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**CPD** Centre for  
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Dialogue  
Bangladesh

**Quarterly**

## FROM the editor's desk

Second quarter of 2009 was eventful because of the diverse portfolio initiatives undertaken by the CPD. CPD's activities in this period were centred mainly in two major areas: National Budget for FY2009-10, and interpretation of recent developments in global economy in the context of Bangladesh.

To contribute to the preparation of the National Budget, CPD prepared a set of recommendations which was submitted to the Hon'ble Finance Minister. CPD researchers made an in-depth analysis of the State of the Bangladesh Economy in FY2008-09 which reviewed the performance of various macroeconomic indicators defining the development of Bangladesh in the run up to the presentation of the budget. After the announcement of the Budget in the parliament on June 11th, CPD researchers made an analysis of various proposals and their implications for the economy which was made public through a media briefing on June 12th. A week later this budget analysis was presented in a CPD dialogue where the stakeholders were able to share their suggestions and concerns as regards different proposals made in the budget in the presence of the Finance Minister.

In view of the recent developments in the global economy, CPD organised a number of events. Professor L Alan Winters, Chief Economist of the DFID, delivered a public lecture titled Exploring the Global Economic Crisis and its Consequences for Developing Countries at an event jointly organised by CPD, DFID and the British Council. A Dialogue titled "Ongoing WTO Doha Round Negotiations: Concerns and Interests of Bangladesh and Other LDCs" identified major challenges facing the trading sector of LDCs in view of the global recession. An in-house discussion on US Trade Preference Schemes for LDCs was also organised by CPD.

In continuation of CPD's commitment to the national capacity building in trade-related areas, the Ninth Trade Policy Appreciation Workshop on WTO and Bangladesh was organised by CPD in April.

As is known to readers of CPD Quarterly, these quarterlies have played an important role in keeping the readers updated as regard CPD's manifold activities. However, there was a felt need to make such a publication more focused, user-friendly and more frequent. Accordingly, from July onward CPD has decided to replace the CPD Quarterly by CPD Retro, a monthly digest. We do hope that readers of the CPD Quarterly will appreciate this new publication.



(from left) Mustafizur Rahman, A B Mirza Azizul Islam, Rehman Sobhan, A M A Muhith, M K Anwar and Habibullah Majumder.

## Government to face two major challenges

### says CPD budget dialogue

The CPD organised a dialogue titled *State of the Bangladesh Economy and Budget Responses 2009-10* on 20 June 2009 at the Ballroom of Dhaka Sheraton Hotel. The dialogue was attended by all start-ups of the country including Members of the Parliament, political leaders both from ruling and opposition parties, high level bureaucrats both current and former, academics, economists, development partners.

Finance Minister A M A Muhith was the Chief Guest and Former Finance Advisor A B Mirza Azizul Islam was the Special Guest at the dialogue. Rehman Sobhan, Chairman, CPD chaired the dialogue while Mustafizur Rahman, Executive Director, CPD presented the keynote paper.

Mustafizur Rahman in his presentation identified five macroeconomic challenges, which included energising investment, consolidating agriculture, protecting external sector, strengthening public finance and reviving public administration. He noted that growth target was set at 5.5 per cent which was lower than last six years. Describing the growth outlook, the CPD ED said that service sector had maintained a steady growth but attaining a significant performance in the agricultural sector would be a major challenge. He added that the ongoing global recession had affected the industrial sector performance, particularly the manufacturing sector. As regards

monetary policy outlook, he said that in terms of non-food inflation and rising food commodity price, inflation target of 6.5 per cent was realistic but maintaining exchange rate stability would be crucial. Rahman noted that ADP was 19.1 per cent higher than ADP and 32.6 per cent higher than RADP of FY2009. He, however, said that projected ADP was not oversized in terms of the country's needs, but was ambitious in the context of current implementation capacity. Commenting on investment of undisclosed money, he said that in the budget no distinction had been made between income earned legally and undisclosed and income earned illegally and undisclosed. He added that the proposed tax rate on undisclosed money would be counter to the principle of rewarding conscientious tax payers, punishing tax evaders and people with undisclosed income. Talking about the public-private partnership (PPP) issue, the presenter said that it was to be tested on a number of issues including whether it would ease the pressure on ADP, whether the short-term projects would be able to attract the private investors and finally whether a PPP Act was necessary to take cognizance of these issues. To conclude Rahman identified some key challenges for effective implementation of the proposed budget. These included proper

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## Budget dialogue

(from page 1)

utilisation of the surplus national savings, excess liquidity in the banking system and foreign aid in the pipeline; sequencing of public expenditure; maintaining complementarity of macroeconomic framework, fiscal policy and monetary policy; strengthening of the capacity of the line ministries so that allocated funds are appropriately utilised.

