Economic Policy Paper
on
WTO Agreement on Agriculture: Potentials of Agro-processing Products of Bangladesh

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WTO Agreement on Agriculture:
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Table of Contents

ABBREVIATIONS

AOA	Agreement on Agriculture
ADB	Asian Development Bank
AfT	Aid for Trade
APP	Agro-Processing Products
BARI	Bangladesh Agriculture Research Institute
BARC	Bangladesh Agriculture Research Council
BB	Bangladesh Bank (Central Bank)
BADC	Bangladesh Agriculture Development Corporation
BEPZA	Bangladesh Export Processing Zones Authority
BFTI	Bangladesh Foreign Trade Institute
BTA	Bilateral Trade Agreement
BIMSTEC	Bay of Bengal Initiative for Multi- Sectoral Technical and Economic Cooperation
BOI	Board of Investment
BRDB	Bangladesh Rural Development Board
CF	Contract Farming
CIPE	Centre for International Private Enterprise
CPD	Centre for Policy Dialogue
EC	European Commission
DCCI	Dhaka Chamber of Commerce and Industry
DIT	Development Initiative for Trade
EPP	Economic Policy Paper
EBA	Everything But Arms
EPB	Export Promotion Bureau
EPZ	Export Processing Zone
EU	European Union
FOB	Free on Board
FTA	Free Trade Agreement
GATT	General Agreement on Trade and Tariff
GF	Grameen Fund
GDP	Gross Domestic Product
GOB	Government of Bangladesh
GSP	Generalized System of Preferences
HACCP	Hazard Analysis Critical Control Point
HS Code	Harmonized System of Commodity Code
ICC	International Chamber of Commerce
ICT	Information and Communication Technology
IDA	International Development Agency
IMF	International Monetary Fund
ITC	International Trade Centre
LDC	Least Developed Country
LC	Letter of Credit
MOA	Ministry of Agriculture
MOC	Ministry of Commerce
MOF	Ministry of Finance
MOI	Ministry of Industries
MFA	Multi-fiber Arrangement
MFN	Most Favored Nation
MGF	Matching Grant Facility

MTN	Multi-Lateral Trade Negotiations
NABARD	National Bank for Agriculture and Rural Development
NBFI	Non Bank Financial Institutions
NBR	National Board of Revenue
NCB	Nationalized Commercial Bank
NGO	Non-governmental Organization
NTB	Non Tariff Barrier
ROO	Rules of Origin
RTA	Regional Trade Agreement
RMG	Readymade Garment
SAARC	South Asian Association for Regional Cooperation
SAFTA	South Asian Free Trade Area
SAPTA	South Asian Preferential Trade Arrangement
SASEC	South Asian Sub-Regional Economic Cooperation
SEDF	South-Asia Enterprise Development Facility
SME	Small and Medium Enterprise
SEZ	Special Economic Zone
SPS	Sanitary and Phyto-sanitary
TA	Technical Assistance
TRCD	Trade Related Capacity Development
TRTA	Trade Related Technical Assistance
TOR	Terms of Reference
UK	United Kingdom
UN	United Nations
USDA	United States Department of Agriculture
USA	United States of America
UR	Uruguay Round
UNCTAD	United Nations Conference on Trade and Development
WTO	World Trade Organization

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1.0 INTRODUCTION

1.1 The World Trade Organization (WTO) was established in 1995 after the end of Uruguay Round (UR) negotiations. It is today the most important multilateral forum in the world trade regime. The on-going negotiations of the WTO under the Doha Round, also dubbed as 'Development' Round, has become very important for all WTO Member countries – Developed Countries, Developing Countries as well as the Least Developed Countries of the world.

1.2 This Round is also important for other countries like Russia, which has been negotiating for the membership of the WTO for a pretty long time. One may recall the efforts of China which had to negotiate for long fifteen years to get the membership of the WTO and this protracted negotiations ended in Doha Ministerial Conference of the WTO when China formally became a member of the organization. Even for the major oil exporting countries like Saudi Arabia, membership of the WTO has become an important issue in recent years and no country can afford to ignore the world trade body – the WTO. The UR negotiations prolonged for long eight years and were concluded in 1994. Most of the Least Developed Countries (LDCs), including Bangladesh and a number of developing countries perhaps signed the UR agreement without understanding its far reaching impact and ultimately faced problems in adjusting their economies with the new era of trading system when WTO came into force in 1995. Lack of capacity development was perhaps the principal factor for this situation.

1.3 The developed countries (DdCs), the developing countries (DCs) and the least developed countries (LDCs) of the world are watching the current world trade negotiations very closely. The recent WTO Hong Kong Ministerial Conference generated a lot of excitements as well as anxieties among Member countries including LDCs. This Ministerial Conference became very important event even for the poorest segment of the world economy – the least developed countries. Out of 50 LDCs, 32 countries are now in the WTO. Nepal and Cambodia received the memberships of the WTO during the Fifth WTO Ministerial Conference in Cancun. Cambodian leader of the delegation informally admitted in Cancun that his country had to pay a rather heavy price to get the membership of the WTO, but he was hopeful that once it gets the membership, it will make efforts to correct the situation. These two LDC countries faced tough negotiations for several years after the enforcement of the organization in January, 1995. This is an important lesson for a country like Bangladesh since it did not undergo any such cumbersome and tedious process for joining in the WTO as it was the case for Cambodia and Nepal. One may consider Bangladesh as lucky in this respect since Bangladesh got WTO membership automatically rather than facing a long negotiation process.

1.4 Although agriculture contributes about 9% of the world trade, it however remains the most contentious issue in the WTO negotiations. The most remarkable phenomenon is that the sector is highly protected in those countries who are the main proponent of the free market economy, but paying highest subsidies to their farmers and distorting the world agricultural trade. This dilemma has been strongly criticized by many trade economists. It is widely accepted that developed countries dumped huge amount of subsidized agricultural products in the developing countries and thus deprived the farmers of DCs from getting fair market prices. The developing countries which are now much more concerned about their rights and obligations, thus want to have real market opportunities for their agricultural products. This is not only important to improve the incomes of their millions of farmers, they want it as a quid pro co for faster economic liberalizations of their industrial trade.

1.5 LDCs, mainly the net importers of agricultural products (food grains/cereals), also have some potential for exporting limited agricultural products. They are now in a critical situation in terms of current agricultural negotiations. Liberalization will increase food prices as well as enhance market potentials for agricultural exports from LDCs. They may have to trade off between higher export earnings and ensuring food security. At the same time the food security issue should also be seen from the context of exporting high value products against import of a quantity of cereals to meet the gap for domestic consumption.

2.0 SCOPE OF THE STUDY

2.1 The study will provide a brief presentation on the global economic situation and review the business environment, investment, export and import climate of Bangladesh. It will also highlight trends of production and export of agricultural and agro-processed products of Bangladesh. It will analyse the National Agricultural Policy and Export Policy of Bangladesh and find out the major inconsistencies/lack of coherence between these two policies. The study will highlight the features of the Agreement on Agriculture (AOA) and briefly explain the agriculture trade under GATT regime. It will also mention the forms of protection in the global agriculture trade, the most contentious issues in the global trade talks. It will give detail overview of the on-going negotiations on agriculture under WTO including the prolonged discussions on the calculation of AVE. Major concerns of the LDCs due to global liberalization of agriculture will also be highlighted. It will also make a brief presentation on Bangladesh interest in the WTO negotiations to enhance our export of agricultural commodities and to ensure food security. The report will finally provide a set of policy prescriptions to tap the maximum potentials of the sector.

2.1 The study used the secondary information to provide a general view on Bangladesh economy, business environment and export & import perspective. The study has also made reference to the growth of world trade in recent times and suggested necessary measures that may have to be pursued in future in Bangladesh. The consultants reviewed the National Agriculture Policy, Export Policy, Economic Review, BOI guideline and other relevant policies & documents to analyze Bangladesh and world economic perspective. Recent growth of the agricultural trade has also been analyzed. Consultant will also suggest the need for policy support to the agro-based/agro-processed sector, which has been showing an impressive growth in recent years. The Consultants had exchanged views with some stakeholders to analyze the actual scenarios. It also reviewed relevant statistics and literatures to support the arguments and followed up the outcome of the negotiations in the Sixth WTO Ministerial Conference held in Hong Kong. They have examined the LDCs Trade Ministers' Declarations adopted in Dhaka in 2003 and in Livingstone in 2005. The study provided a set of recommendations based on the analysis of the facts and consultations with the relevant stakeholders. Due to time constraints, the study did not use any trade or econometric model.

3.0 **GLOBAL ECONOMIC AND INVESTMENT SITUATION**

3.1 The world economy was growing during the last decade and most of the countries were achieving a reasonable growth except for Germany and Japan and some African countries including Sub-Saharan countries. Almost all the Asian economies were growing and their annual GDP growths were fairly satisfactory. This trend of a reasonably good economic development got a big jolt at the time of terrorist attack in the United States in September, 2001, generally known as 9/11 event. Most of the countries, particularly, the developing and the least developed countries faced economic difficulties as a result of 9/11. Exports of these countries to major markets suffered which affected their economies to a great extent. This situation has changed and the world economy has started recovering since 2002.

3.2 The world economy continued to recover during 2004 and the foreign direct investment (FDI) inflows a slight rebound in global FDI after three years of declining flows. FDI stood at $ 648 billion in 2004. It is more heartening to find that inflows to developing countries surged by 40%. Developed countries as a group experienced a 14% drop in their inward FDI. Developing countries share of FDI was 36% -- the highest level since 1997. However, for the least developed countries, ODA remains the most important source of finance even though FDI flows have surpassed ODA for individual countries in that group. In Asia, the East Asia saw a 46% increase in inflows ($ 105 billion), in the case of South East Asia FDI surged by 48% to $26 billion while South Asia (including Bangladesh), with India at the forefront, received $ 7 billion (a 30% rise)**.** In Africa, however, it remained stable at $ 14 billion. Things remain stagnant in Africa and itss share remains low at 3%. It was estimated that for 2005, FDI worldwide would be favorable and it may rise further in 2006 (WIR, 2005).

3.3 The World Development Report, 2006 also mentions that the Asian continent showed a reasonably good performance in 2004. The FDI flows to Asia and Oceania increased by 46% in 2004; 34 out of 54 economies received higher flows than in 2003. However, they remain concentrated in the top ten host economies accounting for 92% of FDI inflows to the region. The distribution of inflows by size changed significantly compared with 2003, a few large FDI-recipient economies saw an increase in the level of FDI flows and Bangladesh, China, Syria, Vietnam etc. received record levels of inflows. For the forth successive year, South Asia FDI inflows climbed in 2004 – India attracting $ 5 billion FDI. Improved investment environments and privatization of assets in Pakistan and Bangladesh contributed to higher FDI flows to these countries. Improvement in the regions political situation also played a role. The Report predicts that in South Asia, flows to India shall continue to increase. It mentions that the Government of India aims to attract $ 150 billion in the next decade by setting up special economic zones, science parks, free trade and warehousing zones. Bangladesh will receive increased inflows compared to 2004 primarily because of an increase in FDI from India. The report also say that India, Pakistan, Bangladesh should benefit from textile- related FDI in 2005.

3.4 Performance of China and India were remarkable and most of the Asian economies including Bangladesh performed well in 2005. The world economy is also expected to grow in 2006. Robert J. Samuelson wrote recently that ‘American economy should grow 3.5% in 2006 (about the same as in 2005)’. That would create a good opportunity for countries like Bangladesh since USA continues to be the largest destination country for Bangladesh’s exports. Samuelson also predicts that in 2006, ‘the world economy also does well, international trade expands 9 percent’.

3.5 Despite tremendous change in the past 20 years in global specialization and trade in manufacturing, remarkably little structural change has occurred in global agricultural trade. World agricultural trade which was $243 billion in 1980-81, has increased to $467 billion in 2000-01. The last two decades have been a period of very rapid export growth from developing countries, aided by the growth of world economy and lowering of trade barriers, as well as by increasing the supply capabilities in developing countries. This growth has been fastest in manufacturing, where global level of protection has been reduced significantly. Growth has been slower in agriculture, where significant protection still remains. However, most of the LDCs have not done well since the market share of these countries in the world trade has been declining from 2.5 percent in the 60’s to 0.5 percent in this decade.

3.6 Even though there was a remarkable growth in trade, world poverty situation has not changed dramatically. Only four countries Bangladesh, China, India and Indonesia account for 75% of the world rural poor. Least developed countries constitute 15 percent of the world’s population, but almost 24 percent of the world’s poor.

3.7 Along with the global economy, Bangladesh economy has also recovered from the post 9/11 shocks and this is visible from Bangladesh’s external trade figures. Bangladesh’s external trade got a rather big blow in the aftermath of 9/11 and its exports to the United States of America and the European Union slumped. For the first time in so many years, Bangladesh’s exports declined and recorded a negative growth. Although Bangladesh’s export had been growing at an average rate of over 10 % during the past decade, export earning in FY 01 was $ 6,467mn, it came down to $ 5,986 mn in the following year as a result of 9/11. However, by FY 04 export earnings climbed to $7,603 mn. It may be stated that the country experienced an export growth of over 37 % in FY 95, compared to FY 94 and the lowest yearly export growth was 2.94 % in FY 99, the year of devastating floods (July-August, 1998).

4.0 CHANGES THAT TOOK PLACE IN THE AGRICULTURAL TRADE

4.1 The world economy has shown a tremendous change in the last 20 years in specialization and trade in manufacturing, but little structural change was observed in global agricultural trade flows. The share of agriculture in global trade has been shrinking, as has its share in global gross domestic product. World agricultural trade in 2000-01 was $467 billion, up from $243 billion in 1980-81. Real manufacturing and agriculture trade expanded at similar rates during the 1980s (5.7 and 4.9 percent a year), but real manufacturing export growth accelerated to 6.7 percent a year during 1990s, while agricultural export growth decelerated to 3.4 percent. Manufacturing export growth rates from developing countries increased both to other developing countries and industrialized countries, while agricultural export growth rates increase to other developing countries, but decreased to industrial countries (Aksoy and Beghin, 2005).

