

STUDY ON EXAMINATION OF MARKET ACCESS BARRIERS CONFRONTING LDC PRODUCTS



INTRODUCTION

1.1 Background

A reduction in tariff barriers aimed at liberalizing trading regimes and at facilitating market access for industrial products was at the core of the General Agreement on Tariffs and Trade (GATT)¹ since its establishment in 1947. The conclusion of the Uruguay Round (UR) in 1994 and the subsequent formation of the World Trade Organization (WTO)² in 1995 have accentuated a more globalized economy with priority focus on trade as the engine of growth and economic development. This shift to trade facilitation³ coupled with the emphasis on export led growth in many developing countries has brought to the fore critical issues such as structural adjustment programmes, market access barriers, financial sector reforms and export strategies.

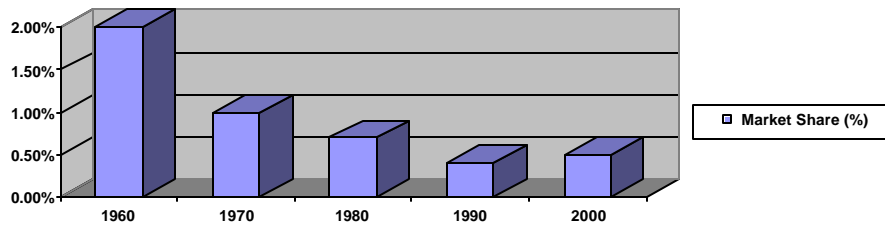
The Government of Bangladesh, against this backdrop, has also taken several policy measures at the macroeconomic as well as the microeconomic level to increase the net export earnings of the country. A declining global growth rate of LDC exports since the inception of the GATT, however, has raised much concern among the policy makers of most LDCs including Bangladesh. The chart below depicts the scenario.

Chart 1.1: LDC's Share in Total Export

¹ The first seven rounds of GATT primarily dealt with reductions in tariff for industrial goods. The eighth GATT Round, the Uruguay Round, brought the issue of market access for agricultural products within the domain of the multilateral negotiations in the GATT (Centre for Policy Dialogue, Paper 32).

² The World Trade Organization administers a set of complex legal ground-rules for international commerce and trade policy agreed as the outcome of the 1986-1994 Uruguay Round trade negotiations. The rules are binding on all of WTO's members (around 130), about 100 of which are developing countries (Assaf (1998)).

³ WTO defines trade facilitation as 'the simplification and harmonization of international trade procedures, with trade procedures being the activities, practices and formalities involved in collecting, presenting, communicating and processing data required for the movement of goods in international trade' (www.WTO.org).



(Source: Mustafizur Rahman, *Globalization and the LDCs: Perspective from the Asia Pacific Region*, M. Iftikhar H. Chowdhury & M. Fazlul Karim, *Trade liberalization is essential for development of a country*, and IMF's *International Trade Statistics* 2004)

The chart shows the gradual decline in export from 1960 to 1990, when the share of LDC exports hit its lowest at only 0.4%. This figure improved slightly in 2000 when the share of LDC exports was 0.5% and further increased to 0.6% in 2003. The general consensus among all LDCs, therefore, has been the need to take fresh market access initiatives in their favour, particularly in the form of relaxed tariff and non-tariff arrangements at the multilateral negotiation level and effective policy reforms at the domestic level.

The present study on the market access barriers confronting LDC products is the outcome of an initiative taken by the Dhaka Chamber of Commerce (DCCI) with the financial support of the Centre for International Private Enterprise (CIPE) sponsored by the US Chamber of Commerce.

1.2 Terms of Reference

The objectives of this study as defined in the terms of reference are given below:

1. To make a critical analysis of export development since 1994-95 with a view to tracking its growth, impediments, limitations and Market Access Barriers with special reference to LDC products.
2. To examine preferential Market Access benefits extended to Bangladesh as an LDC and problems to export.
3. To identify the barriers of LDC products to enter into the global market and the support assistance for the purpose.
4. To analyze the export strategies of the government and its implementation, private sector efforts and utilization of regional and international agreements and concessions/preferential access extended to Bangladesh.
5. To suggest policy measures and incentive requirements for speedy export with respect to mitigating the Market Access Barriers.

1.3 Source of Data

The research has been primarily conducted using secondary data collected from the following sources:

1. Books and papers published by the Center for Policy Dialogue,
2. Books and research papers prepared and supplied by Dhaka Chamber of Commerce and Industry,
3. Export Policy of Bangladesh Government 2003-2006,
4. Import Policy Order 2003-2006 of Bangladesh Government,
5. International Financial Statistics Year Book 2004 of the IMF,
6. Export Statistics of Export Promotion Bureau, Bangladesh,
7. Bangladesh Bank Circulars,
8. Although the TOR did not stipulate collection of primary data, the researchers have interviewed 5 RMG exporters to clearly understand their concerns.

1.4 Report Layout

Chapter 2 attempts to understand the challenges of globalization and the importance of market access for LDCs. It provides an analysis of recent trends in export development and also presents a brief overview of the barriers to export growth. Chapter 3 focuses on the market access issues pertaining to Bangladesh. The discussion here, therefore, encompasses the broader parameters of trade facilitation – market access benefits, export strategies, support assistance and finally, regional cumulation. A section here is also devoted to probing into the impediments to export growth. Practical recommendations are presented in Chapter 4.

EXPORT DEVELOPMENT AND MARKET ACCESS – AN OVERVIEW



2.1 Introduction

The terms of reference stipulates a thorough analysis of recent trends in export development. The components of this part of the study attempt to track the growth of export development from LDCs to developed countries. But first, we will briefly look at the challenges of globalization and the importance of market access for LDCs.

2.1 Globalization and the importance of market access for LDCs

Globalization is about worldwide economic activity. It is about open markets, and free flow of goods, services, capital, technology, and knowledge across nations (ICC,2000). Its benefits in terms of faster growth, quicker access to new technology, cheaper imports and greater competition are available for all. Globalization has made the world economy more integrated and the concept of globalization has essentially stemmed from the conviction that specialization generates efficiency and reduces costs, both of which are passed on to the final consumer in the form of better quality and lower price.

The globalization of economic activities is an irreversible process and constitutes a challenge for both governments and companies. To meet this challenge and to be able to benefit fully from the economic growth that market liberalization engenders, many companies world-wide are taking drastic measures. They are overhauling their structures and operations, and have launched large investment programmes to implement the changes that are necessary for their companies to survive in this new global environment. However, it is the developed countries that have benefited mostly from this globalization. This is because producers in developing countries are not able to compete with producers from developed countries due to lack of technical know-how and poor infrastructure. Besides, most LDC exporters are SMEs and are unable to reap the benefits of economies of scale. And also, LDCs face an array of trade barriers that prevent them from participating in the 21st century's trading boom.

Open market and free competition also implies that an international rules-based structure is required to provide the stability, transparency and predictability which businesses need to operate in the global market. This, in fact, was the main cause for the setting up of GATT and later on WTO.

The Uruguay Round and WTO⁴ agreements have attempted to increase the access of LDCs to markets in developed countries, which account for most world imports. Over 60 percent of LDC exports are sold in developed country markets (but this is only 0.4% of total import of developed countries), mainly in the European Union, Japan and the United States (Assaf,1998). The potential gains to LDCs from the new world trading system arising from the UR and WTO rules, however, are limited due to a number of reasons. First, the share of LDCs in world export has been negligible and even decreasing up till 1990 as has been shown in Chart 1 earlier. Second, LDC exports are dominated by primary products whereas global markets are characterized by the increasing share of services and high technology products. Third, increasingly, competitiveness in global markets is determined by quality and not low labour costs, which are the basis of competitiveness for LDC exporters. Fourth, there are less tariff reductions for labour intensive products such as textiles and clothing, which are often classified as sensitive products by developed countries. Fifth, the export basket of LDCs is confined to only a few items. Furthermore, this pattern of protection is also heavily biased against the efforts of LDCs to expand their production bases into processing activities. For example, cocoa exports to developed countries face very low tariffs, but if LDCs wanted to process this cocoa into chocolate, the final product would face a tariff barrier that is sometimes as much as eight times higher (UN Department of Public Information, 2001). Taking all these into account the following section attempts to provide a critical analysis to track the export development of LDCs to developed countries since the establishment of the WTO. According to trade experts, some of the most restrictive barriers left in today's world trading climate – such as high tariffs and quotas on agricultural goods and clothing – are hurting these LDCs the most because their primary exports are commodities and textiles. Most importantly, the main export markets of LDCs are the developed countries.

⁴ A major difference between GATT and WTO is that in WTO countries do not get what they deserve but what they negotiate. Thus, while GATT provisions continue to provide key disciplines affecting international trade in goods and services, WTO represents an institutionalized mandate to establish a global rule-based trading regime evolving through various rounds of negotiations (Bhattacharya et. al.,2004).

Therefore, the LDCs need market access, preferably, the complete removal of all quotas (quantity limits) and tariffs (import taxes) that affect the market access of their exports. In addition, market access would also be an incentive for investment, if it is guaranteed, and this in turn, would lead to economic development.