M Syeduzzaman, Member, CPD Board of Trustees gave an example from the 1978-79 fiscal when RADP exceeded the original outlay and urged the government to take all out effort to enhance the utilisation of development budget. The Federation of Bangladesh Chamber of Commerce and Industry President Annisul Huq said that the PPP initiative had to be transparent from the very beginning otherwise it would not be successful. Professor of Economics, Dhaka University, Abu Ahmed opined that the government could reduce budget deficit by offloading shares of the state-owned enterprise. He insisted that a little cut in the corporate tax might boost the stock market.

Bangladesh Institute of Development Studies Director General Mustafa K Mujeri remarked that the forthcoming monetary policy should be in line with the expansionary fiscal policy. He insisted on creating a business friendly environment to revitalise investment. Bangladesh Textiles Mills Association's President cautioned that under current acute gas and power crisis if there are chances that PPP would be successful. He also feared that withdrawal of tax holiday might be an adverse blow on the economy. Former Minister for Agriculture, M K Anwar, MP said that "in terms of necessity budget is not ambitious but if we consider resource mobilisation it is ambitious." He expressed his concern over black money and noted that it would dominate the society if an easy provision of whitening this money was made and insisted for imposing real tax rate plus a penalty so that taxpayers would not feel discouraged.

Former Finance Advisor A B Mirza Azizul Islam observed that the objective of the stimulus package was not clear and in this regard, it was important to know whether it was aimed towards increasing export or protecting local employment. He proposed for a subsidy on the PPP initiative as there might

be a mismatch between expected return of investment and pricing of produced utilities. In line with M K Anwar's opinion, the Former Finance Advisor said that there were needs to readjust the allocation for farm subsidies as anytime there might be a felt need to support agriculture and farmers.

Finance Minister A M A Muhith agreed with the notion that macroeconomic framework had been highly conservative in the proposed national budget for FY2009-10. He also thought that the ADP for the next fiscal was a big one for which implementation would be a major problem. The Minister, however, said that the government was committed to and would take all necessary steps including strict monitoring, to make ADP implementation a success. To improve the power situation Muhith emphasised on the need for setting up coal based plants. He also said that stimulus package, did not mean only cash incentives but policy support as well and added that the task force would sit soon to re-fix and reconsider demands from various sectors. As regards the PPP, the Finance Minister informed that the government would not take more than three months to settle the PPP issue.

## Increase trade in non-traditional markets, suggests CPD dialogue

The CPD, organised a dialogue titled *Ongoing WTO Doha Round Negotiations: Concerns and Interests of Bangladesh and Other LDCs* on 6 April 2009 at the BRAC Centre Inn Auditorium, Dhaka. Debapriya Bhattacharya, Distinguished Fellow, CPD and Shishir Priyadarshi, Director, Development Division, WTO Secretariat, Geneva made two presentations at the dialogue. H E Robert McDougall, High Commissioner, Canadian High Commission was present as the Special Guest while Mustafizur Rahman, Executive Director, CPD chaired the dialogue.

In his presentation Shishir Priyadarshi identified trade as one of the casualties of the current financial crisis. Citing a WTO estimate he said that the volume of world trade is projected to contract by 9 per cent in 2009. LDCs registered a fall in their export growth rates in the second and third quarters of 2008. In this backdrop he suggested to diversify products; explore non-traditional markets; increase share of services; and fight for duty-free access, including access to major developing countries. Relating the Doha Development Round (DDR) with the ongoing global financial crisis Priyadarshi said that concluding the Round will give a strong signal of collective readiness to address this crisis and bring relief to LDCs. He, however, cautioned that failure of completing the DDR may lead to weakening of the multilateral trading system, alongside the proliferation of bilateral and regional trading agreements. The WTO Director suggested that Bangladesh should focus on market access in developing countries and work on the extension of the 1999 Waiver which was granted to allow developing countries to provide preferential market access to LDCs, continue working on Mode-4 issues and support the aid for trade initiative in WTO.

Debapriya Bhattacharya in his presentation identified eight key challenges that Bangladesh is facing as regards various developments in the WTO.



Shishir Priyadarshi is making his presentation while (from right) Debapriya Bhattacharya, M Syeduzzaman, Mustafizur Rahman and Robert McDougall are paying attention.

He suggested that Bangladesh should move forward with three pronged approaches i.e. political outreach, research and analysis, and coordination and capacity building. As regards political approach Bhattacharya suggested that Bangladesh should engage herself with the US administration to initiate a multi-pronged strategy to secure political attention of the US for an effective DF-QF. At the same time Bangladesh should send delegations to African LDCs, particularly to Lesotho, Uganda and Tanzania to persuade them to support our position and also convince them that it will not harm their interests. The Bangladesh Government, through Ministries of Commerce and Foreign Affairs

should approach regional partners specially SAARC members to support her position in the WTO negotiations, he suggested. Regarding research and analysis approach, he suggested that Bangladesh should analyse LDC exports to the US market and estimate advantages to be gained. Sectoral study on demand and supply sides to analyse prospects of movement of natural persons from Bangladesh under Mode-4 of the GATS negotiations are also important in this regard, he added. Commenting on coordination and capacity building approach Debapriya emphasised the need for strengthening interaction between the Geneva Mission and the Ministry of Commerce. He concluded his presentation by stating the necessity of more effective use of public-private partnership to meet the prevailing capacity deficit in the government.

