Framework for the Proposed Comprehensive Trade Policy for Bangladesh

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Mehruna Islam Chowdhury
FRAMEWORK FOR THE
PROPOSED COMPREHENSIVE TRADE POLICY FOR BANGLADESH*

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CPD Working Paper 99

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The present paper titled Framework for the Proposed Comprehensive Trade Policy for Bangladesh has been prepared by Dr Khondaker Golam Moazzem, Senior Research Fellow, CPD; Dr Nazneen Ahmed, Senior Research Fellow, Bangladesh Institute of Development Studies (BIDS); Mr Syed Nasim Manzur, Managing Director, Apex-Adelchi Footwear Ltd.; and Ms Mehruna Islam Chowdhury, Research Associate, CPD.

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<th>Description</th>
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<tbody>
<tr>
<td>AHS</td>
<td>Applied Tariff Rate</td>
</tr>
<tr>
<td>AIT</td>
<td>Advance Income Tax</td>
</tr>
<tr>
<td>ATV</td>
<td>Advance Trade VAT</td>
</tr>
<tr>
<td>AFT</td>
<td>Aid for Trade</td>
</tr>
<tr>
<td>BDT</td>
<td>Bangladeshi Taka</td>
</tr>
<tr>
<td>BEPZA</td>
<td>Bangladesh Export Processing Zone Authority</td>
</tr>
<tr>
<td>BFTI</td>
<td>Bangladesh Foreign Trade Institute</td>
</tr>
<tr>
<td>BITAC</td>
<td>Bangladesh Industrial Technical Assistance Centre</td>
</tr>
<tr>
<td>BSCIC</td>
<td>Bangladesh Small and Cottage Industries Corporation</td>
</tr>
<tr>
<td>BSTI</td>
<td>Bangladesh Standards Testing Institution</td>
</tr>
<tr>
<td>CPTU</td>
<td>Central Procurement Technical Unit</td>
</tr>
<tr>
<td>EC</td>
<td>European Commission</td>
</tr>
<tr>
<td>EPB</td>
<td>Export Promotion Bureau</td>
</tr>
<tr>
<td>EPZ</td>
<td>Export Processing Zone</td>
</tr>
<tr>
<td>ERP</td>
<td>Effective Rate of Protection</td>
</tr>
<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
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<tr>
<td>FGD</td>
<td>Focus Group Discussion</td>
</tr>
<tr>
<td>FTA</td>
<td>Free Trade Agreement</td>
</tr>
<tr>
<td>GATS</td>
<td>General Agreement on Trade in Services</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>IMED</td>
<td>Implementation Monitoring and Evaluation Division</td>
</tr>
<tr>
<td>IT</td>
<td>Information Technology</td>
</tr>
<tr>
<td>MDG</td>
<td>Millennium Development Goal</td>
</tr>
<tr>
<td>MFN</td>
<td>Most Favoured Nation</td>
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<tr>
<td>NBR</td>
<td>National Board of Revenue</td>
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<tr>
<td>NGO</td>
<td>Non-Government Organisation</td>
</tr>
<tr>
<td>NTB</td>
<td>Non-Tariff Barrier</td>
</tr>
<tr>
<td>PSI</td>
<td>Pre-Shipment Inspection</td>
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<tr>
<td>QR</td>
<td>Quantitative Restriction</td>
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<tr>
<td>REER</td>
<td>Real Effective Exchange Rate</td>
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<tr>
<td>RMG</td>
<td>Readymade Garments</td>
</tr>
<tr>
<td>RoO</td>
<td>Rules of Origin</td>
</tr>
<tr>
<td>SAARC</td>
<td>South Asian Association for Regional Cooperation</td>
</tr>
<tr>
<td>SATIS</td>
<td>SAARC Agreement on Trade in Services</td>
</tr>
<tr>
<td>SEZ</td>
<td>Special Economic Zone</td>
</tr>
<tr>
<td>SFYP</td>
<td>Sixth Five Year Plan</td>
</tr>
<tr>
<td>SME</td>
<td>Small and Medium Enterprise</td>
</tr>
<tr>
<td>SPS</td>
<td>Sanitary and Phytosanitary</td>
</tr>
<tr>
<td>TBT</td>
<td>Technical Barrier to Trade</td>
</tr>
<tr>
<td>USA</td>
<td>United States of America</td>
</tr>
<tr>
<td>USD</td>
<td>United States Dollar</td>
</tr>
<tr>
<td>VAT</td>
<td>Value Added Tax</td>
</tr>
<tr>
<td>WITS</td>
<td>World Integrated Trade Solution</td>
</tr>
<tr>
<td>WTO</td>
<td>World Trade Organization</td>
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</table>
1. BACKGROUND: SALIENT FEATURES OF THE CURRENT TRADE POLICY AND RATIONALE FOR A NEW POLICY

In recent times trade-related policies in Bangladesh have evolved under the broader framework of the policy of economic liberalisation. Over the last two decades, the country’s trade regimes have passed through a period of gradual liberalisation. A large number of trade barriers in place in Bangladesh were either dismantled or significantly reduced. A number of policies were deployed towards this, including tariff liberalisation, flexible exchange rate, opening up of most sectors for private and foreign direct investment (FDI), and privatisation of public sector enterprises. This had led to both higher exports and trade openness which reached 57 per cent of the gross domestic product (GDP) in 2011. However, impact of trade liberalisation on Bangladesh’s economic development has been mixed (Rahman et al. 2011; Rahman et al. 2009; Razzaque et al. 2003; Raihan 2007; Muqtada 2003; World Bank 1999; Mahmud 2006; Islam 2010). A number of studies have indicated that trade liberalisation did not have any significant impact on poverty reduction although the impact on employment generation had been positive (e.g. Raihan 2007). Trade policies pursued over the past years have induced export-led industrialisation in Bangladesh, contributing to the emergence of a number of export-oriented industries. However, many enterprises were also wiped out in the process, these enterprises either failed to take advantage of the removal of anti-export bias, or were unable to compete with the imports. A broad-based industrialisation still remains an unfinished task in Bangladesh. In this backdrop, a rethinking of trade-related policies in Bangladesh is called for both from the perspectives of need for change, and also from that of taking advantages of the new opportunities emerging in the domestic and global scenarios.

