption has not been done.

Action 4: Provide credit, tax, VAT and duty facilities for import of technology to support standard packaging.

GOB Initiative: As in the case of inputs, duty has been reduced on many packaging items, but there is no GOB initiative to set up a Packaging Institute to develop international standard packaging for food items.

Action 5: Establishment of “Exporting Firms Group” based on export markets should be encouraged and supported through credit, tax, VAT and duty exemption facilities and technology transfer.

GOB Initiative: No action has been taken.

Action 6: Air cargo space for export of agro-products should be increased and other facilities, including offloading and cool room facilities in the cargo shed, should be enhanced.

GOB Initiative: No action has been taken.

Action 7: Reduce export freight charges to regional levels.

GOB initiative: Air freight for vegetable exports has been reduced.

Action 8: Institutionalise and implement quality control measures. The BSTI should be equipped with appropriate technology and qualified manpower to support standardisation of export-oriented agro-industry products.

GOB initiative: Some initiatives have been taken to modernise BSTI. However, much more needs to be done towards capacity building at BSTI to ensure compliance with requirements emanating from the WTO Agreements.

Action 9: Support overseas market research for agro-exports through projects such as Matching Grant Facility (MGF).

GOB initiative: The support to agro-export efforts through MGF Project has been a notable success. However, the MGF Project is coming to the end of its tenure and needs to be extended in a more focused form and its disbursement linked to performance to make it more effective.

Action 10: Existing anomalies in duty structure, which result in a higher duty on raw materials, inputs and packaging as against processed imports and thus make locally produced agro-products relatively non-competitive, will have to be removed.

GOB Initiative: Duty anomalies existing in 2001 have been removed to a certain extent. However, some anomalies still remain which are hampering rapid growth of the agro-based industry sector. These are listed below:

- i. Expansion units of existing agro-based industries which are enjoying tax holiday are not currently eligible for also getting tax holiday. To encourage expansion of agro-based industries, expansion units of existing agro-based industries should also be provided tax holiday.
- ii. Publicly listed companies currently receive 10% rebate of corporate tax if they pay dividend of minimum 20%. To stimulate agro-sector, publicly listed agro-based companies who pay dividend of minimum 15% should also be entitled to 10% rebate.
- iii. Publicly listed companies pay corporate tax at 30%. Corporate tax may be fixed at 20% for agro-based publicly listed companies.
- iv. Presently VAT at 15% is levied on all agro-based products. To stimulate the agro-sector, either VAT should be totally withdrawn, or VAT at 15% should be levied only on the value added portion and not on indigenous raw materials.
- v. VAT is levied on Milk Products while white milk is VAT-free. To encourage milk production and consumption, VAT on Milk Products should be charged only on the value added portion.
- vi. Duty drawback claims are not being reimbursed for months together. Claims should be refunded by local banks on receipt of export proceeds.
- vii. Cash incentive of 15% on exports of agro-based products, which was announced in the Budget 2002-03, is not being paid. This should be paid by local banks on receipt of export proceeds to make exports competitive.

Action 11: Operationalise the Entrepreneurs Equity Fund floated in the 2000-2001 budgets to be targeted to the agro-processing industry.

GOB Initiative: The EEF's coverage now includes agro-processing industries. However, the procedures for accessing loans from EEF, which has been increased to Tk 300 crores from Tk 100 crores in 2000-01, need to be further simplified if this facility is to be widely accessed.

Action 12: Provide bonded warehouse facilities to enable agro-industries to import their inputs.

GOB initiative: No action has been taken.

Action 13: Establish intermediate input industries, i.e., packaging, bottling, printing, etc.

GOB Initiative: There is no GOB initiative to establish intermediate input industries, but some private sector industries have come up.

Action 14: Establish a research institute for agro-industry.

GOB initiative: No action has been taken

Action 15: Support the development of suitable varieties such as baby corn, French bean, okra, mushroom, etc., and promote their introduction in the market, both domestic and overseas.