2.3 LDCs Export developments to the countries giving market access facilities

The Least Developed Countries Report 2004 (UNCTAD) shows that most LDCs undertook deep trade liberalization in the 1990s. They also received substantial preferential market access from developed and developing countries. The following three charts depict the total value of import of 32 developed countries⁵, total value of import of 32 developed countries from 48 LDCs, and the import of 32 developed countries exclusively from Bangladesh⁶.

Chart 2.1: Total import of the 32 developed countries⁷

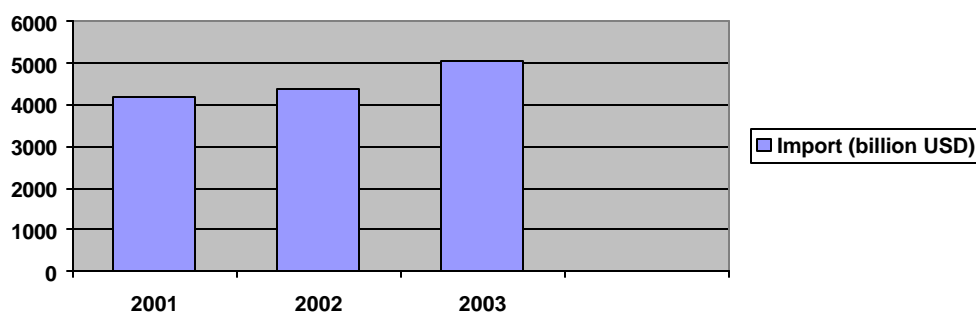


Chart 2.1 shows that the total combined value of imports of the 32 developed countries increased consistently from 2001 to 2003. Chart 2.2 below shows that the total value of import of the 32 developed countries from the 48 LDCs has increased by 16% from 2001 to 2002 and has remained constant from 2002 to 2003.

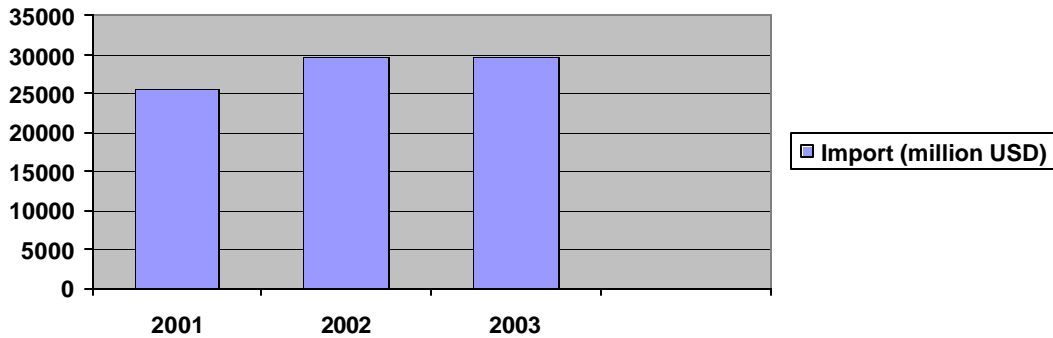
Chart 2.2: Total import of the 32 developed countries from the 48 LDCs⁸

⁵ The TOR stipulates the study of these 32 developed countries and all of these countries have extended some form of market access facilities to LDCs including Bangladesh. These countries are Austria, Canada, EU (Belgium, Denmark, Germany, France, Ireland, Italy, Luxembourg, Netherlands, U.K., Greece, Portugal and Spain), Finland, Japan, New Zealand, Norway, Sweden, Switzerland, U.S.A., Bulgaria, Czechoslovakia, Hungary, Poland, Russia, Australia, India, Thailand, Estonia and Belarus.

⁶ All the data used in the three charts have been collected from IMF's International Financial Statistics, Yearbook 2004.

⁷ See table 1 (annexure B) for the table with figures of individual countries.

⁸ See table 2 (annexure B) for the table with figures of individual countries.



Both Chart 2.3 and Chart 2.4 show Bangladesh’s export to 32 developed countries. But Chart 2.3 has been broken down to take into account only three years from 2001 to 2003 whereas Chart 2.4 takes into account all the 10 years from 1995 onwards as has been stipulated by the TOR for tracking Bangladesh’s export growth. This break down has been done to highlight a significant result that emerges from comparing Chart 2.2 with Chart 2.3. In 2001, Bangladesh’s aggregate export to 32 developed countries accounted for 20% of total exports from all 48 LDCs. In 2002 and 2003, the figures were 18% and 20% respectively.

Chart 2.3: Total import of 32 developed countries from Bangladesh⁹

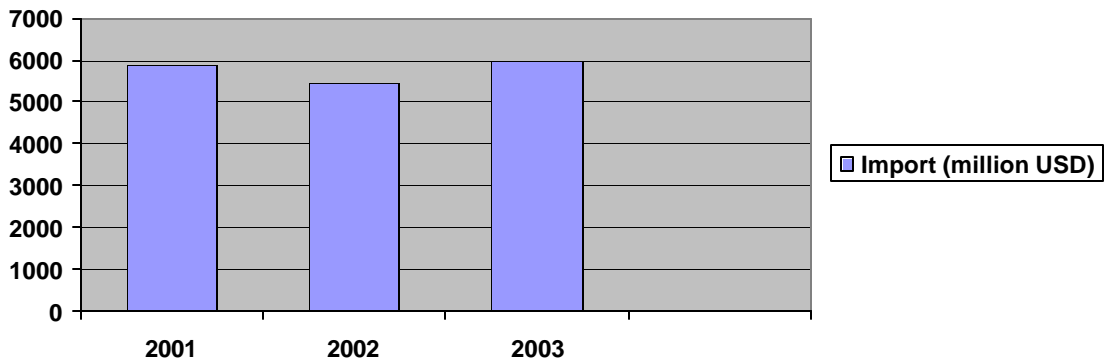


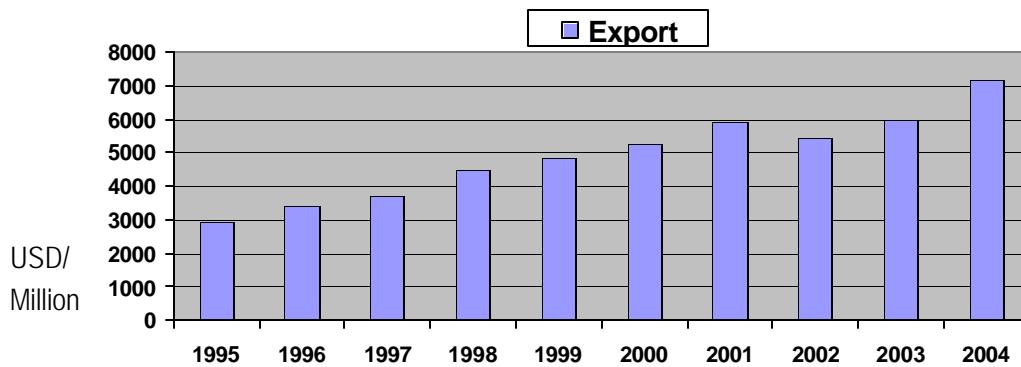
Chart 2.4: Bangladesh’s export to 32 countries providing GSP facilities from 1995-2004¹⁰

Chart 2.4 shows a steady increase in export revenue over the years this is the result of the financial reforms undertaken by the Government of Bangladesh to boost export earnings. The chart shows that there have been significant increases in exports from 1995 onwards

⁹ See table 3 (annexure B) for the table with figures of individual countries.

¹⁰ See table 4 (annexure B) for the table with figures of individual countries.

except in 2002 when there was a decline. This decline was due to demand side shocks resulting from the 9/11 attack in USA. It has to be borne in mind, however, that although the LDCs like Bangladesh have gone through political reforms for accommodating export led growth strategy they could not exploit the full benefits of free trade regime due to some invisible restrictive measures taken by the developed countries. In addition, the West is also nourishing protectionism in the form of different trade barriers restricting LDCs exports.



2.4 Market Access Barriers to LDC products

Some of the major problems that are encountered by LDCs products in the global market are presented in the box below. The impediments that are of critical concern to Bangladesh will be discussed elaborately in the next chapter.