According to orthodox international trade theories, a country’s trade pattern should be determined by its comparative advantages. Private producers and entrepreneurs enter the market and pursue business interests in accordance with the country’s comparative advantages. Competition among private producers ensures efficient allocation and use of resources, which should lead to maximisation of the country’s welfare. However, it has been argued that because of externalities, information asymmetries and policy anomalies, it is difficult to ensure competition, efficient allocation of resources and maximisation of social welfare. It is found that in reality firms have to operate in imperfect competitive market structures both at home and abroad. The realities of domestic and international scenarios tend to have impacts which do not follow text book theories. New evidence, new experience and emerging opportunities and challenges have led to a revisiting of the traditional trade policies, and have drawn attention to the need for a rethinking about future trade policies of the developing countries. It is in this context that new theories are propagating a more proactive role of the government (Spencer and Brander n.d.; Krugman 1998). Strategic trade theories have put forward forceful arguments favouring a more focused role of trade policies towards industrialisation and economic development in developing countries. The current exercise is an attempt in this direction in the particular context of Bangladesh.

It is often argued that trade-related policies in Bangladesh lack focus, and trade-related instruments and institutions in Bangladesh fail to function with due efficiency. This hinders attainment of targeted development objectives and goals in Bangladesh. Lack of coherence is one of the major weaknesses of trade-related policies which results in poor
implementation and outcomes. Oftentimes, difficulties in implementation of relevant policies originate from their non-binding nature (e.g. Export Policy, Industrial Policy,), lack of coordination and interlinkage between relevant policies to address interwoven aspects of export and import, weaknesses in the use of trade policy tools for the development of domestic market-oriented and import-substituting industries, and lack of initiatives towards strengthening institutional capacities in the areas of trade diplomacy and trade-promoting bodies. Though the services sector is a major contributor in the country’s GDP (48.1 per cent in FY2010-11) barring the remittance earning sector, Bangladesh’s international trade in services is rather small. Given the growing importance of services trade, there is a need for policy directions to enhance competitiveness of service trade-related activities. Thus, integration of different trade-related policies is a need of the day.

Bangladesh is striving to achieve the status of a middle-income country over the next decade. Her long-term economic strategies and targets are articulated in two major policy documents – the Sixth Five Year Plan (SFYP) and the Ten Year Perspective Plan. Overall, annual GDP growth at the end of 2015 is targeted to be 8 per cent which will require raising the trade-GDP ratio from the existing level of 57 per cent of GDP to 66.4 per cent in 2015. Bangladesh’s competitive strength will need to be significantly enhanced, including all relevant trade-related areas, if this ambition is to be attained. Given the challenges at both global and domestic levels, attaining these targets will not be easy. The challenge is further exacerbated when one recalls the present low level of trade orientation of various sectors of the economy (Table 1). Trade orientation is moderately high at import stage mainly with regard to sourcing of raw materials, intermediate products and capital machineries for different economic activities. Trade orientation of both agriculture and services sectors is at the marginal level compared to the industrial sector. In general, there do exists various avenues to enhance Bangladesh’s ability to access emerging global market opportunities which would also lead to higher trade orientation of her economy. Greater trade orientation should be in line with comparative advantage enjoyed by different sectors of the economy.

Table 1: Trade Orientation of Different Sectors

<table>
<thead>
<tr>
<th>Sector</th>
<th>Domestic Sales as % of Total Domestic Production</th>
<th>Export as % of Total Domestic Production</th>
<th>Import of Final Goods as % of Total Supply</th>
<th>Import of Inputs as % of Total Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>97.7</td>
<td>2.3</td>
<td>0.0</td>
<td>6.5</td>
</tr>
<tr>
<td>Industrial</td>
<td>80.9</td>
<td>19.1</td>
<td>0.5</td>
<td>54.1</td>
</tr>
<tr>
<td>Services</td>
<td>98.1</td>
<td>1.9</td>
<td>0.2</td>
<td>35.6</td>
</tr>
<tr>
<td>Overall</td>
<td>91.3</td>
<td>8.7</td>
<td>0.3</td>
<td>37.2</td>
</tr>
</tbody>
</table>

Source: Authors’ estimation based on the I-O Table of 2006.

Depending on diversity of policies and policy frameworks, countries tend to deploy diverse and different modalities to attain short, medium and long-term trade-related goals. This also involves various degrees of pacing, sequencing and phasing for attaining the targeted objectives. Additionally development priorities also vary across countries and respective trade policies reflect those. In view of this, the search for an appropriate trade policy format, adequately reflecting Bangladesh’s priorities and developmental needs, manifests itself as an urgent task. In a world of imperfect competition, Bangladesh should search for a policy framework that would be able to ensure maximum possible welfare for the country.
PART A: BRIEF REVIEW OF CURRENT TRADE-RELATED POLICIES

2. TRADE-RELATED POLICIES OF BANGLADESH DURING THE 2000S: RULES/REGULATIONS, INSTRUMENTS AND INSTITUTIONS

Bangladesh’s external trade is regulated by a number of policies, orders and acts which are structured under a broader liberalisation framework. The main objective of Bangladesh’s export policy is to strengthen export-led industrialisation through enhancing export, increasing productive capacity of export-oriented industries, and facilitating overall export sector through capacity building of local industries (Export Policy 2009-12\(^1\)). The import policy on the other hand, is aimed to make the import regime compatible to the World Trade Organization (WTO), simplify the procedure to import capital machineries and raw materials, provide facilities for technological innovation, and allow import of essential commodities on emergency basis (BBS 2010). The *Import Policy Order 2009-2012* and the *Export Policy 2009-2012* delineate export and import targets, priority sectors which need special support, strategies to promote import-substituting, domestic market-oriented and labour-intensive industries. While export and import policies are formulated and implemented by the Ministry of Commerce, import tariff, para-tariff and other duties, which are important instruments related to trade policy, are determined by the Ministry of Finance. The monetary policy focuses on inflation management and equitable growth through adjustment of different monetary variables such as money supply, level of interest rate and exchange rate, etc. *Industrial Policy 2010* and *SME Policy Strategies 2005* provide policy directions with regard to industrialisation particularly in case of micro, small, medium and public sector enterprises. The *Sixth Five Year Plan (2011-15)* and *Ten Year Perspective Plan (2011-21)* have sketched the long-term targets related to export and import during 2011-2021. Overall a number of short, medium and long-term policies, rules, regulations, acts and orders are in operation in Bangladesh to regulate international trade.