Commenting as the Chair, Mustafizur Rahman appreciated Canada's role as regards RoO as it is friendly to LDCs which Bangladesh is now pursuing in the WTO. Bangladesh has a window of opportunities and she should use those to the maximum for her advantage. He termed public-private partnership as a very good resource that Bangladesh could use to attain WTO targets. The dialogue was participated by chamber leaders and trade experts.

### Ninth Trade Policy Appreciation Workshop on WTO and Bangladesh

An important activity under CPD's Trade Related Research and Policy Development Programme is the three-day trade related capacity building Workshop on WTO and Bangladesh, which is an annual event. The 'Ninth Trade Policy Appreciation workshop on WTO and Bangladesh' was held from 4-6 April 2009 at the BRAC Centre Inn, Auditorium, Dhaka. The objective of the workshop was to strengthen trade related policy appreciation in Bangladesh, particularly in the context of the ongoing negotiations in the WTO.

A total of 38 participants from various Ministries and functionary bodies, academia, research institutions, chambers, civil society and advocacy organisations attended the workshop. The six sessions of the workshop were conducted by Toufiq Ali, Former Permanent Representative of Bangladesh to the WTO, Debapriya Bhattacharya, Distinguished Fellow, CPD, Shishir Priyadarshi,



Participants of the 9th Trade Policy Appreciation Workshop on WTO and Bangladesh.

Director, Development Division, WTO Secretariat, Geneva; Mustafizur Rahman, Executive Director, Uttam Kumar Deb, Head of Research, Fahmida Khatun, Additional Director and Khondaker Golam Moazzem, Senior Research Fellow, CPD; as resource persons. This year, the workshop focused on the following areas: a) Multilateral Trading System; b) Agreement on Agriculture; c) Current Developments in NAMA; c) Dispute Settlement Mechanism in the WTO; d) General Agreement on Trade in Services (GATS); e) Recent Developments in the Doha Round Negotiations; f) Politics of Alliance Building in the WTO; g) Planning and Managing Trade Negotiations. A distinctive feature of the workshop was a day long simulation exercise on trade negotiation in the WTO. On conclusion of the workshop, certificates of achievement were awarded to the participants by H E Robert McDougall, High Commissioner, Canadian High Commission.

#### CPD Media Briefing on

### An Analysis of the National Budget for FY2009-10

The post-budget press briefing on the National Budget for FY2009-10 was organised by the CPD on 12 June 2009 at BRAC Auditorium, Dhaka. Debapriya Bhattacharya, Distinguished Fellow, CPD briefed the press about CPD's initial comments on proposed Budget for FY2009-10. It was telecast live on Channel i and widely covered by both the print and electronic media. Bhattacharya remarked that "considering the economic potentials and macroeconomic targets set at the budget the GDP growth target had been set at a lower level." External sector outlook, such as for export, import and remittance, had also been projected conservatively. Regarding monetary sector outlook, he opined that targets for monetary aggregates reflected a conservative monetary policy. He, however, reminded the audience that on another occasion CPD suggested moderately expansionary monetary policy. He identified two defining goalposts for the proposed budget - meeting public expectations and addressing global recession. Nevertheless, CPD analysis concluded that the proposed budget had largely reflected the ruling party's election manifestos. Bhattacharya observed that, as a target 5 per cent (of GDP) deficit was not too big; a usual ADP at the end of the fiscal year would bring the deficit-GDP ratio down to around 4 per cent. However, he appreciated the



Debapriya Bhattacharya along with the CPD IRBD team is seen briefing the print and electronic media.

new tariff structure and remarked that growth target of 9 per cent set for FY2009-10 on custom duties appeared achievable. Bhattacharya noted that, agriculture, rural development, human resource development, industry, trade and social safety net were priority sectors in the proposed budget. Mainstreaming PPP was an innovative introduction in the budget FY2010, he added. With respect to the financial crisis, Bhattacharya commented that the second stimulus package, which was worth of Tk 5,000 crore, would be helpful to mitigate the adverse impacts of the

financial crisis, however, there was no mention of disbursement modalities in the budget. He also hailed the Finance Minister for undertaking a plan for introducing district and unified budget and thanked the Minister for mentioning good governance and reform issues for implementing the budget. Bhattacharya concluded by identifying a number of challenges for budget implementation, including deepening relationship of trust with private sector by way of strengthening competitive market behavior; catalysing partnership with private development agencies including NGOs and CBOs for social mobilisation and social service delivery and pursuing institutional and policy reforms for improving overall efficiency of development administration.

#### Visit by the Students of Muhlenberg College, USA

A group of 18 students from the Muhlenberg College, Lehigh County, Pennsylvania, USA visited the CPD on 28 May 2009. Fahmida Khatun, Additional Director, Research, CPD made a presentation focusing on the CPD activities and Bangladesh's Economy. In the photo, Fahmida Khatun is seen making the presentation. Senior CPD officials were also present during the briefing session.



