BANGLADESH JOURNAL OF TARIFF AND TRADE

Volume I, January-March, 2015

বাংলাদেশ ট্যারিফ কমিশন

BANGLADESH TARIFF COMMISSION

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Bangladesh Journal of Tariff and Trade

Bangladesh Tariff Commission

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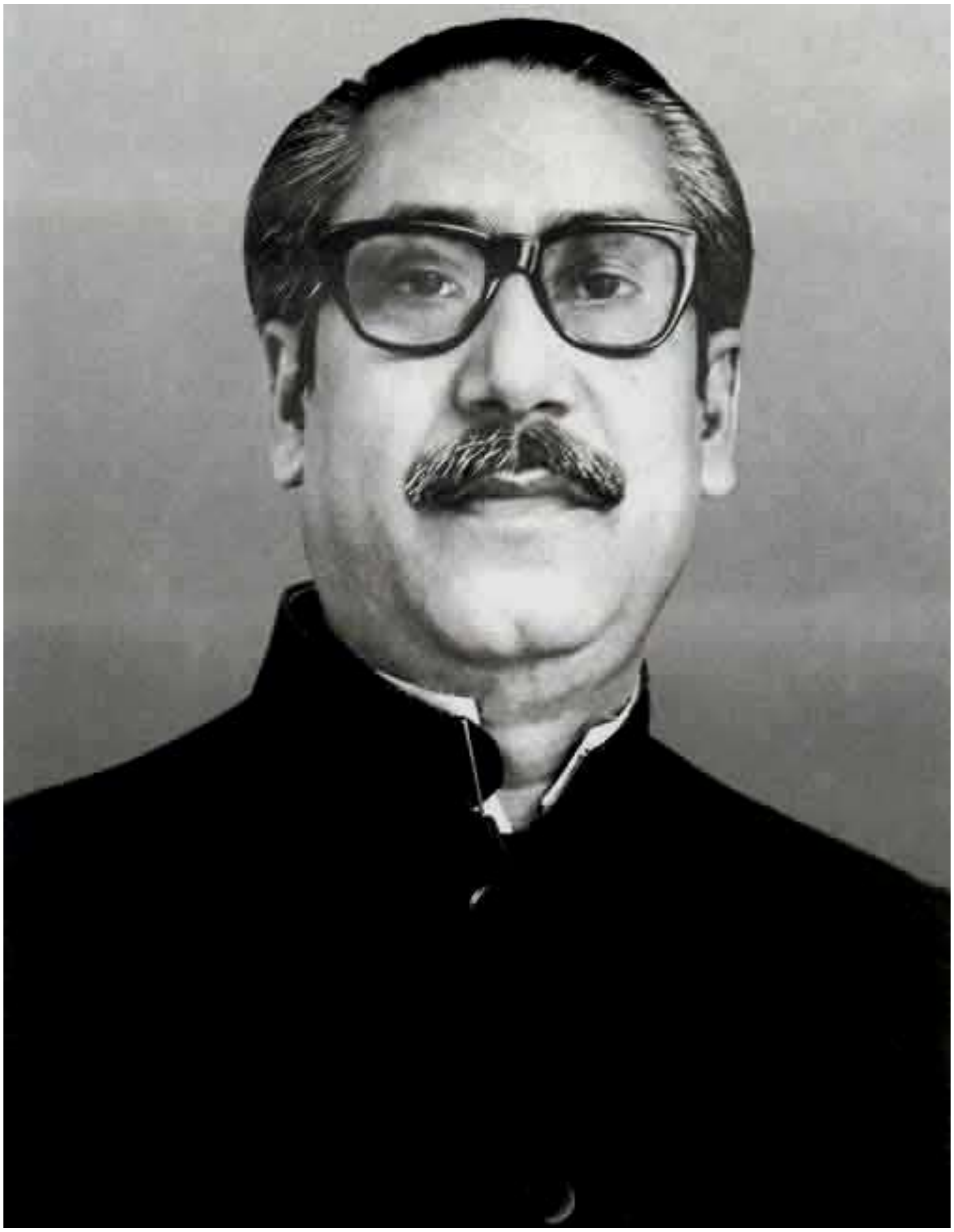

The Inaugural Issue of this Journal has been dedicated towards

our great National Leader & Father of the Nation

Bangabandhu Sheikh Mujibur Rahman.

بسم الله الرحمن الرحيم

প্রধানমন্ত্রী
গণপ্রজাতন্ত্রী বাংলাদেশ সরকার

১৬ চৈত্র ১৪২১
৩০ মার্চ ২০১৫

বানী

বাংলাদেশ ট্যারিফ কমিশন 'Bangladesh Journal of Tariff and Trade' নামে একটি ত্রৈমাসিক জার্নাল প্রকাশ করতে যাচ্ছে জেনে আমি আনন্দিত।

দেশীয় ও আন্তর্জাতিক পর্যায়ে ব্যবসা বাণিজ্যের প্রসারের সাথে সাথে বাড়ছে নানাবিধ চ্যালেঞ্জ। ক্রমবর্ধমান প্রতিযোগিতামূলক বাজার ব্যবস্থায় টিকে থাকতে হলে পণ্যের গুণগতমান ও পরিমান বৃদ্ধির পাশাপাশি ব্যবসা-বাণিজ্য ব্যবস্থাপনায়ও গুণগত পরিবর্তন ঘটাতে হবে। আর এ জন্য তথ্য-উপাত্ত ও গবেষণা একান্তভাবে প্রয়োজন।

সর্বকালের সর্বশ্রেষ্ঠ বাঙালি, জাতির পিতা বঙ্গবন্ধু শেখ মুজিবুর রহমানের সক্রিয় পৃষ্ঠপোষকতায় ১৯৭৩ সালে বাংলাদেশ ট্যারিফ কমিশন পুনর্গঠিত হয়। প্রতিষ্ঠালগ্ন থেকেই প্রতিষ্ঠানটি দেশীয় ও আন্তর্জাতিক বাণিজ্য ব্যবস্থাপনায় তাৎপর্যপূর্ণ অবদান রেখে চলেছে। এই কমিশন ট্যারিফ সংক্রান্ত দৈনন্দিন কাজের পাশাপাশি দ্বিপাক্ষিক, আঞ্চলিক, উপ-আঞ্চলিক, আন্তর্জাতিক পরিমণ্ডলে ট্যারিফ সংক্রান্ত বিষয়ে তাদের গবেষণালব্ধ বিভিন্ন পরামর্শ দিয়ে আসছে।

আমি আশা করি, জাতীয় ও আন্তর্জাতিক ব্যবসা-বাণিজ্যের গতি-প্রকৃতির উপর এ ত্রৈমাসিক জার্নালে প্রকাশিত বিভিন্ন গবেষণামূলক প্রবন্ধ দেশের ব্যবসা-বাণিজ্যের উন্নয়নে ভূমিকা রাখবে। সংশ্লিষ্ট গবেষক, সরকারি ও বেসরকারি কর্মকর্তা, সুশীল সমাজ এবং বিশ্ববিদ্যালয়ের শিক্ষক ও শিক্ষার্থীগণ এ জার্নাল থেকে উপকৃত হবেন।

আমি 'Bangladesh Journal of Tariff and Trade' এর নিয়মিত প্রকাশ ও উত্তরোত্তর উৎকর্ষ কামনা করি।

জয় বাংলা, জয় বঙ্গবন্ধু
বাংলাদেশ চিরজীবী হোক।

শেখ হাসিনা

English version of the message of Honorable Prime Minister of Government of the People's Republic of Bangladesh

(Translated by the Editorial Board)

I am pleased to know that a quarterly journal titled Bangladesh Journal of Tariff and Trade is going to be published from Bangladesh Tariff Commission.