Box 1: Market Access Barriers to LDC products

Category	Marker Access Issues
Trade Barriers	<ul style="list-style-type: none"> * <i>Tariff escalation</i> * <i>Tariff peaks</i> * <i>Tariff dispersion in manufacturing products</i> * <i>Complex and non-transparent tariffs (e.g. non-ad valorem tariffs)</i> * <i>Tariff Rate Quota (TRQ)</i>
Non-Trade Barriers	<ul style="list-style-type: none"> * <i>Export/Import Quota, Quantitative Restriction (QR)</i> * <i>Voluntary Export Restraint (VER)</i> * <i>Rules of Origin (RoO)</i> * <i>Discriminatory Government Procurement Practices</i> * <i>Anti-dumping and Countervailing Duties, Predatory pricing and price discrimination</i> * <i>Sanitary and Phytosanitary Measures (SPS)</i> * <i>Technical Barriers to Trade (TBT)</i> * <i>Subsidies (particularly agricultural subsidy by the OECD countries)</i> * <i>Multifarious trade and market distorting practices</i>
General Agreement	<ul style="list-style-type: none"> * <i>Movement of Natural Persons (Mode 4 of GATT)</i> * <i>Immigration Policy and Qualifications</i>

on Tariffs and Trade (GATT)	<ul style="list-style-type: none"> * <i>Licensing and additional licensing Requirements</i> * <i>Wage Parity</i> * <i>QR on VISA for professionals</i> * <i>Entry barriers in the form of Entry Needs Test(ENT) and Local Market Test(LMT)</i>
Environmental Measures	<ul style="list-style-type: none"> * <i>Eco labelling</i> * <i>Compliance sticker</i>
New Issues	<ul style="list-style-type: none"> * <i>Safety, Standard</i> * <i>Customs valuation</i> * <i>Trade facilitation related barriers</i>

(Source: Market Access Issues in the context of the Doha Development Round: Bangladesh's Interests and Concerns, CPD, Paper 32)

MARKET ACCESS CONCERNS FOR BANGLADESH



3.1 Introduction

The competitive global market has exposed Bangladesh to the risks and threats originating from the liberalized trading regime of the 21st century. The country, thus, has had to integrate with the global economy at a fast pace throughout the 1990s, with the degree of openness of the economy being about 0.25 in early 1990s and further rising to 0.40 by the closing years of the last century. The 1990s also saw Bangladesh graduating from a predominantly *aid-receiving nation* to a *trading nation* (see table below). This transition, however, has not been an unmixed blessing. Increasing market access barriers have adversely affected the export growth. This chapter looks at the present market access benefits extended to Bangladesh from the developed countries. It analyzes the impediments to market access, government's export strategies and support assistance and furthermore, it also evaluates the effectiveness of regional trading agreements.

Table 3.1: Bangladesh's graduation from a predominantly aid receiving country to a trading nation

(Million US\$)

Item	1981	1991	2001
a. Export (X)	724.9	1718.0	6008.0
b. Import (M)	1954.1	3472.0	9362.9
c. Remittance(R)	379.0	764.0	1882.1
d. ODA	1146.0	1732.0	1588.0
e. FDI	n/a	1.0	157.5
Total(a-e)	6185.0	7687.0	18998.5
GDP	19811.6	30974.8	47825.8
Extent of Globalization (in percent)	31.2	24.8	39.7
X as % of ODA	63.1	99.2	378.3
(X+R) as % of ODA	96.2	143.3	496.9
X as % of M	37.1	49.5	64.2

(X+R) as % of M	56.5	71.5	84.3
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(Source: Market Access Issues in the context of the Doha Development Round: Bangladesh's Interests and Concerns, CPD, Paper 32)

3.2 Preferential Market Access Benefits extended to Bangladesh

Bangladesh is receiving market access facilities from different developed and developing countries. These include duty free access and quota free access under the facility of GSP scheme and concession of tariff from 32 countries. GSP scheme apart, Bangladesh is also exploring market access on the bilateral level. However, as has been shown in the previous chapter (chart 2.4, appendix 4), the export growth to the countries offering GSP is not constant. The table below shows the market access benefits that have been extended to Bangladesh from the 32 countries.

Table 3.1: Market Access Facility Extended to Bangladesh as LDC

<u>Name of Country</u>	Facilities Extended	Number of Products
European Union	Duty and Quota Free Access	Everything But Arms (EBA)
Canada	Duty and Quota Free Access	Except dairy, poultry and eggs
Norway	Duty and Quota Free Access	All Products
Japan	Zero Tariff	Except few products of the negative list
Australia	Zero Tariff	All Products
India	Duty Free Access	40 Products
India	Concession	All Products of 41 Categories
Nepal	Concession	74 Products
Thailand	Duty Free Access	128 Products
Estonia	Duty Free Access	All Products
Belarus	Tariff preference	48 Commodities including
Gulf Co-operation	Duty Free Access	47 Items

(Source: DCCI Research Cell)

3.3 Market Access Barriers for Bangladeshi products

Market access issues are becoming increasingly complex and diverse. Although some developed countries have offered zero tariff, quota and generalized preference, Bangladesh is facing market access problems both in USA and in EU (quota, labour standards, quality requirements like HACCP for frozen food, rules of origin, quality and standard requirement, eco- labeling). Similar problems are also being faced in Japan, Australia and New Zealand. And these market access barriers are hindering export growth. Some of the demand side, supply side and sector specific impediments that have been collected (through analysis of secondary data, data collected during a recent DCCI seminar and interview with exporters) are discussed below:

Demand Side Constraints

- Rules of Origin – The basic purpose of RO is to restrict trade deflection (Ferdous Ara Begum, The Financial Express, (27/11/2004)). Types of RO is also different under WTO, SAFTA, EU and regional cumulation. The main objective of RO is to determine the status of origin of goods to be eligible for preferential treatment. Three basic approaches are applied to determine the status as mentioned above, i.e. goods wholly produced or obtained; not wholly produced or obtained, and regional cumulation. The critical barrier to market access relating to RO is the two-stage transformation and value addition for Bangladeshi products, especially for RMG as they have to import raw materials from abroad using back to back L/C. For USA however, the rules of origin requirement for RMG is bilateral which stipulates that the fabric has to be imported from USA to the exporting country for cutting and making. This is not feasible for Bangladesh as it increases the lead time significantly. Indeed in the post MFA quota free era, the USA RMG contracts are mostly going to sub-saharan African countries and Bangladeshi RMG exports to USA are on the decline. Leather goods and light engineering products also have stringent rules of origin requirements. Textile is not exported as a basic raw material and therefore is not affected by RO requirements. Ceramic, agro products and rice also do not have any problems with value addition but they face other barriers such as quality control, standards for ceramics and agro products and quota restrictions for rice.

- Eco-labelling– Eco-labelling requirements are imposed on exporters from Bangladesh as the large retail stores are facing pressure from the consumers. Eco-

labelling schemes aim at providing consumers with a choice in buying products that have been designed, produced and packaged, in an environmentally sound way (Exporting to the European Union Report (1999)). For instance, organic fertilizers used in the production of agricultural items instead of chemical fertilizers are given more preference by the final consumer. And hence, importers are putting pressure on Bangladeshi exporters to use organic fertilizers. Recyclable paper and materials used for packaging items are also given preference by buyers due to environmental concerns.

- Labour laws - Social issues and adherence to labour laws is also taking on increased significance. A growing number of buyers from the developed countries share the idea that companies have a moral obligation towards their workers and the society as a whole. The importance of 'business conscience' as a selection criterion for consumers is growing. Regulations on child labour, minimum wage requirements coupled with working hours and work environment are also increasing production costs for exporters.

- Environmental Standards - Over the past year, environmental awareness has grown all over the world. Consumers as well as industrial buyers have become increasingly interested in environmentally sound products and services. Therefore, exporters are being forced to consider the environmental impact of their product and production process. They also have to be aware that complying with product regulations is a necessity. Most RMG factories which were earlier located on rented premises in the city are now finding it difficult to attract buyers due to compliance standards.

- Codes of Conduct – Business ethics, integrity and social accountability have become an important determinant of the quality of a company as a whole and LDCs exporters are being held accountable for their social role.

- Testing and Certification – Bangladeshi exporters are facing serious problems due to the absence of Testing and Certification system of International Standard.

Supply Side Constraints

- Lack of investible resources and poor infrastructural facilities - These are impediments, which have kept Bangladesh's export basket rather narrow and undiversified and perhaps also confined to a narrow market share in global perspective. The bottlenecks are lack of investible resources, in new export industries, re-tooling of

the existing ones, lack of infrastructural facilities, lack of institutional, technological and human resources capabilities.

- Trade promotion and trade support services - Here the major constraints are lack of capacity of the exporters to access markets, ensure quality and standardization, lack of adequate access to information and to move along the up market segments. Next comes the weakness of the existing trade-related institutions which are unable to provide required support due to lack of resources, trained manpower and expertise to deal with the new trade regulations etc. These are the factors that pose critical problems to overall industrial growth including export growth in Bangladesh. During an interview, the president of BKMEA also expressed his dissatisfaction with lack of co-operation from Bangladeshi missions abroad. Bangladeshi exporters are adversely affected by lack of technical know how and up-to-date business knowledge and information.

- Policy induced constraints - It is true that over the years with successive industrial and export policies, GoB has been working hard to remove some major anti-export biases. However, a careful monitoring of the effectiveness of implementations of such policies has not been undertaken.

- Image problem – Even after 34 years of independence, Bangladesh today still faces an image problem in the international market. This has critical implications for the exporters. Foreign buyers are also not aware of our products, quality, transportation and other facilities.

In addition, the manufactures/exporters of Bangladesh have been facing a number of difficulties in maintaining, consolidating and expanding their export market. Some of these sector specific problems are discussed below:

Sector Specific Constraints

- In RMG sector, there is a general lack of technical sophistication because of use of simple machinery. The problem is compounded by a serious lack of technical skills arising from lack of technically trained manpower including mid-level management. Empirical evidence suggests that this sector is not sufficiently attracting fresh graduates and professionals although the country has a high level of unemployment. This is due to the absence of proper entrepreneurship. Capacity utilization of the sector is quite low,

varying between 40 to 60 percent in most cases. The bulk of the items produced by the RMG are usually targeted for the low to lower end of the export market.