4.2 These differential growth rates are reflected in the shares of exports in world trade in developing countries. Their share in manufacturing export rose dramatically, from 19 percent in 1980-81 to 33 percent in 2000-01, with higher exports to both developing countries and industrial countries. In agricultural trade, developing countries lost market share during the 1980s and barely recovered during the 1990s to their 1980-81 level of around 36 percent. All of this gain in the 1990s came from expansion of export to other developing countries. Despite these changes in the shares, nearly half of world agricultural trade takes place among industrial countries. Generally two explanations have been provided for the decline in import growth in developed countries, a lower elasticity of demand for agricultural products in industrial countries and the decline in commodity prices in the 1990s.

5.0 GLOBAL PROTECTION IN THE AGRICULTURE SECTOR

5.1 Protection in the agricultural sector in the developed countries has been discussed seriously in the many trade forums during the last decade. The concerns rose from the fact that subsidized products of the developed countries are depressing the world agricultural price and encouraging their farmers to produce huge surplus, which is generally dumped in the world market. The unfair trade practices in turn discourage the efficient farmers of the developing countries to produce more for the world market and receive a fair market price.

5.2 *Domestic Support*

5.2.1 Industrialized countries account for 88 percent of the total domestic support payments (Hockman, et al, 2002). The overall support given to agricultural producers in OECD countries through higher domestic prices and direct production-related subsidies was US $228 billion during 2000-02. About 63 percent, or US$ 143 billion, of this came from border barriers and market price support, and 37 percent from direct subsidies to farmers. The bulk of the support went to temperate-climate products such as milk, meats, grains and sugar. Aggregate support levels in OECD countries vary significantly. Iceland, Norway and Switzerland have very high levels of support, through both high border protection and high direct payments. At the other extreme, Australia and New Zealand have very low support levels. Japan and the Republic of Korea have high support levels mainly through higher tariffs and quantitative restrictions. In between are the European Union toward the higher end and Canada toward the lower end.

5.3 Tariff Protection

5.3.1 Transparency in agriculture is significantly greater in developing countries than in industrial countries. The study carried out by World Bank (2004) shows that out of 24 developing countries in the sample, only 4 have non-ad valorem rates in more than 5 percent tariff lines – Bulgaria (13.5 percent), South Africa (25 percent), Russia Federation (31 percent), and Turkey 6 percent). Within the Quad (US, EU, Japan and Canada), Japan has specific, compound or mixed rates in 15 percent of its tariff lines, Canada in 24 percent, the United States in 40 percent, the European Union in 44 percent.

5.3.2 Specific duties are found almost exclusively in agriculture. United States has the 43 percent of tariff lines in agriculture are non-ad valorem, compared to 8 percent in manufacture. The European Union has almost no non-ad valorem duties in manufacturing, but 44 percent of its tariff lines in agriculture have non-ad valorem rates (Table 1).

5.3.3 Another important findings of the World Bank study shows that the share of tariff lines with non-ad valorem duties increase with the degree of processing and is highest in final products, which are generally classified under food-processing industries. For example, in the European Union, the share of non-ad valorem tariff lines is 22 percent for raw materials, but 43 percent and 58 percent for intermediate and final products (Table 2).

Table 1: Average Ad valorem and Specific Duty Rates (percent)

Country or Group	Average ad valorem Tariff	Average ad-valorem Tariff Equivalent of Specific Duties	Share on non-ad valorem lines
Australia	1.2	5.0	0.9
United States	10.6	35.2	43.6
European Union	21.6	58.0	40.4
Jordon	8.1	11.7	0.8

Source: WTO Database

Table 2: Protection of non-ad valorem tariff lines by degree of processing (percent)

Country/Group	Raw Material	Intermediate	Final
Norway	41.39	58.84	68.53
European Union	22.05	45.27	57.54
United States	37.91	43.05	41.34
Canada	17.14	23.01	30.20
Russian Federation	11.79	9.74	53.06
Turkey	0	5.22	12.70

Source: WTO Database

5.3.4 An analysis of the average agricultural tariff will generally show that the average tariff levels in the developed industrialized countries are relatively low (Table 3). But the tariff data presented here, seriously underestimates actual border protection for domestic producers. Specific duties are not reflected in the averages, and they are generally higher than ad valorem rates.

Table 3: Average Agricultural Tariffs, selected country groups and years (percent)

Country/Group	Agriculture	Manufacturing	Share of lines Covered in Agriculture
Quad Countries	10.7	4.0	86.7
Canada (2001)	3.8	3.6	76.0
Japan (1999)	10.3	3.7	85.5
United States (2001)	9.5	4.6	99.4
European Union (1999)	19.0	4.2	85.9
Large middle-income countries	26.6	13.1	91.3
Other middle-income countries	35.4	12.7	97.7
Lower income countries	16.6	13.2	99.8

Source: Source: WTO Database

5.3.5 In addition to average tariffs in industrialized countries, significant tariff peaks indicate high rates of protection for specific products – almost 1,000 percent in the Republic of Korea, 506 percent in the European Union, and 350 percent in the United States.

5.4 Export Subsidies

5.4.1 Although lower tariffs and the move toward direct production subsidies are beginning to reduce, export subsidies continue to distort world markets. The European Union accounts for almost 90 percent of all OECD export subsidies. The Uruguay Round Agreement on Agriculture placed limits on export subsidies for individual commodities, but allowed some flexibility.

5.4.2 It is now well recognized that even if tariffs were eliminated altogether along with the official export subsidies, current agricultural production subsidies would keep the domestic and export price of many commodities lower than their cost of production in industrialized countries. By lowering production costs, production subsidies favour industrial-country producers over developing country and LDCs' producers, who do not receive direct subsidies. If we consider cotton subsidies in the United States, we see that tariffs are zero and domestic prices are the same as world or export prices (Baffes 2004; Watkins 2003). Yet in the United States in 2001, production subsidies effectively increased the prices farmers received by 51 percent, leading to increased production that depressed the world price. US export prices were 58 percent of the average cost of production for wheat, 67 percent for corn and 77 percent for rice (Watkins 2003).

6.0 PRESENT ECONOMIC SITUATION IN BANGLADESH WITH REGARD TO BUSINESS, INVESTMENT AND TRADE

6.1 For centuries, Bangladesh was considered to be an agrarian country, primarily depending on agriculture. At present about 73 percent people living in the rural areas are directly or indirectly engaged in a wide range of agricultural activities. Agriculture sectors' contribution to the nations economy is about 22 percent of its GDP. About 52 percent of the labor force is employed in agriculture. With a very high density of population, the country was a food deficit for a number of decades and this situation dictated its agriculture policy, which was pursued by successive governments during the last decades - after the partition of India in 1947 and since the liberation of the country in 1972.

6.2 Bangladesh economy is growing at a good rate of over 5% in recent years (Table 4). The pace of economic development is more or less satisfactory although development practitioners believe that it could have been much better if politics was not overtaking economics all the time. Obsession with political issues pushes the economy to the back seat and apart from the two principal minus factors; i) over population, and ii) scarcity of land, the major issue responsible for a relatively lower GDP growth is the political factor. Lack of tolerance and continued confrontational politics is primarily responsible for not achieving a much higher growth rate.

Table 4: GDP growth by sectors (percent)

Sectors	FY-01	FY-02	FY-03	FY-04
Agriculture	3.1	0.0	3.1	2.7
Industry	7.4	6.5	7.3	7.7
Services	5.5	5.4	5.4	5.7

Source: Bangladesh Bank

6.3 Bangladesh has been receiving reasonably good number of local and foreign investment proposals in recent years. In FY 95 Bangladesh received investment proposals totaling $ 1,576mn and towards the end of the decade, namely in FY 04, it received $ 2,186mn investment proposals (as registered with the BOI). The growth was definitely satisfactory, if not impressive. In the current year, FY 06, during the first five months, BOI registered $ 13,125mn worth of investment proposals, which can be considered to be a very positive growth. During these years (since liberation) total investment proposals registered with the BOI was $ 43,609 mn, the foreign investment proposals, however, was $ 26,056mn during the same period -- about 57.7% of the total investment proposals. Obviously all these investment proposals did not actually materialize, but the trend is nevertheless satisfactory. The highest investment proposal during the 90s was in FY 00 when it reached $ 3,443mn and during the current decade, it was in FY 06 when it reached $ 13,125 mn (within the first five months of the year, Annex-1). This obviously indicates that the 21st century would bring prosperity for the country if Bangladesh can manage its economy properly and at the same time obtain reasonable support from the international community as an LDC in terms of trade development. We should, of course, try to graduate out of the LDC group by 2020, if not earlier since the LDC tag attached to the country is not a matter of pride for the people of Bangladesh.

6.4 An analysis of sectoral distribution of FDI in 2004 in Bangladesh indicates that service sector emerged as the leading sector (66.76%); followed by manufacturing (31.30%). Telecom received the highest sectoral share (35.93%). Compared to this, agro-based sector's share was a paltry 1.37%. If seen from a different context, it may be mentioned that agro-based sector was within the top ten sectors and the sectoral rank, as identified by BOI was 9th (out of 12 sectors listed). If, however, agro-based sector is merged with Food and allied sector, the ranking goes up to 8th position, immediately after the Engineering sector. All these are recent developments, which deserves attention by the investors – both local as well as the foreign investors. If one compares the investments in the agro-based sector in the calendar years 2003 and 2004, one finds that the growth in the sector-wise FDI inflow was an impressive -- 42%. This means that agro-based sector has started attracting attention of the investors, both local as well as foreign in recent years. Country-wise overall investments in Bangladesh show that up to September, 2005 the highest investment came from the United States ($4,077mn) with Saudi Arabia occupying the second position ($2,734mn) and UK in the third place with an investment of $ 2,123 mn (Annex –2).

6.5 According to a recent report on the 'response from foreign investors' in 2005, it was stated that BOI registered FDI proposals worth $3.8bn in the just concluded year and it was 31% higher than that of 2004. BOI said that the highest investment proposal in 2005 came for the country's energy sector, followed by telecom and textile sectors. Domestic investors were attracted to textile sector with chemical and light engineering sectors following behind. Agro-based industries stood at the fourth position, which indicates a surge in interest among the investors. It is a very good sign indeed and proper planning and policy guidelines would surely attract foreign investors as well (Source: Financial Express).

6.6 Investment proposals inclusive of BEPZA would, however, be much higher during this period. Investment in the BEPZA zones totaled $ 890.39mn up to November 2005. Agro-products sector attracted investment of $ 2.786mn up to November, 2005 and its ranking was 15th, immediately after service sector. This is a relatively recent development. In 2004, BOI's share of FDI flows was 65.18% and in case of BEPZA, it was 24.76%, leaving 10.07% to financial institutions.

6.7 Exports from BEPZA suggest that exports have picked up significantly during the last decade. The exports during the past four years were:

Table 5: Export performance since 1991

FY 91	$ 48 million
FY 95	$ 205 "
FY 00	$ 725 "
FY 04	$ 1027 "

Source : Bangladesh Bank and BEPZA

6.8 Export growth

6.8.1 Bangladesh experienced an impressive export growth during the 80s and 90s of the last century. During the last three decades yearly export growth reached double digit which was rather impressive for a least developed country. Immediately after the liberation of Bangladesh, namely in the year 1972-73 the export earnings stood US$341 mn. Jute and jute goods constituted 90 percent of our exports. Almost a decade later traditional export products jute and jute goods constituted 63 percent of its export with RMG occupying only 1.1 percent of total export. This was transformed substantially by the next decade and RMG exports constituted 50% of total export and the share of jute and jute goods came down to only 23%. In 2002-03, export of RMG constituted over 75% of its total exports and jute and jute goods earnings came down to about 5 percent. Export of RMG products in 2002-03 reached $ 4,912 mn. In last year (2004-05), export earning from RMG products reached US $6,418 mn. This indicates that jute and jute goods in the early years of Bangladesh was considered to be the traditional exports of the country which has been relegated to the background during the subsequent decades. On the contrary, a very non-traditional item, RMG which started in the early 80s and which consisted of 1.1 percent of total exports of Bangladesh in 1981-82, is now earning over four-fifth of our total export income. Accordingly, RMG has become the traditional export of Bangladesh at present and that is why more emphasis should be given to potential export items like agro-based products, light engineering products, electronics etc.

Table 6: Bangladesh Trade Balance (million US$)

	FY 02	FY 03	FY 04
C. A. balance	240	339	445
Trade balance	- 1768	-2215	-2287
Export f.o.b	5929	6492	7521
Import f.o.b	7697	8707	9808

(The highest trade deficit was in the service sector: $ -767mn)

Source : Bangladesh Bank

7.0 NEGOTIATIONS ON AGRICULTURE UNDER WTO

7.1 Agriculture in GATT Negotiations

7.1.1 Agriculture has always been considered a highly sensitive sector in the GATT/WTO negotiations. Even though agricultural products are tradable goods, the GATT/WTO system has treated them separately from other goods because of the special nature of agriculture trade. The special treatment of agriculture was the reflection of concerns about the food security, the important role that agriculture has in the history and culture of many societies and the fact that food we eat is so intimately connected to our daily lives. Because of the special sensitivities connected to agriculture, GATT negotiations made little headway in dismantling protectionist domestic policies over several decades. The original GATT text contained a number of exceptions for agricultural products. One of the most important exceptions is found in Article XI that permitted quantitative restrictions on export and imports in relation to agricultural products under various conditions. Another exception is the Article XVI that permits export subsidies on agricultural products. Consequently, while the trade barriers dropped progressively in other goods, they remained relatively high in agriculture. The agricultural trade is now at a point where the industrial trade was about 80 years back. Until the Uruguay Round (UR) of negotiations, there was very little progress in removing agricultural trade barriers.

7.2 Agriculture in Uruguay Round Negotiations

7.2.1 The UR took serious initiatives to bring actual reforms in the agricultural trade. By the end of the UR, the Agreement on Agriculture (AOA) was adopted by the GATT/WTO Members. The WTO Agreement on Agriculture was successful in making binding commitments in some important areas:

a. It eliminates country-specific exemptions for agriculture (such as US waiver for its import restrictions) that had previously been allowed in GATT;
b. Some liberalizations were made in the domestic support, market access, export competition, and sanitary and phyto-sanitary measures and
c. Almost all agricultural products are now subject to multilateral disciplines including maximum tariff bindings.

d. The AOA set out special provisions for developing countries and countries in transition from centrally planned economies.