As the volume of trade has increased both at domestic and international level, the different type of complexity has also increased. In order to survive in the competitive global market, it is essential to improve the quality and the quantity in one hand and on the other hand a qualitative change in the management of trade and commerce is to be increased. To this end, the need for data, information and evidence based research is obvious.

The Bangladesh Tariff Commission was reconstituted in 1973 by earnest endeavor of the greatest Bengali of all times, the father of the Nation **Bangabandhu Sheikh Mujibur Rahman**. Since its establishment the Commission is contributing significantly on Tariff and Trade. In addition to its regular activities, now a days the Commission provides the government research based recommendation on trade and tariff affairs in bilateral, multilateral, regional and sub regional context.

I hope that the research oriented article of the quarterly will play a significant role to the dynamics of national and global Trade and Commerce. Scholars, official of public and privet sectors, civil society, the teachers and the students in this field will be benefitted from the Journal.

I wish the excellence as well as consistent publication of Bangladesh Journal of Tariff and Trade.

Joy Bangla, Joy Bangabandhu,
Bangladesh Cirojibi Hok.

Signed
Sheikh Hasina
Prime Minister

Minister
Ministry of Finance
Government of the People's Republic of Bangladesh

Message

I am pleased to learn that Bangladesh Tariff Commission (BTC) is going to launch a new journal named "Bangladesh Journal of Tariff and Trade". I take the opportunity to thank them, who have volunteered to contribute to the success of the publication.

World trade scenario has been changing every moment because of the globalisation and gradual development of a free market economy. BTC is supposed to be the think tank of the Government in respect of trade and tariff. Bangladesh is a beneficiary of trade globalization. Therefore, proper trade policy is a very important element of our development strategy. A journal publication by BTC is a welcome initiative as it will help us to study and appreciate various options in trade policy.

The journal, I am informed, will contain articles on Trade Liberalisation, Free Trade Agreement (FTA), Trade Related Intellectual Property Rights (TRIPs), Information and Communication Technology (ICT) etc. It will surely put forward result of research carried out by BTC as a part of its usual operation. These will be of immense value in giving guidance on formulation and implementation of policy in respect of tariff and trade.

I would emphasise contribution from BTC employees to the journal as they will put together both academic and practical experience. I wish the journal all success.

AMuhith
24/3/15
Abul Maal A. Muhith, MP

Minister
Ministry of Commerce
Government of the People's Republic of Bangladesh

Message

I am delighted to know that the inaugural issue of quarterly Bangladesh Journal of Tariff and Trade launching by Bangladesh Tariff commission (BTC). The contributors of this opening issue are BTC officials and hope that it will include more scholarly articles on diversified contemporary business affairs for its further improvement.

As an advisory body of the government, the Commission is constantly putting effort to protect and flourish local industries as well as to enhance export in order to accelerate economic welfare. It is providing policy support through study and research for policy adjustment to overcome the challenges of international trade and ease trade environment.

I firmly believe that the journal will bring forth a new source of knowledge and relevant information to policy makers, other thinks tanks, researchers, academicians, investors and business community as a whole.

I appreciate this noble initiative of Bangladesh Tariff Commission and thank the editorial team members.

Joy Bangla, Joy Bangabandhu.

Tofail Ahmed, MP

Minister
Ministry of Planning
Government of the People's Republic of Bangladesh

Message

It is a matter of great pleasure to know that, Bangladesh Tariff Commission (BTC) is going to publish a quarterly journal titled Bangladesh Journal of Tariff and Trade.

As a statutory organization of the Government of Bangladesh, BTC has been working rigorously for the protection of genuine interests of local industries. Any matter relating to protection of or assistance to domestic industries or efficient use of resources in any industry may be referred to the Commission by the government or the business community for recommendations and appropriate course of action. To discharge its duty, BTC considers market economy, bilateral, multilateral commercial and customs agreements and also public opinion. To perform its various duties, BTC has to conduct a lot of research work.

As a research oriented organization, publication of a journal will create an opportunity to publish BTC's research work properly. It will unveil the new dimension of knowledge in front of the general readers as well as the researchers and Policy makers of Bangladesh.

I express my thanks to the chairman of BTC, Dr. Md. Azizur Rahman and his team to take this noble initiative.

I wish the every success of this journal.

AHM Mustafa Kamal

State Minister
Ministry of Finance
Government of the People's Republic of Bangladesh

Message

I am delighted to see that Bangladesh Tariff Commission (BTC) has taken an initiative to publish a journal depicting its organizational activities.

Bangladesh Tariff Commission aims to protect the Interest of domestic industries and adopts measures to safeguard local industries from unfair competition and trading practices. Besides, BTC also provides valuable policy suggestions to government in case of any imbalance in tariff and trade related issues. It may be said that BTC is the think tank of the Ministry of Commerce of the Government of Bangladesh in the important area of trade and industries.

I hope the journal will assist those who are interested in activities of BTC.

I want to thank BTC for taking this important initiative and I would also like to wish success of the journal.

M A Mannan, MP

Cabinet Secretary
Cabinet Division
Government of the People's Republic of Bangladesh

Message

It gives me a great pleasure to learn that Bangladesh Tariff Commission is going to launch a quarterly journal titled "Bangladesh journal of Tariff and Trade". I take this opportunity to thank Bangladesh Tariff Commission for initiating this venture.

Bangladesh Tariff Commission, a statutory body established by Bangladesh Tariff Commission Act, 1992 is an important think tank of the Ministry the Commerce on trade related issues. As an advisory body of the government, the Commission is constantly putting efforts to protect and flourish local industries. The Commission also gives advice to Government in respect of commercial and customs agreements, both bilateral and multilateral. In this context, the forthcoming journal would also provide the Government with policy guidelines.

I am glad to note that the first edition of the journal includes scholarly articles covering very interesting trade issues like Free Trade Agreements, Intellectual Property Rights, Information and Communication Technology etc. In addition, it covers research based article on promising industrial sub sector like natural flowers and toothpaste industry which may unleash new opportunities for investment and employment. However, I hope that in future the journal will include more research-based articles on contemporary issues on international trade and industry which can provide us with more ideas and inputs regarding policy adjustments as and where needed.

I sincerely thank and congratulate Dr. Md.Aziaur Rahman, Chairman, Bangladesh Tariff Commission and his able callegues in the Commission for the hard work they havedone to bring out the journal. I expect the Commission to continue with its publication in future.

I wish the "Bangladesh journal of Tariff and Trade", published by Bangladesh Tariff Commission, a grand success.

M Musharraf Hossain Bhuyan

Principal Secretary
Prime Minister's Office
Government of the People's Republic of Bangladesh

Message

I am delighted to learn that Bangladesh Tariff Commission is going to publish a journal on international trade and other related issues. It is really an honour to initiate such a publication on a globally important issue like international trade.