GOB initiative: No action has been taken.

Action 16: Establish a HYV seed research and multiplication institute.

GOB initiative: No action has been taken.

Action 17: Establish an agricultural product development authority to offer one window assistance to local exporters and foreign importers of agro-based industrial products.

GOB initiative: No action has been taken.

Action 18: Ensure adequate human resource development through establishment of a food technology institute with modern facilities.

GOB initiative: No action has been taken.

Action 19: Develop an effective infrastructure for transportation of perishables.

GOB initiative: No GOB initiative has been taken to develop effective infrastructure for transportation of perishables.

4.5 Ensuring Bangladesh's Niche in the Expanding Global Service Sector Market

Action 1: Design a comprehensive plan for skill upgradation and human resource development keeping in view the dynamics of changes in the global market demand for overseas workers.

GOB initiative: The Bureau of Manpower Employment and Training (BMET) have different skill training programmes, and ostensibly these are designed keeping in view the changing pattern of international demand for labour. In January, 2002 the Government approved a private sector initiative to set up a training institute in Sylhet for imparting training in hotel management and tourism, for which there is growing

international demand. The ratio of skilled and unskilled labourers in the migrant labour force is gradually changing in favour of labour force with some skill. Some relaxations have been allowed women workers to go to middle-east.

Action 2: Set up a special agency that will be vested with adequate authority to oversee the interests of migrant workers both at home and in the countries of temporary residence.

GOB initiative: A new ministry, called the *Expatriates Welfare and Overseas Employment Ministry* has been set up.

Action 3: Design an appropriate forward-looking strategy for Bangladesh's entry into the export market for knowledge-based services.

GOB initiative: Please see the CPD Task Force Report on Information and Communications Technology.

Action 4: Pursue an energetic policy in the WTO and other related forums in support of provisions which support a flexible approach under Mode 4 (movement of national persons) of the GATS.

GOB initiative: The Commerce Ministry and Bangladesh's Permanent Representative to the WTO have been working in this area. Bangladesh has been one of the strongest advocates of bringing a balance in GATS between the various modes of services.

4.6 Incentives to Encourage Investment in New Export-Oriented Industrial Activities

Action 1: Zero import tariffs on capital machineries for export-oriented industries should continue.

GOB Initiative: Capital machineries for export-oriented industries continue to be importable on a duty-free basis.

Action 2: Customs duty rates on basic raw materials and intermediate imports used by export-oriented industries should be further reduced and the existing anomalies removed.

GOB Initiative: By and large, this has not been done. In fact, very recent newspaper reports indicate that custom duty rates on some intermediate inputs may be raised in the Budget for 2003-04.

Action 3: Tax holiday of 10 years on accelerated depreciation allowance basis should be provided for new export industries.

GOB Initiative: No action has been taken.

Action 4: In order to encourage growth of jewellery, diamond cutting and polishing, and electronic goods industries, which are believed to have good export potential,

special bonded warehouse should be set up especially in view of the fact that these are input-intensive activities.

GOB Initiative: No action has been taken.

Action 5: At present, bonded warehouse facilities are available for readymade garments and leather industries. BW facilities should be extended to new export industries as well.

GOB Initiative: Bond facility has been extended to the export-oriented plastic goods industry. In July 2002, the president of the Bangladesh Plastic Goods Manufacturers' Association urged the Government to provide duty drawback facility to export-oriented plastic goods industries.

Action 6: Import to BWs are currently made under compulsory back-to-back L/Cs opened in favour of foreign banks. The high interest rates charged by the banks discourage export by reducing profits. It is therefore suggested that a switch should be made from the current system of compulsory back-to-back L/Cs to a more flexible system, which would allow exporters to choose from the various export-financing options available in the market.

GOB Initiative: No action has been taken.

Action 7: Take steps to promote thrust sectors.