2.1 Rules and Regulations under Different Policies

Bangladesh’s external trade is governed by two separate policies, i.e. *Import Policy Order 2009-12* and *Export Policy 2009-12*. These three-year long policies have been in operation since 2002. Before that policies were for five years, and two years in the 1990s, and even for a one year period in the 1980s. It is important to note that while import policy is a legally binding document; export policy is not legally binding. Nonetheless, different kinds of activities taking place at the stages of export and import are governed by separate acts, orders and rules. Most important of these activities are: customs valuation and inspection, pre-shipment inspection (PSI), customs clearance and administration, tariffs (applied and bound tariff), duty-free import items, specific duties, Most Favoured Nation (MFN) tariff, tariff concessions, tariff preferences, rules of origin (RoO), other border charges and levies, advance income tax (AIT), value added tax (VAT) and advance trade VAT (ATV), supplementary duty, regulatory duty, import restrictions, state trading, standards and other technical regulations, sanitary and phytosanitary (SPS) standards, labelling and packaging, anti-dumping, countervailing, and safeguard measures. There are some specific activities related to export which are regulated by specific rules and acts, such as quality control and export clearance; charges and levies; export restrictions; voluntary restraints, surveillance and similar measures;

\(^1\)http://www.mincom.gov.bd/acts.php
export subsidies and other financial assistance; duty concessions; tax concessions; export finance; export insurance and guarantees; and export promotion and marketing assistance. Trade in services is guided by various rules and regulations on specific kinds of service-related activities. In general different trade-related activities have been carried out under the common understanding between different ministries and departments as per rules and procedures. In order to ensure better understanding and improve the efficiency, institutional coordination at inter-ministerial and intra-ministerial level is highly important. An effective trade policy should ensure that relevant government departments and agencies work in a coordinated manner.

2.2 Instruments: Tariffs, Para-Tariffs, Exchange Rates and Taxes

As part of trade liberalisation, Bangladesh’s tariff reforms have taken place in three phases in consideration of the pace and sequence of reduction of the various tariff and para-tariff barriers (Rahman et al. 2010).² Those reforms measures included provision for duty-free access on imported inputs, reduction in tariff levels and number of tariff rates, streamlining and simplification of import procedures, provision for financial assistance to traditional exports, tax rebates on export earnings and concessionary duties on imported capital, accelerated depreciation allowance, and refund of excise duties imposed on domestic raw materials and inputs, proportional income tax rebates on export earnings.

Following the accelerated pace of tariff reduction in 1990s, the pace of reduction was relatively slow in the 2000s. The unweighted tariff rate of 18.6 per cent in FY2000-01 had come down to 12.3 per cent in FY2008-09 (Figure 1). Tariff escalation continued to prevail

![Figure 1: Trend in the Tariff Structure of Bangladesh since FY2000-01](image)

Source: Bangladesh Economic Review (various issues).

and followed the classical pattern with lower tariff on capital machineries, primary goods and intermediate goods (5.9 per cent, 10.1 per cent and 11 per cent respectively in FY2009-10) and higher tariffs on final goods (18.4 per cent in FY2009-10) (Table 2). However, the effective tariff rates were actually higher in view of the frequent deployment of para-tariff such as supplementary duties and taxes which has tended to be significant in recent years (GED 2011). To a large extent this was underwritten both by fiscal compulsions and also done with a view to providing support to domestic industries.

Table 2: Weighted Average Tariff during FY1991-92, FY2000-01 and FY2009-10

<table>
<thead>
<tr>
<th>Type of Commodity</th>
<th>Weighted Average Tariff (%)</th>
<th>Change in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary goods</td>
<td>23.4</td>
<td>14.9</td>
</tr>
<tr>
<td>Intermediate goods</td>
<td>24.1</td>
<td>15.0</td>
</tr>
<tr>
<td>Capital goods</td>
<td>18.7</td>
<td>10.4</td>
</tr>
<tr>
<td>Final goods</td>
<td>47.3</td>
<td>20.3</td>
</tr>
</tbody>
</table>

Source: Bangladesh Economic Review (various issues).

Tariffs on various types of agricultural and industrial items have not reduced at the same pace. Average tariff rates for agricultural products were high in the 2000s. Industrial products on the other hand have experienced higher reduction in the tariff rates in the 2000s. Weighted average tariff rate for industrial products was 14 per cent in 2008 which was 19.6 per cent in 2000 (Table 3).

Table 3: Tariff Rates of Agricultural and Industrial Products

<table>
<thead>
<tr>
<th>Duty Type</th>
<th>Tariff Type</th>
<th>Agricultural Products</th>
<th>Industrial Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>AHS (%)</td>
<td>Simple average</td>
<td>25.5</td>
<td>17.7</td>
</tr>
<tr>
<td></td>
<td>Weighted average</td>
<td>11.3</td>
<td>7.4</td>
</tr>
<tr>
<td>AHS (% Change)</td>
<td>Simple average</td>
<td>-71.4</td>
<td>-30.4</td>
</tr>
<tr>
<td></td>
<td>Weighted average</td>
<td>-77.5</td>
<td>-34.8</td>
</tr>
<tr>
<td>Imports (Value in billion USD)</td>
<td>1.8</td>
<td>2.5</td>
<td>1.5</td>
</tr>
<tr>
<td>Imports (% Change)</td>
<td>% per year</td>
<td>10.9</td>
<td>8.8</td>
</tr>
</tbody>
</table>

Note: AHS indicates Applied Tariff Rate.

While tariff rates at the import stage have declined, application of para-tariff has significantly increased in recent years. According to Figure 2, revenue generated through VAT at the import stage has now surpassed the revenue generated through import tariff. Similarly, the share of supplementary duty has registered a rise in recent years which is both due to rise in volume of import and rise in the charged rates. Both VAT and supplementary duty comprises about 60 per cent of total revenue generated at the import stage during July-March, 2011. It is important to examine the impact and implications of these tariffs and para-tariffs on domestic industries.
Bangladesh’s external trade sector was confronted with a number of challenges in the international market. In case of export, non-tariff barriers (NTBs) appear to be a major obstacle. These NTBs prevail in the form of technical barriers to trade (TBT), standards (e.g. standard disparities, packaging, labelling and marking, intergovernmental acceptances of testing methods and standards), SPS measures, countervailing duties, domestic assistance programmes, and documentation requirements. In case of import, major obstacles are: voluntary export restraints of essential commodities imported by Bangladesh, problems in customs and administrative entry procedures (valuation, anti-dumping practices and tariff classification), intellectual property laws, etc. The Tariff Commission has reported strong evidence of dumping of different types concerning imported products. In addition, importers also face problems when any of the Bangladesh’s partner countries make changes in their domestic or external policies. In view of this, the Ministry of Commerce should consult with other relevant ministries regarding issues related to fiscal, legal, administrative and other matters, and should take necessary measures accordingly.