This journal is a brainchild of a concerted effort by some inquisitive and talented officials of Bangladesh Tariff Commission who are eager for exploration in issues regarding international trade. With this research bent, they have tried here in this journal to examine some relevant issues in connection with international trade by way of contributing insightful articles. It is indeed a great satisfaction for me to know that with their care and attention, the first issue of this journal has seen the light of day.

Bangladesh is increasingly getting involved in the global economy and hence International Trade and related issues are assuming greater importance with regard to the country's business and commercial interests. There is an urgent need for enhanced awareness and understanding among major stakeholders which relates to the key issues of trade and development. I believe this journal will contribute to the enhancement of awareness of the stakeholders. Both the researchers and the policymakers will equally benefit from this initiative of the Bangladesh Tariff Commission.

I expect this publication will be of use for evidence-based decision making and for the dialogue between Bangladesh and its global partners. Besides, it would help foster the economic growth of the country through proper policy recommendations.

I hope, this publication would be an interesting read for the stakeholders. This is really a great step to materialize "Vision 2021" of the present Government. In addition, it will help increase the image of this reputed institution.

Special thanks to the Chairman of Bangladesh Tariff Commission, Dr. Md. Azizur Rahman for having taken such an important initiative. My thanks are due for all members of the Journal Committee and the contributors who took the pains to publish this journal in right earnest.

I wish each and everybody associated with the publication work all the best.

Md. Abul Kalam Azad

Senior Secretary
Ministry of Commerce
Government of the People's Republic of Bangladesh

Message

It gives me immense pleasure to learn that the Journal of the Bangladesh Tariff Commission (BTC), *Bangladesh Journal of Tariff and Trade*, is going to be published four times in a year.

Today BTC is acknowledged as an important research oriented organization of the Ministry of Commerce for policy issues. The BTC is working to fulfill its mandate. It is providing analytical support to the Government on various issues relevant with bilateral, regional and multilateral economic cooperation. It undertakes research activities to enhance industry competitiveness in Bangladesh.

I do believe that the first issue of this Journal has some relevant information, news and views related to domestic and international trade. I believe it will be useful for business people, students, academicians, professional bodies, chambers and relevant stockholders. To face the ever-changing economic environment, the Journal will help all of us in keeping abreast of the latest developments in the international trade and commerce.

I strongly believe that under the guidance of the Chairman and with the support of BTC officials, BTC will continue to strengthen its research and analytical capacities, justifying its position as an important research oriented organization of the Government of Bangladesh.

I wish success of the publication of ***Bangladesh Journal of Tariff and Trade***.

Hedayetullah Al Mamoon, ndc

Senior Secretary
Ministry of Public Administration
Government of the People's Republic of Bangladesh

Message

I am delighted to learn that Bangladesh Tariff Commission is going to publish a journal on international trade related issues. In this journal, they have endeavored to delve into some issues in connection with international trade through their articles. It is indeed my great satisfaction that with the help of some officials, the Bangladesh Tariff Commission will finally be able to publish the first issue of the journal.

Bangladesh is consistently progressing towards socio-economic and commercial development. With a view to stimulating sustainable development, the government continues its persistent endeavor to develop commercial and economic infrastructure; to enhance and diversify productivity; to promote import substitution in order to reduce import dependency and above all, to alleviate poverty and improve the standard of living. In this connection, Bangladesh Tariff Commission plays a pivotal role in providing the government necessary inputs and reports on different bilateral, regional and multilateral trade issues. I hope this journal will play a significant role in government policy making process.

I would like to convey my sincere gratitude to the members of the editorial body for their valuable observations, advice and instructions towards the completion of this journal.

My thanks are due for all members of the Journal Committee and the contributors, for their support and cooperation throughout the course of the work. Their innovative and creative thinking was of immense help for the completion of the publication.

I must mention my special thanks to Dr. Md. Azizur Rahman for his splendid work and contribution, I also thank officials of the BTC who were constant sources of inspiration to accomplish the publication.

I wish every success for the publication of this journal.

Dr. Kamal Abdul Naser Chowdhury

Senior Secretary
Finance Division, Ministry of Finance
Government of the People's Republic of Bangladesh

Message

I am happy to know that Bangladesh Tariff Commission (BTC) is going to publish a quarterly journal for the first time.

BTC recommends government on different tariff, trade and industry related affairs with an aim of protecting the interest of domestic industries as well as promoting fair competition. BTC also provides technical support to the government in negotiating bilateral, multilateral and regional trade negotiations and agreements. Under this background, I believe, the journal of BTC will bring forth a new source of knowledge for all the stakeholders including the policy makers, government officials, business community, academicians, researchers and persons keen to earn knowledge on trade, tariff and industry related issues.

I would like to thank and congratulate the Chairman of BTC as well as other officials for their heartiest endeavor they have put to publish the journal. I wish continuation of the journal and all success of BTC.

24.3.15

Mahbub Ahmed

President
Federation of Bangladesh Chambers of
Commerce & Industry

Message

I am delighted to know that Bangladesh Tariff Commission (BTC) is going to publish an innovative journal on the integration of domestic and international trade.

I hope the journal that contains useful information on international trade and recommendations of BTC on formulation of trade policy would be a very helpful publication for the stakeholders. I express my heartfelt thanks and compliments to Bangladesh Tariff Commission for taking initiative to publish the important publication.

We are now in an intensely competitive globalized world where local business in general and international business in particular, have been becoming increasingly complex due to ever changing international economic situation. I firmly believe that both the business people and the policymakers will equally benefit from this Publication of the Bangladesh Tariff Commission.

I wish every success of the Publication of Bangladesh Tariff commission.

Kazi Akram Uddin Ahmed

Executive Director
Centre for Policy Dialogue (CPD)

Message

I am delighted to learn that the Bangladesh Tariff Commission (BTC) is planning to publish a quarterly journal which will focus on international trade, tariff and related issues of interest and concern to the Bangladesh economy. This is a very timely initiative on the part of the BTC whose mandate is to service the growing needs of the Bangladesh economy for evidence-based policy inputs and informed policymaking.

The economy of Bangladesh is currently facing unprecedented challenges originating from the increasing degree of openness and fast pace of regional exposure and global integration of our economy. In this backdrop, the BTC is expected to play a critically important role in terms of enabling our economy, entrepreneurs and enterprises to safeguard our defensive interests and secure and promote our offensive interests in an increasingly competitive environment. BTC’s success as a key institution of the government will critically hinge on its ability to develop adequate human resources which is well equipped with the needed skills and analytical tools to undertake rigorous and policy tailored research. In view of this, it is encouraging to note that the very first issue of the BTC journal will contain contributions from young and promising officials of the BTC. Publications in this journal will offer them an opportunity to hone and develop their analytical capabilities to enhance their capacity to undertake serious research towards evidence-based policymaking. I am hopeful that future issues of the journal will also include contributions from academics and researchers from other institutions who are working on relevant issues. This diversity of contributors will also help the BTC and its officials to gain from exposure to the wider world of scholarship and expertise in relevant areas.

The Chairman of the BTC and his colleagues associated with this pioneering initiative must be congratulated for taking on the challenging task of bringing out BTC’s own institutional journal. I would also like to take this opportunity to assure that I shall be happy to extend my wholehearted cooperation towards the success of this most welcome initiative. I wish the journal a successful and rewarding journey in the days ahead.