7.2.2 The Uruguay Round commitment was succeeded to make specific commitments on domestic supports, market access and export subsidies (Table 7). It was also able to reach consensus to convert the quota and other types of measures to tariffs familiarly known as "tariffication". This was achieved by a system of "tariff quotas" – lower tariff rates for specified quantities, higher rates for quantities that exceed the quota.

7.2.3 **Market Access:** The UR participants agreed that developed countries would cut the tariffs by an average of 36%, in equal steps over six years and developing countries would make 24% cuts over 10 years.

7.2.4 **Domestic Supports:** Developed countries also agreed to reduce the AMS (aggregate measurement of support) by 20% over six years starting in 1995. Developing countries agreed to make 13% cuts over 10 years. Measures with minimal impact on trade can be used freely—they are in a "green box". It also permitted certain direct payments to farmers where the farmers are required to limit production (called blue box), certain government assistance programmes to encourage agricultural and rural development in developing countries and other supports on a small scale *(de minimis)* are also allowed (5% or less for developed countries and 10% or less for developing countries and LDCs). It is worth mentioning that most of the LDCs including Bangladesh provide less than one of their value of agricultural production as domestic subsidies as they simply cannot afford to pay.

7.2.5 **Export Subsidies:** The Agriculture Agreement prohibits export subsidies on agricultural products unless the subsidies are specified in a member's schedule of commitments. Where they are listed, the agreement requires the WTO members to cut both the amount they spend on export subsidies and the quantities of export that receive subsidies. Taking average for 1986-90 as the base level, developed countries agreed to cut the value of export subsidies by 36% over six years starting in 1995, while the developing countries agreed to reduce 24% over 10 years. Developed countries also agreed to reduce the quantities of subsidized exports by 21% over six years and developing countries will reduce this quantity by 14% over 10 years. During the implementation period, developing countries are allowed to use export subsidies to reduce the costs of marketing and transporting export under Article 9.4 of the agreement. It is to be noted that only 25 countries submitted their export subsidies scheduled which means other than these prudent 25 countries, the rest of the WTO members are not allowed to pay these subsidies.

7.2.6 The Agreement on Agriculture contains a "peace clause" (Article 13) that allows countries to be immune from GATT complaints until 2004. There were serious attempts from the part of the developed countries to extend the "peace clause' during the Cancun Ministerial conference. But Cancun setback did not bring any positive outcome on this notorious issue. There an attempt from United States to revive the "peace clause" prior to the Hong Kong Ministerial conference, but it failed to generate necessary supports.

7.2.7 It is to be noted that all LDCs including Bangladesh are exempted from any reduction commitment on tariff, domestic supports or export subsidies under Article 15.2 of the Agreement on Agriculture. Like many other developing countries Bangladesh did not submit export-subsidy schedules in 1995. Hence the country is not allowed to provide the export subsidies other than processing, handling, upgrading and internal & international freight and transport charges as mentioned in Article 9.4 of AOA.

Table 7: Numeric target for cutting agricultural subsidies and protection

	Developed Countries (6 years reduction) (1995-2000)	Developing Countries 10-year reduction 1995-2004	Least Developed Countries
Tariffs:			
Average cut—all agricultural goods	36%	24%	No reduction commitment
Minimum cut per product	15%	10%	No reduction commitment

Domestic Support:			
Cuts for sector (Aggregate Measures of Support)	20%	13%	No reduction commitment
Export Subsidies:			
Value of Subsidies	36%	24%	No reduction commitment
Subsidized quantities	21%	14%	No reduction commitment

Source: WTO

7.3 Agricultural Negotiations until 2004

The Uruguay Round Agreement laid out a timetable for the continuation of the trade liberalization process. Negotiations for further reduction of trade distorting supports began in February, 2000. No termination date for these negotiations has been specified. However, no progress was achieved in these areas until the July Framework was adopted on 01 August, 2004. Many trade practitioners believed that the deeper roots for the collapse of the Cancun conference was agriculture with the main protagonists being the European Union and United States on one side, and the G-20 developing countries led by Brazil and India on the other side, and a grouping of 32 other developing countries emerging as an Alliance for Special Products and Special Safeguard Mechanism. The developing countries were unhappy that agricultural text did not take their concerns. They were also outraged at the poor treatment of cotton initiatives, which had attracted widespread supports.

7.4 July Framework

7.4.1 The July Framework was breakthrough to move forwards the WTO negotiations in general and agricultural negotiations in particular. Members were agreed to substantial reduction in the overall level of its trade-distorting support from bound level using a tiered formula, reduce final bound Total AMS by 20% by the first year of implementation, cap on Product specific AMS, reduce *De Minimis* domestic support and exempt LDCs, continued access to the provision under Article 6.2, limit Blue Box (production limiting support) at 5% of a Member's average total value of production, review Green Box (minimum or no trade distorting effect) criteria, eliminate all forms of agricultural export subsidies by an end date to be agreed upon, bring discipline in Food Aid to prevent commercial displacement and substantial reduction of overall tariffs.

7.5 *Agriculture in the Hong Kong Ministerial*

The objective for Hong Kong was to establish modalities for the further commitments in three pillars -- *market access, domestic support and export competition*. The Doha Ministerial Declaration agreed on "substantial improvement in market access; reduction of, with a view to phasing out, all forms of export subsidies; and substantial reductions in trade-distorting domestic support". Since the adoption of the July Framework, Members have engaged in a very intense process of consultation and negotiation, but the progress until November, 2005 was extremely disappointing. Members only reach consensus on the on the methodology for reducing the import tariffs or calculation of ***AVE (ad-valorem equivalent)*** and reached a consensus on the methodology to be used for converting 'specific' agricultural tariff based on quantities imported into ad valorem equivalents for all agricultural products except sugar.

7.6 *Ad Valorem Equivalent (AVE)*

7.6.1 *Ad Valorem equivalent (AVE)* conversion is a mathematical exercise through which 'per ton' or 'per liter' tariff rates are expressed as a percentage of the value of the commodity being traded. If a ton of rice only costs USD 100, a USD 100 per ton specific tariff on it would amount to an ad valorem rate of 100 percent. The cost of imported goods is thus central to the central to the calculation of AVEs – and the higher the per unit import price, the lower the AVE. It is more transparent way of looking into the tariff schedule. Members need to convert specific tariff into *ad valorem* equivalent for applying tariff cut formula.

7.6.2 Determining import price is straightforward for some tariff lines. Members need to use the 'unit value' method in these cases, basing the conversion on import volumes and notified import values.

7.6.3 Complication arise, however, with some products such as sugar and cheeses, for which import prices often differ significantly from world prices compiled in the UN commodity trade statistics (ComTrade) database. Cases for which the two data sets produce particularly divergent prices (and consequently, ad valorem rates) are filtered out and the AVE conversions are subsequently carried out based on both IDB and ComTrade data.

7.6.4 Agricultural exporters had been pushing for a conversion based more closely on the lower world prices. These would lead to higher AVEs, eventually putting the commodities in line for steeper tariff reductions. The EU and G-10 countries, which accord relatively high levels of protection to their agricultural sectors, had argued in favour of giving more weight to the higher IDB data. They contended that factors related to product quality would be neglected if the prices used were closer to ComTrade than IDB data.

7.6.5 Following intensive negotiations for eight months, WTO Members agreed on specific figures for weighting averages of the IDB and ComTrade price estimates. The prices of basic products will be weighted further towards the lower ComTrade prices, while the prices of processed goods will be relatively closer to the higher IDB levels. In terms of sequencing, the weighting of the prices in the two datasets will take place before a single AVE conversion is carried out. The final sequencing agreed to a weighting more skewed toward the ComTrade data than EC and G-10 had initially been willing to accept.

7.6.6 According to the deal, an 82.5/17.5 weighting will be applied to the ComTrade and IDB data to determine prices levels for basic products. For example, if the ComTrade price for an unprocessed product is USD 100 per kilogram, and the IDB price is USD 200 per kilogram, the compromise would see a price of USD 117.5 per kilogram used for the AVE conversion. For processed goods, the weighting agreed to was 60/40. In formula terms, the adjusted AVE conversion prices for the two types of products would be expressed as follows:

Unprocessed = (0.825 x ComTrade price) + (0.175 x IDB price)

Processed = (0.6 x ComTrade price) + (0.4 x IDB price)

7.6.7 It is to be noted that calculating the AVEs for the sugar lines is still to be established. Once the conversion of AVE is completed, Members had to agree to use the formula to reduce the tariffs. Since, LDCs are exempted from any reduction commitment of tariffs; the conversion to AVE is not a significant issue for them.

7.7 *Progress Prior to Hong Kong*

7.7.1 Prior to Hong Kong, Member countries started submitting different proposals, which showed very little flexibilities from their parts. The US proposed that by the end of a five-year implementation period developed country tariffs should be cut by 55 to 90 percent. Developing countries would be subject to "slightly lesser reduction commitments and longer phase-in periods to be determined when base parameters for developed country commitments are established." However, the US warned that developing countries "must make meaningful commitments which reflect their importance as emerging markets." In addition, the US proposed limiting sensitive products to one percent of dutiable tariff lines, and suggested that developed countries cap their tariffs at 75 percent and developing countries at 100 percent.

7.7.2 The EU proposed a 20 percent cut in the lowest of four tiers and 50 percent in the highest (above 90 percent) tier, coupled with designating 8 percent of all EU tariff lines – corresponding to roughly 160 products – as sensitive. This is a far cry from the one percent proposed by the US, but an improvement of the EU's earlier suggestion of 10 percent.

7.7.3 The G-20 group of developing countries also tabled a revised tariff proposal, which showed a marked difference in cuts suggested for developed and developing countries. The G-20 proposed a 100 percent maximum tariff for developed countries, and a 150 percent cap for developing countries. The number of sensitive tariff lines should be "very limited" and any deviance from formula reductions should be compensated through corresponding quota expansion. The G-10 group of net food-importing countries, which tend to have high tariff peaks on a number of products, is looking increasingly isolated in its adamant opposition to tariff caps. The group's latest proposal would give Members the choice between two options for reducing tariffs: (i) a fixed percentage in each tier, with a maximum of 15 percent of tariff lines designated as sensitive, or (ii) flexibility built in the tariff reduction formula itself, with 10 percent of tariff lines eligible for being treated as sensitive.

7.7.4 During the Ministerial meeting on 10 October, 2005 in Zurich the US proposed for the elimination of all trade-distorting agricultural support, as well as tariffs, over a 15-year period starting in 2008. During the first five years, the EU and Japan should reduce their most trade-distorting (Amber Box) domestic subsidies by 83 percent, and other developed countries should commit to a 37 percent reduction. In exchange, the US offered to cut its own Amber Box support by 60 percent, as well as to reduce from US$7.6 billion to US$5 billion the annual counter-cyclical payments it uses to shield US farmers from the fluctuation of world market prices. US are also ready to cut allowed *de minimis* support from the current 5 percent to 2.5 percent of the value of total agricultural production and elimination of export subsidies by 2010. Controversially, the US wanted to see the ***Peace Clause*** to be reinstated in the new agriculture deal. The G-20 group of developing countries proposed domestic subsidy reductions ranging from 70 to 80 percent for developed countries, with developing countries reductions amounting to less than two-thirds of those undertaken by industrialized countries. The EC also expressed to cut the by 70 percent, coupled with a 65 percent reduction in *de minimis* support and "possible reductions in maximum agreed levels of partially distorting Blue Box payments." EC however, stressed that the EU's flexibility in agriculture would be "heavily influenced" by the negotiation non-agricultural market access (NAMA) and services.

7.7.5 With regard to food aid, the objective is to only provide food aid when commercial transactions are not possible and so avoids displacing commercial transactions. The WTO Members have different views whether food aid is a subject matter of WTO or not and whether food aid in kind causes commercial displacement or not. The differences begin on the question where to draw the line at which genuine food aid ends and commercial displacement begins.

7.7.6 On exporting state trading enterprises, the discussions have concentrated on identifying, which distorts trade and how to eliminate these. Subsequently, the issue of the future use of monopoly powers will have to be negotiated, taking duly into account the Framework provision regarding state trading enterprises in developing country Members.

7.8 Development of the Group: G-20

7.8.1 It was mentioned earlier that the failure of the WTO Ministerial Conference in Cancun in 2003 was a setback for the multilateral trade negotiations (MTN). The so-called Singapore Issues led to the collapse of Cancun and the various groupings, which worked in Cancun took different shapes in the subsequent discussions in Geneva and elsewhere. New groupings emerged and took various shapes also during post-Cancun negotiations. One of these groups was the G-20 (G-22 in Cancun), which took active part in the negotiations in agriculture. Although G-20 consists of 20 developing Members of WTO, Argentina, Brazil and India played more prominent role in Hong Kong Ministerial. G-22 itself took various shapes between Cancun and Hong Kong such as G-21 or G-18 etc.

7.8.2 If we look at the performance of agriculture sector in the G-20 countries, which were at the forefront of Doha Round negotiations in Agriculture (AOA), we find that dependence on agriculture of these countries or their agricultural exports were not equally important in terms of their external trade. It has been noticed that G-20 as a negotiating group had acquired a much stronger position in the run up to Hong Kong Ministerial in 2005 compared to WTO Ministerial in Cancun in 2003. It should, however, be kept in mind that this coalition includes advanced developing countries like China, India, Argentina, Brazil etc. and it was a cohesive force that worked hard to obtain concessions from the US and the EU in Hong Kong. Cancun might have given them a lesson and they worked non-stop to realize benefits in the next WTO Ministerial. Despite their differences, G-20 countries were able to keep their aim at the AOA fairly consistent until the Hong Kong Ministerial compared to the Least Developed Countries which, as a group did not perform well in the Hong Kong Ministerial.

7.9 ***Least Developed Countries as a Group***

7.9.1 African LDCs had somewhat different perceptions about the on-going WTO negotiations even at the Doha Conference and its aftermath. This was visible at the LDC Trade Ministers Meeting in Dhaka in June, 2003 and subsequent events in Geneva, Livingstone etc. At the Dhaka Trade Ministers Meeting, the African LDC group had to be persuaded to agree to the inclusion of certain issues of interest of Asia- Pacific LDCs such as Movement of Natural Persons (Mode 4), flexible Rules of Origin etc. in exchange of inclusion of Cotton Issue, which was very vital to four African LDCs, in the Dhaka Declaration. In practice the LDC group was unfortunately not functioning as a cohesive group since the Doha Conference and it required serious efforts when the two LDC Declarations were finalized. There were obvious difficulties in coordinating differing viewpoints of African LDCs and the Asia- Pacific LDCs.