- With the phasing out of the MFA, there is now an imminent need for setting up backward linkage industries, particularly in the RMG sector. However, there is a conflict between the yarn/cloth producers with the garment producers. Garments manufacturers are supporting the open market mechanism for importing/procuring yarn rather than for setting up backward linkage industries. On the other hand, yarn and cloth producers are lobbying for setting up backward linkage industries. This conflict of interest has recently led to the cancellation of the proposal for establishing a central bonded warehouse. The cost of setting up a composite knit project is around Taka 10 crore and the cost is much higher, around Taka 200 crore, for setting up a composite woven project. Therefore, there has been a remarkable development of backward linkage for knit projects and in fact, the overall growth in the knit sub-sector has been over 40% during recent times. On the contrary, huge investment requirements have discouraged development of backward linkage in the woven sub-sector.

- Lead times for orders placed in Bangladesh amount to not less than 120 to 150 days from the date of order to the date of shipment from Chittagong, representing a major obstacle to a steady development of long-term relationship with the foreign buyers and an assured export market outlets.

- Due to lack of appropriate market information and use of obsolete equipment, quality levels achieved are generally very low. In particular, the achievement of quality consistency appears to be a major problem. Therefore the output of this sub-sector can, with a very few exceptions, only be used for the very basic items in the lowest end of the market, where quality considerations are not important.

- The textile sector is also facing the problems similar to that of RMG. In this sector a great deal of the spinning equipment installed in Bangladesh is obsolete and hence not able to produce even to the lowest export standards.

- In the spinning sector, the market share held at present by local suppliers is likely to decrease considerably in the short term due to the new EU rules of origin for knitwear products.

- In the leather sector, most of the problems are: poor quality of finished leather, lack of cohesive and consistent policy package, lack of skilled labour and appropriate technology, cumbersome customs procedures, import restrictions and red tape, non-responsiveness to market needs.

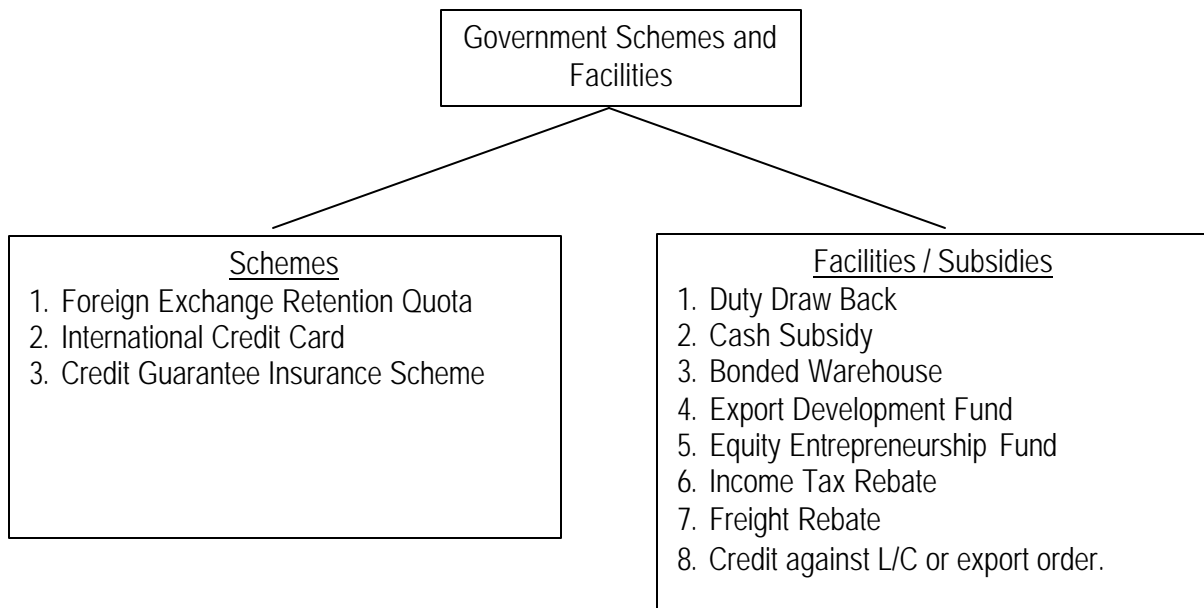
- Shoe exporters have indicated that local NTBs are much higher than NTBs in foreign markets. They face difficulties in obtaining GSP from Japan as they cannot fulfill the percentage criterion. There is limited backward linkage, for example, Bangladesh does not have any supporting industries for producing shoe heels or shoe soles. And therefore, shoe exporters cannot qualify for rules of origin criterion and in some cases when they do qualify for value addition, they fail to qualify for process criterion.

- Jute exporters have to obtain phytosanitary certificate from the Directorate of Plant Protection of the Ministry of Agriculture. This certifies that the product does not contain any harmful germs or ingredients. Exporters are always aware of this requirement as it is mentioned in the L/C and they collect it before the shipment. However, the concerned authority charges a high 50 paisa per bag for the SPS certificate along with speed money.

- Agro-processing sectors are facing the problems due to lack of implementation of scientific methods of shrimp culture, ineffective implementation of the existing policies and programmes, increased cost of air freight - which is 25% higher than our competitors, offloading, mishandling and lack of cooling system in Biman. The Hazard Analysis Critical Control Point (HACCP) system has made it compulsory for all foodstuff exporters to understand (and act against) the possible hazards associated with food production at all stages, from growth, processing, manufacture and distribution, until the point of consumption.

3.4 Support Assistance for Bangladeshi products

The Government of Bangladesh has taken several support assistance measures to develop better market access facilities for domestic exporters. The following section provides briefly discusses the existing support assistance - financial schemes, facilities and subsidies offered to the exporters.



Schemes

- Foreign Exchange Retention Quota for Exporters – Since 19th January 2003 the admissible percentage of retention quota (repatriated FOB value) has been increased from 40% to 50% for merchandise and ICT exporters. For low value added items including Furnace oil, Readymade Garments of imported fabrics, electronic goods, etc. the retention quota has been increased from 7.5% to 10%. And for service exporters the figure is 5% of their repatriated income. The purpose of providing this retention quota has been to facilitate business visits abroad, participation in export fairs and seminars, establishment and maintenance of offices abroad, import of raw materials and import of machineries and spares.

- International Credit Card against Retention Quota – International Credit Cards may be issued in favour of upto 3 top-level executives of an exporting firm holding

retention quota foreign currency account¹¹. This credit card has made business travel more convenient.

▪ Export Credit Guarantee Insurance – Bangladesh Government has introduced this scheme to minimize the credit risk associated with export trade. Sadharan Bima Corporation has been entrusted with the responsibility of administering the scheme and the corporation has created a separate department known as Export Credit Guarantee Department to deal with export credit insurance. Existing schemes includes Pre-shipment and Post-shipment Guarantee¹² and Comprehensive Guarantee¹³.

Facilities

▪ Duty Draw Back – This facility aims to promote export by refunding the import duty paid for raw materials used for the production of the final export item. Methods of duty draw back include draw back on actual export, notional payment of duty and draw back at flat rate¹⁴.

¹¹ At present the following banks are issuing International Credit Cards:

1. Standard Chartered Bank
2. American Express Bank
3. National Bank Ltd
4. Prime Bank Ltd.

The following banks have applied for permission to issue international credit cards:

1. Premier Bank Ltd.
2. Eastern Bank Ltd.
3. National credit and Commerce bank Ltd.

(Source: Bangladesh Bank)

¹² The pre-shipment and post shipment guarantee provides guarantee to the financing bank or financial institution of upto 75% of the total amount of loss suffered due to insolvency of the exporter or non-repayment of the loan after four months from the due date or repayment. This guarantee is issued for a period of one year and is renewable on request from the lending bank or financial institution.

¹³ This guarantee is extended to protect the exporters against overseas risks, inter alia, commercial risks (insolvency of foreign buyer) and political risks (war, revolution, coup, civil disturbances). The guarantee covers 85% of loss caused by commercial risks and 95% of loss due to political risks.

¹⁴ Procedure for claiming duty drawback:

For the purpose of claiming duty drawback, the exporter is required to file a drawback-shipping bill in the prescribed Format as required along with necessary declaration. Supporting documents required for processing the claim:

- a. Triplicate of the shipping bill
- b. Copy of the Bank Certified Invoices
- c. Copy of Bill of Lading/Airway Bill
- d. Freight and Insurance Certificate
- e. Copy of the contract or L/C
- f. Worksheet showing the drawback amount claimed
- g. Transshipment certificate where applicable
- h. Blank acknowledgement card in duplicate

- Cash Subsidy - The following table summarizes the product/sector wise entitlement of cash subsidy (CS).