GOB Initiative: A number of incentives have been declared in successive EXIM policies to promote the thrust sectors. However, not much has been achieved in terms of export diversification. The government did set up ICT Council and Leather Council and is planning to set up Business Councils to promote other potential export sectors. However, these initiatives have not been very successful.

4.7 Raise the Efficiency of Management of Export Incentives

Action 1: The customs clearance procedures for importing inputs and for export shipment are cumbersome, time consuming and, more often than not, characterised by rent-seeking behaviour of concerned officials. Customs clearance procedures should therefore be simplified.

GOB Initiative: In January, 2002 the Finance Minister said, at the inaugural function of the ninth annual conference of the Bangladesh Ceramics Society, that a regulatory body would soon be formed to ensure good customer services and check anomalies in customs and utility sectors. A high level committee was set up with the Secretary, Ministry of Commerce to look at ways and means to speed up customs clearance. The committee has submitted its recommendations. The committee has suggested that the number of signatures for export formalities be brought down to 5 from 17 and the time taken to complete export formalities be drastically reduced from 4-7 days to 3 hours.

Action 2: The process of computerisation of customs assessment and related activities should be accelerated.

GOB Initiative: Computerisation of customs assessment and related activities is continuing.

Action 3: Despite the use of flat rates for repayment of duty, the prevailing system of duty-drawback operated by the Duty Exemption and Drawback Office (DEDO) is cumbersome. The process of duty reimbursement should be left with the dealing banks so as to make the process more efficient and less costly.

GOB Initiative: No action has been taken.

Action 4: The prevailing cash compensation scheme of 25 per cent of export value is reportedly in some cases being used unethically. Adequate safeguards need to be taken against such malpractices. Furthermore, this scheme would be considered as a prohibited subsidy under the WTO Agreement on Subsidies and Countervailing Measures, and hence will need to be phased out in the near future. Hence, to avoid countervailing action by trading partners, the rate of compensation under the scheme should be gradually reduced in consonance with reductions in import tariffs. However, any such initiative must also take into cognizance the long-term interests of the sector and should put in place adequate measures to ensure the continued competitiveness of the export-oriented industries.

GOB Initiative: In May, 2002 the Government declared a comprehensive cash incentive package for the export sector and adjusted interest rates for export credit. This package includes: (a) 15-20 per cent cash incentive for exports, (b) cash incentive for textiles cut to 15 per cent, and (c) interest rate for export credit reduced to 9 per cent. It may be noted that in June, 2002 the three associations of apparel exporters submitted a memorandum to the Prime Minister's Office wherein, among other things, they demanded continuation of the cash incentives at the rate of 25 per cent till December 31, 2004 (i.e., the last day of existence of the MFA quota system).

At present the issue of providing cash subsidy to some other sectors such as light engineering, gold jewellery, diamond ornaments and non-RMG apparels is under consideration by the GOB.

In a meeting of the National Committee on Exports held on 24 April 2003, the Prime Minister said that it is not possible for the government to increase cash subsidy and waive interest charges on bank loans. Requests by jute exporters to waive interest on bank loans were rejected by the Prime Minister. The Prime Minister also rejected the proposal from handicrafts exporters for increasing subsidy on items beyond the two that are currently entitled.

4.8 Enhance Export Finance Facilities

Action 1: The Export Development Fund operated by the Bangladesh Bank needs to be strengthened.

GOB Initiative: No concrete action has been taken in this regard.

Action 2: Export-import banks specialising in trade financing should be set up on a priority basis.

GOB Initiative: Exim banks have been set up in the private sector.

Action 3: The establishment of Equity Development Fund in the Bangladesh Bank with an allocation of Tk. 1 billion for promoting investment in software export and agro-processing industries is a welcome step. The size of the Fund may however be enlarged to cover other potential export industries.

GOB Initiative: The EEF has tended to remain under utilised because of cumbersome procedures. At present the relevant rules are being reviewed. Ways to create venture capital for this type of activities will need to be explored further.