Trade in services is increasingly becoming important for Bangladesh. However, the policies, rules and regulations are not well structured to address local and global service trade-related issues. As is known, service trade negotiation in the General Agreement on Trade in Services (GATS) is made on the basis of request-offer basis.³ To open up service sectors to trade, Bangladesh has received requests from nine countries including Singapore, the European Commission (EC), Japan, Norway, Korea, Hong Kong (China), Malaysia, Sri Lanka and the USA (Raihan 2007).⁴

³In order to address diverse and complex nature of trade in services, GATS has identified four distinct modes through which international trade in services takes place.
⁴As part of the Uruguay Round negotiations, Bangladesh had made commitments to liberalise basic telecommunications and tourism sectors. More specifically, the commitments on tourism sector were limited to five-star hotels. Under Mode 4 of service trade, offers were specified for high skilled and managerial jobs both in the hotel and the telecommunication sectors.
Bangladesh needs to take position with regard to what she will offer keeping in view her strategic interest. Her own request will also need to be designed by keeping her strategic interests in mind. Recognising the importance of service trade, the South Asian Association for Regional Cooperation (SAARC) countries have adopted a separate agreement on services, namely SAARC Agreement on Trade in Services (SATIS). Here also Bangladesh will need to identify sectors in view of offer and request lists keeping her strategic interests in the perspective.

With a view to liberalise the exchange rate, Bangladesh moved from fixed exchange rate regime in the 1980s and 1990s towards managed floating exchange rate regime. As a result, the gap between nominal and real exchange rate has narrowed down in the 2000s (Figure 3). This has contributed towards reducing effective protection, and thereby, has contributed to reducing the anti-export bias in the tariff structure. Following the introduction of the new regime, exchange rate of the Bangladeshi Taka (BDT) vis-à-vis major currencies is being determined mainly through the market mechanism. As is known, after fairly stable exchange rates between 2007-10, BDT has seen significant depreciation in recent times. In this context, Mujeri and Hossain (2011) has identified two challenges concerning maintenance of a stable forex regime in Bangladesh: a) limited export base; and b) high reliance on imported raw materials. They have recommended export diversification and promotion of import-competing activities.

**Figure 3: Trends of Exchange Rate Indices**

![Figure 3: Trends of Exchange Rate Indices](image)

**Source:** Rahman et al. (2011).

**Note:** REER: Real effective exchange rate.

As part of maintaining price stability and promoting economic growth, the government has deployed a diversified range of monetary policy instruments at various points of time when contractionary or expansionary stances were taken with regard to money supply and interest rates. However, monetary policy in Bangladesh often faces challenges to address the issue of controlling inflation and enhancing productive economic activities (Mujeri and Hossain 2011).
Monetary policy instruments would be effective once the supporting policies and measures operate in a coherent manner. In order to ensure pro-poor growth, monetary policy tools need to be deployed in a manner that ensures a strong link with the trade policy tools.

The fiscal policy of the government is mainly focused on collection of revenue through the imposition of tax, VAT and other duties in one hand, and providing support to domestic industries in the form of different kinds of fiscal incentives on the other. Over the years, corporate tax and tax on dividend income for industries have gradually declined (Bakht and Ahmed 2011); at the same time, various fiscal incentives such as tax holiday, accelerated depreciated allowances, bonded warehouse facility, duty drawback facility and cash incentives have been provided to encourage investment in different industrial activities. A proper assessment of linkages between fiscal and trade-related policies as well as their effectiveness towards growth and development of industrial enterprises is highly required.

**2.3 Institutions: Public and Private Sector**

Trade-related policies, rules and regulations in Bangladesh are implemented by different ministries and departments of the government. Ministry of Commerce and its various departments (such as Chief Controller of Import and Export, WTO Cell, Tariff Commission, Export Promotion Bureau (EPB)) play a key role in the implementation process. Ministry of Finance along with its various departments (such as the National Board of Revenue (NBR) and Customs) also plays a significant role in dealing with trade issues. Since a number of different organisations under various ministries are directly involved in this process, inter-ministerial coordination becomes critically important. Accordingly, this needs to be significantly strengthened. Under the changing circumstances, it is important to rethink the roles played by different departments particularly whether there is an opportunity to revisit the traditional roles played by other ministries/departments.

The Ministry of Commerce involves the private sector in making decisions with regard to trade-supportive measures, providing intellectual feedback in case of formulation of policies, and building awareness on trade-related issues. Trade bodies associated with different sectors, civil society think tanks, private sector research organisations, academia and intellectuals also provide inputs at various stages of formulation of the trade policy. No doubt, this collaboration between public and private sectors does contribute to strengthening of policy formulation and promotes policy ownership within the country.

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5 Different ministries and departments involved in implementation of trade-related issues are: Ministry of Agriculture; Ministry of Commerce; Chief Controller of Import and Export; Export Promotion Bureau (EPB); Bangladesh Tariff Commission; Copyright Office; Ministry of Finance; Bangladesh Bank; National Board of Revenue (NBR); Ministry of Industries; Bangladesh Standards and Testing Institution (BSTI); Bangladesh Small and Cottage Industries Corporation (BSCIC); Department of Patent Designs and Trademarks; Ministry of Post and Telecommunications; Ministry of Civil Aviation and Tourism; Privatization Commission; Board of Investment; Bangladesh Export Processing Zones Authority (BEPZA); Ministry of Power, Energy and Mineral Resources; Ministry of Shipping; Ministry of Health; Planning Commission; Central Procurement Technical Unit (CPTU)/Implementation Monitoring and Evaluation Division (IMED); Ministry of Textiles and Jute; Ministry of Fisheries and Livestock; Ministry of Food and Disaster Management; Ministry of Environment and Forest; and Ministry of Communications.
Despite the presence of an institutional setting and mechanism to deal with trade-related issues, quality of decisions taken at the ministerial level tends to have (unintended) adverse impact for the private sector. This happens because the aforesaid exercise, whilst useful, often suffer from rigorous analytical treatment. Similarly, different trade bodies are prone to suggest, promote and advocate policies from a ‘narrow’ sectoral focus. In an ideal situation such proposals ought to be examined from the perspective of a broader framework which looks at trade policy in a comprehensive manner and from the perspective of attaining key development goals. Ministry of Commerce should also strive to strengthen its role as a regulatory and monitoring authority in order to ensure a competitive and fair environment in the market.