Professor Mustafizur Rahman

Chairman
Bangladesh Tariff Commission
Government of the People's Republic of Bangladesh

Forward

It is for the first time in the history of Bangladesh Tariff Commission (BTC), a *Journal* is going to be published quarterly. In addition to its regular activities BTC is providing expert opinion to the government during any dialogue, negotiation or before signing any agreement, protocol, MoU on tariff and trade at bi-lateral, sub-regional , regional and global level. Emerging issues of SAPTA, SAFTA, WTO, SAARC, BIMSTEC are also the prominent grassing field on which BTC is to advice government on tariff and trade issues. In this consideration BTC is a ***think tank*** of Ministry of Commerce on tariff and trade issues.

After joining in BTC it was observed that performing the job of scholars of BTC are serve brain storming, basic research oriented and their periphery is un-ended. Contemplating all these hurdles wherever a scholar of BTC come up with a fusion, creation knowledge for the whole society, it requires to disseminated. Unfortunately, it was not done previously. By publishing the *Journal*, the scholars of BTC will get the chance to publish their research oriented opinion both national and international arena. At the same time the stakeholders of BTC, scholars, students of Universities and as a whole, the general public of home and abroad will be benefited by data information providing the *Journal*.

I am delighted to concede the inspiration given by our honorable Prime Minister **Sheikh Hasina** and other Ministers, dignitaries and my colleagues of BTC have taken the laborious efforts to bring it at day light. The subscribers of the issue also deserve my thanks for their contributions. I strongly believe and hope that with the blessings of the Almighty Allah, the *Journal* will be continued and flourish with time spreading knowledge and information, Insha allah.

Dr. Azizur Rahman

Editorial Note

After overcoming a lot of handles the **Bangladesh Journal of Tariff and Trade** is going to be published. I am feeling delighted that with the publication of this journal Bangladesh tariff commission (BTC) will unveil a world- the world of knowledge. As per design of the organization the activities of the commission is basically research oriented. But till today there is no opportunity to disseminate the outcome of those research activities. Hopefully the present leadership of the Commission realizing the acute need to spread the knowledge and wisdom, frantically taken the decision to publish a quarterly on tariff and trade.

I am fortunate enough that I have been entrusted with the responsibility of editing the journal. Since I have no experience of this kind initially I was a bit shaky. But when I started to work along with the editorial board the thinks become familiar and I felt confident. Specially, the necessary policy support and the day to day instruction provided by the Chairman of the Commission Dr. Md. Azizur Rahman made the things easier. The members of the editorial team also work with me solder to solder and made the Journal a visible one.

The contributors of this Journal are the research personnel working in this commission. As the journal is being published in a short time few contributors did not get sufficient time to make their articles up to the mark. But most of the contributors had tried to address the issues of dialogue, negotiation or the matters of governments and privet sectors before signing any agreement protocol, MoU on tariff and trade at bi-lateral, sub-regional, regional and global level. Emerging issues of SAPTA, SAFTA, WTO, SAARC and BIMSTEC are also the prominent grassing field on which BTC is to advice government on tariff and trade issues. We are very frank to say that in this issue our intension *was to make the things happened than ensure the quality.*

I am feeling delighted to acknowledge the inspiration given by our honorable Chairman, members of the Commission, members of the editorial boards, colleges, The concern executive staff of the BTC also work heard giving administrative support to bring it in day light. All of them deserve my thanks for their contribution. I strongly believe and hope that in future we will be able to improve it taking lesson from the experience of the present issue and will be able to make it more resourceful. In spite of all precaution there may have some spelling mistake. I hope that the honorable readers will consider our sincerity and our limitations also.

Mohd. Khalid Abu Naser

Joint Chief

Convener, Editorial Board

Bangladesh Journal of Tariff and Trade

January-March, 2015

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South Asia Economic Integration: Problems and Prospects

Md. Abu Musa[1]

A. Introduction

In the present world of trade liberalization and globalization, economic integration acts as stimulus drug for economic growth not only for individual country but also for a cluster of countries in a particular region/s. This is more befitting in cases where countries share commonalities in their cultural background, geographical relation, consumer tastes, preferences, problems and prospects, scales of the economies and above all a collective aspiration for economic development. The approach to integration thus needs to be a strategic and long term one in order that economic activities cutting across the national boundaries are in some form or other inter-related with a vision for achieving both individual and regional goals. Looking at integration from this perspective it is indeed fascinating to see a whole gamut of area in the SAARC region that can be brought under the vision of working together for mutual and lasting benefit of all member countries. It is true that the SAARC region has over the years witnessed a good number of initiatives towards integration but the dynamism required for such initiatives has often been found missing and as a result the outcome was limited to certain basics like exchange of trade preferences, addressing para-tariff barriers (PTBs), non-tariff barriers (NTBs), weak complying capability, infrastructural bottlenecks within the countries and in the border areas etc. The graduation from SAPTA to SAFTA has widened the scope a good deal and issues like services, connectivity are coming into its fold. There are still discordant issues in the national polices that impede the collective way forward.

B. Possible benefits from South Asia economic integration

i) **Lowering prices of goods and services**: Introduction of economic integration helps in acquiring goods and services at much lower prices because of removal/substantial reduction of trade barriers. Reduced duties and lowered prices save a lot of spare money with countries which can be used for buying more products and services.

ii) **Promotion of trade and investment:** Economic integration increase and promote trade and investment between the countries taking part in the agreements and become

[1] *Mr. Md. Abu Musa obtained M. A. in Political Science from University of Rajshahi and M. Com. in Economics from UNSW, Australia. He also obtained Diploma in Techno-Commercial Engineering from JIS College of Engineering, India. Mr. Musa joined Bangladesh Tariff Commission in 1983. He accumulated experience in working on the issues related to BTAs, RTAs (SAPTA, SAFTA, APTA, BIMSTEC, TPS-OC, D-8, GSTP) and MTAs (WTO, UNDP, UNCTAD, G-77, NAM etc).*

regionally and globally competitive, as the goods of the countries outside blocks become more expensive.

iii) **Opportunities for employment:** The various options available in economic integration help to liberalize and encourage trade. This results in market expansion due to which high amount of capital is invested in an economy. This creates higher opportunities for employment of people from all over the world. They thus move from one country to another in search of jobs or for earning higher salary.

iv) **Beneficial for financial markets:** Economic integration is extremely beneficial for financial markets as it eases farms to borrow finances at low rate of interest. This is because capital liquidity of larger capital market increases and the resultant diversification effect reduces the risks associated with high investment.

v) **Possibility of increasing foreign direct investment (FDI):** Economic integration helps to increase the amount of money in FDI. Once farm start FDI, through new operations or by merger, takeover, and acquisition, it becomes an international enterprise.

vi) **Improved political cooperation:** Countries entering economic integration form groups and have greater political influence as compared to influence created by a single nation. Integration is a vital strategy for addressing the effects of political instability, trade and economic disputes, and human conflicts that might promote not only diplomatic relation but also improve overall country to country relation.

vii) **Opportunity to combating against common problems:** There are some crucial common problems such as maritime insecurity, piracy, trafficking in women and children, narcotic drugs and psychotropic substances, cyber crimes etc. act as serious obstacles in achieving socio-economic, trade and cultural development in the region. These issues can be frankly discussed at the higher official-level meetings of the SAARC countries aimed at finding out the remedies and accordingly undertaking appropriate measures.