4.9 Raise Efficiency of Export-Related Infrastructure

Action 1: Immediate steps must be taken to enhance the cargo-handling capacity of Chittagong Port.

GOB Initiative: In April 2003 the Government has formed a high-powered Committee headed by the Commerce Secretary with the objective of streamlining port operations, specifically focusing on the reduction of various charges at Chittagong Port and the introduction of a faster export-related document processing system. The Committee was mandated to study the tariff rates of ports in Malaysia, Singapore, India and Sri Lanka. The Committee has now come up with the suggestions to reduce charges for stuffing, shipping and other activities, for RMG exports, by 10 to 20 per cent.

While a reduction of charges at Chittagong Port, if it materialises, will facilitate exports by reducing cargo-handling costs, no investment has been made to increase the port's cargo-handling capacity, and this will continue to hinder exportation in the country.

Action 2: Studies have indicated the comparative advantage of Chittagong and Mongla Ports, and there is the potential that these ports may emerge as the regional transport hub in the future. For realising this potential, urgent interventions are called for in the areas of equipment handling, container berths and transport facilities.

GOB Initiative: No new investment has been made in these areas.

Action 3: All ports should be fully computerised to facilitate and speed up trading activities.

GOB Initiative: There is the hint of computerisation of some work at some places. However, a lot of work is still to be done in this regard.

Action 4: Strengthen the EPB by raising its capacity to deal with trade related issues.

GOB Initiative: An initiative has been taken to strengthen the EPB by reorganising the Bureau. A Committee was set up for this purpose which has submitted its report. The recommendations include amendment of the Ordinance, increased power of the Board, provision for outsourcing of officials (up to 25%) and provision of increased funds for market promotion. Three projects will be implemented next year: (i) Support Services for Product and Market Development; (ii) Capacity Building of the EPB, and (iii) Upgradation of TIC and online networking.

4.10 Ensure Greater Access to Trade-Related Supportive Services

Action 1: Access to up-to-date trade information through the Global Trade Point Network (GTPN) introduced by the UNCTAD is not available at the EPB. Steps must be taken to create trade points in the EPB, Government ministries, chambers of commerce and industry and trade-related research institutions, which would be connected through the GTPN.

GOB Initiative: EPB, which is the trade promotion organisation of the country, is not connected with the UNCTAD's GTPN.

Action 2: The commercial wings in Bangladesh's foreign embassies must play a central role in collecting market information and feeding these to Bangladeshi exporters.

GOB Initiative: In October, 2001 the-then foreign minister termed economic diplomacy as the main thrust of the Government and directed the members of all the 48 foreign missions of Bangladesh to work sincerely for promoting the country's exports. Bangladesh has 19 trade wings in overseas embassies which are meant for promoting export. In November 2002 the Commerce Ministry instructed trade wings to send monthly trade reports. Since then, the trade wings have been sending trade reports, but their trade-promoting performance has been poor. As a result, in an inter-ministerial meeting held on May 10, 2003, it was decided that the Government will take action against trade-wings employees for their failures. Foreign trade wings will have to send reports on export promotion on a weekly basis, and their performance will be evaluated on this basis. Performances of the trade wings will be reviewed after two months.

Action 3: The Government and the private sector should collaborate to regularly organise trade fairs, particularly in emerging markets.

GOB Initiative: The EPB regularly organises trade fairs in foreign markets, often in emerging ones. For example, the Foreign and Commerce Ministries collaborated to launch in the recent past a week-long marketing blitz in Yangon, the capital of Myanmar.

In a meeting of the National Committee on Exports held on 24 April 2003, it was decided that a permanent venue for international trade fairs will be set up on a build-operate-transfer basis.

Action 4: The EPB must develop in-house capacity to provide export-related training on an ongoing basis, particularly for small – and medium – scale entrepreneurs including new exporters.

GOB Initiative: The EPB organises training workshops for exporters from time to time, with emphasis on small – and medium –scale enterprises. The government has decided to reorganise the EPB to enhance its efficiency.