7.9.2 It is been observed that the Least Developed Countries are not following the Doha negotiations on Agriculture or AOA with keen interest. If one examines the major negotiating documents of the LDCs as reflected in the Dhaka Declaration issued after the LDC Trade Ministers Meeting in Dhaka in June, 2003, one observes that out of the 15 major points/demands incorporated in the Declaration, there was no mention of the AOA at all. Binding Duty-free, Quota-free Market Access for the LDCs exportables with realistic, flexible and simplified rules of origin, raising LDCs market share, implementation related issues, S&D proposals, movement of natural persons, enhanced technical and financial assistance etc. were the prime concerns of the LDCs prior to the Cancun WTO Ministerial in 2003.

7.9.3 Prior to the Hong Kong Conference, the LDC Trade Ministers met again in Livingstone, Zambia and adopted the Livingstone Declaration in June, 2005 – exactly two years after Dhaka Meeting in 2003. In the Livingstone Declaration also one finds that out of the 39 major points/demands, not a single one dwelt with the Agreement on Agriculture as such. LDCs did not show any offensive interest in the trade in agriculture in the Livingstone Declaration. The only agricultural issue that the LDCs were concerned was about the 'cotton issue' which was indeed a major concern for four African LDCs -- Burkina Faso, Chad, Benin and Mali. It is as such pretty clear that unlike the G-20 countries, the LDC countries were not much serious about AOA in any meaningful way, right from the Fourth WTO Ministerial at Doha. After all has been said and done, Agreement on Agriculture, by the end of 2006 may bring benefits to the poorest segment of the world economy, if the LDCs play their cards well in Geneva and if the newly introduced concept of 'Aid for Trade' gives due attention to the supply-side constraints of these countries.

7.9.4 It may, however, be kept in mind that the 20 countries within the G20, was not a UN recognized group as the LDC group, but LDCs lack of capacity development in trade negotiations was very much visible in Hong Kong. Successive LDC Trade Ministers Meeting since 2001, starting with the Zanzibar Meeting, helped formulating LDC positions in the various WTO Ministerials, but LDCs lack of capacity development in various areas, including negotiations, still remain a problem. It was also visible in Hong Kong when both the United States and Japan opposed 100% duty-free and quota- free market access facility to all the LDC countries, particularly Bangladesh and Cambodia. Bangladesh seemed unprepared for this eventuality and had no formulas ready for facing the developments. It is perhaps true that Bangladesh did not do its homework properly and all the stakeholders were not fully prepared for meeting the emerging situations. The US and Japanese reactions should have been anticipated and proper response should have been discussed and decided beforehand and no option should have been left unnoticed by various stakeholders. May be multi-pronged actions at various stages and various places could have been anticipated and follow-up actions taken accordingly. Initiatives from the capital might have been planned as well. It should be remembered that WTO negotiations are very complicated in nature and various Trade Bodies, Research Institutions, Major Universities as well as the Public Sector organizations should made combined efforts to get the best result out of Hong Kong. At the same time net-working is also very important in such a situation. One might have noticed that networking with ACP group, African Union worked well in Cancun and the result achieved up to the Second Draft Ministerial Declaration (13 September, 2003), one day before the collapse of the Conference, may perhaps be seen in that context.

7.10 ***Agriculture Issue and the G-20 countries***

7.10.1 As we had mentioned earlier, the agriculture sector in various countries in the G-20 group did not receive equal importance. Some of them were even net food importing developing countries (NFIDCs). For example, in 2001, China's agricultural population, as a percentage of its total population was as high as 66 percent, whereas in India it was 53 percent. This figure was less than half in Brazil which was only 16.6 and in the case of Argentina the same figure was only 10.8. So we see that percentage of agricultural population in Argentina was one-sixth than that of China in that year. Even in the case of South Africa, it was 13.6 percent only and for Thailand, a very large rice exporter, it was as high as 48.4 percent, which clearly indicates a wide divergence of importance.

7.10.2 The following table (Table 8) will illustrate importance of trade in agricultural exports as a percentage of total exports;

Table 8: Contribution of Agriculture in GDP, exports and employment generation and Trade Balance

Country	Agricultural GDP as % of Total GDP	Agricultural population as % of Total population	Agricultural Exports as % of Total export	Agricultural Trade Balance ($m)
Argentina	4.8	10.8	41.2	9,779
Brazil	12.5	15.6	27.5	12,851
China	15.2	66.0	2.2	-3,401
India	25.1	53.1	11.9	1,220
Pakistan	25.4	50.3	11.0	-500
South Africa	3.5	13.6	7.7	1,039
Thailand	10.4	48.4	11.7	4,500

Source: Centad, 2005

7.10.3 The above table (Table 1) illustrates that China's agricultural exports as a percentage of total exports was rather insignificant while its agricultural trade balance was negative (US$ -3,401 million). In case of Pakistan, its agricultural balance was also negative (US$ -500 million). During the Post-WTO Hong Kong Stock-taking Regional Conference in Islamabad, held on 22nd December, 2005, some Pakistani experts questioned the justification of Pakistan joining in the G-20 coalition since it was a net food importing country. As a matter of fact as many as seven countries, out of 20 in the G-20, were net food importing countries and another four countries were marginally surplus. For the G-20 countries as a whole, the agricultural balance, however, was a respectable figure ($20,952m).

7.10.4 Available figures indicate that in 2003, the United States exported 3.8 million tones of rice. The USA was the third largest exporter of rice in that year after Thailand and Vietnam although it's average production cost was much higher. Only a substantial subsidy element made it a large exporter of rice. On going negotiations in Agriculture during 2006 in Geneva and the reduction of export subsidy by the developed countries will perhaps benefit larger developing countries while smaller countries in the same region are likely to suffer. Among the South Asian countries, only India is expected to benefit from the Doha Round and for the NFIDCs, including 46 out of the 50 LDCs (according to some estimates all the LDCs and NFIDCs), the result may be a higher import bill which they can ill afford. Bangladesh will fall in the later category and its food import bill is expected to go up putting it at a risk if its manufacturing exports do not pick up well as a result of negotiations in 2006 under the Doha Round. It is not yet certain if the major export sector of Bangladesh, namely the RMG exports, will be totally excluded by the United States of America (Bangladesh's largest export destination country) under the 3% exclusion list that came out in the Hong Kong Declaration in December, 2005.

8.0 ACHIEVEMENTS IN HONG KONG

8.1 The Hong Kong Ministerial Conference of the WTO achieved a limited success. It should be judged from the background of a possible failure like Cancun. Most people believe that the success of Hong Kong was the fact it did not fail. A major G-20 country feels that, the gains in Agriculture are, i) developed countries will not be in a position to hide their trade distorting domestic support in various boxes (such as green, blue boxes); ii) developing countries have been exempted from reductions in *de minimis* and the overall cut in trade distorting domestic support; iii) developed countries will eliminate all forms of export subsidies by 2013 and export subsidies on cotton by 2006 iv) developing countries will be able to declare appropriate number of special products, which will be outside the ambit of tariff reduction formula, on a self-selection basis; v) developing countries will also be in a position to negotiate a special safeguard mechanism, which will enable them to raise import duties on agricultural products if there is a surge in imports or there is a fall in prices and agreed to establish modalities by April, 2006 and submission of the schedule of commitments by July, 2006. The major decisions on three pillars of agriculture, namely domestic support, export competition & market access and also on cotton are as follows:

8.1.1 **Domestic Support:** There was no consensus in agriculture to reduce the total AMS supports. Members only agreed to use three bands for reduction in the Final Bound Total AMS and trade distorting domestic support with higher linear cuts in higher bands.

8.1.2 **Export Subsidies:** The most important achievement in Hong Kong was the elimination of export subsidies by the end of 2013. Members also agreed to maintain an adequate level of food aid and to create a "safe box" to ensure that there is no unintended impediment to dealing with emergency situation. The discipline on export credits, export credit guarantee or insurance programs, exporting state trading enterprises, food aid and provision in favour of LDCs and NFIDCs will be completed by 30 April, 2006. Moreover, developing country Members are allowed to provide subsidies for domestic and international freight charges, handling, processing charges under Article 9.4 of AOA for five years after the end date for elimination of export subsidies.

8.1.3 **Market Access:** Members agreed to adopt four bands for structuring tariff cuts. Developing countries will have the flexibility to self designate an appropriate number of tariff lines as Special Products (SP) based on the criteria of food security, livelihood security and rural development. They have also the right to have recourse to a Special Safeguard Mechanism (SSM) based on import quantity and price triggers.

8.1.4 **Cotton:** All forms of export subsidies for cotton will be eliminated by developed countries in 2006. Developed countries will give duty-free and quota-free access for cotton imports from LDCs. It is to be noted that USA was bound to eliminate export subsidies on cotton by September, 2006 because of the WTO Appellate Body ruling on the complain raised by Brazil against USA on cotton subsidies. But the Hong Kong Ministerial did not reach any consensus on elimination of domestic support on cotton, which is the main concern of the cotton producing four African countries. It is worth mentioning that USA provided $3.96 billion domestic subsidies in 2001-02, European Commission (EC) provided $ 0.98 billion in the same year, while the total world production of cotton is US $ 20 billion.

9.0 BANGLADESH AND HONG KONG

9.1 Hong Kong Ministerial Declaration incorporated some special and differential (S&D) treatment provisions for LDCs on agricultural, NAMA (non-agricultural market access) and services. Following are some of the notable provisions on agriculture and S&D for LDCs:

9.2 Agriculture

- LDCs are exempted from any reduction requirements.
- A safe box for bona fide food aid will be created to ensure that that there is no unintended impediment to dealing with emergency situations.

9.3 Special and Differential Treatment (S&D)

- "Developed country members shall and developing country members declaring themselves in a position to do so should
  - Provide duty-free and quota-free market access on a lasting basis, for all products originating from all LDCs by 2008 or no later than the start of the implementation period in a manner that ensure stability, security and predictability.
  - Members facing difficulties at this time to provide market access as set out above shall provide duty-free and quota-free market access for at least 97 percent of products originating from LDCs, defined at the tariff line level, by 2008 or no later than the start of the implementing period. In addition, three Members shall take steps to progressively achieve compliance with the obligations set out above, taking into account the impact on other developing countries at similar levels of development, and as appropriate, by incrementally building on the initial list of covered products.
  - Ensure that preferential rules of origin applicable to import from LDCs are transparent and simple, and contribute to facilitating market access.
  - We urge all donors and relevant international institutions to increase financial and technical support aimed at diversification of LDC economics, while providing additional financial and technical assistance through appropriate delivery mechanism to meet their implementation obligation including SPS and TBT requirements.
- The least developed country Members will only be required to undertake commitments and concessions to the extent consistent with their individual development, financial or trade needs, or their administrative and institutional capacities.
- "We urge donors, multilateral agencies and international financial institutions to coordinate their work to ensure that LDCs are not subjected to conditionalities on loans, grants and financial development assistance that are inconsistent with their rights and obligations under the WTO Agreements."
- LDCs shall be allowed to maintain on a temporary basis existing measures that deviate from their obligations under the TRIMs Agreement.
- LDCs will also be provided necessary technical and financial supports to overcome their limited human and institutional trade related capacity, to build supply-side capacity and trade related infrastructure under Aid for Trade and Integrated Framework (IF).

9.4 The Sixth WTO Ministerial Conference in 2005 was observed with keen interest and the follow-up negotiations in 2006 will also be followed up intensely by the LDCs like Bangladesh. The general perception in Bangladesh about the outcome of Hong Kong is rather negative. This may not be fully correct, since along with other LDCs Bangladesh will gain in some areas depending upon the negotiations in 2006. The Under Secretary General and the Head of the LDC outfit of the United Nations feels that 2006 will be a crucial year for the poorest countries of the world. He felt that that the 'smallest, poorest and the most fragile economies of the world (least developed countries) have returned from Hong Kong WTO Conference with some gain and some unfinished work program for the year 2006.' This is perhaps a good assessment about the outcome of the Hong Kong Conference in the context of the LDCs. Among the LDCs Bangladesh's gain was perhaps the minimum, but it is too early to tell.

10.0 BANGLADESH AGRICULTURE: POLICY FRAMEWORK

10.1 National Agriculture Policy

10.1.1 The present Agriculture Policy was adopted by Bangladesh in the year 1999. In the National Agriculture Policy (NAP), 1999 it was stated that 'Although agriculture used to be originally defined as the cultivation of land for producing crops only, now-a days, any applied activity through proper utilization of natural resources which relates to the production, development, preservation, processing, marketing and extension of not only crops but also other agricultural commodities such as fish, meat, eggs, forest products etc. is universally accepted within the purview of agriculture. According to the above definition, crop production, animal husbandry, fisheries, forestry, etc are integral components of agriculture. After such a declaration, the Agriculture Policy went on to say 'But, crops undoubtedly constitute the largest and most important sector of Bangladesh agriculture'. This perhaps defines the aim of the government in the agriculture sector, which lays paramount importance to crop production for attaining self sufficiency in food grain production. The Policy as such, has no export bias and the primary focus was on crop/cereal production and not on the high value products, which could earn precious foreign exchange for the country.

10.1.2 The objectives of the National Agriculture Policy are:

- ensure a profitable and sustainable agricultural production system and raise the purchasing power by increasing real income of the farmers;
- preserve and develop land productivity;
- reduce excessive dependence on any single crop to minimize the risk;
- increase production and supplies of more nutritious food crops and thereby ensuring food security and improving nutritional status;
- preserve existing bio-diversity of different crops ;
- Take up programs for the introduction, utilization and extension of bio-technology;
- Take necessary steps to ensure environmental protection as well as 'environment-friendly sustainable agriculture' through increased use of organic manure and strengthening of the Integrated Pest Management (IPM) program;
- Take appropriate steps to develop an efficient irrigation system and encourage farmers in providing supplementary irrigation during drought with a view to increasing cropping intensity and yield;
- Establish agriculture as a diversified and sustainable income generating sector through strengthening of 'Farming System' based agricultural production and agro-forestry programs;
- Take effective steps to ensure input supplies to the farmers at fair prices in a competitive market and remove difficulties at the farmers' level which have arisen out of the privatization of input distribution system;
- Develop marketing system to ensure fair prices of agricultural commodities;
- Introduce an appropriate institutional system of providing credit to ensure the availability of agricultural credit in time;
- Produce and supply of agricultural commodities as required by the industrial sector;
- Reduce imports of agricultural commodities and find out newer opportunities for increasing exports as well;
- Create opportunities for establishing agro-processing and agro-based industries;
- Protect interests of the small, marginal and tenant farmers;
- Update the agricultural system in the light of the Agreement on Agriculture under the WTO, SAFTA and other international treaties by protecting the national interests, and
- Develop contingency management system to combat natural disasters.