## Budget is not over expansionary

Minister observes at CPD-BEA chittagong dialogue

CPD in association with Bangladesh Economic Association (Chittagong Chapter) organised a regional dialogue titled 'State of the Bangladesh Economy and Budget Responses 2009-10' at Hotel Peninsula, Chittagong on 16 June 2009. Industries Minister, Dilip Barua was present as the Chief Guest. Barrister Anisul Islam Mahmud, MP attended the dialogue as the Special Guest. Former Commerce Minister Amir Khosru Mahmud Chowdhury was present as the Guest of Honour, while Fahmida Khatun, Additional Director, CPD presented the keynote

paper and M Sekandar Khan, President, Bangladesh Economic Association, (Chittagong Chapter) chaired the session.

Khatun in her presentation highlighted the most important features of the national budget for FY2009-10 presented by the Hon'ble Finance Minister on June 12, 2009. She stated high revenue targets in the backdrop of the global financial crisis, energising investment, consolidating agriculture and protecting the external sector as some of the main aspects that would need to be addressed by the budgetary measures. Although, a number of critical aspects of the CPD review were presented at the dialogue the discussion was dominated by debates on the 'black money-whitening' scheme allowed by the government without distinguishing between the sources of black money and without any penalty being charged.

Former Commerce Minister, Amir Khosru Mahmud Chowdhury pointed out that the GDP growth target of 5.5 per cent in the context of the large size of both the revenue budget and the ADP is rather conservative. He also mentioned the need for the government to keep food prices at a reasonably low level and the need for transparency from the new government. Chowdhury also stated that the appointing members of parliament as advisors to the local government organisations will



Dilip Barua is addressing the dialogue participants while (from left) Fahmida Khatun, Amir Khosru Mahmud Chowdhury, M Sekandar Khan, Anisul Islam Mahmud and Mustafizur Rahman are paying attention.

the adverse impact of the global financial crisis. The Minister also observed that the budget has allocated sufficient subsidies for the agricultural sector and that the targeted deficit is not going to be too high compared to other LDCs.

M Sekandar Khan, Chair of the Session mentioned the need to improve the investment climate in the country to utilize the excess liquidity in the economy as the gap between national saving and investment is rising rapidly. He noted that the short term measures such as safety nets and stimulus packages are justified in the context of the financial crisis. Khan also called the government to be proactive in tackling the widespread corruption in the public sector. He added that the major challenges for the government in the next fiscal year would be increasing revenue, keeping inflation in check, proper realization of PPPs, and reviving the investment situation in Bangladesh.

A number of participants stated their dissatisfaction with the scheme for legalizing undisclosed income without any penalty and suggested that the government should reconsider this provision. The dialogue was addressed by politicians, businessmen, academics, researchers, lawyers, and representatives from NGOs, and eminent citizens of Chittagong.

improve the implementation of projects.

Barrister Anisul Islam Mahmud, MP expressed his satisfaction with the budget. He, however, mentioned that the private sector is not receiving adequate credit from the banks and asked the Finance Minister to revise the 'black money-whitening' proposal by imposing a fine on the holders of undisclosed income.

The Chief Guest Dilip Barua disagreed with the view that the budget was over expansionary and said that proposed budget would help the country in dealing with

### Press briefing on

## State of the Bangladesh Economy in FY2009

The assessment report titled 'State of the Bangladesh Economy in FY2009' was released to the press on 6 June, 2009 at the CPD Dialogue Room. Mustafizur Rahman, Executive Director of CPD, made the presentation. While reviewing the performance of the Bangladesh economy during FY2008-09, CPD urged for a renewed effort to improve both the quantitative and the qualitative aspects of the ADP which would then be able to stimulate and crowd-in private sector investment.

The CPD review noted that Bangladesh economy, at the aggregate level, performed quite appreciably, with a near-six per cent GDP growth and four and a half per cent per capita income growth during FY2008-09 despite volatility



Mustafizur Rahman is briefing the print and electronic media. Other members of the CPD IRBD team are also seen in the picture.

in domestic economy, global financial meltdown and political transition. Rahman pointed out that most of the macroeconomic indicators, notwithstanding their structural flaws, demonstrated an overall robustness. He also noted that many of the fault lines which afflicted the benchmark of FY2008-09 were much less pronounced at the end of the fiscal year and as a result FY2009-10 would kick off on a much sounder basis compared to the preceding year.

Regarding revenue collection, CPD estimates showed that, NBR might fall short of its target by about Tk 910 crore, non-NBR tax revenue collection in savior

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## State of the Bangladesh Economy

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FY2009 might surpass target by Tk 470 crore, while non-tax revenue collection might experience a shortfall of Tk 930 crore. Thus at the aggregate level, total revenue collection in FY2009 might fall short of its target by about Tk 1370 crore, which would be equivalent to about two per cent of the total revenue target. Rahman also cautioned that the quality of implementation might continue to suffer as agencies and ministries, following the usual trend, would rush to spend respective allocations in the last two months of the fiscal year, which often resulted in poor project outcomes. He reckoned that in the end, actual expenditure of ADP may turn out to be around Tk 19,500 crore, which would bring the ADP-GDP ratio down to a new historical low level of 3.19 per cent.