4.11 Raise the Efficiency of Import Administration

Action 1: Although improvements have recently been made in the area of customs clearance formalities, more needs to be done. In particular, complete computerisation of import clearance procedure needs to be achieved on an urgent basis.

GOB Initiative: Computerisation of import clearance procedures has been going on for some time and the process is expected to be completed soon.

Action 2: PSI-certified import values for purposes of customs assessment are reportedly causing problems. The matter should be thoroughly investigated by the NBR and necessary solutions identified.

GOB Initiative: The issue of PSI certification of assessable value of import has reportedly been carefully examined by the NBR. However, importers are still facing problems in this regard.

Action 3: Import liberalisation policy has not yet proved very effective in diversifying exports. A major reason behind this has been the faulty sequencing of reforms. The Ministry of Commerce should closely monitor the impact of liberalisation. At the same time, human resource capability must be developed through appropriate training to enhance local expertise to design and evaluate trade policy reform.

GOB Initiative: No formal and serious assessment (in the form of a report, for example) of the impact of import liberalisation has been made by the Ministry of Commerce. GOB had implemented the Protection Analysis and Trade Cooperation (PATC) sub-project under the Bangladesh Export Diversification Project (BDXDP) with the objective of imparting training to officials of the Commerce Ministry in the area of trade policy formulation and evaluation.

4.12 An Effective Exchange Rate Policy

Action 1: Reflect the actual trade composition (both formal and informal) in the currency basket in determining the real effective exchange rate (REER).

GOB Initiative: The currencies of Bangladesh's major trading (formal) partners are considered in determining the REER. However, informal trade is not taken into account, a process that would increase the weight of the currency value of Bangladesh's neighbouring country.

Action 2: To encourage retention of foreign exchange within the country and discourage leakage through 'hundi', design attractive incentives for foreign exchange earners (in line with introduction of the concept of CIPs) and also ensure flexibility in the operation of foreign currency accounts by resident Bangladeshis.

GOB Initiative: In May, 2002 the Government fixed the foreign currency retention rate at 10-50 per cent for different categories of exports. This incentive should discourage leakage of foreign exchange through 'hundi'. Money exchanges have been allowed to operate. The Bangladesh Bank has taken a number of initiatives including putting in place laws against money laundering. These have started to bear fruit.

Action 3: It needs to be ensured that there is no serious misalignment between the nominal exchange rate and the equilibrium exchange rate. Real appreciation of the Taka should be prevented.

GOB Initiative: In January, 2002 the Taka was devalued by a significant margin of 1.58 per cent to prevent its real appreciation. There is pressure from the IMF to go for floating of taka. Experts are of the view that any such option must be carefully examined before implementation.

4.13 Regional Cooperation in South Asia

Action 1: Negotiate with the three developing countries of the SAARC to receive zero-tariff market access for the four LDCs in the SAARC according to a fast-track approach to establishing an FTA in the region.

GOB Initiative: In April, 2002 Bangladesh opened trade talks with India seeking zero-tariff market access for 206 Bangladeshi items at 6-digit level. India agreed to grant duty free access to 40 items.

In March, 2003, at the Commerce Secretary-level talks, held between Bangladesh and India in New Delhi, India agreed to grant duty-free access to Bangladeshi products in 39 items. The products include 11 out of 121 tariff lines requested in 2001 and 28 out of 191 tariff lines requested earlier by Bangladesh.

Action 2: Promote and encourage closer economic cooperation with the seven North-Eastern states of India.

GOB Initiative: Efforts are being made towards closer cooperation with North-Eastern states of India. There have been a number of exchanges of trade delegations. Some of the items accorded zero-tariff access recently may find market in North-East India. However, a lot of things still remain to be done to stimulate trade with the North-Eastern states.

Action 3: Pursue an active policy towards removal of all NTBs with respect to trade amongst countries of South Asia.