3. EXPERIENCE OF GROWTH AND DEVELOPMENT DURING THE 2000s UNDER THE LIBERALISED TRADE REGIME

Impact of trade liberalisation policy pursued by Bangladesh over the past years appears to be mixed in terms of import, export, production and employment. The structure of import reflects a rise in import during the period of rapid trade liberalisation. However, this rise in import was not necessarily related to reduction of tariffs only, other factors were also involved. During the 2000s, imports of most of the agricultural products have increased although the extent of the rise has not always been in tandem with the pace of change in tariff rates (Rahman et al. 2011). A part of the change in import of agricultural products is, however, linked to other factors such as changes in the demand for raw materials in view of changing pattern of agricultural production. However, this did not result in comparable rise in respective import levels (Rahman et al. 2011). Besides, export-oriented industries enjoy various other incentives and facilities including zero tariff facility for import of capital machineries and raw materials. This underscores that the rise in import in the 2000s was only partly influenced by tariff reduction. A major contributing factor was also the growing domestic market and imports originating from demand of export-oriented industries. Preferential market access in major destination markets also strengthened this demand.

It is found that both export-oriented and import-competing industries have visible linkages to trade, particularly in the form of use of imported inputs (Rahman et al. 2011). However, a majority of manufacturing industries also sell (at least a part of) their products in the domestic market which indicates considerable influence of domestic market-related factors on growth of production (Muqtada 2003). A majority of these industries are, in various degrees, dependent on imported inputs. Thus, tariff rationalisation of raw materials and intermediate products, in view of maintaining competitiveness in the domestic market, played a no less important role. Various tariff and non-tariff measures and incentives, along with preferential market access provided to the export-oriented industries, have significantly contributed to maintain the competitiveness of Bangladesh’s export-oriented sectors in the global market.

With regard to the impact of trade liberalisation on growth, Razzaque et al. (2003) and Raihan (2007) found the linkages between the two variables to be weak. However, the relationship between trade and employment is found to be positive for a large number of manufacturing sectors (Raihan 2008). According to the World Bank (1999), although rise in export orientation during the period of trade liberalisation has contributed to faster GDP
growth, a large part of this rise was related to only one sector, i.e. readymade garments (RMG), and more importantly, to a large part due to preferential market access in developed countries. Rahman et al. (2011) has shown that trade orientation did not take place at the same pace in most of the sectors. Mahmud (2006) highlighted that liberalisation of import tariffs on inputs and capital machineries are likely to have most beneficial impact. The social impact of trade liberalisation in terms of development of labour-intensive industries, and thereby generation of employment was found to be rather weak. According to Islam (2010), trade liberalisation and other economic reforms do not appear to have led the economy on a path of development with labour-intensive industrialisation. During the phase of rapid trade liberalisation, overall employment intensity of manufacturing output growth has declined. Rahman et al. (2009) found that trade liberalisation had a rather weak relationship with the growth of the manufacturing industries in Bangladesh. The study further observed that export-oriented sectors were more protected than non-export-oriented sectors; similarly, labour-intensive sectors were more protected than non-labour-intensive sector. Because of tariff liberalisation, a number of import-substituting industries had faced a decline in respective effective rates of protection (ERPs) over the last two decades. According to Razzaque and Raihan (2007), in Bangladesh an overwhelming attention was being given to trade-related instruments only (e.g. tariffs and quantitative restrictions (QRs)). Reforms of the institutions have been largely overlooked in this context.

These findings provide a guideline with regard to the possible direction of the trade policy in future. The aforesaid studies have highlighted the need for active industrial and trade policies in order to ensure pro-poor economic growth (Mahmud 2006). This could happen through attaining high growth of those sectors where employment intensity is reasonably high, and yet labour productivity is also higher than in the traditional sectors, so that a shift of the poor to these sectors could lead to rise in their incomes (Islam 2010). Rahman et al. (2009) opined that growth of small and informal sectors with significant impact on employment and poverty reduction could be achieved by adopting a targeted and proactive policy regime. However, absence of clear-cut trade policy philosophy and lack of policy flexibility raised problems with regard to successful implementation of such a regime.

The approach and mechanism suggested by different studies largely accept a framework where trade policy should be ‘strategic’ in nature which will cater to the broader developmental needs of the country. The objectives, strategic sectors, instruments (tariff, subsidies and other incentives) under that strategic trade policy should be structured in such a way that a desired level of growth could be attained which would ensure overall welfare of the country.

4. STAKEHOLDERS’ VIEWS WITH REGARD TO THE STRUCTURE OF FUTURE TRADE POLICY

As part of the process of formulating a Trade Policy for Bangladesh under the current study, a broad-based consultation (survey, interviews, focus group discussions (FGDs), discussion meetings, etc.) was conducted with major stakeholders including senior officials of different ministries/departments, representatives of different trade bodies, leading businessmen.

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6But the study concerned about the dilemma regarding reduction of import tariffs on imported raw materials to promote the production (in which case domestic industry will lose the market), or to protect domestic industry (thus making the entire chain of the industry rather inefficient).
civil society organisations, academia, trade union leaders and non-government organisations (NGOs). A number of issues were raised by the stakeholders regarding the existing policies; they also shared their views as regards possible structure of future trade policies. These issues can be broadly categorised as follows: a) tariff structure; b) priority sectors; c) incentives and support structure; d) trade facilitation measures; e) institutional capacity; and f) bilateral, regional and multilateral trade negotiations.

4.1 Tariff Structure

Stakeholders were of the opinion that the revision of import tariff and other duties, which is announced at the time of the national budget each year, is not always found to have adequately considered the impacts and implications for various sectors of the economy and on different economic activities. Any revision in the tariff structure should be done on the basis of sectoral needs and performance; and one major imperative of these initiatives is to develop the competitiveness of strategic sectors within a targeted period of time. Since infrastructure is weak and quality of economic governance has many shortcomings, tariffs could be used as a tool to compensate and protect different sectors, but on a targeted basis and with time limits. It is important to take note of targets and goals set forth in other policies with a view to maintain consistency and coherence between those. Stakeholders argued that tariff rationalisation process should be at a moderate pace, neither too fast nor too slow. Some have argued that there is a tendency to impose various kinds of supplementary duties on an ‘ad hoc basis’ which tends to keep the level of effective rates of protection high. At present, NBR takes decision on the level of tariffs, para-tariffs and other duties through pre-budget consultation process. Stakeholders felt that any revision of tariffs, para-tariffs and other duties should be done by active participation and consultation with the Ministry of Commerce, particularly by the Tariff Commission.

Some stakeholders were of the view that the rate of VAT was high for small and medium enterprises (SMEs); they also thought that the process of submission of VAT was not user-friendly for the SMEs. It was important to introduce nationwide submission of tax and VAT through online. There are domestic producers of raw materials who needed support in order to be competitive against imported raw materials. It is argued that there should be coordination between VAT, tax and duties applied to products of any particular sector.