Rahman noted that, rate of inflation showed a benign trend, underwritten largely by falling commodity prices in the global market. He opined that because of the dull investment scenario as indicated by low credit flow to the productive sector and high excess liquidity and also inflation rate was at a tolerable level policymakers might pursue a moderate expansionary monetary policy.

According to the CPD review, although crop production appeared as the

savior for the economy, balancing the apparently conflicting interests of consumers and producers emerged as the new challenge. The report revealed that the struggle of the manufacturing sector was because of not only the adverse impact of the ongoing challenges such as global financial crisis but also because of various systemic issues such as lack of availability of electricity and gas and uncertainties related to domestic political environment.

Regarding external sector, Rahman highlighted the overall robust performance of export sector in FY2008-09 to conceal the significant deceleration in export growth. While remittance flows appeared to be more resilient than exports, negative growth of payment on capital machineries was viewed as an area of concern within the external sector. In the backdrop of high public expectations on delivery of electoral promises and with the lurking apprehensions that Bangladesh might be increasingly affected by the global crisis, economic management will be a challenging task in FY2009-10. Rahman identified that during the fiscal year a number of new issues, in addition to the set of pending issues, would continue to undermine the growth and poverty alleviation prospect of the country. He said energising investment, consolidating agriculture, protecting external sector, strengthening public finance, reviving development administration would be the major challenges for the government in FY2009-10.

### In-house discussion on

## Interpreting Recent Global Economic Developments for Bangladesh

In view of global financial crisis, the CPD organised an in-house discussion meeting with the heads of different diplomatic missions in Bangladesh. The discussion meeting titled *Interpreting Recent Global Economic Developments for Bangladesh* was held on 22 April 2009 at the CPD Dialogue Room. Debapriya Bhattacharya, Distinguished Fellow, CPD made a presentation to initiate the discussion. In his presentation, Bhattacharya focused on three issues such as implications of global financial crisis on Bangladesh, global policy and institutional responses and role of Official Development Assistance (ODA) in Bangladesh economy in combating the fallouts of global financial crisis. The presentation was followed by a lively discussion.



Debapriya Bhattacharya is seen making the presentation. Heads and representatives of different diplomatic missions and senior CPD officials are also seen in the photo.

Participants of the discussion included among others H E Bea Ten Tusscher, Ambassador, Royal Netherlands Embassy; H E Robert McDougall, High Commissioner, Canadian High Commission; H E Dora Rapold, Ambassador, Embassy of Switzerland; H E Sakir Ozkan Torunlar, Ambassador, Turkey Embassy; H E Frank Meyke, Ambassador, Embassy of the Federal Republic of Germany; H E Britt F Hagstrom, Ambassador, Embassy of Sweden; Heather C Variava, Chief Economic and Commercial Officer, Embassy of United States of America; Simon Lever, Head of Political Section, British High Commission; Sophie Clavelier-Khan, Deputy Trade Commissioner, Embassy of France; Karin Ohman, Counsellor, Embassy of Sweden.

### Invest in human resources, suggests economist Alan Winters

The CPD joined with the Department of International Development (DFID), and the British Council to organise a public lecture titled *Exploring the Global Economic Crisis and its Consequences for Developing Countries* on 7 May 2009. L Alan Winters, Chief Economist, the UK Department for International Development made a presentation on the aforesaid subject. Masihur Rahman, Economic Affairs Advisor to the Hon'ble Prime Minister; Syed Manzur Elahi, Chairman Apex Group and Mustafizur Rahman, Executive Director, CPD attended



Alan Winters is delivering lecture while (from right) Syed Manzur Elahi, Masihur Rahman, Wahiduddin Mahmud and Mustafizur Rahman are looking on.

the event as distinguished panelists. Wahiduddin Mahmud, Former Advisor to the Caretaker Government chaired the public lecture.

In his lecture, Alan Winters explained the reasons for the ongoing global economic crisis and its impact on both the developed and developing countries. He said that global financial crisis was likely to increase the fiscal vulnerability of the low income countries as they would receive lower tax and witness a decrease

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## Suggests Alan Winters

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in aid flows. He cautioned that capital markets around the globe would have a hard time. The crisis might also dry up domestic capital market, he added. Winters suggested that countries should keep their markets open and help increase the flow of capital and aid. He further urged the poor countries to make investments in human resources and basic services such as health, education and safety nets.

Mustafizur Rahman stated that financial and economic governance would be ineffective unless the International Monetary Fund (IMF) is restructured. He identified the backward linkage industries such as spinning mills to be the worst affected sector and recommended for effective stimulus packages to remain competitive. In this connection he also mentioned about the stimulus packages that were adopted by major exporters like China and India.

Manzur Elahi said that since Bangladesh had a narrow export basket, her economy would be adversely affected from export fall. As regards capacity building Elahi said that the Readymade Garments (RMG) industry had already invested USD 300 Million for capacity building, but the capacity was now lying idle due to lack of buyers.