C. Problems prevalent in the SAARC region

1) **Poverty:** Poverty is deep rooted in all SAARC countries. A large portion of populations of the region are subject to hard core poverty; they do not have capacity to meet up their basic needs such as food, clothes, shelter, medical treatment and education. Though year after year the countries are achieving economic growth which goes to the elite communities rather than goes to the poor households and thus income inequality between the people is increasing day by day.

2) **Food security:** Almost every county of the region is subject to food shortage; especially LDCs are net food importing countries. They have to face the problem of frequent rises of global food prices and sometimes prohibition of food export by some exporting countries, which create serious problem for the people of the affected countries as well as their governments. So fighting against hunger and to enhance food security has now become a major SAARC threat. In the recent past years the rising of fuel prices results a rapid increase in all food prices which have made an unwanted impact on the SAARC region through the civilians' disposable income and its correlation with their nutrition levels.

3) **Financial constraint:** Financial constraint almost common in the region that is why the governments of the countries cannot take necessary socio-economic development programmes such as promotion and expansion of trade and investment, industrialization, social development, employment generation, improvement of position of women and rural and slum people, and mass education and nutrition for children etc.

4) **Climate change and natural disaster:** At present, climate change (such as melting of Himalayan glaciers, coastal erosion) is a burning issue not only for Bangladesh but also for most SAARC countries. In order to attain sustainable socio-economic development in the region, alleviation of adverse impact of climate change is unavoidable. On the other hand, regional cooperation to support green growth is important because it can help coordinate national strategies and policies. Besides, natural calamities such as ocean tsunami, cyclone, hurricane, flood, earthquake etc are the frequent events in the region which intensify the need for regional integration to establish early warning systems and proper mechanisms for coordinating the response across the region and from outside.

5) **Unemployment:** Unemployment is a serious impediment in achieving rapid and sustainable economic development in the SAARC region. A large portion of population such as young people and women are unemployed and so many rural people do not have work in the off-seasons. Unemployment problem of youth is worsening year after year. Besides, there is a serious problem in gender equality and empower women in the region. On the other hand, lack of educational opportunity, malnutrition and less nutrition are serious problems for children in the region. A big portion of population cannot provide education and nutritious foods to their children. So in order to achieve the third Millennium Development Goals (MDGs) in the region, employment generation, elimination of gender discrimination in primary and secondary education and eventually in all levels of education is unavoidable.

6) **Lack of cross border collaboration:** Lack of cross border collaboration among the member countries in every mode of routes such as rail, road and water creates difficulties in movements of goods and people. This type of collaboration is very helpful to enhance

trade and investment opportunity and to build people to people contact, exchange of social culture in the region.

7) **Absence of integrated trade and production networks:** Absence of integrated trade and production networks in the region creates some problems in lifting behind-the border barriers to trade and competition; removing obstacles to inter-regional trade and investment in services; exchange of data/information, allowing a freer movement of labor and across regional members.

8) **Para-tariff barriers (PTBs) and non-tariff barriers (NTBs):** There are many types of internal taxes (such as VAT/sales tax, countervailing duty, special additional duty, regulatory duty, license fee etc), and different types of NTBs such as administrative and registration procedures, stringent packaging requirements, mandatory testing requirements, non-acceptance of certificate/test report, marking requirements, various types of TBT and SPS measures, lack of ware house facilities in the ports and customs stations, poor infrastructure in the border areas etc.

9) **Long sensitive lists:** Trade in the region is not increasing at optimum speed because of a large number of well traded goods are reserved in the SAFTA sensitive lists.

10) **Stringent Rules of Origin:**

    (a) SAFTA General Rule: (i) Single country value addition requirement is 30%+CTH (change of tariff heading) for LDCs and 40% + CTH for non-LDCs; (ii) SAARC cumulation content requirement is 40% + CTH for LDCs and 50% + CTH for non-LDCs, with the requirement of at least 20% value addition in the exporting country. and (iii) Sri Lanka: 35% value addition + CTH is required in case of domestic content and 55% regional content + CTH in accumulation.

    (b) **Product Specific Rules (PSRs):** 191 HS codes (at 6 digit level) are subject to PSRs for securing tariff preference. 189 HS codes out of 191 are subject to change of tariff sub-heading (CTSH) + 30% value addition and the rest 2 items are subject to only CTH.

11) **Lack of regional connectivity:** Regional connectivity is one of the prime instruments of establishing economic integration and thereby achieves faster economic growth in South Asia. In absence of cooperation in the fields of transport and transit, the advantages of free trade regime cannot be reaped. In fact, non-availability of these facilities constitutes a physical barrier to trade which is more formidable than tariff and non-tariff barrier. Till today no full connectivity covering all countries in the region is established. Due to poor and fractional connectivity, the SAARC countries failed to achieve optimum level of

intra-trade and investment augmentation. Besides, without regional connectivity economic and people-to-people amiable relation is not possible.

12) **Absence of specific provisions:** In order to progress towards deeper integration, specific provisions such as cooperation for development in the fields of infrastructure, financial and monetary activities, coordination and harmonization in the macroeconomic policies should exist in the SAFTA Agreement which is severely absent.

13) **Conflicts among member countries:** Most scholars think that unless problems like Kashmir, Siachen, illegal immigration, sharing the waters of common rivers and trade and transit facilities are not solved among the SAARC countries, cooperation cannot reach at satisfactory level.

14) **Apprehension to India:** Almost all SAARC countries apprehend that full-fledged economic integration will make India to sweep their local markets and damage their national industrial development which discourages them to move towards full economic integration.

15) **Lack of political will and threat of terrorism**: While political commitment, uniform policy, peaceful environment and friendly relation are prerequisite for establishing regional economic integration in the region; there are serious political deviation, divergent policies and lack of friendly relation among the countries. Besides, terrorism is a formidable threat for establishing economic integration. Now terrorism is not a problem for a specific country but also for the entire region. Frequently occurred terrorist activities create dispute and cold war between the countries which resist taking unique political decision in the region.

16) **Deficiency in Mutual Recognition Arrangement (MRA):** PTBs and NTBs are main obstacles in trade in goods, trade in services and investment. Different types of administrative procedures, rules and regulations are applied in trade and investment in different counties in the region. A large number of traded products and services could not be traded at optimum level for these reasons and investment could not be made in many potential areas. MRA such as South Asia Regional Standards Organization (SARSO) has not yet been come into full operation.

17) **Problems in services:** Services is one of the major components of economic integration. In order to establish economic union, uniform administrative procedures, laws, rules and regulations is prerequisite. But different countries apply different types of procedures, laws, rule and regulations. One country is not well known about other countries' procedures, laws, rules and regulations. Especially, LDCs like Bangladesh are not conversant with laws, rules and regulations relating to services of other countries of the region. Even we are not well aware of laws, rules and regulations relating to our domestic service sector.