Table 3.2 Product / Sector wise entitlement of Cash subsidy (CS)

Sl No.	Product/ Sector	Cash Subsidy admissible in % of net repatriated fob value	Procedure/terms and conditions
01.	Agriculture, Agro Product (Vegetable, Fruits/Agro processing)	<p>a) 25% for export local Agro Product (vegetable) and Agro Processing industries</p> <p>b) 25% for export of fresh fruits¹⁵.</p> <p>c) 30% for betel leaves (paan).</p>	<p>a) CS is released after repatriation of export proceeds in foreign currency. ADs must submit the CS application of exporters to Bangladesh Bank within 180 days after credit of export proceeds to their Nostro Account abroad.</p> <p>b) Export proceeds realized through banking channel against documents drawn under L/C is considered for CS.</p> <p>c) Recently Bangladesh bank has amended the condition and allowed export proceeds realized in banking channel through documents drawn against export contract to be considered for cash incentives¹⁶.</p>
02.	Frozen Shrimp and other Fishes Export	<p>a) 10% for export of 100% local product¹⁷.</p>	<p>a) CS is released after repatriation of export proceeds in foreign currency. ADs must submit the CS application of exporters to Bangladesh Bank within 180 days after credit the export proceeds to their concerned Nostro Account abroad.</p> <p>b) Export proceeds realized in banking channel through documents drawn after export against L/C opened through banks is considered for CS.</p>
03.	Local Textile Product	<p>a) 15% up to June 2003</p> <p>b) 10% for fiscal year 2003- 04</p> <p>c) 05% for fiscal year 2004-05</p> <p>d) No cash subsidy after June 2005¹⁸</p>	<p>a) CS is considered for repatriated export proceeds against documents drawn under L/C. Cash incentive is also considered against documentary collection through banks after export</p> <p>e) CS is payable through banking instrument and priority is given to ensure adjustments of installment of Term Loan & working capital finance,</p>
04.	Jute & Jute Goods	<p>a) 5% for shipment upto June 2003¹⁹.</p>	<p>a) Jute mills after shipment submit the application for CS with relevant documents to negotiating AD. ADs release the cash subsidy determining the net fob value after repatriation of export proceeds.</p>
05.	Light Engineering By-cycle	<p>a) 15% for export with minimum 40% value addition. Admissible for shipment upto June 2005²⁰.</p>	<p>a) CS is released after repatriation of export proceeds in foreign currency. ADs must submit the cash subsidy application of the exporters to Bangladesh Bank within 180 days after credit the export proceeds to their concerned Nostro Account abroad.</p> <p>b) CS is admissible only against the export against L/C.</p>

¹⁵ BB FE circular No. 12 date: 2-11-2002.

¹⁶ BB Circular Letter No: FEPD(com) 291/ krishi pannya/niti/ 2003 -401 date: 15-04-2003

¹⁷ BB FE circular No. 23 date: 12-12-2002.

¹⁸ BB FE circular No. 10 date: 05-06-2002.

¹⁹ BB FE circular No. 19 date: 12-08-2002.

²⁰ BB FE circular No.27 date: 12-12-2002.

Sl No.	Product/ Sector	Cash Subsidy admissible in % of net repatriated fob value	Procedure/terms and conditions
06.	Bone crust	a) 15% for local product ²¹	a) CS is released after repatriation of export proceeds in foreign currency. ADs must submit cash subsidy application of the exporters to Bangladesh Bank within 180 days after credit the export proceeds to their concerned Nostro Account abroad. b) CS is admissible only against the export against L/C.
07.	Hogla, Straw, Wastage of Sugarcane	a) 15% for use of local product more than 80% b) 10% for use of local product of more than 50% ²²	a) CS is released after repatriation of export proceeds in foreign currency. ADs must submit CS application of exporters to Bangladesh Bank within 180 days after credit of export proceeds to their concerned Nostro Account abroad. b) CS is admissible only against export against L/C.
08.	Leather goods	a) 15% for use of local product This will be admissible upto June 30, 2005 ²³ .	a) CS is released after repatriation of export proceeds in FC. ADs must submit the cash subsidy application of the exporters to Bangladesh Bank within 180 days after credit of the export proceeds to their concerned Nostro Account abroad. b) CS is admissible only against the export against L/C.

▪ Bonded Warehouse – Bonded warehouse has generated special enthusiasm among the import-led export oriented industries. Bonded warehouse provides storage facilities for imported goods under the control of the Customs. Since bonded goods are not released for consumption, duty is not collected immediately on such goods. Bonded warehouse warrants are transferable. They are however, not negotiable. This means that while the holder can transfer the title of these goods to the transferee, the transferee takes this subject to all the defects and liabilities attached to the original holder. In foreign countries, certificate of licensed warehouse are fully accepted as security against advances.

²¹ BB FE circular No. 12 date: 12-12-2003.

²² BB FE circular No. 26 date: 12-12-2002.

²³ BB FE circular No. 15 dates: 18-07-2002.

- Export Development Fund²⁴ – EDF has been created for sustaining export drive and the long-term development of non- traditional export by
 - a. assuring continued availability of foreign exchange to meet the import requirements of non- traditional exporters, particularly newer exporters;
 - b. encouraging foreign suppliers, overseas confirming houses, and foreign commercial banks to provide short – term credit lines to Bangladeshi exporters; and
 - c. complementing other export development policies, such as improved access to duty-free imported inputs and to promote non-traditional exports, diversify exports, and encourage higher value added exports.
 - d. ensuring availability of foreign exchange to exporters to finance their imported inputs requirements. This is expected to act as a stimulus to private sector export production and marketing effort, and to encourage investments in market development as well as plant and equipment necessary to expand export capacity.
- Equity Entrepreneurship Fund – Bangladesh bank has introduced EEF²⁵ in order to support fledging and risky new projects; especially software and food/agro based processing industry. EEF fund has so far sanctioned Tk.840 million²⁶ in the two sectors and Bangladesh Bank has earmarked Tk.3 billion for the fiscal year 2002-2003²⁷ Main features of Equity Entrepreneurship Fund are as follows:
 - a. EEF provides finance to the software and food processing and agro-based industries.
 - b. Fund is available up to 49% of the combined capital of the project, which shall not exceed 33.33 percent of the total project cost. If the project is not leveraged, the contribution of EEF may go up to 49 percentage of the total cost.
 - c. The total cost of the project shall be minimum of Tk. 10 million (inclusive of net working capital).

²⁴ Export Development Fund (EDF) has been created jointly by the IDA and the Government of Bangladesh (GOB) for financing imports of raw materials and spare parts of export oriented manufacturers in order to diversify export and to promote and encourage non-traditional and higher value added export. The fund is utilized by the commercial banks for financing exporters to the maximum of 70% of the export L/C at an interest rate of 1% above LIBOR. The fund is owned by GOB and managed by Bangladesh Bank. Bangladesh Bank provides a spread of 3.5% to the financing commercial banks on their advances to the new non- traditional exporters and a spread of 2.5% on all other advances rediscounted with EDF.

²⁵ BB EEF Circular No. 06

²⁶ Byron, Rejaul karim, and Zahidul Haq (2003: 33:4) The Daily Star: Entrepreneurship fund finds way in 12 schemes, June 29,2003

²⁷ <http://www.Bangladesh-bank .organisation/about/dept/eefu/eefu.html>

- d. The finance may be disbursed through all the scheduled banks and the Industrial Promotion and Development Company Limited (IPDC).
- Export revenue earned by the SMEs will be 100% tax free.
 - Waiver of duty on import of spare parts upto 10% of the value of capital machinery.

3.5 Export Strategies and Implementation

The Government of Bangladesh has also adopted several strategies to develop trade and domestic production. At present 75% export earning comes from RMG and 6% from frozen food. To reduce the sole dependence only on two items, government has emphasized on diversification of export and expansion of market access to EU, Canada, Australia and Norway. Bangladeshi goods have market access to Thailand, India and Pakistan with low levels of duties. Negotiation with China, Russia, Malaysia for free market access of different products has been progressing. The Government has also decided to increase quality of products of traditional items of export. The market for new traditional items such as light engineering along with spare parts, agro based product, medicine etc. is being explored and the quality is being improved to make the products acceptable to the foreign buyers. The current Export Policy 2003-2006 of Bangladesh Government outlines the export strategies which are reproduced below:

- Provide assistance through developing necessary numbers of product development councils for increased product of export items.
- Provide market intelligence to producers and exporters on product demands and prices in markets abroad.
- Offer increased institutional facilities through trading and export housing to encourage export.
- Offer assistance in establishing seal of quality organization or similar organizations to ensure quality of export items in required cases.
- Offer assistance in establishing 'Bangladesh International Arbitration Centre' or similar organizations for prompt settlement and disposal of Trade disputes.

- Organize single country export fair for Bangladeshi products abroad and offer assistance to exporters in participating in trade fairs in different countries.

Six Product development councils have also been established under the National Export Committee to assist domestic exporters. In addition, the trading bodies have also implemented a broad range of strategies aimed at further developing export growth. Parallel to this, the government's task force headed by the commerce minister has been operating to implement decisions and to undertake instant measures for solving export related problems.

3.6 Regional Agreements and Private Sector Efforts to promote export growth

The marginalization of most LDCs in the context of a globalized and liberalized trading system has caused much concern among policy makers in LDCs. It has been widely felt in this region of the developing world, particularly after the collapse of the fifth WTO Ministerial Conference held in Cancun, Mexico, that regional agreements can perhaps strengthen the position of LDCs in the new global trading regime. This is because of the increasing market access difficulties faced by LDCs due to complicated rules of origin requirements of some of the developed countries. For example, Bangladesh has been facing market access problems because of revised EU rules which require a two-stage conversion in case of knit-RMG exports and three-stage conversion in case of woven-RMG exports. However, in the long run, such changes on the RoO are to encourage greater regional integration (Bhattacharya et. al.,2004).