10.1.3 The National Agriculture Policy has given emphasis on i) Crop Production , ii) Seeds, iii) Fertilizers, iv) Minor Irrigation, v) Pest Management, vi) Agriculture Mechanization, vii) Agriculture Research, viii) Agriculture Extension, ix) Agriculture Marketing, x) Land Use, xi) Agricultural Education and Training, xii) Agriculture Credit, xiii) Government Support for Agricultural Production, xiv) Food-based Nutrition, xv)

Environmental Protection in Agriculture, xvi) Women in Agriculture, xvii) Coordination among the Government, NGOs and Private Sector and xviii) Reliable Database.

10.1.4 If one analyses the National Agriculture Policy quoted above, one finds that apart from giving a sort of lip-service, the Policy does not deal with the export related issues of the agriculture sector as such in a meaningful manner. Even as late as 1999, the export of agricultural products did not get adequate attention from the policy makers concerning the agriculture sector of Bangladesh. Apparently, policy makers did not foresee any positive development in this sector and food self-sufficiency continued to be the dominant issue. This continued even after food grain productions in the country increased from 8.744 million (mn) metric tones (m.t) in FY 72 to 25.0617 mn. m.t in FY 04 – a three-fold increase (Annex-3). In recent years, productions of wheat and maize have increased substantially compared to the 70s.

10.1.5 It appears that commercialization of agriculture, as a concept was somehow missing from the policy and food security remained as the major issue for the agriculture sector. Bangladesh has not yet come out from the 'Food-deficiency' syndrome (may be the result of so-called food politics in the country since the early 50s) and the historic legacy had continued to occupy the front seat even after she has achieved remarkable success in increasing agricultural production in the country. The country saw an increase in the productions of most of the agricultural products -- rice, wheat, maize, potato, pulses, fruits and vegetables between FY 72 to FY 04.

Table 9: Production of Agricultural Products (in 000 metric tones)

Item	FY-72	FY- 04
Rice	9774	26796
Wheat	113	1507
Maize	2.2	117.3
Other Cereals	72	34

Source: MMIS, Ministry of Agriculture

**(Total production increased from 8744.03 thousand metric tons to 25061.76 Thousand m. tons during the period)*

Table 10: Production of Selected Agricultural Products during FY72 to FY03

(000 metric tons)

Item	FY-72	FY- 03
Pulses	259.4	344.6
Oilseeds	240.4	368.8
Spices	320.1	425
Potato	1476	3718
Vegetables	705	1604.7
Fruits	1357	546.9

Source : MMIS, Ministry of Agriculture

10.2 Export Policy of Bangladesh

Export Policy, 2003-2006 has given due policy support to the agro-products and agro-processing products. Out of the five highest priority sectors identified in the Export Policy, this sector occupies number two position – staying only behind the software & ICT products. The potential of agro-products and agro-processing products was recognized in the policy and highest priority was given to this sector which it deserves.

10.2.1 The Export Policy also lists 11 incentives and facilities that would be provided to the highest priority sectors. These are:

- i) Project loan with lower interest rate on priority basis;
- ii) Income tax exemption;
- iii) Financial incentives including cash assistance;
- iv) Export loan on easy term and lower interest rate;

v) Air transport facility with exempted transport fare;
vi) Tax return/ bond facility;
vii) Assistance for setting up infrastructures and related unites to reduce production cost;
viii) Expansion of institutional and technical facilities for developing product quality and quality control;
ix) Assistance for marketing products;
x) Assistance for exploring markets abroad;
xi) Assistance in foreign investment.

10.2.2 The Export Policy also identified several 'Export Facilities' such as i) Use of foreign currency, ii) Export Development Fund, iii) Providing fund for export, iv) Export loan, v) Exemption in insurance premium, vi) Incentives for export of non-traditional industrial products, vii) Income tax exemption (50%), viii) Bond facilities, ix) Duty-free import of capital machineries, x) Tax holiday, xi) Duty-draw- back etc. These and other incentives that were provided in the policy for encouraging exports of primarily non-traditional products from Bangladesh including agro-products and agro-processing products which was listed as one of the five ' highest priority sector' in the current Export Policy of the Government of Bangladesh.

10.2.3 The Export Policy also incorporates the following policy guidelines:

a. Contract farming will be encouraged for production of exportable vegetables;
b. Export Villages will be set up and subject to availability, government lands will be allocated in favor of entrepreneurs/ exporters for producing vegetables and fruits.
c. Duty return system will be eased for the export of processed agricultural products.

10.2.4 Other measures were also identified in support of exports of agro-products and agro-processing products. Agribusiness thus received adequate policy support from the government in 2003 which may perhaps require a more upward revision in the next policy.

10.2.5 In the Import Policy Order 2003-2006, there are a number of provisions which encourages manufacturing/agro-processing sector to grow. Bonded facility, Entre-pot system/temporary import for facilitating import and re-export and other provisions have been included.

10.3 *Policy Consistency*

If one analyses the current Export Policy issued by the MOC and the National Agriculture Policy issued by the MOA, one realizes that there is hardly any policy consistency between these two important ministries related to external trade of Bangladesh in the agro-based sector. Export Policy had given a lot of support to this sector whereas the NAP had made a very casual reference to the export market of these products. While the Export Policy, which was framed in consultation with the concerned trade bodies, had reflected, to a substantial extent, the concerns of the processors/ exporters of this product, the NAP does not look like a document, which had taken into consideration the concerns of the related trade bodies as well as the processors/exporters. This lack of policy coherence should be given due considerations by the policy makers when the new NAP would be finalized.

10.4 Contract Farming and Commercialization of Agriculture: A Policy Shift

10.4.1 Contract Farming as a concept was given emphasis in the Export Policy 2003- 2006 as mentioned earlier. As it was rather neglected in the National Agriculture Policy, 1999, it requires serious attention by the policy makers since Bangladesh is a land hungry country and large scale farming is not a feasible idea. Land scarcity as well as fragmentation of land holdings perhaps make it a compulsion for the country to look at contract farming (CF) with due importance.

10.4.2 There are various reasons as to why Bangladesh should go for contract farming to achieve a good growth in the export of agro-based products. It may be the most suitable method of agricultural farming in Bangladesh in view of;

a. Serious scarcity of land,

b. High density of population,
c. Fragmentation of land holdings,
d. Mostly illiterate farmers,
e. Poor agriculture credit delivery system.
f. Lack of access to new technology and inputs.
g. Under-developed delivery system.

10.4.3 *What is contract farming:* 'Contract farming refers to a system wherein, a farmer/primary producer agrees to supply a pre-agreed quantity/ acreage of certain quality/variety produce at a pre-agreed price and time, to a processing/marketing firm (a known buyer).It is also known as outgrower scheme, and satellite farming. The contracts could be only procurement arrangement or resource providing as well. The relevance and importance of each type varies from/product over time and these types are not mutually exclusive. A farmer may prefer a contract due to:

- access to additional source of capital,
- a more certain price,
- access to new technology and inputs.

For a processor or distributor, contracts:

- make smaller demands on scarce capital resources,
- are an alternative to costly and risky corporate farming,
- provide an access to unpaid family labor and a route to make use of State funds directed at farmers by development agencies '(Centad).

10.4.4 Although there are allegations that this method of farming is not suitable to small and marginal farmers, because of their lack of capacity to get a fair deal from the large firms/company, it should be remembered that the existing opportunities to small and marginal farmers are not much better either. If the farmers rights are somehow protected either by government regulations or by forming effective cooperatives/New Generation Cooperatives, then the farmers rights and obligations as well as "Company's**"** rights and obligations can be addressed properly. The best arrangement could be a win- win situation.

10.4.5 It should however, be remembered that contract farming is not an absolutely new concept in Bangladesh. It was there in the ancient times and the concept of 'Sharecropper' or 'Borgachashi' was an inherent part of our farming method, which is continuing even now. During Pakistan period, all the sugar mills had a system of contract farming in and around the sugar mills and the sugarcane producers were supposed to sell their sugarcanes to the mill. After liberation, a multinational firm British American Tobacco used this method successfully in Kustia region for cultivating a particular type of tobacco for ultimate processing in its factory. The system is functioning rather satisfactorily for both sides and incomes of the farmers have increased in recent years. According to Agriculture Marketing Company Ltd. (AMCL), it was the first Bangladeshi company which introduced CF successfully for producing, i) aromatic rice, ii) pulses (mug dal), iii) pea nuts, iv) tomato, v) spices. The company supplies credits, seeds and gives buy-back guarantee to the farmers. Price guarantee was given in the initial year but stopped later on in view of difficulties faced by the company. Price is now determined on weekly basis.

10.4.6 We have seen that contract farming (new type) has started in Bangladesh on a limited scale. However, if Bangladesh has to develop its agro-based industry and give it an export bias, contract farming should be taken up seriously by all the relevant parties involved. In India, it developed quite well in recent years and the state (provincial) governments are also a party to such arrangements which involves farmers, companies, NGOs, cooperatives/new generation cooperatives, government, agricultural extension services etc.

10.4.7 Multi-national Companies (MNCs)/ large national companies in India, such as Pepsi, Cadbury, Unilever, ITC, Cargill and Ballarpur Industries, JK Paper, Wimco, Green Agro Pack etc. are involved in contract farming in various provinces, Punjab, Tamil Nadu, Andhra Pradesh, Maharashtra etc. Financing institutions like ICICI Bank, SBI, UTI Bank and

NABARD are also involved in contract farming in India. Bangladesh should consider this option seriously in order to diversify its export basket. The model suggested by the Japanese Government in its Trade Development Initiative in December, 2005 should be carefully examined by all relevant parties in Bangladesh. If it can be organized properly, it may perhaps revolutionalize our agriculture system and diversify our exports, generate employment in the rural areas, enable us to target niche markets abroad, reduce poverty by raising income of the general masses.

11.0 EXPORT OF AGRICULTURAL PRODUCTS AND ITS POTENTIALS

11.1 Bangladesh has experienced a good export growth during the last two/three decades, except for FY 98 because of devastating floods and in FY 02 due to 9/11 event in USA. However, manufacturing exports have gone up without a corresponding increase in ago-based/agro-processed exports. Exports of agro-based/agro-processed products have increased only in the recent past. Export of vegetables has gone up from $ 8.69 mn in FY 95 to $ 43.33 mn in FY 05. The export target for vegetables has been fixed at $ 52mn for FY 06 -- more than six times of FY 95. In recent years, export of potato, spices, tobacco and even rice have gone up indicating new items of export in the agricultural sector. Export of cut-flower/foliage, biscuit, condensed milk, whisky and sauce have also shown good progress recently which require follow up by the Ministries of Commerce, Industries and Agriculture and the relevant trade bodies. It has earlier been stated that export potentials of agro-based/agro-processed products has become noticeable by now. Its growth in recent years is fairly satisfactory and even encouraging. Recent investment figures in this sector/sub-sector are at the same time quite encouraging. During the immediate past year, namely 2005, local investors choose to invest in this sub-sector and it attracted fourth highest investment in this year.

Following tables (Table 11 and Table 12) will indicate export growth of the agro-products from Bangladesh.

Table 11: Export of Agricultural Commodities from Bangladesh (excluding cash crops)

(000 US$)

Item	FY 83	FY 05
Fruits	*04 (94 m.t)	3075
Vegetables	*56.80 (1686m.t)	43332

*Source : MMIS, MOA/BAPA (*million taka)*

Table 12: Exports of Various Agricultural products (FY 03 – FY 04)

(‘000 Tk.)

Items	FY 03	FY 04
Vegetable products	236,501	351,861
Edible vegetables	715,797	837,308
Fruits/nuts	32,286	32,561

Source: Bangladesh Bank

High growth items were, i) Sugar and sugar confectionary; ii) Beverages/spirits/ vinegar; iii) preparations of vegetables/fruits, nuts/others.

If we have a look at the import of agricultural products other than food grains/cereals (Table 13 and Table 14), we find that the growth is noticeable:

Table 13: Import of food items other than food grains (including milk, sugar, edible oil)

(million US$)

FY 02	FY 03	FY04	FY05 (3 qtr)
506	760	865	795

Source : Bangladesh Bank

Table 14: Import of Agricultural Products (excluding cereals)

(million taka)

Item	FY 85	FY 04
Oilseed	173	1,264
Edible Oil	3,529	15,003
Pulses	--	548
Onion	--	291*
Sugar	990	1,531**

***** Highest import of onion during this period was 1149mn in FY 02 and
** for sugar, it was 5651mn in FY 03.
Source : MMIS, MOA

11.2 Recent export figures of agro-products indicate that export earnings have significantly increased. The three-year Export Policy, 2003- 2006 of the Government of Bangladesh fixed a target of $ 47.61 mn for this sector in the terminal year (2005-2006). It now appears that the target will be exceeded by a wide margin. Current years' (FY 06) export earning from agricultural products will, very likely, exceed 125m dollars – about three times the target fixed for this sector in the Export Policy only three years earlier. The Bangladesh Bank Quarterly published issue April-June, 2005 mentions that 'Looking at the composition of exports, the products which led the growth in exports in the fourth quarter are: knitwear and woven garments and the other miscellaneous products (includes agricultural products, electronics, ceramic tableware, handicrafts and computer services) reflecting improvements in supply and demand conditions in major markets.' In fact export of agricultural products has reached a stage that this product group deserves separate mentioning without being lumped together with other miscellaneous products. If we take a look at the export figures of ceramic products during the last twenty years, we find that total export in a given year has not exceeded $ 30mn although this sector required huge investments. Export of ceramic tableware in FY 05 was $28.75mn as against the export figure of agricultural products of $ 98 mn in that year. This has been quoted not to undermine the importance of ceramic ware exports, which requires encouragement as we need to diversify our export basket. The comparative export figure suggests that we have other products which has better growth potentials and that should get better attention from all concerned. The exports of agro-based/agro-processed products have been growing consistently in recent years and as such this sector deserves full attention of the policy makers.