D. Prospects of South Asia economic integration

1) **Economic growth:** It is observed that during the long past years, SAARC region has been achieving hopeful economic growth. If a full-fledge regional economic integration is established then not only intra-SAARC trade and investment will increase; it will open a new avenue for the region in the world market.

2) **Potential of investment:** The region has great opportunity for increasing FDI while foreign investors' perception of the region is becoming progressively more positive. On the other hand, investment policy of this region has been gradually liberalizing which may play a strong role for moving towards the South Asian Economic Union. Besides, there is deeper, wider, and more crisis-resilient financial markets in the region which are able to allocate the region's vast savings more efficiently to its huge investment needs and thus facilitate global rebalancing; and coordinating monetary and fiscal policies more closely in order to enhance macroeconomic and exchange-rate stability. This may play a great role to reduce poverty, shrink income gaps, and boost investment and growth in the less dynamic economies in the region. The final result may create an economic integration in the region.

3) **Possible regional connectivity:** Bhutan and Nepal requested Bangladesh to use the ports at Mongla and Chittagong to export to/import from third countries. On the other hand, in the Indo-Bangla Prime Ministers meeting held in January 2010 in Delhi, the two Prime Ministers agreed to put in place a comprehensive framework of cooperation for transportation and connectivity. In this context, efforts from the highest authorities of these countries are now working and negotiating on establishing regional multi-modal connectivity through trans-border roadways, railways and waterways, while looking forward to setting up mechanisms and infrastructure for common use of land ports and sea ports.

4) **Porous border:** Out of eight SAARC member nations, five countries: Afghanistan, Bangladesh, Bhutan, India and Nepal share common borders and provide vast opportunities for business through road and rail which may create great opportunity to increase and expand trade and investment and make people to people close ties.

5) **Two agreements related to harmonization and standardization:** (i) SAARC Agreement on Implementation of Regional Standards; and (ii) Draft SAARC Agreement on Mutual Arrangement on Recognition of Conformity Assessment have been signed. The first one has covered both goods and services. The second one has covered mutual

recognition of conformity assessment procedures as well as mutual recognition of standards.

6) **Possibility of establishing integrated framework:** If the member states of the region are sincere to establish an integrated framework of support mechanism for facing challenges of climate change and natural disasters, we can effectively face the adverse impact of climate change and natural disasters where individual effort cannot solve these problems.

7) ***Integrating Afghanistan in SAARC:*** *At present, there are no direct land routes in operation between India and Pakistan or India and Sri-Lanka. Single transit route connected Petrapole (India) to Benapole (Bangladesh). Bhutan and Bangladesh are connected via India through Phuentsholing (Bhutan)-Jaigaon (India), Changrabandha (India) and Burimari (Bangladesh). Likewise Nepal and India are linked by border towns of Birgunj and Raxaul, on western front the Kabul-Pakistan highway connected Pakistan and Kabul. Therefore linkage with Afghanistan is very important for establishing regional connectivity. Because linkage with Afghanistan would connect this region with China, Russia, other countries emerged from Soviet Union and also with the entire Middle East and Africa.*

8) **Prospect of organized programmes:** Sometimes programmes are organised by public or private level such as cultural and sport programmes (e.g. *SAARC Cultural* Festival, Film Festival, SAF Game, *Cultural publication*, SAARC Folklore and Heritage Festival etc.), Global Call to Action Against Poverty (GCAP), United Nations Millennium Campaign (UNMC), South Asian Network for Social and Agricultural Development (SANSAD), Lions Club of Colombo Central and Nawala of Sri Lanka etc are working for encouraging work towards enhancing cultural ties and social security, fighting hunger, rural investment and agricultural development and improving food nutrition standards within the SAARC region.

E. Reality: This region is not "poor" for lacks of natural or human resources but for deficiencies in guarantee of accountable democracy, proper utilization of resources, equal distribution of income, mutual cooperation, socio-economic development programs, action plan for annihilating wide and deep rooted corruption and above all deviation from political alliance. Even with galloping economic growth, we would not be able to lift ourselves out of poverty if each one of us in the region does not have the opportunity to realize the fullest development of human potential. Besides, a society free from exploitation can create a climate in which all of us live in accord and prosperity; re-establish the ecological balance and harmony with environment; abolish the artificial and human barriers that divide lands, people, and minds; and transcend all boundaries. The convergence would bring all such issues to prominence, which could ensure sustainable development in the region.

F. Actions to be taken

- A regional action of plan to be designed for alleviation/annihilation of poverty;
- A comprehensive regional project to be undertaken for combating climate change and natural calamities;
- A joint plan of action to be undertaken for rapid establishing of regional connectivity;
- A joint plan of action to be undertaken for social development such as education, health, employment generation, empowerment of women, removal of gender disparity and improvement of children life;
- A joint plan of action to be undertaken for abolishing maritime insecurity, piracy, trafficking in women and children, narcotic drugs and psychotropic substances, cyber crimes etc;
- A multimodal cross border collaboration to be introduced aimed at promoting trade and investment, enhancing people to people contact;
- Full implementation of MRA, freer movement of labor, integrated trade and production networks to be established for removal of border barriers to trade;
- An integrated work programme to be established for eliminating terrorism and achieving sustainable regional peace;
- A regional programme for infrastructural development in the border areas to be undertaken;
- A joint Marketing Information System (MkIS) to be established for promotion of trade and investment of the SAARC countries;
- A vigorous study to be conducted for identifying problems and prospects to move towards the South Asian Economic Union.

G. Conclusion:

Despite problems and disputes are mounted in the SAARC region, some major common needs: reduction/abolition of poverty, annihilation of terrorism, promotion of tourism, infrastructural development, energy cooperation, effort for facing the challenges of climate change and natural calamities, combating against maritime insecurity, piracy, trafficking in women and children, narcotic drugs and psychotropic substances, cyber crimes, enhancement of competitiveness in the world market, industrialization etc, may inspire the region to graduate from SAFTA to the South Asia Economic Union.

ACRONYMS

APTA	: Asia-Pacific Trade Agreement
BIMSTEC	: Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
BTAs	: Bilateral Trade Agreements
CTH	: Change of tariff heading
CTSH	: Change of tariff sub-heading
D-8	: Preferential Trade Agreement among D-8 Member States
FDI	: Foreign Direct Investment
FTA	: Free Trade Area/Agreement
GCAP	: Global Call to Action Against Poverty
G-77	: The Group of 77
GSTP	: Global System of Trade Preferences
LDCs	: Least developed countries
MkIS	: Marketing Information System
MRA	: Mutual Recognition Arrangement
MTA	: Multilateral Trade Agreement
NAM	: Non-Aligned Movement
NTBs	: non-tariff barriers
PSRs	: Product Specific Rules
PTAs	: Preferential Trade Arrangements/Agreements
PTBs	: para-tariff barriers
SAFTA	: South Asia Free Trade Area
SANSAD	: South Asian Network for Social and Agricultural Development (SANSAD),
SAPTA	: SAARC Preferential Arrangements
SARSO	: South Asia Regional Standards Organization (SARSO)
SPS	: sanitary and phytosanitary

TPS-OIC	: Trade Preferential System among the Member States of OIC
UNCTAD	: United Nations Conference on Trade and Development
UNDP	: United Nations Development Programme
UNMC	: United Nations Millennium Campaign
UNSW	: The University of New South Wales
WTO	: World Trade Organization

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Extension of the transition period under Article 66.1 of the TRIPs agreement: Least Developed Country Perspective with respect to Pharmaceutical Products

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A. Background

The world Trade organization (WTO) is the only global organization that deals with the rules of trade between nations. The main function of WTO is to maintain balance in trade between different nations and resolve trade related disputes. Among all the regulations of The WTO's Agreement, Trade-Related Aspects of Intellectual Property Rights (TRIPs) is very significant for pharmaceuticals industry. As pharmaceutical industry is a knowledge intensive sector and the products are very technology oriented, they require a great deal of innovation and research work for development.