This section provides a brief discussion on the experience of regional co-operation and on private sector efforts to enhance market access facilities.

The SAARC is a typical regional initiative which includes both developing and least developed countries²⁸. Since inception, cooperation of SAARC members has mainly been limited to the area of trade – a SAARC Preferential Trading Arrangement (SAPTA) was signed in 1993. Based on offer lists and request lists, the SAARC countries have negotiated tariff preferences which have brought down the level of tariffs on a number of commodities. In the three rounds of SAPTA negotiations, about 2500 commodities have come under preferential treatment with the concession varying between 10 percent to 75 percent of Most Favoured Nation (MFN) tariff (Bhattacharya et. al.,2004). Other

²⁸ The seven countries in the SAARC are Bangladesh, Nepal, Bhutan, Maldives, Sri Lanka, Pakistan and India.

initiatives taken to further promote trade among the SAARC countries include the establishment of SAARC Chamber of Commerce and Industries and SAARC Development Fund. In recent times, the idea of a South Asian Growth Quadrangle has been coined (which includes Bangladesh, seven north eastern states of India, Nepal and Bhutan) and there are proposals for setting up a number of joint venture projects, although nothing concrete has yet been achieved. Another regional initiative to develop better market access for LDC products has been the formation of the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Co-operation (BIMSTEC).²⁹ BIMSTEC is considered as a promising platform that aims at acting as a bridge between the eastern and the western parts of Asia. It covers a population of approximately 1.3 billion and the trade value between Thailand and other countries in the group exceeded USD 3.0 billion in 2003 (The Financial Express Daily Newspaper (15/05/2005)). The ninth senior officials meeting of BIMSTEC will be held in Bangladesh on 31st May 2005 and this should enable Bangladesh to gain better trade access to neighbouring countries. On the private front, entrepreneurs and civil society think tanks have also taken initiatives to gain better market access. A delegation from BGMEA along with Dr Yunus, founder of Grameen Bank, went to USA in May 2005 to lobby among the American lawmakers for duty free access to the USA market. Business leaders from different trade bodies have also held talks recently with Christina Rocca, US Assistant Secretary for South Asian Affairs. 'It is very hard', Rocca was quoted as saying at a breakfast meeting with textile and clothing manufacturers on the possibility of the passage of a Bill on Tariff Relief Assistance for Developing Economies Act of 2005. The Bill is designed to give Bangladesh and 14 other LDCs a duty free entry of apparels in the US market.

²⁹ BIMSTEC is a regional group comprising of Bangladesh, India, Sri Lanka, Thailand, Myanmar and Bhutan.

RECOMMENDATIONS



This study has identified some of the major impediments to market access for Bangladeshi products. It was, however, felt during the research that most exporters are primarily concerned not about foreign NTBs but about local problems that hinder export growth. Some practical recommendations to those impediments are presented below under two broad categories – international and domestic.

International:

- Policies to enhance regional cooperation in SAARC could include: (i) elimination of NTBs (about six types of NTBs could be identified that discourage Bangladesh's export to India), (ii) joint marketing of products which could include both marketing strategy and price and (iii) joint development of infrastructure and regional transport network and their gradual integration.
- Rules of Origin – Rules of Origin criteria to get market access from developed countries for different products are to be well understood and discussed elaborately by local entrepreneurs. And also, the policy makers and entrepreneurs should come to a consensus on origin issue while going for signing FTAs. In particular, trade bodies and the government should lobby in the international level for a level playing field and the removal of the bilateral rules of origin requirement imposed by USA.
- In the forthcoming Hong Kong Ministerial Meeting, Bangladesh should negotiate on duty free market access, relaxed rules of origin criteria, trade related capacity development and import subsidy for the next one decade. Bangladesh should also lobby for increasing the movement of semi skilled labour to foreign countries.
- Codes of Conduct and Corporate Governance - Companies should bear responsibility for their codes of conduct by establishing their own General Business Principles or Codes of Conduct. These should clearly reflect the company's position towards business ethics, labour conditions, child labour, and the environment. It should

also stipulate how the company will contribute in a positive way to these aspects. Companies should also be encouraged to publish these business principles in their website and in their company brochures. Ethical business practices, business transparency and accountability are essential for long-term sustenance in the global market, and exporters should strictly adhere to these principles to maintain their competitive edge.

Domestic:

- Curbing Corruption – The most severe impediment to export growth in Bangladesh is the widespread corruption in the public service, especially in customs, port, government offices and banks. Curbing corruption requires approaching the problem holistically. The Government should enforce better control mechanism in the public service. This could be achieved by introducing management information system/software in government offices. Making government servants accountable for their actions would also help to reduce corruption. Competitive salary packages would also reduce the incentive for corruption. In addition, the number of employees in public offices could be reduced by a process of attrition. This would increase efficiency in public service and would also facilitate better compensation packages for those who stay on. There should also be an effective independent anti-corruption commission and the judiciary of the country should be separated from the administration. Furthermore, the Government should appoint ombudsmen in sectors where there is widespread corruption. All these steps would reduce cost and save time for exporters.

- Research and Development – Exporters associations and trade bodies should engage in inter-connected research and development wings. Global markets are changing continuously and new rules and regulations are being implemented frequently. It is therefore important for exporters to keep themselves updated on latest trends in the market place. Because 76% of Bangladesh’s export earnings come from the RMG sector, it is critical for exporters in this sector to engage in product development. In particular, BGMEA, BKMEA and BTMA should maintain libraries and conduct both extensive and intensive research pertaining to health issues, environmental standards, market access impediments and facilities, etc.

Furthermore, they should disseminate this information to their individual exporters. Right information at the right time is the key to survival and businesses should be made

aware of this. Publications both in journals and on website should be arranged at regular intervals outlining changes in international rules as well as the outcome of foreign exhibitions. In addition to exporters associations, large corporations could also initiate research and development cells to strengthen their position the market.

- Business Advocacy – A positive macro framework for export development needs to be implemented and appropriate business advocacy is central to this. Private sector and public sector partnership should be encouraged to facilitate a harmonized policy advocacy. Besides, entrepreneurs could also explore the possibility of university-industry partnership (UIP).

- Trade promotion – Exporters should increase their participation in international trade fairs to market their products and to attract potential importers. The Government should also provide adequate support in organizing trade such fairs through its embassies abroad and through the Ministry of Commerce and EPB. There should also be better coordination and information exchange between the Ministry of Commerce and the Ministry of Foreign Affairs.

- The Ministry of Commerce, Ministry of Industry and EPB should chalk out a programme to remove the technical barriers.

- Export Promotion Bureau and trade bodies should engage in wider publicity and encourage more local exporters to participate in international trade fairs.

- A separate study should be conducted for introduction of new air cargo service (either by expanding existing BIMAN's capacity or by introducing new airlines) for exporting Bangladeshi products. This should be done on a priority basis.

- Subsidy (cash / kind) should be provided to industrial exporters as is being provided in China and Hong Kong.

- Better trade related capacity building needs to be undertaken by both the government and the private sector. This is particularly important as currently many exporters cannot supply the required volume of their products to international buyers due to supply side constraints.

- Phytosanitary Certificate and Eco-labelling – Exporters associations and trade bodies should provide detailed information on phytosanitary certificate and eco-labelling requirements to the exporters. Special attention should be paid to make fruits and

vegetables exporters aware of the EU's hygiene regulations and harmonization of maximum residue level (MRLs) programs.

- Vertical Backward Linkage - The Government of Bangladesh should encourage growth of vertical backward linkage industries in the footwear sector. Because of the huge cost difference in setting up composite knit projects (Taka 10 crore) and composite woven projects (Taka 100 to 200 crore) and the subsequent lack of backward linkage development for the woven sub-sector, entrepreneurs should consider vertical mergers to fully exploit the benefits of the free trade regime. Mergers would reduce marketing costs, generate economies of scale, increase value addition and strengthen the overall competitiveness of the company. Financing of these composite/big projects may be undertaken by consortium of banks and Bangladesh Bank should assist in this.

- Joint Venture Projects - Both NCBs and PCBs should come forward and provide incentives and facilities to good entrepreneurs for setting up backward linkage industries. Joint venture projects should also be encouraged. Board of Investment should strive to attract foreign investors for independent/joint venture projects.

- Infrastructural Development – The Government should invest in the infrastructure of the country. A strong infrastructure can be the best guarantor for achieving full mobility of internal resources. Because the RMG sector has been active in the global market for the last 20 years, it has now equipped itself with a critical mass but better infrastructural facilities are essential for long-term sustenance of this critical mass.

- Sea ports in the country need to be developed further to meet the increasing demand of entrepreneurs.

- Training and Human Resource Development – Good entrepreneurship should be practiced in order to recruit and retain educated professionals in the mid-level management of RMGs. To mitigate the image problem, RMG exporters may also organize employer presentations at leading universities in the country to attract bright young students. For higher rates of staff retention and increased productivity, both in the lower-level and mid-level of management, companies should provide continuous skill-specific training to the employees. Sector-specific training to potential entrants/new comers would also help to build human capital for the industries. Foreign training could be organized through Matching Grant Fund (MGF).