GOB Initiative: Bangladesh has repeatedly called for removal of all NTBs and para-tariff barriers in intra-SAPTA trade, but the problem has persisted due to non-cooperation of developing country members even though they have in principle agreed to the Bangladeshi proposal. In the Commerce Secretary-level meeting between Bangladesh and India held in New Delhi in March, 2003, the two countries set up a joint working group headed by two joint secretaries of their respective Commerce Ministries to look into complaints related to non-tariff and para-tariff barriers lodged by either country and take steps to address these problems.

Action 4: Design a comprehensive package for reducing the increasingly large trade deficit with India.

GOB Initiative: The following steps have been taken: (i) export incentives have been strengthened to stimulate export growth (including exports to India); (ii) as noted above, a joint working group has been set up to eliminate non-tariff and para-tariff

barriers in India; (iii) efforts are being made to diversify exports to pave the way for new exports to India; (iv) Bangladesh has received zero-tariff access for 79 commodities. However, a number of NTBs continue to inhibit market access to India.

Action 5: Proactively search for avenues of cooperation with Bangladesh's eastern neighbours.

GOB Initiative: During the official talks between the Prime Ministers of Bangladesh and Thailand held at Chiang Mai in July, 2002, Thailand reduced tariffs on 128 items of 6 categories at the request of the Bangladesh Prime Minister to her Thai counterpart to take steps for reducing the existing trade imbalance of Bangladesh with Thailand.

As noted earlier, Bangladesh arranged a weeklong trade fair at Yangon, capital of Myanmar, to promote Bangladesh's exports to Myanmar.

Bangladesh is playing a pro-active role in BIMSTEC to, among other things, promote economic cooperation with her eastern neighbours.

Action 6: GOB should encourage the private sector of the country to establish closer economic linkages with the private sectors of the neighbouring countries.

GOB Initiative: Establishment of close ties among the chambers of commerce and industry in the South Asian region is an ongoing process.

Action 7: Promote initiatives to foster common South Asian perspectives and negotiating strategies as regards the built-in and new agendas in the WTO, the WTO Ministerial Meetings and in view of a possible New Round of Trade Negotiations.

GOB Initiative: A high-level meeting was scheduled to be held in Dhaka in April, 2003 where Commerce Secretaries were to discuss common strategy with respects to the WTO Ministerial Meeting in Cancun. However, this had to be cancelled. In May, 2003 a meeting of the LDC Ministers is scheduled to be held in Dhaka in preparation for the Cancun Ministerial.

4.14 Making Globalisation Work for Bangladesh, and Facilitating Global Market Access by Bangladeshi Firms

Action 1: Strengthen the WTO Cell in the Ministry of Commerce with adequate manpower and supportive logistics.

GOB Initiative: The process of strengthening the WTO Cell is going on. The process may however be accelerated. The Ministry of Commerce has also set up a WTO Advisory Committee. It has also established five Working Groups to advise the Ministry on WTO related matters.

Action 2: Take special measures to develop skilled manpower to conduct the complex negotiations within the WTO system.

GOB Initiative: The Ministry of Commerce has been sending selected officers to join the short-and long-term training programme of the WTO on a regular basis. The Ministry has however been unable to retain these officers because of the existing transfer policy of the Government. As a result, the knowledge gained by these officers

cannot be utilised for the purpose of preparing negotiating position papers of Bangladesh for WTO talks/meetings.

As noted earlier, GOB has implemented the BDXDP project, one of the major objectives of the project being to impart training to officers of the Ministry of Commerce in WTO matters. Furthermore, the Government is soon going to establish the Foreign Trade Institute with the aim of training officers in trade-related matters including preparing for negotiations at the WTO. The Institute is expected to start functioning from this year. The Ministry of Commerce has initiated a number of studies which will provide inputs to GOB for its negotiations in Cancun. It must be mentioned that in recent times the Ministry of Commerce has been taking a number of initiatives to ensure meaningful participation of Bangladesh in the WTO negotiation process. Bangladesh has submitted a number of proposals in the various negotiating committees. Bangladesh is also vigorously pursuing the cause of greater access to global labour market by demanding flexibility in the temporary movement of natural persons.