2. An important flexibility that is available to Least Developed Countries (LDCs) under the WTO TRIPs Agreement (Article 66.1) is an extendable transition period. Under this article LDC members were accorded a ten-year exemption from most obligations under TRIPs agreement in view of the ‘’special needs and requirements of LDC Members, their economic, financial and administrative constraints and their need for flexibility to create a viable technological base’’. During the transition period LDCs do not have to implement the provisions of the TRIPs Agreement except for Articles 3, 4 and 5 of TRIPs, which contain provisions pertaining to national treatment and the most favoured nation. This Article also provides that the Council for TRIPs ‘’shall upon duly motivated request by a least developed country Member, accords extension of this period’’.

3. On June 2002, TRIPs Council decision (IP/C/25) extended the transition period until 1 January 2016 in relation to patents and test data protection related to pharmaceutical products pursuant to the instructions of the Ministerial Conference in paragraph 7 of the Declaration on TRIPs and Public Health (WT/MIN (01)/DEC/2). The Decision was adopted ‘’without prejudice to the right of least-developed country members to seek other extensions of the period provided for in paragraph 1 of Article 66 of the TRIPs Agreement. On the recommendation of the TRIPs Council, the General Council also granted to the LDCs a

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waiver from obligation under Article 70.9, until 1 January 2016, in accordance with Article IX of the Marrakesh Agreement Establishing the WTO (WT/L/478).

B. LDC concern for the extension of the transition period

4. The poorest part of the world community is the LDCs. The WTO recognizes those countries as LDCs which have been designated as such by the United Nations. There are currently 48 LDCs on the UN list, 33 of which to date have become WTO members. According to the United Nations, they comprise more than 880 million people (about 12 percent of world population), but account for less than 2 percent of world GDP and about 1 per cent of global trade in goods. They are the poorest and weakest segments of the international communities and their economies are extremely weak and vulnerable as the large segments of their population are living under poverty level. They are facing numerous challenges such as burdens of communicable and non-communicable diseases, low literacy, inadequate access to pure drinking water and sanitation, low agricultural productivity, environmental and climate-related challenges. Their public spending on healthcare is very low. Current economic conditions of these countries do not allow them to import high priced patented medicine under patent protection.

5. As far as health is concerned, it is a human right and medicines are the most significant means to prevent and cure diseases. A large part of the world's population has inadequate or no access to essential and life saving medicines. The consequences of the inadequacy include an enormous loss of life from preventable or treatable diseases (such as tuberculosis, pneumonia, acute respiratory infections, malaria, diabetes and hypertension) and significant human sufferings particularly among the poor and marginalized populations of the world. In addition to the socio-economic and financial constraints, LDCs also lack adequate technological base and local pharmaceutical manufacturing capacity. These special needs and circumstances of LDCs, and the vulnerability of LDCs confirm the need for a renewed transition period for as long as these constraints remain.

6. LDCs constitute 12% of the world's population, but their total share in world trade remains marginal. The socio-economic condition of LDCs has not changed and still their per capita health expenditure is very low**.** Out of 48 LDCs, majority are from Africa where per capita healthcare expenditure is the lowest in the world with limited or no access to medicines. So, they can't provide their population with prevention, treatment and care. Moreover, patent protection contributes to high costs, placing critical treatments outside the reach of LDCs.

7. One of the targets (Target 8e) of the Millennium Development Goals acknowledges the need to improve the availability of affordable medicines for the world's poor. Poor availability of medicines, particularly in the public sector, is a key barrier to access to

affordable essential medicines in the least developed countries, especially for the poor. In addition to that, the resolution (A/HRC/23/L.10/Rev.1 of 11 June 2013 adopted by the UN Human Rights Council) on "*access to medicines in the context of the right of everyone to the enjoyment of the highest attainable standard of physical and mental health*" urges states to promote access to medicines for all. Out of 47 members of the Human Rights Council, 31 voted for the resolution while 16 abstained from voting.

8. LDCs are home to some of the world's most vulnerable people and bear considerable health burdens. In 2011, some 9.7 million of the 34 million people living with HIV worldwide, lived in LDCs. Of the people living with HIV in LDCs, 4.6 million were eligible for antiretroviral (ARV) treatment in accordance with the 2010 World Health Organization HIV treatment guidelines, however only 2.5 million were receiving it. There are particularly complex challenges for LDCs with respect to second line HIV treatment which is more than double the price of the line regime and third line HIV treatment which could be as much as 15 times the price of first line treatment. The Joint United Nations Programme on HIV/AIDS (UNAIDS) has expressed concern that ''without extension of the transition period, access to antiretroviral therapy and other key medicines in LDCs will face real challenges.'' LDCs also bear increasing health burdens from non-communicable diseases much faster than in higher income countries. For example, cancer incidence is expected to rise to 82% from 2008 to 2030 in low-income countries (compared to 58% in upper-middle and 40% in high-income countries). TRIPs agreement also recognized the gravity of public health problems affecting many developing and least-developed countries, especially those resulting from HIV/AIDS, tuberculosis, malaria and other epidemics.

9. Under patent protection no generic equivalent will come into the market until expiry of the 20 years of patent right and the opportunity to produce cheap generic drugs through reverse engineering, as exist prior to TRIPs Agreement will be lost. Therefore, the prices of patented drugs will be too expensive for these poor people to afford. This will bring devastating consequences for the health care system and development of pharmaceutical industry in these countries. The consequences will further aggravate in cases of natural disaster like bird flu, Severe Acute Respiratory Systems (SARS), Ebola etc. Empirical studies also support this notion (for example, *Fluoroquinolone* study in India highlights the healthcare cost burden by manifolds). Under TRIPs Agreement Multinational Companies will be more interested in exporting finished products instead of transferring technology to the LDCs. The World Bank estimates TRIPs will result in a net outflow from developing countries of about US Dollar 20 billion in technology related payments, plus further administrative costs for local enforcement. According to a 2009 report by Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (UN-OHRLLS), climate changes are expected to influence the pattern and prevalence of different diseases in LDCs of Asia. Increase in temperature and heat wave will increase mortality among elderly urban poor population.

10. LDCs are mostly import dependent with no viable pharmaceutical manufacturing base. Developed nations were supposed to provide incentives to enterprises and institutions in their territories for the purpose of promoting and encouraging technology transfer to create a viable technological base in LDCs, but as of now no visible progress is seen in any of the LDCs. As a result LDCs have no viable pharmaceutical manufacturing base. LDCs were given the waiver period until January 2016 so that they can develop the skill and technological platform to manufacture generic medicines. Much progress is not achieved in almost all LDCs and infrastructure of pharmaceutical industries in these countries is not developed to meet the growing demand of medicines for their population. In few countries, some progress is made in terms of identifying ways to build manufacturing capabilities. But most of these countries don’t have facility, technology or intellectual ability to discover innovative molecules. So, they are not still in a position to ensure access to affordable medicines.