11.3 It is quite evident that Bangladesh's external trade in agriculture did not get much attention earlier. We have seen that very recently it is showing good growth. During the first quarter (July- Sept) of FY 06 (2005-2006), export earning from agricultural products achieved a hefty growth of over 49%, from $ 20.94 mn in the first quarter of FY 05 to $ 31.29 mn in the first quarter of FY 06. Compared to the first quarter of FY 03, the growth in exports was calculated at 361% -- a quite impressive growth indeed. This excludes agricultural products like tea, raw jute, frozen-food. It should, however be admitted that the contribution of this sector to total exports of the country has not so far become significant. This sector/sub-sector contributed only 1.27 percent to the total exports of Bangladesh during the current export year (2005-06). If, however, we go back to the year 2002-03, we find that this contribution was only 0.50 percent and while the contribution in absolute terms is still not significant, the growth is nonetheless noticeable. The export earning from agricultural products in FY 02 was a mere $ 22.53mn and this has risen to $ 82.47mn in FY 05. In FY 00, this figure was $18.03mn and back in FY 95, the earning was only $ 12.99mn.

11.4 The Bangladesh Agro-Processors' Association (BAPA) estimates that Agro/ Agro-based and Agro- Processed Products exports, including traditional products like jute, tea, tobacco, were $ 103mn in FY 02 which reached $ 206.9mn in FY 05. During the current rear (FY 06), the exports had reached $ 84.49mn during the first four months.

11.5 The above figures clearly indicate that the agro-based export earning from has shown a rapid growth in recent years only. The export of cut flower/foliage has registered a growth of over 745% in the FY 05 compared to FY 04 and this must be seen as a significant development in recent years. If this achievement is seen against the backdrop of export price index, it will turn out to be more significant since the export price index had shown a negative growth of 12.54 % for the primary products whereas volume growth in that year (FY 05) was 20.20 % -- a respectable growth indeed.

12.6 If one takes a look at the export performance of the largest agro-based company in Bangladesh (excluding cash crops, tobacco included), one notices that AMCL has more than doubled its exports in three years time. Starting from FY 02 to FY 05, it is an impressive growth. One has to realize that it was not a ready market like textile and clothing and it required a lot of efforts to develop the market. But the effort gave dividends adequately.

Table 15: Export of AMCL (2002-2005)

(million $)

FY 02	FY03	FY03	FY04
1.64	2.4	3.17	4.5

Source : AMCL

11.2 ***Government Initiatives***

11.2.1 Initiatives have been taken by the Government of Bangladesh in the area of agro-products development in recent time. The government had earlier introduced an incentive scheme to provide support to non-traditional exports including agricultural products and agro-processed products. A number of agro- processed products were being marketed abroad in recent years, although not in large quantities.

11.2.2 The recent publication of the Export Promotion Bureau listed several items as ' New Additions to Bangladesh Export Basket'. These are:

1. Puffed rice
2. Toasted bread
3. Fruit juice
4. Mango pulp
5. Roasted nuts
6. Ethnic snacks (chanachur)
7. Biscuit
8. Pastry
9. Cake
10. Banana
11. Wood apple
12. Natural honey
13. Dry food
14. Crushed bones
15. Mixture of vegetables
16. Cane sugar
17. Cut flower/foliage
18. Potato
19. Potato flakes
20. Bay leaves
21. Fruit seeds
22. Capsicum
23. Mushrooms
24. Spice
25. Mustard oil
26. Mustard seeds
27. Fine rice
28. Aromatic rice
29. Husked rice (Broken)
30. Husked rice(Brown)

Source: EPB Publication, December, 2005

11.2.3 Although EPB has identified the above mentioned items as new additions to export basket, it is very clear that all these items do not have equal export growth opportunities. One does not need a very elaborate explanation for that. A lot of these items are now exported abroad targeting non- resident Bangladeshies (NRBs). This is a rather limited market and growth potentials are not very impressive. However, it may be kept in mind that it may a niche market for the Bangladeshi exporters and it should be fully exploited. Over 12,000 Bangladeshi owned restaurants are operating in the UK which can be utilized imaginatively, in collaboration with the British Bangladesh Chamber and the Bangladesh Caterers Association (UK) for marketing agro-processed products, at this moment dominated by the Indian suppliers. Obviously, there are other opportunities that should be grabbed.

Bangladeshi exporters should be careful about the quality of its export products and SPS & Technical Standards should be looked into carefully.

11.2.4 Government of Bangladesh has recently identified 60 agro-processed products which are eligible for export subsidy from the government exchequer. This is a timely decision and the exporting companies will become more competitive in the external market.

11.3 Measures Required

11.3.1 It is however, early to get a clear idea with regard to the export of agro-based/agro-processed products from Bangladesh immediately after the Hong Kong Conference – concluded only a few weeks earlier. The Doha Round negotiations during 2006 will have to be watched carefully by the trade bodies/exporters in Bangladesh. A lot of things will depend on these negotiations and Bangladesh will have to be quite alert during the whole year. Some lost ground may perhaps be recovered in these negotiations if Bangladesh is able to play her cards properly. A fully coordinated action program is the needed and all stake-holders must realize this. We should perhaps work closely with other SAARC countries – Pakistan, Sri Lanka and India for a better result.

11.3.2 A closer collaboration with SAFTA, BIMSTEC and APTA countries may give us better dividends in future. Bangladesh should study carefully the Sri Lanka- India Free- Trade Agreement (FTA) and decide to conclude such FTAs with India, Pakistan and Sri Lanka in this region with whom it has large trade deficit (except SL). Bangladesh may also consider going for an FTA with Malaysia and China.

11.3.3 Effective negotiations in 2006 by Bangladesh in Geneva will perhaps determine her export prospects in the biggest export sector, namely RMG/apparel products. However, it should be kept in mind that our negotiators should also strive hard to include other promising items of exports in the list of duty-free market access. If we can understand our strengths and weaknesses in other sectors as well including agricultural products and agro-processing, light engineering products, electronics, ICT products etc., we can achieve some thing for our trade development. Proper emphasis should be given by all concerned to the diversification of country’s export basket.

11.3.4 Bangladesh needs to draw up a strategic plan to encourage export of high/value added products in the agriculture sector. Existing land use plan may have to be modified for this purpose. An effective plan may suggest reducing emphasis on food grain/cereal production and going for high value items including fruits, vegetables, medicinal plants /herbs, cut-flowers/foliage etc. and value added processed products. Bangladesh should not only try to diversify her RMG exports (into various categories) and other manufacturing items, she should try to diversify her agricultural exports as well utilizing the preferences she is entitled to at present. With the liberalization of world trade in industrial goods (as a result of NAMA negotiations), the erosion of preference of LDCs like Bangladesh will be a positive disadvantage in due course. As an LDC, Bangladesh ought to develop its strategy without delay and go full force to derive benefits as it is available now. The psychological strength she has gained in recent years after achieving near self-sufficiency in food grain productions should give her courage to commercialize her agricultural production. Bangladesh ought to understand clearly where her competitive advantage lies in agricultural products and agro-processing products in the light of on-going WTO negotiations, both from the perspectives of a least developed country receiving GSP facilities and as an LDC not required to undertake any reduction commitment in its agricultural sector as a result of AOA under Doha Development Round.

11.3.5 Being a land hungry country, with the highest population density in the world, Bangladesh can never become a significant exporter of grain/cereals and that is why it should look for niche markets for niche products by utilizing its scarce land**.** The recent trend in exports from Bangladesh, the investments made in the agro-processing sector in Bangladesh in recent years, growers attitude towards substituting traditional agricultural products with new items, the opportunity that may be provided by the Doha Development Agenda to the

LDCs in the Agreement on Agriculture and other relevant factors should be taken into consideration while this strategy is finalized. One thing is certain, without an appropriate strategy, Bangladesh cannot succeed in a very competitive environment in the post- Doha trade regime. Policy planners, trade bodies, researchers and others concerned should combine their efforts to come up with an appropriate and effective strategy to meet the emerging trade environment. It should be a pro-active situation and not re-active situation as we have generally seen in the past. Trade bodies need to develop their capacities as well so as to contribute effectively in this respect.

12.0 EXPORT CONSTRAINTS

12.1 Apart from policy constraints and lack of coordination between MOA and MOC discussed earlier, it is generally recognized that lack of supply-side capacity development is a major export constraint. Product identification, product development, value chain, appropriate packaging of agro-products, ensuring quality standards, contract farming on a very limited scale, absence of joint ventures with countries like Thailand, Vietnam, China, Taiwan etc and transfer of technology are generally seen as major constraints.

12.2 Obviously export constraints hinder our export earnings to a substantial extent. Supply of utility like electricity and gas are the major constraints. Telecommunication was seen as a major constraint until recently but things have improved. Performance of ports and shipping remains a major problem. The commissioning of New Mooring Container Terminal at the Chittagong Port during later half of 2006 may remove a serious bottle neck. Dhaka-Chittagong highway will take a much longer time to become a four-lane highway. There are other constraints as well faced by the exporters including wide-spread corruption, political programs/hartals, confrontational politics pursued by the major parties, under developed E-commerce and E-banking etc. remain major export constraints. Agricultural credits needs to be streamlined and requires a fresh look. The government may look into the possibility of setting up special window in the Krishi Bank and other Banks for the agro-processing industry. All trade facilitation measures should get top priority from the policy planners.

13.0 THE IMPACT OF AGRICULTURAL TRADE PREFERENCES ON LDCS

13.1 Trade preferences allow products from developing countries and LDCs to enter industrial-country markets with lower import duties than are applied to other countries products under the importing countries most favoured nation (MFN) tariffs. The arguments underlying trade preferences are that the small scale of industry and low level of development in developing countries and LDCs lead to high costs, which reduce the ability to compete in global markets, and to lack of diversification, which increases risks. Trade preferences can provide the premium over the normal rate of return that is required to encourage investment in these economics. Although developed countries have been granting GSPs on autonomous since 70s, they have now become important trade issue due to increase of global competitiveness. Preference-granting countries have the discretion to remove countries and products from the programme, creating some uncertainty and often discouraging investors to exploit available opportunities. Recently, the European Union introduced the Everything but Arms (EBA) programme in 2001 for the LDCs, introducing an element of permanency into preference schemes for the first time. EBA initiative grants duty-free access, without any quantitative restrictions, to imports of all products from LDCs except arms and munitions. The most notable US GSP scheme is the African Growth and Opportunity Act of 2000, which offers improved market access to 48 Sub-Saharan African countries subject to certain to certain criteria regarding basic human rights and the rule of law. The current scheme will expire in 2015. So far 38 countries have been granted eligibility for AGOA preferences. Since the Asian LDCs are excluded from the scheme, these countries pay higher duties in US markets for products like textile in the US market. This is a serious concern for Asian LDCs who were struggling to overcome this problem under the US Trade-bill or binding commitment on duty-free and quota-market access for all products from all LDCs. The Hong Kong Ministerial Conference ensures duty-free access for at least 97% of the LDCs export on tariff line basis. It is apprehended that the preference giving countries may exclude the products of export interest of LDCs. Moreover, it is almost certain that the major RMG products of Bangladesh will be excluded from the duty-free access in the US market, as US believes that Bangladesh is highly competitive in this sector. Moreover, US is also presumed to exclude 77 agricultural items (at 10 digit HS level) of LDCs from the duty-free access. Japan offers GSP preferences to 164 developing countries. The current scheme will expires in 2011. The scheme provides enhanced preferences for LDCs. Australia, Canada, New Zealand, Norway, Finland also grant duty-free access for LDCs. It is also worth mentioning that utilization of GSP is not always satisfactory due to stringent rules of origin. During the textile quota regime, Bangladesh could only utilise 40% of its quota in the EC markets due to stringent rules of origin. Export of RMG from Bangladesh had increase by about 47% in Canada due to simplification of its rules of origin. Examination of rules of proportion of developing country exports covered by US preferences programme shows that for a large proportion of primary product exports (more than 70 percent) there are no preferences since MFN duty is zero and preference use high for primary products. In EC, a much larger proportion of exports are eligible for preferences than in the United States because fewer export products have MFN duties of zero. In Japan, exports from Asian LDCs, are considerably smaller than those from African LDCs. For African LDCs, more than 50 percent of exports of basic agricultural products enter the Japanese market at zero duty. For other LDCs, only 5 percent of exports of basic agricultural products enter duty-free.

13.2 Rules of origin are essential to ensure that preferences are granted only to exporters from eligible countries. The nature of the rules of origin, however, is a key element determining the extent to which countries are able to take advantage of the preferences available to them. For primary agricultural products, origin is relatively easy to establish. For processed manufacturer products, rules of origin stipulate how much or what kind of domestic processing must take place. The US GSP scheme has a value-added requirement of 35 percent for all products. The US scheme also allows for cummulation between selected countries. EU rules of origin are product specific and sometimes complex. Some products require a change of tariff heading, some have a value-added requirement, and some are subject to a specific manufacturing process requirement. For many products, the EU rules require a change of chapter, which is even more restrictive than a change of heading. The rules of origin for the Japanese GSP require a change of tariff heading to demonstrate that a substantial transformation has taken place, although there is a list of products for which specific criteria are defined. In general, preferences are more effective when the rules of origin are simple and easy to apply.