Action 3: The Government must ensure that shrimp processing units can access the technology and acquire the capability to put in place quality control measures required by the importing countries.

GOB Initiative: Shrimp processing units need adequate credit facilities to upgrade processing technology. In May 2002 the Government, on recommendation of the Commerce Minister, requested banks to partially waive interest and provide fresh loans under block account to exporters of frozen food. Before this, in October 2001 the Prime Minister had assured that an inter-ministerial committee, comprising of representatives from the ministries of livestock and fisheries, commerce, finance, land, as well as exports, would be formed soon to boost frozen food export by addressing the problems of the sector. Presumably, this committee would have looked into the market access constraints, in the form of sanitary and phyto-sanitary standard requirements in importing countries, faced by shrimp exporters and suggested solutions to the problem. However, we are not aware of the recommendations of this committee, if one was formed at all, since these were not made public.

In a meeting of the National Committee on Exports held on 24 April 2003, it was decided that a third party will check hygiene in the cultivation, transportation, storage and processing of shrimps to ensure that quality control systems are in place and food safety standards are being met.

Action 4: Conduct a comprehensive study to look at the operationalisation of the S&D states for LDCs provided within the WTO system and use its findings for negotiations during the upcoming fourth Ministerial Meeting of the WTO to be held November in Doha and also in any possible future WTO Round.

GOB Initiative: In October 2001 the Commerce Ministry decided to appoint a consultant to devise Bangladesh's strategy and prepare a set of recommendations in consultation with the business community for the forthcoming fourth WTO

Ministerial Meeting in Doha. The study by the consultant would have addressed the S&D treatment issue.

At the Doha Ministerial Meeting, Bangladesh's Commerce Minister tabled a seven-point proposal which included: (i) creating a favourable environment for LDCs to comply with WTO rules, (ii) elimination of trade barriers like anti-dumping duties on LDC exportables. These are related to S&D treatment for LDC's under WTO rules.

Action 5: The Government must undertake a vigorous campaign to familiarise the exporters with ISO-9000 (quality standard) and ISO-14000 (environmental standard) and provide adequate policy support and incentives to encourage individual entrepreneurs to achieve such standards.

GOB Initiative: Seminars have been organised to emphasise the importance of fulfilling ISO-9000 and ISO-14000 standards by exporters. Domestic regulatory measures are required to enforce adoption of these measures by Bangladeshi producers. BSTI provides the regulatory framework for product standards, but implementation is weak. Consequently, the adoption of ISO-9000 and ISO-14000 standards by Bangladesh's producers has been slow.

Action 6: Vigorously pursue resource commitments from the developed countries in the light of Bangladesh's technical assistance needs which have been identified under the integrated framework (IF) initiative of six global institutions.

GOB Initiative: At the Doha Ministerial Meeting, Bangladesh's Commerce Minister proposed an increase in technical and financial assistance for LDCs to enhance their capability.

Action 7: The Government should create a Special Fund to pursue possible litigation and arbitration activities in the Dispute Settlement Body (DSB) of the WTO, particularly to face unjustified anti-dumping and/or countervailing actions pursued by importing countries against Bangladesh's exports.

GOB Initiative: The proposed Special Fund has not yet been created. In this connection it may be noted that in January 2002 India imposed anti-dumping duty on Bangladesh's lead acid battery export ignoring requests from the Bangladesh Government to consider the issue. The Indian importers will now have to pay the high duty of 131 per cent on lead acid battery imported from Bangladesh. This has had a severely adverse impact on Bangladesh's export on this item. Bangladesh does not have the requisite capacity to pursue her interests in the DSB. However, Bangladesh can avail the services of the WTO Legal Advisory Unit to deal with this type of concern.