**A Study on the Examination of Market
Access Barriers Confronting LDC
Projects**

**ANNEXU
RE**

November 2005

ANNEXURE A

1. Terms of Reference

The Dhaka Chamber of Commerce & Industry
65-66, Motijheel Commercial Area, Dhaka-1000.
DCCI-CIPE, ERRA Project

STUDY ON
Examination of Market Access Barriers Confronting LDC Projects

Terms of Reference (TOR) for the Consultant

Many of the development gains arising from global market and trade negotiations depend on the ability of developing countries to respond to new opportunities existing in foreign markets. This ability is, however, adversely affected by market-access-related issues in developed countries, and difficulties in meeting market entry conditions set in importing countries and large distribution networks. For many developing countries, integration into the world economy means being able to meet those market entry conditions, and creating the necessary impetus for competitiveness and development. The inability to do so, which is frequently the case, implies that these conditions often become entry barriers protectionist effects. Thus the difficulty of market entry barriers for developing countries can only be multiplied given the latter's lesser capacity and sophistication as regards scientific and technological development. Escalating tariffs provide additional protection to domestic processing industries in developing countries.

Key issues are ways and means in providing capacity-building assistance that improves the ability of developing countries to take full advantage of new opportunities for trade, and developing sound trade and trade-related policies in developing countries themselves, which should be reflected in development plans and strategies for poverty reduction.

The market entry conditions related to product characteristics, include (a) quality, appearance, cleanliness or taste; (b) safety; and (c) authenticity (guarantee of geographical origin or use of a traditional process). Other conditions related to the nature of the production process (e.g. with respect to workers' health and safety, or environmental impact), ceremony others, prices and speed of delivery. These market entry conditions are becoming serious constraints that many affect the competitiveness of developing country exports, especially for commodity-dependent countries that rely on one or two products for their export earning.

As an LDC member country Bangladesh received a number of preferential market access to different developed and developed countries exemption but could not gain the benefit out of it because of its inherent difficulties and stringent conditionalities.

The Dhaka Chamber of Commerce and Industry (DCCI) with the financial support of CIPE (Centre for International Private Enterprise) sponsored by the US Chamber of Commerce, has undertaken a study Market Access Barriers Confronting LDC Products. The proposed study should be specific in terms of the subject topic for the purpose of influencing the concerned government agencies and other related organizations for appropriate implementation of the suggested recommendations. The proposed paper, therefore, among others, should follow the TOR as under :

Terms of Reference (TOR) :

1. To make a critical analysis of export development since 1994-95 with a view to tracking its growth, impediments limitations and Market Access Barriers with special reference to LDC products.
2. To examine preferential Market Access benefits extended to Bangladesh as an LDC and problems to export the benefits.
3. To identify the Barriers of LDC Products to enter into global market and the support assistance for the purpose.
4. To analyze the export strategies of the government and its implementation, private sector efforts & utilization of regional & international agreements and concessions/preferential access extended to Bangladesh.
5. To suggest policy measures and incentive requirements for export speedy in respect to mitigating the Market Access Barriers.
6. Any other issues(s) that may be pertinent to the preparation of the Study Report.

Note :

1. Submission of the draft Study Report within 30 days from the date of agreement between DCCI and Author;
2. Submission of the final Study Report within 10 days after the draft is approved by the management of DCCI-CIPE, ERRA Project;
3. Presentation of the Study Report as the key-note paper in a seminar to be organized by the DCCI-CIPE, ERRA Project for seeking valuable and considered comments from the participants and subsequently to incorporate them in the Study Report to make it comprehensive and complete for advocacy with the government and other concerned agencies.

Procedures :

1. The two parties will go for a final Agreement after appropriate understanding.
2. The marketing specialist will get one month time after signing the Agreement.
3. The payment will be made at a time after the Study Report is presented in a seminar and recommendations emerged from the seminar are incorporated upto the satisfaction of the project and a copy of the final Study Report is submitted to the project office.

ANNEXURE B

- 1. Table 1 - Total import of the 32 Developed Countries**
- 2. Table 2 – Total import of 32 Developed Countries from 48 LDCs**
- 3. Table 3 – Total import of 32 Developed Countries from Bangladesh**
- 4. Table 4 – Export Growth of Bangladesh since 1994-95**
- 5. Table 5 – Comparative position of LDC export to Developed Countries**

Table 1: Total import of the 32 Developed Countries³⁰

Import (billion US \$)

<u>Country</u>	2001	2002	2003
Australia	68.53	68.53	73.69
Austria	60.51	66.60	81.07
Belgium	156.43	167.19	197.52
Belarus	2.36	6.66	8.64
Bulgaria	5.43	5.78	7.53
Canada	268.85	260.96	278.44
Czech Republic	32.90	38.08	49.62
Denmark	45.67	49.66	60.02
Finland	43.26	4298	51.67
France	299.96	307.35	366.37
Germany Fed. Rep.	559.08	604.41	729.17
Greece	10.46	11.33	13.78
Hungary	32.90	35.43	43.65
India	4798	53.98	64.49
Ireland	86.05	97.26	110.90
Italy	227.01	240.42	284.69
Japan	447.02	457.97	519.68
Luxembourg	8.66	8.87	13.17
Nepal	.66	.58	.68
Netherlands	200.37	204.84	245.14
New Zealand	15.51	15.66	17.71
Norway	55.17	57.66	72.82
Poland	33.84	38.30	51.04
Portugal	26.66	27.04	33.91
Slovak Republic	12.39	14.87	22.13
Spain	110.09	119.72	147.87
Sweden	79.37	82.39	101.49
Switzerland	96.45	101.57	113.26
Thailand	71.57	74.81	88.20
UK	268.83	266.50	296.15
USA	787.07	750.52	769.43
Russia	11.72	115.74	149.39

³⁰ Figures compiled from Trade Statistics Yearbook 2004, International Monetary Fund

Table 2: Import of 32 DCs from 48 LDC³¹

Sl. No.	Name of Country	Import (million US \$)		
		2001	2002	2003
1	Australia	181	137	159
2	Austria	45	48	66
3	Belgium	2561	5815	2075
4	Belarus	4.95	6.43	7.75
5	Bulgaria	4.95	6.43	7.75
6	Canada	37.61	5.95	4.82
7	Czech Republic	20	15	22
8	Denmark	102	160	165
9	Finland	136	126	127
10	France	2196	2105	2371
11	Germany Fed. Rep.	1961	2296	2406
12	Greece	168	101	172
13	Hungary	31	29	37
14	India	1419	1414	1706
15	Ireland	128	111	107
16	Italy	942	1217	1340
17	Japan	928	1412	1336
18	Luxembourg	10	12	8
19	Nepal	2.14	4.31	3.28
20	Netherlands	828	746	820
21	New Zealand	14	20	23
22	Norway	49	57	62
23	Poland	160	151	186
24	Portugal	319	319	231
25	Slovak Republic	1	3	2
26	Spain	1278	1402	1498
27	Sweden	110	104	147
28	Switzerland	76	77	97
29	Thailand	869	949	1197
30	UK	2419	2485	2933
31	USA	8409	8248	10107
32	Russia	143	128	186

³¹ Figures compiled from Trade Statistics Yearbook 2004, International Monetary Fund

Table 3: Import of 32 DCs from Bangladesh³²

Sl. No.	Country	Import (million US \$)		
		2001	2002	2003
1	Australia	24	24	26
2	Austria	23	25	28
3	Belgium	270	275	351
4	Belarus	0.11	0.5	0.8
5	Bulgaria	0.11	0.5	0.8
6	Canada	0.63	1.72	1.91
7	Czech Republic	1	2	2
8	Denmark	74	75	105
9	Finland	22	24	24
10	France	341	351	447
11	Germany Fed. Rep.	803	780	1162
12	Greece	6	10	11
13	Hungary	8	9	13
14	India	67	43	61
15	Ireland	25	28	29
16	Italy	293	263	290
17	Japan	115	112	131
18	Luxembourg	1	0	0
19	Nepal	2.14	4.31	3.28
20	Netherlands	320	287	341
21	New Zealand	4	5	6
22	Norway	33	39	46
23	Poland	13	14	20
24	Portugal	8	9	7
25	Slovak Republic	1	2	0
26	Spain	114	150	233
27	Sweden	83	87	124
28	Switzerland	39	42	48
29	Thailand	29	25	30
30	UK	655	726	935
31	USA	2504	2286	2213
32	Russia	4	1	5

³² Figures compiled from Trade Statistics Yearbook 2004, International Monetary Fund