4.2 Priority Sectors

Stakeholders raised issues with regard to the effectiveness of policy support to various priority sectors under a diverse range of policies (e.g. ‘thrust sectors’ under the Industrial Policy and ‘booster sectors’ under the Export Policy). It was argued that there were no proper selection criteria for identification of priority/thrust/booster sectors. The selection is often based on the lobbying strength of leaders of respective trade bodies. Moreover, the performance of the prioritised sectors during the time of enjoyment of various incentives/supports was not being properly monitored. Poor monitoring is partly because of the lack of available resources to carry out the monitoring operation. In some instances, there were priority sectors which had a rather insignificant contribution in the industrial GDP. Stakeholders’ view was that potential sectors for export should be selected more cautiously based on the long-term needs of the economy, particularly in terms of
employment generation, size of operation, productivity, land intensity and environmental friendliness. In case of selecting the strategic sectors under the trade policy, there should be an understanding between Ministry of Commerce and Ministry of Industry as to the inclusion of priority sectors in the Industrial Policy that are to be listed in the trade policy.

4.3 Incentives and Support Structure

Although sectors identified as priority sectors are to receive different types of fiscal and financial incentives and other kinds of supports, often entrepreneurs in these sectors complained about mismanagement in getting the support. Stakeholders argued that it was very difficult to receive cash incentive because of bureaucratic hassles and complications and lengthy formalities for processing; oftentimes, rent-seeking practices are also involved. Instruments used to provide support to different industries should be done in a manner that contributes positively to the development of respective sectors. In some instances, incentives and support tools are in place for quite some time, without interruption, and such incentives appear to have lost their teeth and efficacy. Whilst this calls for a review of the old incentives, at the same time new innovative ones are needed to be considered. For example, policymakers may like to replicate some policy measures found effective for the RMG sector for attaining higher level of growth for potential non-RMG sectors.

4.4 Trade Facilitation Measures

Stakeholders felt significant opportunities exist for improvement of efficiency in different public sector agencies and institutions which facilitate trade. The land ports at the border points with neighbouring countries need to be modernised and made operationally efficient. Development of trade-supportive infrastructure such as road and rail networks with major sea and land ports was urgently required. It was important to have an updated and detailed database at the Ministry of Commerce which would provide information on overall structure and composition of domestic industries. This would facilitate access to required information and help carry out in-depth analysis on various issues and concerns related to the industrial sectors and SMEs. This database should be made accessible to the private sector. Trade analysis, particularly related to market and product development, for which the government often receives support from development partners, should be carried out on a regular basis. In this context, strengthening of the Bangladesh Foreign Trade Institute (BFTI) through recruitment of capable top and mid-level professionals ought to be seen as an urgent task.

4.5 Institutional Capacity

Stakeholders argued that departments/agencies under the Ministry of Commerce and other related ministries should put more emphasis on improvement of the level of efficiency in their activities. It is important to strengthen the capacity of the Tariff Commission, WTO Cell, EPB and BFTI to be involved in formulating tariff policy, services-related policies, trade facilitation measures and bilateral, regional and multilateral trade negotiations. Ministry of Commerce should set a specialised team comprising of senior officials of its own and other related ministries to discuss, review and suggest various policy-related issues. In the event of any crisis involving local industries, particularly the SMEs, a trade-related crisis hotline should be put in place in the Ministry of Commerce. Stakeholders complained that often decisions that need
urgent attention get delayed because of bureaucratic indifference (e.g. incentives/support needed by the industries in times of crisis which call for immediate response).

Strengthening institutional capacity of different departments other than those under the Ministry of Commerce is also perceived to be critically important for increasing trade. For example, strengthening physical and technical capacity of the BSTI is important to improve the quality and standards of products. In this context, institutional capacity building of BSTI towards its development as an international standards certification agency should be seen as an important step. Bangladesh Industrial Technical Assistance Centre (BITAC) should consider setting up district and upazila level centres to provide support to local entrepreneurs to develop capacities in designing and improved finishing of products. As part of this process, existing BITACs needs to be upgraded into modern training institutes. It is suggested that EPB should develop a database with the latest trends, prices and designs of various types of export-oriented products which then could be accessed by SMEs, and others, perhaps by paying a small fee. Avenues to reduce the time taken for reimbursement of duty drawback to the exporters should also be explored; Bangladesh Bank should take a lead in this.

Better coordination between core ministries/departments/agencies related to trade such as Ministry of Commerce, Ministry of Finance, Ministry of Industry, Ministry of Planning, Board of Investment, and BEPZA ought to be seen as an important requirement. Similarly, better coordination is necessary between government and private sector to ensure proper implementation of various measures and initiatives in place; monitoring and enforcement of such measures should also be coordinated with the participation of these two major stakeholders. Private sector, particularly trade bodies should put emphasis on research and development which is essential for designing long-term plans. The dispute settlement mechanism should be made more transparent and speedy in order to get the desired results.

Bangladesh’s foreign embassies have a crucial role in promoting export. Bangladesh high commissions/embassies should further strengthen their facilitating role to enhance opportunities for higher export of goods and services. These include identification of major bottlenecks in marketing, problems in banking operations for small-scale exporters, and promoting tourism in Bangladesh. Promoting ‘Brand Bangladesh’ by projecting good image of the country, through various activities and initiatives, must be seen as a priority task for foreign missions of Bangladesh. There should be a mechanism to monitor the performance of different foreign embassies in attaining this. In this connection, Ministry of Commerce along with Ministry of Foreign Affairs can take initiative to reward best performing high commissions/embassies. Training modules prepared for the officials deputed to foreign missions should adequately reflect this emergent need.

4.6 Bilateral, Regional and Multilateral Trade Negotiations

Stakeholders appreciated the efforts made by the concerned officials involved in trade negotiations at bilateral, regional and multilateral levels. However, they noted that there are ample scopes of improvement in the negotiating capacity. Adequate preparation and better homework will be needed for this. A number of sectoral representatives put emphasis on
the need for bilateral negotiations with developing countries in order to further relax the RoO which would be supportive for Bangladeshi exporters. It is also important for the policymakers to be prepared in advance by analysing and understanding the impact and implications of trade-related agreements signed by member countries of various regional and bilateral agreements with non-member countries. Besides, there should be an appropriate framework for discussing drafts of trade-related policies.