14.0 CONCERNS OF LDCS IN AGRICULTURE DUE TO LIBERALIZATION UNDER WTO: A BANGLADESH PERSPECTIVE

14.1 Concerns of Net food importing developing countries (NFIDCs)

14.1.1 It is well recognize that with the gradual liberalization of agriculture and withdrawal of subsidies, food price will increase and food import bills of the LDCs. This may in turn negatively affect least developed countries and net food importing countries in terms of availability of adequate supplies of basic foodstuffs from external sources on reasonable terms and condition, in terms of short terms of short-term financing normal levels of commercial import of basis foodstuffs. Article 16 of the Agreement on Agriculture thus calls that "Developed country Members shall take such action as is provided for within the framework of the decision on measures concerning the possible negative affects of the reform programmes on least developed and net food importing developing countries"

14.1.2 Bangladesh imports between 1-3 million tones of food grains every year depending upon the gap of local production and domestic requirements. In an unusual year like 1998 when a devastating flood hit Bangladesh, import requirement was the highest. Apart from import in that year, substantial quantity of food grain was received as grants from development partners. The United States alone contributed 0.6 mn tones of wheat in that year. If the world price of food increases due to liberalization, Bangladesh's import bill will further increase. Due to population increase agricultural land is gradually decreasing while food requirement is increasing continuously. The current cropping intensity is 1.77. There is very little chance to increase the cropping intensity remarkably. So the food deficit situation will not remarkably change in the future. In this context, the country has to find a strategy to meet the food import bills from agriculture export so the overall balance of trade in the sector is maintained. The country has to choose alternative strategy of exporting high value agricultural products, so that it can purchase larger quantity food-grains selling the high-value products.

14.2 Global Reduction of Tariff and Competitive Position of Bangladesh

14.2.1 Except few, most of the agricultural products have binding levels of at around 200 percent (Annex-4). Our maximum applied rate is 25 percent and average applied rate 15.8 percent. Moreover, the Hong Kong Ministerial Conference exempted Bangladesh from any tariff reduction commitment. So Bangladesh is not concerned on the on-going negotiation on tariff reduction formula on agriculture. But it could urge other donor agencies like World Bank and IMF, for policy coherence so that we are not ask for any further reduction of tariffs or subsidy in agriculture.

14.2.2 With the global reduction of tariff in agriculture, the preferences that Bangladesh is currently enjoying in developing country markets will be gradually eroded and the exporters will face fierce competition in the global market. Since the progress of negotiations in agriculture tariff reduction, Bangladesh would get some breathing space with regard to erosion of preference margin. Yet the country has to prepare to fact the global competition and improve its efficiency to the maximum possible. No preference will continue on permanent basis, improvement of quality and reduction of costs are the key factors in the present global market. Bangladesh should also pursue to continue existing GSP and urge WTO Members to develop appropriate trade remedial measures to address the erosion of preferences.

14.3 *Export Subsidies and Domestic Support from Bangladesh*

14.3.1 The Ministry of Commerce annually sends its notification on export subsidy and domestic supports on agriculture to WTO. According to the notification of 2000 from Bangladesh, the country has provided US $ 14.02 mn for rice (0.28% of the value of rice), $ 3.62 for wheat (0.43% of the value of wheat) and 35.76 million for non-product specific domestic subsidy to the agriculture sector (0.43% of the value of agricultural production. This is far lower than the allowable *de minimis* level of 10%. The country can thus identify where it can provide domestic subsidy for sustainable crop management and enhancement of agricultural export. It is important to mention that there is tendency to provide cash incentive for promotion of agriculture export. According to Article 9 of the Agreement on Agriculture country cannot provide export subsidy of such kind other than the provision of subsidies to reduce the costs of marketing exports of agricultural products including handling, upgrading and processing costs and the costs of international and internal transport and freight charges, provided that these are not applied in a manner that would circumvent reduction commitment (Article 9.4). This provision was expired in 2004, but was then extended in the Hong Kong Ministerial for five years after the end date for elimination of export subsidies.

14.4 SPS Requirements

14.4.1 For the agricultural products other than the rules of origin SPS (sanitary and phyto-sanitary) is one of most important factors for effective utilization of GSP and promotion of market for agricultural products. Trade in agro-food products is, however, governed by a growing array of food safety and agricultural health standards. The increased attention to food safety and agricultural health risks stems in part from scientific advances, but it is also substantially driven by shifts in consumer demand and by a series of food safety scandals and disease outbreak in industrialized countries. There is growing concerns among the exporters of developing countries that food safety and agricultural health standard could act as disguised market access barriers to developing countries, prohibit or restrict imports and discriminate between imported products and domestic supplies. A related concern is that the initial investment and recurrent costs required to comply with emerging standards weakens the competitive position of developing countries or diminishes the profitability of their export-oriented activities. The value of world agro-food trade impacted by official product rejections at the import level was US $ 3.8 billion in 2000-01 (Saqib, M, 2004). The estimated value of low income countries' agricultural and food product trade rejected at the importing country border is US $275 million, representing just less than one percent of the agricultural and food exports of these countries. The product composition of the estimated rejected exports of low income countries are fish and fishery products, which constitutes more than half of the total estimated rejections.

14.4.2 Bangladeshi agro-products exporters frequently face detention in the importing countries. In 1997, EU banned import of shrimps from Bangladesh, which is the second largest source of export earning from Bangladesh (20 percent of the value of export). After strong pursuation EU withdrew the ban on condition to meet the HCCAP requirement. FAO study (1998) attempted to quantify the costs of compliance with SPS measures in Bangladesh. It was found that the cost upgrading sanitary conditions in the Bangladeshi frozen shrimp industry to satisfy EU and US hygiene requirements amounted to US$ 17.6 million , mainly incurred for upgrading plants over the years 1997-98. In reality, LDCs including Bangladesh suffers from poor knowledge of SPS issues, both within governments and the food supply chains and the skills required to access SPS measures applied by developed countries are lacking. The Plant Quarantines Ordinance need revision to cope up with the growing SPS requirements. The government institutions involved such as Public Health Department of the Ministry of Health, City Corporations of the Ministry of Local Government and Rural Development, Bangladesh Standard and Testing Institutions (BSTI), Plant Quarantine Wing of the Department of Agricultural Extension need to be strengthened on priority basis and laws must be enforced with due intention. The inspectors of the Plant Quarantine Wing generally do not perform inspection with due care and intention at the port during export. They must be made accountable in accomplishing their responsibilities, particularly with regard to export items.

14.4.3 The Hong Kong Ministerial Declaration urged the donors and relevant international institutions to increase financial and technical support to meet the implementation obligation of SPS and TBT requirements. Bangladesh should put its effort to get benefit from this technical and financial assistance so that it can utilize the duty-free market and use the GSP to the maximum. It should also urge WTO members for effective and meaningful assistance so that the decision should not be a best endeavour clause.

14.5 Enhancing production

14.4.1 Liberalization will increase the food price and price of agricultural commodities. This will increase our food import bills, it will at the same time provide incentives to our farmers to produce high value products for the world market. If the supply-side constraints could be removed and farmers would be able to effectively integrate themselves with the global markets, this will obviously increase farmers income and reduce their poverty.

15.0 AID FOR TRADE AND DEVELOPMENT OF TRADE IN BANGLADESH

15.1 'Aid for Trade' is a new idea floated recently by the developed countries in the area of development cooperation. This was announced in the later part of 2005 targeting the Hong Kong Ministerial in December, 2005. As a new concept it was, however, seen with suspicion. A number of development practitioners are skeptical about this initiative and it was considered to be an effort to cajole DCs and the LDCs before the Hong Kong Conference. The South Centre, Geneva, termed the aid for trade package a 'Charity with Strings Attached'. Whatever might have been the background of such a move, now that a deal has been made at Hong Kong, good or bad, one should not ignore this initiative and try to obtain full benefit from this new 'window'.

15.2 The letter of the Japanese Prime Minister to the President of Zambia and the coordinator for the LDC group in the WTO, prior to the Sixth WTO Ministerial, deserves a careful examination. The Prime Minister has termed this as ‘Japan’s New Development Initiative for Trade’ (Annex-5). The concept paper developed by the Japanese Government in this regard looks like a real good development initiative and no least developed country, including Bangladesh, should ignore it. Compared to Japanese initiative, EU’s offer, with a budgetary allocation of 2 billion EUR, looks less attractive and of course, cannot be called a major initiative. Nevertheless one cannot ignore EU’s initiative and should try to obtain maximum benefit out of all the new development initiative of the developed countries.

15.3 While expressing commitment to ‘provide duty-free and quota-free market access for essentially all products originating from all LDCs’, the Japanese PM announced this comprehensive ‘Development Initiative for Trade’(DIT) prior to Hong Kong. He mentioned that ‘initiative also includes a package of extensive development assistance, which is composed of four methods of support, “Knowledge and Technology” , “Financial Assistance”, “People” and “System” to be employed at three different phases of trading by developing countries: “Produce” “Sell” and “Buy”.’ This aid for trade package has a 10 billion dollars allocation over the next three years for the development trade, production and infrastructure. No developing country/LDC should ignore this “development initiative “of Japan. That should equally apply to the EU initiative. The developing countries, because of their relatively higher capacity development, will be in a position to grab this opportunity and looking at the past experience, the LDCs are likely to lag behind. This should not be allowed to happen this time and countries like Bangladesh must make all out efforts to derive full benefits from the Japanese “DIT” or aid for trade (financial assistance in trade, production and distribution infrastructure) There is also a HRD component in this package.

15.4 The Prime Minister also expressed Japanese government’s readiness to assist enhancing export capability of LDCs by building on its experience of the “one village, one product campaign”.

15.5 The Development of Trade in Bangladesh: Overall trade development in Bangladesh cannot be achieved without a well coordinated action plan. The new Japanese ‘Development Initiative for Trade’ and the EU offer should be taken seriously by all the trade promotion organizations in Bangladesh. FBCCI, DCCI, MCCI and other important chambers and associations should participate and contribute to the best of their capacity. A Public-Private Trade Development Program (PPTDP) drawn up in a coordinated way, involving prospective sectors and sub-sectors, including agro-based/agro-processing sector, targeting the DIT of Japan, the EU initiative and other offers, may give the desired result. NGOs working in the agriculture sector may also be associated with this PPTDP. All issues concerning Bangladesh’s capacity development including Supply-side Capacity Development, Diversification of Exports, SPS and Technical Standards, Trade Facilitation Measures, HRD etc. should be incorporated in the proposed PPTDP.

15.7 An effort may also be made to derive benefit from the experience of Thailand in the Agriculture sector, particularly in the Agro-based/agro- processed sector. This should be tried either bilaterally and or through these new initiatives of Japan and EU. Bangladesh’s new look east policy may also give her dividend if proper initiatives are taken jointly by the Ministries of Agriculture, Commerce, Foreign Affairs and the trade bodies. In the case of contract farming and commercialization of agriculture, collaboration with India may be fruitful and all out efforts should me made to obtain results. Joint venture projects may also become distinct possibilities with Thai, Indian, Pakistani, Vietnamese, Chinese and Taiwanese firms.

15.8 Aid for Trade should be fruitfully utilized towards ‘commercialization of agriculture’ which has not been given priority so far. Instead of all out efforts to achieve food self-sufficiency, which has been pursued during the last 3 -4 decades, a policy shift towards commercialization of agriculture may be tried to raise export earnings of the country as well as raising the standard of living of the people. High value items' export should be the main focus.

16.0 BANGLADESH WORK PROGRAMME

To reap maximum benefit from WTO negotiations and to expand exports of all products Bangladesh has to utilize all scope and capacities in right direction. Following could be a work program for Bangladesh.

16.1 *Negotiating Position in WTO*

- Bangladesh should strive hard to have effective market access for agricultural/agro-based products. It would also demand effective mechanism to address food security and ask for effective technical and financial assistance to meet the SPS and TBT requirements and to remove the supply-side constraints. The Hong Kong Ministerial Conference is quite silent about the erosion of preference. Bangladesh should give another drive to bring the issue of erosion of preference in the modalities of agriculture.
- During 2006, the products eligible for the duty-free and quota-free market access will be determined by the developed countries and also by the developing countries in a position to do so. Moreover, the modalities for agriculture and NAMA will be adopted by 30 April, 2006, for rules by the end of 31 July, 2006 and for the implementation issues by the end of 2006. Methods for the full and effective implementation of the LDC modalities for services will be finalized before 31 July, 2006. Bangladesh has to be proactive in all these negotiations to protect its legitimate claims and interests. It should first identify the products of export interest in each to the destinations and pursue the concerned government bilaterally to include them in the duty-free list. Country will also exert pressure along with other LDCs on the same. All possible ways and means, either bilateral or multilateral must be utilized to achieve this goal.
- To reap maximum gains from the multilateral and regional trade negotiations in the long run, negotiation skills of the officials of the WTO Cell and ITO Cell of the Ministry of Commerce as well as the of the officials of the Geneva Mission must be strengthened on priority basis. Presently, there are seven officials in the WTO Cell and eight in the ITO Cell. It is well recognized that only 5-6 of them of these two cells can make real contribution in the negotiation process. Selection of officials in these two cells must be reviewed with proper future vision. Efficient officials must be identified and they must receive proper training. They should not be transferred under the regular governed system and receive special incentives like the officials of government training institutions.
- Presently, Geneva Mission has only 5 officials. They others have to follow up at all the UN Missions, WTO issues and regular protocol assignments. Government should immediate depute one or two efficient officials, have expertise in the field in the Geneva mission. The appointment must not any way be politically motivated.

16.2 Domestic Policy Reforms

- Government should immediately amend the laws related to food safety and inspection. Pure Food Ordinance has recently been amended, but Plant Quarantine Law should be amended on priority basis.
- There must have synergies among the National Agriculture Policy, Export Policy, Import Policy and Investment Policy. All these policy should encourage export promotion of agricultural and agro-based products.
- It should ensure that inspection is conducted with good motive and intentions. If any reverse comment is reported from the importing countries, this must be critically

reviewed and the persons responsible for negligence must be punished. It will reduce the detention and improve our image in the importing countries.

16.3 To Address Supply-side Constraints

16.3.1 WTO negotiation may create avenues for improved market opportunities. To utilize this enhanced market opportunities, country has to produce sufficient quantity of quality fresh and processed products to capture the global market. Product diversification is extremely important to utilize the duty-free access. Supports under Aid for Trade must be utilized with this end. Government has to be clear about its needs and requirements. Ministry of commerce should draw up programs and pursue to the relevant donors for necessary supports and assistance.

17.0 CONCLUSION AND RECOMMENDATIONS

The recent trends of export growth of Bangladesh indicate that there are opportunities that need to be harnessed to achieve a good growth in exports of agro-based/agro-processed products from Bangladesh. Concerted efforts are required to achieve the desired result. ***A ten year program of action for agriculture (POAFA) 2006- 2016 may be drawn up to realize the goal.*** It has to be a well drafted action program since the world trade has become highly competitive and mere comparative advantage should not be the only ground to identify a particular product for development (our development of RMG sector was the result of our competitive advantage compared to comparative advantage). It is also important that all the relevant stake-holders (MOA; MOC; BAPA, DCCI and other chambers and BAU: BIDS; BFTI etc.) should be involved while the action program is finalized.