4.15 Emerging Issues

The Draft Task Force Report on Trade was presented and discussed threadbare at the Regional Consultation Meeting held in Chittagong on April 26, 2003. Several contemporary issues pertaining to the external sector were raised by participating

stakeholders, many of which were not covered in the Draft Report. These issues and related actions suggested by stakeholders are listed below.

Action 1: An examination of the import basket shows that many “unnecessary consumer goods” are being imported. Import of these goods should be discouraged through the use of appropriate instruments, given the relative scarcity of foreign exchange.

Action 2: The volume of informal trade has been growing in an unabated manner. This has given rise to various problems ranging from unfair competition faced by domestic producers to foreign exchange outflow through informal channels. A serious study on informal trade should be undertaken by GOB with the objective of formulating policies to combat the problem.

Action 3: Given the limited cargo handling capacity of the Chittagong Port, a second seaport should be developed at Chittagong.

Action 4: Manpower export is a major source of foreign exchange earning for Bangladesh. However, the unscrupulous activities of some manpower agents are causing untold miseries for many workers temporarily migrating to a foreign country for employment purpose. In view of this, GOB should thoroughly check manpower agents to ensure that no fraudulent activities can take place. At the same time, appropriate training programmes for workers should be put in place, keeping in view the existing pattern of demand for labour in the international market.

Action 5: Product quality is crucial for accessing export markets. In view of this, quality management is essential. GOB should therefore enforce strict quality control not only for exports but also for products sold in the domestic market. At the same time, GOB should make every effort to strengthen the quality control and certification infrastructure, paying particular attention to the standards and technical regulations requirements under the WTO Agreements on Technical Barrier to Trade (TBT) and Sanitary and Phytosanitary Measures (SPS). ISO Certification should be made compulsory with a time-frame so that export industries are benefited.

Action 6: Export Processing Zones (EPZs) serve the dual objectives of attracting FDI and facilitating exports. Though there are both government sponsored EPZs and private EPZs, the Private EPZ is not working properly and problems also exists in the government EPZs. The factors causing these problems should be identified and remedial measures implemented.

Action 7: In order to protect the interests of workers, labour laws, particularly in the RMG sector, should be amended.

Action 8: The decision – making process of GOB is slow, and this causes major problems for producers as well as traders. Steps should be taken to speed up the decision-making process.

Action 9: When set up, the Apparel Board should comprise of bureaucrats and professionals.

Action 10: Getting gas supply and other utilities connection to industries is a major problem. Remedial measures should be adopted by GOB on an urgent basis in this regard.

Action 11: Ways and means of extending and strengthening Bangladesh's economic relations with the 'Seven sisters' states of India should be clearly spelt out. A separate Task Force may be set up in this regard.

Action 12: Continuity of policy regimes is essential for promoting investment and exports. Political consensus should therefore be forged so that policies do not change with the change of government.

Action 13: As in the case of exports, GOB should take action to facilitate imports through ensuring clearance within 3 hours. This will help industrial production and exports by cutting down costs.

Action 14: The direct tax net should be enlarged in coverage so that increased levels of direct tax can compensate for tax revenue lost through trade liberalisation.

Action 15: Flag Vessel Ordinance 1982 should be scrapped in order to facilitate exports.

Action 16: Pre-shipment inspection (PSI) certificates are ignored by the NBR for determining assessable value of imports. This should be rectified.

Action 17: Exporters do not get cash subsidy on time, hence they are facing problems. Steps should be taken immediately by GOB to expedite payment of cash subsidy to exporters.

Action 18: Cash incentives for exports should be eliminated and replaced by lower interest rates for exporters.

Action 19: Productivity of shrimp production in Bangladesh (about one ton per hectare) is much lower than the international standard (as for example in Thailand). Steps should be taken by GOB to increase productivity of shrimp production.

Action 20: At present, export of tea from Bangladesh is small. GOB should take steps to create new gardens and enhance the productivity of existing ones in order to increase tea export.