4.7 Other Business-related Issues

Stakeholders raised a number of issues and concerns with regard to improving the competitiveness of domestic industries. Development of adequate infrastructural and physical facilities for domestic and export-oriented industries, particularly in specified areas like export processing zone (EPZ) and special economic zone (SEZ) was particularly mentioned. In order to encourage collateral-free credit, it is important to consider ‘intangible assets’ as collateral such as productive ideas and know-hows. Effective macroeconomic management including keeping the interest rates low and stable, was mentioned as an urgent need. Under-invoicing was a problem in case of imported goods; this affected the competitiveness of local industries adversely. It was important to make the process of getting approval from the Department of Environment easier (without compromising the need for compliance with environmental standards). Proper training facilities should be in place to improve skills of professionals, skilled and unskilled workers.

As per the article of the Export Policy 2009-12, SME Foundation is required to establish one design centre in each divisions by 2015, and in all districts by 2020 for women entrepreneurs in order to improve the quality of product design. Ministry of Industries should establish an incubator centre for development of women entrepreneurship at each of the divisional centres. The ministry should also ensure the establishment of a separate bank for women entrepreneurs with easy access to industrial credit, venture and working capital, and also ensure collateral-free loans in accordance with relevant provisions in the Export Policy. Women entrepreneurs should be given trade license after a stipulated period of running respective businesses and having satisfactory level of turnover. National ID cards should be made good use of in providing trade licenses and for other business-related purposes.

PART B: FRAMEWORK FOR FUTURE TRADE POLICY

5. PROPOSED COMPREHENSIVE TRADE POLICY: OBJECTIVES AND PILLARS

5.1 Objectives

The goal of the proposed trade policy will be to make local industries competitive both in domestic and international markets by enhancing productivity and efficiency and better governance in trade-related activities. This will hopefully lead to increase in trade and stimulate to enhance domestic production. All these are expected to contribute to the achievement of higher levels of growth, more diversified and qualitatively improved employment opportunities, and reduction of poverty.
The policy will highlight on implementing a strategic trade policy through undertaking appropriate policy tools and techniques. A major objective of the trade policy will be to improve diversity in production, quality and standard of products, and application of modern technologies. Export-oriented and domestic market-oriented industries with significant market potentials will be identified in order to provide necessary support to ensure their growth and development. The trade in services is to be prioritised through strengthening of domestic policies. Diversification of export markets is to be encouraged through application of new marketing techniques, e-commerce and other modern information technology (IT)-based tools. Trade policy will put emphasis on trade facilitation measures through improvement of physical and institutional capacities.

5.2 Pillars of the Proposed Comprehensive Trade Policy

The proposed Comprehensive Trade Policy will be built on the following ten pillars.

- Strategic trade policy
- Ensuring better governance in trade-related activities
- Supportive macro policies
- Improving the business process
- Product and market diversification
- Strengthening linkages with global value chains
- Improving trade facilitation
- Strengthening trade-related institutions
- Better trade diplomacy
- Addressing new issues related to trade

Strategic Trade Policy

In order to attain the targeted level of growth and employment through enhancing production for domestic and export markets, a strategic trade policy appears to be a more appropriate tool to go forward. Government and market forces will identify strategic industries which are perceived to be promising both in terms of their own potential and from the perspective of long-term development goals. The proposed policy will delineate the guidelines for selecting of strategic sectors, and more importantly, the indicators for making these selections. A set of possible indicators may be as follows: industry’s value addition, employment generation, export share, linkage effect, market diversification, product diversification, domestic market potentials, less land intensiveness, environment friendliness, and overall performance from static and dynamic points of view.

These strategic industries will need policy support for a specified time period. Strategic industries will enjoy targeted supports in forms such as tariff protection, fiscal incentives, financial support including through preferential credit, infrastructural and logistic facilities, etc. The support structure and time schedule for providing support are to be decided as per requirement of the particular industry.

In the backdrop of strong pressure from different quarters, selection of strategic sectors will always be a challenging task. Identifying appropriate policy tools to support strategic sectors, monitoring their effectiveness and phasing out of the incentives when the
objectives are reached, is key to successful strategic trade policy. This ought to be seen as an ongoing exercise and a dynamic process, with in-built mechanisms to trigger changes.

**Ensure Better Governance in Trade-related Activities**

Bangladeshi products sometimes face unfair competition because of various kinds of distortive practices both in the domestic and international markets. Among these are under-invoicing, problems in customs valuation, false statement about imported products and dumping. In the international market, Bangladeshi products face unfair competition because of imposition of anti-dumping duties and other trade distortive measures which could be contested. On both counts, Bangladesh should strengthen institutional mechanisms to identify such distortive trade practices and to take appropriate legal measures. Besides, technical capacity of trade-related institutions needs to be improved further, particularly in the areas of tariff classification, customs valuation, standards, product labelling, and identification of dumping issues.

**Supportive Macro Policies**

Better coordination among various components of the macroeconomic policies is necessary to pursue strategic trade policy effectively. Various policy instruments deployed in fiscal, monetary and exchange rate policies ought to be better coordinated with those of the trade policy. Whilst market signals are critically important, fiscal and monetary tools will need to be selectively calibrated to support sectors with potential and promise. In this context, strong inter-ministerial coordination will play a key role.

**Improving the Business Process**

Private sector plays the key role in business and commercial life in Bangladesh. Its competitiveness depends on availability of improved business processes. Government needs to ensure this by reengineering the existing ones. A modern efficient firm endeavours to put particular emphasis on productivity enhancement through training, adoption of more efficient technology, by redefining processes and through adoption of comprehensive application of IT. Trade Policy and related policies should create a conducive environment where firms are able to access modern, state-of-the art technologies, skilled professionals, especially middle and senior management pool, and workers as per the need of the sector. Thus, there should be dedicated programmes to carter to the demand of the enterprises and entrepreneurs, and particularly by small and medium-scale entrepreneurs. Promotion of modern business practices such as standardisation of quality, weights and measures and adoption of modern accountancy, record-keeping and insurance services are also necessary. Improvement of contract enforcement, copyright protection and intellectual property rights are the emerging areas which will need to be given adequate attention to.

**Product and Market Diversification**

Since the country’s export sector is concentrated in a limited number of products and markets, developing strategies for diversification of export is crucial to Bangladesh. Product and market diversification will expand the portfolio and reduce risks from the global market
volatility which has been observed in recent times. Thus appropriate strategies should be
developed towards diversification of products, processes and export markets. Institutional
arrangement for product designing, finishing and other measures should be included in the
proposed Trade Policy.