Table 4: Export growth of Bangladesh in percentage since 1994-95³³

Sl No.	Country	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
		% of Incr/ Decr	% of Incr/ Decr	% of Incr/ Decr	% of Incr/ Decr	% of Incr/ Decr	% of Incr/ Decr	% of Incr/ Decr	% of Incr/ Decr	% of Incr/ Decr
1	Australia	42	21.7	25.56	-0.42	11.18	-33.82	0.80	39.00	-16.67
2	Austria	47	36.8	50.30	6.38	-36.57	-12.64	6.77	-26.78	93.61
3	Belgium	45	12.6	0.39	7.67	-0.76	12.40	-16.75	36.94	12.95
4	Belarus									
5	Bulgaria	-59	-46.6	-58.06	230.77	90.70	13.41	-44.09	142.31	-44.44
6	Canada	0	0.0	-75.64	522.98	5.45	13.59	-12.58	54.99	67.00
7	Czech Republic	79	98.1	110.68	5.07	46.49	0.60	-10.71	23.00	7677.78
8	Denmark	35	-3.3	-14.58	18.44	6.66	23.80	-12.96	19.37	6.55
9	Finland	55	31.9	21.82	11.71	11.60	23.92	12.45	9.91	-18.72
10	France	41	14.6	18.05	-6.42	6.37	-0.38	13.03	1.17	32.13
11	Germany Federal Rep	23	16.1	19.18	22.36	5.37	19.91	-13.73	20.44	58.22
12	Greece	9	8.8	-4.92	-11.75	-15.85	-12.81	41.90	-19.33	82.26
13	Hungary	-57	275.0	97.78	7.87	5.21	150.50	48.62	-41.49	92.73
14	India	60	-36.2	41.92	-9.02	8.61	-2.25	-20.84	66.59	6.77
15	Ireland	-15	55.9	61.59	38.57	24.03	38.81	33.18	30.73	53.68
16	Italy	-2	-44.9	137.15	-0.17	-8.05	19.11	-11.30	-1.27	21.99
17	Japan	21	0.0	-7.28	-17.18	5.26	10.18	-10.64	12.38	9.38
18	Luxembourg									
19	Nepal	-34	-36.6	-63.52	-56.99	-55.42	162.16	-32.99	-43.08	124.32
20	Netherlands	34	13.8	13.18	6.58	12.38	15.98	-13.60	-1.91	4.49
21	New Zealand	9	30.8	-28.74	39.52	33.82	-40.17	-5.42	98.09	-52.02
22	Norway	-10	11.3	22.15	-7.59	41.98	-16.39	19.06	38.24	-38.54
23	Poland	149	-3.7	22.52	-14.02	-13.15	-19.29	-19.82	39.61	-19.15
24	Portugal	9	-8.6	52.35	8.15	39.71	32.36	-5.07	-9.86	5.79
25	Slovak Republic	900	210.0	0.00	-87.10	50.00	300.00	66.67	55.00	29.03
26	Spain	10	-6.4	10.09	26.45	15.74	16.17	28.56	36.69	45.52
27	Sweden	44	6.2	26.43	29.48	13.74	29.95	-13.61	24.81	41.19
28	Switzerland	-19	19.7	63.38	35.17	-19.40	24.35	6.29	25.39	2.58
29	Thailand	51	-29.2	37.43	145.77	11.50	-35.35	-26.45	18.54	-10.91
30	U.K.	31	4.8	0.53	11.67	1.76	18.84	9.05	20.11	15.41
31	U.S.A.	1	19.6	34.71	2.03	15.51	9.97	-11.26	-2.85	-8.76
32	Russia	-69	122.0	-10.71	-45.13	15.61	16.33	-47.88	-22.27	35.16
Net increase/decrease		15	9.0	22.34	7.46	8.82	11.85	-7.50	9.27	20.12

³³ Figures compiled from EPB publication

Table 5: Comparative position of import of the DCs from the LDCs³⁴

Country	Import (billion US \$)								
	2001			2002			2003		
	Total import	% share of 48 LDCs	% share of RR	Total import	% share of 48 LDCs	% share of RR	Total import	% share of 48 LDCs	% share of RR
Australia	6853	2.64	0.35	6853	2.00	0.35	7369	2.16	0.35
Austria	6051	0.74	0.38	666	7.21	3.75	8107	0.81	0.35
Belgium	15643	16.37	1.73	16719	34.78	1.64	19752	10.51	1.78
Belarus	236	2.10	0.05	666	0.97	0.08	864	0.90	0.09
Bulgaria	543	0.91	0.02	578	1.11	0.09	753	1.03	0.11
Canada	26885	0.14	0.00	26096	0.02	0.01	27844	0.02	0.01
Czech Republic	329	6.08	0.30	3808	0.39	0.05	4962	0.44	0.04
Denmark	4567	2.23	1.62	4966	3.22	1.51	6002	2.75	1.75
Finland	4326	3.14	0.51	429800	0.03	0.01	5167	2.46	0.46
France	29996	7.32	1.14	30735	6.85	1.14	36637	6.47	1.22
Germany Fed. Rep.	55908	3.51	1.44	60441	3.80	1.29	72917	3.30	1.59
Greece	1046	16.06	0.57	1133	8.91	0.88	1378	12.48	0.80
Hungary	329	9.42	2.43	3543	0.82	0.25	4365	0.85	0.30
India	479800	0.30	0.01	5398	26.19	0.80	6449	26.45	0.95
Ireland	8605	1.49	0.29	9726	1.14	0.29	1109	9.65	2.61
Italy	22701	4.15	1.29	24042	5.06	1.09	28469	4.71	1.02
Japan	44702	2.08	0.26	45797	3.08	0.24	51968	2.57	0.25
Luxembourg	866	1.15	0.12	887	1.35	0.00	1317	0.61	0.00
Nepal	66	3.24	3.24	58	7.43	7.43	68	4.82	4.82
Netherlands	20037	4.13	1.60	20484	3.64	1.40	24514	3.35	1.39
New Zealand	1551	0.90	0.26	1566	1.28	0.32	1771	1.30	0.34
Norway	5517	0.89	0.60	5766	0.99	0.68	7282	0.85	0.63
Poland	3384	4.73	0.38	383	39.43	3.66	5104	3.64	0.39
Portugal	2666	11.97	0.30	2704	11.80	0.33	3391	6.81	0.21
Slovak Republic	1239	0.08	0.08	1487	0.20	0.13	2213	0.09	0.00
Spain	11009	11.61	1.04	11972	11.71	1.25	14787	10.13	1.58
Sweden	7937	1.39	1.05	8239	1.26	1.06	10149	1.45	1.22
Switzerland	9645	0.79	0.40	10157	0.76	0.41	11326	0.86	0.42
Thailand	7157	12.14	0.41	7481	12.69	0.33	882	135.71	3.40
UK	26883	9.00	2.44	2665	93.25	27.24	29615	9.90	3.16
USA	78707	10.68	3.18	75052	10.99	3.05	76943	13.14	2.88
Russia	1172	12.20	0.34	11574	1.11	0.01	14939	1.25	0.03
Average	27699	5.11	0.87	25983	9.48	1.90	15263	8.80	1.07

³⁴ Figures compiled from EPB publication

ANNEXURE C

1. **Sample Questionnaire for exporters**
2. **List of exporters interviewed**

Examination of Market Access Barriers Confronting LDC

Checklist for Exporters

1. Name of the interviewee:
2. Name of the business.....
3. Address.....
...
4. Telephone Fax..... E-mail
5. Name of MD/Proprietor/CEO.....
6. What are your export items:
7. Name of the countries you export your products:
8. What trade facilities (GSP, duty free, quota free) are you getting from the developed countries:
9. What trade barriers are you facing from the developed countries for market access of your products:

A) Trade Barriers	<ul style="list-style-type: none">* <i>Tariff escalation</i>* <i>Tariff peaks</i>* <i>Tariff dispersion in manufacturing products</i>* <i>Complex and non-transparent tariffs</i> <i>(e.g. non-ad valorem Tariffs)</i>* <i>Tariff Rate Quota(TRQ)</i>
B) Non-Trade Barriers	<ul style="list-style-type: none">* <i>Export/Import Quota, Quantitative Restriction(QR)</i>* <i>Voluntary Export Restraint (VER)</i>* <i>Rules of Origin (RoO)</i>* <i>Discriminatory Government Procurement Practices</i>* <i>Anti-dumping and Countervailing Duties, Predatory pricing and price discrimination</i>* <i>Sanitary and Phytosanitary Measures (SPS)</i>* <i>Technical Barriers to Trade(TBT)</i>* <i>Subsidies(particularly agricultural subsidy by the OECD countries)</i>* <i>Multifarious trade and market distorting practices</i>

C) General Agreement on Tariffs and Trade(GATT)	*	<i>Movement of Natural Persons(Mode 4 of GATT)</i>
	*	<i>Immigration Policy and Qualifications</i>
	*	<i>Licensing and additional licensing Requirements</i>
	*	<i>Wage Parity</i>
	*	<i>QR on VISA for professionals</i>
	*	<i>Entry barriers in the form of Entry Needs Test(ENT) and Local Market Text(LMT)</i>
D) Environmental Measures	*	<i>Eco labeling</i>
	*	<i>Compliance sticker</i>
E) New Issues	*	<i>Safety, Standard</i>
	*	<i>Customs valuation</i>
	*	<i>Trade facilitation related barriers</i>

10. What are your recommendations to address/remove these barriers:

11. What problems are you facing in the post MFA era?

12. Recommendations to solve those problems:

13. Additional comments / suggestions on local and international trade barriers:

List of Exporters interviewed

1. Mr. S.M. Fazlul Haque, Choice Group (President Elect of BGMEA)
2. Mr. Md. Shahidul Islam, Rupa Group (Vice-President Elect of BGMEA)
3. Mr. Syed Md. Sajjad, Majumder Group
4. Mr. Kamrul Huq, Sterling Group
5. Mr. Fazlul Haque, President of BKMEA