Masihur Rahman noted that by subsidising the export sector, the government would actually subsidise the importing countries. He termed

the stimulus packages offered by developed countries as 'inequitable and inefficient'. Countries like Bangladesh had been subject to a crisis that was started by others, he noted and urged that the developed countries should open up their markets. He added that there was growing tendency of protectionism among the rich nations which would ultimately affect the global trade. The Advisor suggested that developed countries should push forward reforms in the international organisations.

Speaking as the Chair, Wahiduddin Mahmud also emphasised on governance of the financial institutions so that regulations did not fail which happened in the developed countries. He cautioned that it was not possible to increase export when the global demand was going down. To combat the crisis, government should use its own analytical capacity. He added that Bangladesh had sufficient foreign exchange reserve during the recession and the macroeconomic fundamentals were in good condition.

Among others Mostafa Abid Khan, Joint Chief, Bangladesh Tariff Commission; Mohammad Ali Taslim, CEO, Bangladesh Foreign Trade Institute (BFTI); Masayuki Inoue, Ambassador, Embassy of Japan; Tom Crowards, Outcome Coordinator and Governance Advisor, DFID; Ahsan Habib Mansur, Executive Director, Policy Research Institute; and Harun-er-Rashid, Head of Environmental Science, Independent University Bangladesh (IUB) took part in the discussion.

## In-house discussion on US Trade Preference Schemes for LDCs

The CPD organised an In-house discussion on *US Trade Preference Schemes for LDCs* on 30 June 2009 at its Dialogue Room. Randall Soderquist, Senior Trade Program Associate, Center for Global Development (CGD) - a leading civil society think tank in the US made a brief presentation on the subject. The CGD recently formed Global Trade Preference Reform Working Group to put forward policy recommendations to the US government on US GSP schemes in particular and reforming US market access initiatives in general. He was visiting Bangladesh to understand the perspectives of political and economic stakeholders in exporting countries such as Bangladesh with regard to US preference schemes and market access to the USA. Trade experts, business and trade union leaders, academics and researchers participate in the discussion. Debapriya Bhattacharya, Distinguished Fellow, CPD moderated the dialogue. CPD researchers also took part in the discussion.



Randall Soderquist is addressing the participants while a distinguished set of participants along with CPD researchers pay attention.

## CPD Press Briefing on

### Recommendation Package for the New Government

Soon after the CPD Conference titled *Development with Equity and Justice: Immediate Tasks for the Newly Elected Government*, held on 28-29 March 2009 the CPD compiled major recommendations which emerged from the discussions at the five sessions. This was released to the press through a media briefing on 4 April 2009. Mustafizur Rahman, Executive Director and Uttam Deb, Head of Research jointly briefed the press.

After the media briefing the set of recommendations was sent to all relevant ministers and advisors for their information.



Mustafizur Rahman, with CPD researchers at his side, is briefing the print and electronic media.

## Meeting with the Finance Minister to submit CPD's recommendation on National Budget

In order to contribute to the preparation of the National Budget, every year CPD prepares a set of recommendations for the government. In line with this tradition, this year also the CPD prepared a set of recommendations for the upcoming National Budget 2009-10. Mustafizur Rahman, Executive Director and Debapriya Bhattacharya, Distinguished Fellow, CPD met with the Hon'ble Finance Minister A M A Muhith, MP at his office on 11 May 2009 and handed over the CPD recommendations to him for his consideration.



**Expert Group Meeting on  
The State of the Bangladesh Economy in FY2009**

The CPD organised an expert group consultation on 3 June 2009 to discuss the CPD's analysis of the performance of major macroeconomic variables during FY2009 before presenting it to the press. Debapriya Bhattacharya, Distinguished Fellow, CPD made a presentation to initiate the discussion. A B Mirza Azizul Islam, Former Advisor to the Caretaker Government; Mustafa K Mujeri, Director General; Rushidan Islam Rahman, Research Director; Quazi Shahabuddin, Former Director General; and M Asaduzzaman, Research Director of Bangladesh



*Debapriya Bhattacharya is presenting CPD's assessment while macroeconomic experts and other CPD researchers are paying attention.*

Institute of Development Studies (BIDS); Mohammed Farashuddin, Former Governor, Bangladesh Bank; Ismail Hussain, Professor of Economics, Jahangirnagar University; Quazi Mesbahuddin Ahmed, Managing Director, PKSF; Siddiqur Rahman Choudhury, Chairman, Agrani Bank; and A F M Shariful Islam, Chief Executive Officer, Dhaka Stock Exchange Ltd, attended the consultation meeting. Senior CPD officials were also present at the meeting.