**Strengthening Linkages with Global Value Chains**

A major objective of the proposed trade policy should be to strengthen production networks
of different manufactured products. Since production chains are linked to diverse and
dispersed locations, appropriate policy tools should be used to make the value chain more
efficient. In this context, sector-based trade and investment agreement between countries
involved more intensely within a specific value chain may be considered (Moazzem and
Rahman 2011). For example, Bangladesh may consider coming to a framework agreement
with countries involved in the upstream part of the value chain in the textiles and apparels
sector. In this context, strengthening intra-industry investment between countries involved
in specific value chain needs to have taken into cognisance.

**Improving Trade Facilitation**

Transaction costs at and behind the border in Bangladesh impact negatively on
competitiveness of her products. A major focus of the proposed trade policy will be to
improve trade logistics to remove the barriers in cross-border trade. For enhancing trade at
global and regional levels, the proposed policy shall adopt measures such as providing
facilities at border customs stations (e.g. banking, warehouse, quality control and other
infrastructure facilities at the border), establishing region-based testing institutions in order
to reduce hassle and cost. Measures will be taken for simplification and harmonisation of
trade procedures involving various trade partners. For example, establishment of a ‘single
window’ for the submission of trade-related documents, and setting up a committee for
managing trade-related grievances may be considered in this connection. It is important to
gradually develop automation system in all border trading points. In order to facilitate local
firms in having international presence and to penetrate the international market,
government should provide support for opening exporters’ offices and opening retail sales
outlets abroad; warehouse schemes abroad and support to enterprises that are able to get
compliance certification need.

**Strengthening Trade-related Institutions**

Bangladesh’s trade-related institutions need to be further improved so that these are able
to provide the required services. In this context, strong coordination between different
ministries and departments is a pre-requisite. Carrying out the mandated responsibilities
within set timelines by ministries and their associated departments/bodies/cells, will be the
key. The current practice of discussion with the private sector needs to be continued and
made stronger. Ministry of Commerce should regularly monitor and assess implementation
of trade-related policies/targets/measures, and discuss the relevant issues with the
implementing agencies and also with the private sector. There should be an effective
mechanism to address distortive practices in the market, and to take appropriate measures
in view of this.
Better Trade Diplomacy

Bangladesh should strengthen its trade diplomacy with developed and developing countries in order to enhance her opportunities to increase export of goods and services and to get better market access. As part of this process, Bangladesh should use all forums at bilateral, regional and multilateral levels to address her trade-related issues and concerns. Along with traditional export markets in North America and Europe, government should enhance its trade diplomacy to increase exports to non-traditional markets such as Japan, Turkey, Brazil, Russia, China and India. Encouraging signs in terms of higher South-South trade are already visible in Bangladesh. Private sector should play a key role in this process. Bangladesh should discuss at bilateral as well as multilateral levels regarding reduction of tariff in advanced developing countries. Diplomatic channels should be more appropriately made use of attracting business leaders from various countries to invest in export-oriented sectors of Bangladesh. Many countries are interested to sign bilateral Free Trade Agreements (FTAs) with Bangladesh. Policymakers should consider each of the FTAs under a framework with a view to understand possible implications of signing such agreements. Support of experts may be sought in this respect.

Since Bangladesh has a high stake in various multilateral forums and initiatives (e.g. Aid for Trade (AFT), Millennium Development Goals (MDGs), etc.), government should set up proper institutional mechanisms to respond to such global initiatives. In this connection, government should use the expertise available with the private sector, particularly the think tanks and research community to deal with these issues. Such a mechanism is being practiced under the Ministry of Commerce which needs to be strengthened further.

Addressing New Issues Related to Trade

Bangladesh should strengthen its policies related to intellectual property rights, and rules and regulations related to patenting. Since Bangladesh has enacted the Competition Act, emphasis should be put towards its implementation. Settlement mechanism at domestic level needs to be further developed. In the coming years, industrial relations are likely to assume higher importance in view of growing prominence and visibility of worker-related issues in international trade.

6. STRUCTURE OF THE PROPOSED COMPREHENSIVE TRADE POLICY

The new policy should be built on the ten pillars as suggested in this framework. However, instead of attempting to prepare an entirely new document, this proposed policy could be developed through consultation with the existing policy documents such as the Import Policy Order and the Export Policy with a view to identify problems, weaknesses and solutions. Since a number of new issues need to be included in the new policy such as trade facilitation and services trade, formulation of legal texts to deal with these new issues need to be kept in mind. The proposed policy document may comprise of eight chapters and the chapters are as follows:

Chapter 1: Legal and Institutional Framework;
Chapter 2: Tariff and Other Duty Structure;
Chapter 3: General Provisions for Exports and Imports;  
Chapter 4: Strategic Sectors;  
Chapter 5: Incentives and Supports related to Trade;  
Chapter 6: Trade in Services;  
Chapter 7: Trade Facilitation Measures; and  
Chapter 8: Trade-related Institutional Capacity.

7. LEGAL STATUS OF THE PROPOSED COMPREHENSIVE TRADE POLICY

The proposed policy will be for five years with legal binding in terms of enforcement of all its clauses. Since the Import and Exports (Control) Act, 1950 (XXXIX of 1950) applies to export and import of all types of products and it allows for alteration of laws related to export and import through notification, the distinctive feature of the proposed Trade Policy will be its consideration as a legal document through appropriate act and in other relevant regulations and orders.

PART C: STEPS FORWARD

8. CHALLENGES AND RISKS

The proposed trade policy is the first attempt of its kind in Bangladesh. Detailed discussion on this is required at inter-ministerial level in order to make it operational. In this discussion, special attention should be given to improve upon the legal texts, so that the policy becomes binding. Since a number of other trade-related research initiatives are ongoing, particularly focusing on strengthening trade-related policies, how those initiatives are to be accommodated under the proposed framework is a matter of policy decision to be taken by the Ministry of Commerce.

Proposed framework and the draft policy have suggested significant restructuring of the existing responsibilities of the ministries/departments. Besides the draft policy has suggested a number of new institutional mechanisms to deal with trade-related issues. A number of new issues have been added in the trade policy which needs to be validated by the stakeholders. These tasks are not Commerce Ministry’s alone, neither is the ministry capable of handling this alone. Other relevant ministries and departments will need to associate with this exercise so that strategic perspectives are built into the policy in a comprehensive and coherent manner.

The need for a new Trade Policy in view of the emerging domestic, regional and global challenges and opportunities is by now a well-argued proposition. The issue is to design a Trade Policy which will cater to the emergent demand and ensure its coherence with other policies, and get on with the hard but necessary task of implementing the policy. The time for this is now, or Bangladesh will miss out in view of her developmental needs, and in comparison to her competitors.
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