17.1 ***There has to be a policy shift. Present National Agriculture Policy needs to be revised thoroughly*** **on the basis of discussions with all relevant parties –** Agriculture Ministry and its subordinate agencies including extension services, Ministry of Commerce, Ministry of Industries, Ministry of Finance, Trade Bodies including FBCCI; DCCI; BAPA – to move forward from the present concept of food self-sufficiency to a concept of commercialization of agriculture.

17.2 ***There should be closer cooperation between the MOA and the MOC to give agriculture an export bias. The New NAP (NAP 2006) should be drawn up in close consultation with the Ministry of Commerce and the above mentioned bodies/organizations.***

17.3 Fine tuning of existing incentives/policy objectives in the Export Policy 2003-2006 in the area of export of agro-based/agro-processed products needs attention. The New Export Policy, 2007 -2009 (or 2007 -2011) may incorporate several new features to provide adequate support to the new NAP.

17.4 ***Contract Farming (CF) should be organized nationally on a huge scale.*** *Government agencies/ New Generation Cooperatives/NGOs should also be involved as a party to such contract* so that small and marginal farmers are not deprived (the experience gained in the recent decade in India may be examined carefully). CF should be seen as a new tool for enhancing agriculture production using modern technology, credit facilities and other inputs as well as for large scale farming suitable for the agro-based/agro-processing firms/companies. ***This may also ensure a better price for the small and marginal farmers.***

17.5 ***'One Village One Product' concept, as mentioned in the Japanese model (DIT) should be encouraged.*** One village may not necessarily mean one small rural village rather it may be a Union/ Upazila/large adjoining area in rural Bangladesh. Moreover, 'one product' may not necessarily mean cultivation of a single agricultural product leaving the land idle for the remaining period of the year.

17.6 ***Niche products/high value products should be identified for export to high income countries.*** Apart from aromatic rice which is being produced and marketed abroad, so many ancient varieties of rice including sticky rice (Binni, Biroin etc.) popular in Japan, Thailand etc. and other agricultural products can be identified/developed targeting niche markets abroad (joint ventures with Thai/ Vietnamese/Chinese/Taiwanese companies and or technical collaboration with their public sector may also be examined). Herbal and Medicinal plants and flower/foliage should be included among high value/value added products in the list of agro-based/agro-processed products.

17.7 ***'Aid for Trade' (AfT) offers from Japan, USA, European Union and others should be fully exploited for developing our supply-side capacity which may include A to Z of trade capacity development including trade related infrastructure, trade facilitation measures etc****. Human resource development of the agriculture sector, both experts and farmers as well as agro-processors involved in this sector (for trade development) should get priority****. It should be noted that the Development Initiative for Trade (DIT) of the Japanese Government includes training facilities/human resource development of 10,000 people of the DCs and LDCs*** **in its offer of Aid for Trade (formally presented** by **the Japanese Prime Minister at Livingstone and by the Foreign Minister at Hong Kong in December, 2005).**

17.8 **This facility (AfT) should also be utilized to develop our Sanitary and Phyto-sanitary Standards (SPS) capacity.** We should also look into the issue of Technical Barriers to Trade (TBT) at the same time. BSTI and BCSIR should be strengthened and *the on-going project being financed by the EU for strengthening the BSTI should be carefully monitored by the concerned ministries (MOA; MOC and MOI).*

17.9 An 'Accredited Testing Lab' (internationally recognized) should be set up for agro-based exports expeditiously. Such a Lab(s) could be set up in the private sector or as a public private partnership (PPP).

17.10 **Trade Facilitation measures should get appropriate attention of our policy makers as well. Sea ports (including deep sea port); Roads , Railway and River Communication; Systemic Development; E-commerce; E-banking and other trade facilitation requirements should be looked into carefully. These measures would enable our exporters to target additional markets like the Kunming region of China, North-East region of India, Nepal, Bhutan and parts of Myanmar**.

17.11 ***Public-private Partnerships should be encouraged in the Agro-based sector****.* As a first step, Agro-based Product Business Promotion Council (APBPC) should be set up involving MOC, MOA, MOI, EPB, BAPA and other relevant organizations.

17.12 APBPC could be the focal point for taking up these developmental issues (17.1—17.10) with the national and foreign bodies**.**

17.13 Visa problems faced by the exporting organizations should be sorted out expeditiously. MOC, MOFA and the trade bodies should work together in this regard.

17.14 HS Coding often creates problems for the exporters. APBPC (proposed), BAPA, and NBR could look at it for finding out suitable solution.

17.15 Trade bodies have also identified present weekly holiday in Bangladesh (Friday) as a problem. India should be considered a major market for agro-processed products from Bangladesh. SAFTA, BIMSTEC opportunities may perhaps be better utilized if weekly holiday can be synchronized (even the Islamic Republic of Pakistan has its weekly holiday on Sunday).

17.16 Considering the recent growth of exports of agro-based products from Bangladesh, MOC may earmark an appropriate desk in the Export Promotion Bureau, preferably headed by a director, to look after this sector/sub-sector.

17.17 PRS program, contract farming, commercialization of agriculture, employment generation, micro-credit etc. may require better coordination among stake-holders.

17.18 ***The vast hinterland for agricultural products in the North-East India should be properly exploited for ensuring supply line of agricultural commodities and re-export of agro-processed products to the North-East and elsewhere***. **An FTA with India may serve the desired purpose.**

17.19 Considering the development of bilateral trade between Sri Lanka and India, after the conclusion of Sri Lanka - India Free Trade Agreement in 1999, Bangladesh should urgently consider an FTA with India, Pakistan, Thailand , Malaysia and China (terms of trade of SL went up in its favor since SL-India FTA was signed). ***We may sign FTAs with those countries which offer the best terms to Bangladesh and at the same time we may ask for 'early harvest'.***

17.20 ***Capacity development of all the trade related sectors/bodies should be given top priority.*** **Capacity development of the MOC needs proper attention**. MOC's needs, including its negotiating capacity, should be identified carefully and followed up seriously. Trade Cadre under the Ministry should be strengthened and HRD requirements to be fulfilled also. Further capacity development of the existing WTO Cell and ITO wing of MOC, establishment of a full-flegged FTA Cell and strengthening of the Bangladesh Foreign Trade Institute (BFTI) need to be taken up early. Services of the officials of the WTO Cell, FTA Cell and the BFTI should be made non-transferable. Capacity development of Trade Bodies also needs to be seen seriously to achieve an overall trade development in a fiercely competitive world**. Capacity development of export promotion organizations also should be taken up simultaneously.**

17.21 **Moreover the larger trade bodies like FBCCI, DCCI, MCCI, CCCI, SCCI should also concentrate on important trade issues, such as WTO, SME development, RTAs/ FTAs, Trade Facilitation etc.** ***The apex chamber FBCCI may concentrate on the MTN (WTO) issues, DCCI could take up SME development, MCCI may perhaps look into RTAs and FTAs, trade facilitation measures by CCCI, SCCI and perhaps KCCI/JCCI***. *IBP Council may be given the responsibility to look into the requirements of E-commerce and E-banking in association with ICC-B and the Bangladesh Association of* Banks. Similarly other issues may be taken up by other Chambers/ Associations for their capacity development.

17.22 Closer and effective contacts with the regional Chambers of Commerce and Industry should be developed.

17.23 The government has recently identified 60 items as agro-processing products which are eligible for export subsidy. This is a good beginning for the Agro-processing sector. ***However, all the items may not achieve good growth in the coming years. Both BAPA and EPB should make an effort to identify those items which have better*** **potentiality. This list may include agro-based products like Potato (different kinds); Aromatic and Special Rice (different varieties); Ethnic Snacks; Biscuits etc.**

17.24 ***Value chain should be established, from farmers to agro-processors and to the sea-ports /airports, for giving the desired boost to this sector/sub-sector***.

17.25 Possibility for setting up a specialized window in Krishi Bank and other banks for providing credits to the Agro-based/ agro-processed industries may be examined.

17.26 This sector/sub-sector is identified by different agencies in different ways. It is called Agro-processing products; Agro-based products; Agricultural products etc. It was difficult for the consultant to get the desired information and statistics in a uniform manner. ***The sector/sub-sector should be defined properly/uniformly by all concerned in a similar manner to avoid such confusion (it may perhaps be called Agro-based products, i) Agricultural products, ii) Agro-processed products).***

17.27 Apart from domestic policy changes, Bangladesh needs to take up externally an action program to push this sector to the desired level. ***In this context, WTO on-going discussions in 2006 should be given proper emphasis by all related organizations. The Bangladeshi negotiators in Geneva should put maximum effort so that the agro-based /agro-processed products, which have export potentials, are included in duty-free and quota-free (DFQF) access.***

17.28 ***Special agro-based products like aromatic rice, sticky-rice, traditionally husked rice etc. may perhaps be tried as niche products even in Japan which is fiercely protecting its agriculture in AOA. In this context, some sort of QR (quota/ tarriffication) may perhaps be tried to give this sub-sector an initial push. Similarly, there may be other niche items***

which might be targeted in USA and elsewhere. *Russia may be considered to be a good export destination and appropriate action should be initiated in this regard.*
17.29 Special efforts must be made to meet the SPS requirements of the targeted destinations. *A guide book of SPS requirement of different countries can help the exporters and EPB in collaboration with BSTI and BCSIR can perhaps initiate this work*.
17.30 Market survey had earlier been conducted for mainly manufactured products since agro-based products did not show any export potential until very recently. It may accordingly be considered if market survey for agro-based/agro-processed products should be initiated without delay (a similar market survey for potato in 2003 in four South East Asian countries gave positive results*).* ***Meat export (such as halal goat meat/beef for Malaysia) as well as poultry meat export to Japan and elsewhere should be tried expeditiously.***
17.31 Since agro-based exports are showing good potentials very recently, it needs additional policy supports/ policy space as we have provided to the RMG sector at its initial stage of development.
17.32 Bangladesh is proving cash subsidies to its farming sector as well as to exporters of agro-based/ agro-processing products much below the de-minimis level allowed by the WTO rules or provisions. In order to achieve diversification of exportable items,. **efforts should be made to enhance cash assistance (in whatever name it is called) to encourage exports of agro-based/agro-processed products from Bangladesh in large quantities**
17.33 **To move away from the concept of self-sufficiency in food (pursued over three decades) to a concept of commercialization of agriculture will require a change of mind-set** and it is not easy at all. A major effort is therefore needed which require involvement of various people - policy makers, bureaucrats, agriculturists, experts and think tanks to achieve this objective.

COMMENTS / RECOMMENDATIONS made in the Seminar on WTO Agreement on Agriculture : Potentials of Agro-processing Products of Bangladesh

The seminar was organized by the Dhaka Chamber of Commerce and Industry in Dhaka in cooperation with The Center for International Private Enterprise (CIPE), USA on the 5th March, 2006. H.E. Mr. M. K. Anwar M.P, Minister for Agriculture, Government of Bangladesh was the chief guest and Mr. M.A. Momen, President, DCCI was in the chair. Mr. Fakhrul Islam Munshi; Maj. Gen.(Retd) Amjad Khan Chowdhury and Jb. Kazi Zahedul Hasan were the designated discussants.
After the presentation of the Key-note paper by Mr. Suhel A. Choudhury, lively discussions took place for about two hours. Initial remarks were made by the designated discussants. Emphasis were given on value addition, product diversification, better price for the produce of farmers, job creation by value addition to agricultural (horticultural, fruits and vegetables) products. Increasing shelf- life of agro-products and providing priority to agro-processing sub-sector etc. were highlighted by the speakers. North-East India as a hinterland, both for the sourcing of primary products and for ultimate marketing of agro-processed products should be exploited. In this context, an FTA with India was favored.
It was mentioned that the poultry sector has developed well in Bangladesh. The major problems identified were i) high price of poultry-feed, ii) non availability of air cargo space (cargo space was not available when we had a chance to export day old chickens to Nepal after the outbreak of bird-flu in India). Non availability of air cargo space for the export of agro-products was mentioned by several speakers. Setting up of a cargo airline was discussed in this context. Public-private Participation, (PPP) as mentioned in the key-note paper for the sector as a whole, was not favored for the production side.
It was recommended that there should be a clear cut division of labor. The government ought to concentrate on trade facilitation measures, training/ HRD, making technology available. Emphasis was given towards utilizing 'Aid for Trade' (AfT) offer from EU, US and Japan

(Japanese Development Initiative for Trade–DIT) for HRD, and development of trade related infrastructure for overall trade related capacity development (TRCD). Such areas could include, among others trade related infrastructure development (sea ports, link roads, e-commerce, supply-side capacity development including product development, development of Standards Institutions, development of trade bodies etc.).

The need for encouraging agro-based exports by the Ministry of Agriculture was emphasized. Our strength and weaknesses could be identified also. It was suggested that a long-term plan should be finalized at an early date.

Issues such as institutional capacity building, competitiveness, strengthening of research institutions, public-private participation, land reform were highlighted. The existing syllabus of the agricultural universities/colleges needs to be thoroughly revised and updated to reflect the present-day needs of the country and also of the export of agro-based and agro-processed products.

It was mentioned in the seminar that the US gives subsidy to its farmers without any questions, whereas Bangladesh cannot provide little more subsidy to the farmers because of opposition from the Breton Woods Institutions even if it was within the WTO guidelines (within the permissible de minimis level). Bangladesh Rice Research Institute has done well in the past and more than 40 varieties of rice have been developed by this organization.

Bangladesh has done well in the agro-sector and more than 100,000 tons of rice have been exported. Onion production has been increased by four times. Major problems identified in the agro-sector are that laboratory research findings do not match at the farmers level (yield gap at the farmers level), non-availability of quality seeds (only 5% from MOA's source) etc. The Chief guest mentioned these in his remarks and said that the Seed Certification Agency was being strengthened.

The seminar concluded by saying that the EPP (the entire report) along with its recommendations and the comments/recommendations of the seminar may be forwarded to the concerned ministries/divisions of the Government of Bangladesh for follow up actions which are deemed necessary.

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