**Research Reports**

**Trade Negotiations on Environmental Goods and Services in the LDCs Context**

There is a dearth of adequate capacity in terms of general awareness as well as in terms of understanding on the issues of Environmental Goods and Services (EGS) negotiations among least developed countries (LDCs). This lacunae may severely undermine their policy efficacy in the related area. In this backdrop it will be useful for LDCs to identify environmental goods and services of national import and export interest so that they can fully engage in the negotiations. With this end in view CPD has undertaken a study in collaboration with the United Nations Development Programme (UNDP), Geneva to identify a set of criteria for environmental goods and services based on the current negotiations in the WTO and national interests of LDCs. It will also examine the opportunities and challenges for LDCs to participate in the WTO negotiations on EGS.

**Macroeconomic Management in the Face of Global Challenges**

CPD, in association with Overseas Development Institute, carried out a study to examine the adverse effects of the global financial crisis on the economy of Bangladesh. The study reported that, the financial crisis had already started to have a negative impact on Bangladesh's exports and erode Bangladesh's competitiveness in the international market. Remittance earnings, whilst robust till now, could face lagged impact and decrease in the future. According to the analysis, the resultant adverse effects are likely to have negative implications for GDP growth, labour market and consequently attainment of poverty alleviation targets and MDGs by Bangladesh. Although, it is difficult to measure the long-term impact of the crisis on the economy of Bangladesh, the study suggests that Bangladesh remains in a comparatively better position than many other LDCs. The study further recommends time bound stimulus packages including sector-specific cash subsidy scheme, tariff rationalisation, setting up of a dedicated fund for credit disbursement at reduced rate and a dedicated fund for skill upgradation of migrant workers. Many of these measures were subsequently reflected in the stimulus packages declared by the government in April 2009 and the national budget for FY2009-10.

**Impact of Doha Round Negotiation on Bangladesh Agriculture**

A study titled "Impact of the Doha Round Negotiation on Bangladesh Agriculture: An Analysis of the December 2008 Draft" has made a quantitative assessment of various proposals put forward through the latest draft modalities circulated on December 6, 2008 by the Chair of the WTO Committee on Agriculture. Using Agricultural Trade Policy Simulation Model (ATPSM), the study analysed implications of various proposals related to tariff cut, reduction in domestic support, sensitive

and special products, and elimination of export subsidy. Potential impact was measured on tariff cuts (bound and applied tariff), reduction in domestic support and elimination of export subsidy, global prices of agricultural commodities, economic welfare, production, consumption, export and import of agricultural commodities by Bangladesh. The study revealed that both applied and bound tariff rates for agricultural products are likely to decrease in developed and developing countries. In the developing countries, bound rate of tariffs will be decreased more than the applied tariff rates. Bangladesh is likely to lose considerable amount of economic welfare if proposed modalities are implemented. The study put forward a number of suggestions as regards Bangladesh's negotiating strategy for advancing her interests in the ongoing WTO negotiations on agriculture.

**Prospects of Economic Cooperation in BCIM Region**

CPD, with support from ARTNeT, completed a study on "Prospects of Economic Cooperation in BCIM Region: A Quantitative Assessment." The study has quantified potential impact of economic cooperation among BCIM countries (Bangladesh, China, India, and Myanmar). Quantitative analysis was made by using SMART simulation modeling. The study predicted that merchandise trade among BCIM countries might increase to the extent of USD 5.7 billion, USD 4.1 billion, and USD 2.7 billion under full, moderate and partial tariff liberalisation scenario, respectively. The paper observed that highest potential for trading in products among BCIM countries exists under full tariff liberalisation. It observed that the BCIM region has its strength in expanding cooperation along with North East of India, South West of China, Bangladesh and Myanmar in case of forming a growth quadrangle with expanded cooperation in transport, energy and tourism sector.

**Role of RTAs in Development of Global Value Chain**

A research report titled "Development of the Value Chain in the Textile and Clothing Sector of Bangladesh: Is there Any Role of RTAs?" has recently been completed. It was conducted as part of a ARTNeT supported cross-country study titled "International Production Network (IPN) and Trade Policy." The study relied on secondary data and qualitative information obtained through in-depth interview with entrepreneurs. It has documented the nature and extent of developments in the textile and clothing sector in the country, and identified factors responsible for emergence of Bangladesh over time, as an important player in the global apparel market. It has examined the developments of inter-industry and intra-industry trade (IIT) in the textile and clothing items with major trading partners of Bangladesh at three different levels: raw materials, intermediate products and finished products. It has also analysed Bangladesh's involvement in different regional trading arrangements and their impact on the trading pattern for these items. The report has put forward some policy options for future development of this sector in Bangladesh and its integration with the global value chain.



## CPD Publications

### Development of Bangladesh with Equity and Justice: Immediate Tasks for the New Government

This volume is a compendium of seven study reports of which five studies were presented in a CPD organised two-day Conference titled "Development with Equity and Justice: Immediate Tasks for the Newly Elected Government," held on 28-29 March 2009. The book covers issues such as macroeconomic management and global economic crisis, energy and food security, ICT for development, employment guarantee scheme, crop production and jute sector restructuring. First five chapters presented in the volume are also followed by the reports on the Conference proceedings. Each of the seven chapters recommends a set of actionable agendas in the context of the development challenges facing the Bangladesh economy today.



### Bangladesh Economy in FY2008-09: An Interim Review of Macroeconomic Performance

Brought out under CPD's programme on Independent Review of Bangladesh's Development (IRBD), this book is the outcome of CPD's study on State of the Bangladesh Economy during FY2008-09 and

Outlook for FY2009-10 which presents an analysis of the major macroeconomic performance of major indicators in Bangladesh for FY2008-09, identifies positive achievements and examines some of the emerging disquieting features. However, with regard to some of the more urgent challenges and the attendant tasks to be addressed, the study has also put forward a number of policy recommendations for consideration by the policymakers.



### Publication of CPD Researchers

- Habib, M. A. 2009. Review of Bilateral Investment Treaty with US in Order. The New Age, 1 June.
- Jahan, N. 2009. ADP Bastobaione Challengeshomuh (in Bangla). The Banker, Monthly Financial Magazine of Bangladesh 21(6):41.
- Jahan, N. 2009. Bishawbapy Karmashanstanher Challenge (in Bangla). The Daily Shamokal, 22 May 2009.
- Jahan, N. 2009. Jekhane Chhatra Shekhane School (in Bangla). The Daily Shamokal, 12 June.
- Rahman, M., Bhattacharya, D., Iqbal, A., Khan, T.I. and Paul, T.K. 2009. Global Financial Crisis Discussion Paper on Bangladesh. UK: Overseas Development Institute (ODI).

## CPD Professionals in International Seminars

### Rehman Sobhan, Chairman

- Attended the First Workshop on "Global Conversation on Democracy and Democratisation," organised by the Centre for the Study of Developing Societies (CSDS), from 30 May-1 June 2009 in New Delhi, India.

### Debapriya Bhattacharya, Distinguished Fellow

- Chaired a session at the "Asia Regional Dialogue on Trade and Climate," organised by ICTSD, IISD, ITD, from 30 April-1 May 2009 in Bangkok.
- Met the USTR Ambassador Kirk, Congressmen Charles B Rangel, Chair of Ways and Means Committee, Gregory Meeks, Adam Smith, Brian Baird and other high officials to discuss trade policy of the Obama Administration and completion of the WTO Doha Round from 4-10 May 2009.
- Chaired the opening plenary and participated in the closing session at the UNCTAD's meeting on the "Global Economic Crisis and Development- The Way Forward," organised by the UNCTAD in collaboration with NGLS from 18-19 May 2009, in Palais Des Nations, Geneva.
- Attended as a Panelist at the 37th Williamsburg Conference on "Moving Asia Pacific Relations Forward," organised by the Asian Society and Japan Institute of International Affairs from 26-30 May 2009 in Fukuoka, Japan.
- Attended as a Panelist at the discussion meeting on "Investment Treaty," organised by the Commonwealth Secretariat from 8-11 June 2009 in London, UK.
- Participated in the "World Economic Forum on East Asia 2009," from 18 -19 June 2009 in Seoul, Republic of Korea.

### Uttam Deb, Head of Research

- Participated in the Sensitisation Workshop of the Project on

"Tracking Change in Rural Poverty in Household and Village Economies in South Asia," organised by the National Centre for Agricultural Economics and Policy Research (NCAP) from 25-26 April 2009 in New Delhi, India.

### Fahmida Khatun, Additional Director, Research

- Presented a paper on "the Financial Crisis and Global Trade Regime: An LDC Perspective," at the International Conference organised by the Asian Centre for WTO and International Health Law (ACWH), National Taiwan University College of Law from 22-24 May 2009.

### Khondaker Golam Moazzem, Senior Research Fellow and Md Tariqur Rahman, Research Associate

- Participated at the "SAWTEE-SANEM South Asian Training Programme on CGE Modelling," from 18-23 April 2008, in Kathmandu, Nepal.

### Syed Saifuddin Hossain, Senior Research Associate

- Participated as a Resource Person and presented a paper on "Impact of IT in Trade Facilitation on SMEs in Bangladesh" in the Regional Policy Forum on "Trade Facilitation and SMEs in Times of Crisis," jointly organised by UNESCAP, World Bank and CCPIT, China from 20-22 May 2009 in Beijing, China.

### Muhammad Al Amin and Md Tariqur Rahman, Research Associates

- Attended a Certificate Programme on "Trade Policy and Commercial Diplomacy," organised by Centre for Trade Policy and Law (CTPL), Carleton University from 1-26 June 2009 in Ottawa, Canada.

### Sharmin Chowdhury, Tapas Kumar Paul and Nusrat Jahan, Research Associates

- Participated in the Workshop on "ARTNeT Capacity Building for Trade Research," jointly organised by the UNESCAP and WTO from 21-26 June 2009 in Bangkok, Thailand.

### - Announcement -

We are happy to inform our readers that in order to make the CPD newsletter more focused, informative and user friendly, CPD has decided to change the frequency and format of its newsletter. Starting from July 2009, the CPD Quarterly will be replaced by the CPD Retro which will be published as a monthly digest of CPD events and activities.

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