11. Pharmaceutical companies in LDCs are no way a threat to the Multinational Companies. No patent infringement occurred in LDCs who are producing medicines mostly for domestic consumption and within the LDCs. As of now no LDC has visible presence in regulated markets like US or EU. Also, no patent challenge made by any company from LDCs. If the waiver expires in December 2015, LDCs will have no option but to import high priced patented medicines and vaccines from developed countries. Poor people will suffer and die due to lack of access to medicines and rise in healthcare cost. The 2013 extension decision recognized the LDCs’ continuing needs for technical and financial co-operation so that they can achieve their individual developmental and other domestic objectives within a balanced IP regime. So, LDC members have firm conviction that the TRIPs Council will recommend to the General Council for an extension of the transition period for as long as the WTO Member remains a least-developed country. The TRIPS Council may also recommend to the General Council a waiver for LDCs from obligations under Article 70.8 and 70.9 of TRIPs for the same period. Developed country members may be requested to ensure technology transfer to create a sound and viable technological base as per Article 66 of the TRIPs agreement in a meaningful way.

C. Bangladesh Perspective as an LDC

12. Bangladesh is one of the world’s most densely populated countries with 166 million people, about 26 percent of whom live below the national poverty line. Recent estimates show that per capita spending in health is currently about $17 per year, of which 30 percent is contributed by the public sector, about 6 percent is accounted for by the civil society, and the remaining 64 per cent consists of out-of-pocket expenditures. Direct household expenditure on purchasing drugs from pharmacies amounts to $4 per head, far outstripping public expenditure of less than $1 per head on drugs. Moreover, government health insurance and other similar healthcare support systems are not available for the poor people of Bangladesh. Bangladeshi people are hugely benefited by TRIPs Agreement – at present

medicines are accessible and affordable. Bangladesh is probably the cheapest source of medicines in the world. Under patent protection medicine will be too expensive for these poor people to afford. Moreover, prices of essential vaccines for some serious diseases such as AIDS, tuberculosis, polio, measles, diphtheria, tetanus etc. will be increased. This will bring devastating consequences for the health care system of Bangladesh. Bangladesh is yet to develop the infrastructure necessary to implement patent protection of pharmaceuticals.

13. In Bangladesh Malaria and Tuberculosis are still very much prevalent. Still the population of Bangladesh is at great risk of epidemic from these diseases. So, if TRIPs is implemented within 2016, Bangladesh will not have the access of low cost medicine for its people. Moreover, global warming will increase respiratory and cardiovascular diseases that will increase the sufferings and overall health expenditure of people in Bangladesh. Vector borne diseases like malaria and dengue and water borne diseases caused by giardia, salmonella and cryptosporidium could become more prevalent in Asian countries including Bangladesh because of global warming. Bangladesh will be a victim of global activities that affect climate; implementation of TRIPs in Bangladesh from 2016 will add further burden to the sufferings of poor people of Bangladesh. People of other LDCs can also be benefitted from affordable medicines manufactured by Bangladeshi pharmaceutical companies. To bring the capability of pharmaceutical companies of Bangladesh up to a reasonable competency level to ensure their survival and to help the poor population of LDCs, the transition period for the pharmaceutical products should be extended further.

D. Recent Updates regarding the submission of LDCs

14. Haiti on behalf of the LDC members of the WTO submitted a request to extend the transition period for the LDCs to implement the TRIPs agreement. Although WTO extended the waiver before, but this time LDCs are seeking to make it indefinite, until they are no longer considered LDCs. In the TRIPs Council on behalf of LDCs, Bangladesh also raised those issues of extension. Nepal, China, Brazil and India also supported the LDC proposal, as well as the European Union, which said it could not comment yet, but gave general support to the idea, according to the WTO. In this regard the WTO official said no substantive discussions were carried out during this session, but the subject should be developed at the next TRIPs Council meeting, scheduled for 9-10 June.

15. Meanwhile, as many as 130 international academics have published a letter of support for the extension and warned of pressure by developed countries to attach conditions to this extension. The "Global Academics' Expert Letter on LDCs' TRIPs Extension Request," was published on 27 April. In the letter, the signatories ask for an "unconditional extension of the time period within which LDC Members must become compliant with the WTO TRIPS Agreement," referring to the Agreement on Trade-Related Aspects of Intellectual Property Rights.

E. Concluding Remarks

16. In fact, "public health" should not be viewed as a matter of trade yielding high return. It is a formidable problem, which is directly involved with human, animal and plant life and health around the world. It needs collective efforts both in national and international forum. Finally, the spirit for patent extension lies in the intention to help the poor with affordable treatment options. Thus, WTO should think about this to extend the exemption period further and ensure technology transfer to create a sound and viable technological base under Article 66 of TRIPs agreement in a meaningful way.

The Impact of Tourism on the Socio-Cultural Context of the Rural Community in Bangladesh

Md. Raihan Ubaidullah[3]

Tourism is a very potential income generating issue as well as revenue earning source for the Developing Countries now-a-days. In Bangladesh, Tourism is considered as a revenue earning source and it is going to play a vital role at the economy of Bangladesh as a crucial revenue earning source in recent future. In Bangladesh, a lot of studies are going on about the economic impacts of Tourism, how it can contribute at our GDP, how it can increase our income sources, etc. But, a few study is going on Bangladesh about the Socio-cultural impact of Tourism especially how tourism affects the local culture, how tourism keeps impact upon the life of rural community and so on. Under this circumstance, the study is an endeavor to examine the Socio-cultural impacts of Tourism at the rural communities of Bangladesh. For the convenience of the research work within a specific time schedule, this study made its focus on a local Sea-beach Community of the Cox's Bazar Region. The conclusion of this study shows that Tourism keeps a deep impact upon the socio-cultural context of the local people. This Study has recommended that ―concerned tourism authority should generate necessary policies to enhance the tourism activities which will not conflicting with the values and norms with the local communities.

INTRODUCTION

1.1 Background of the Study

Tourism is one of the highest revenue generating industry in this world. Bangladesh is an agro based country. The villagers of Bangladesh can earn more money from tourism than that of agriculture easily. From this point of view, the rural people of Bangladesh especially the people who are living at the tourism potential areas, accepting tourism widely. The most potential tourism place of Bangladesh is coastal areas and the coastal people, who are living at rural areas, they welcome the tourism. But, they are not concern about the negative impact of Tourism properly. According to Haldar (2007), it is widely recognized that such negative impacts on rural communities have become stronger and that rural tourism must be planned and managed properly to increase the net benefit to rural people. Unplanned tourism means the visitors will come and destroy the environmental stability, creates pollution, bring different norms-values-cultures which might be interrupt the flow of the life of the inhabitants of that/those areas.

Generally, conventional tourism is working as a motivator of the changes of social norms

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and values. These sort of social changes are not so welcomed by the host population always. There are various sorts of negative impact of Tourism at the host community (i.e.: crime, prostitution, etc.). Tourism or tourist's attitudes keep influences on the individual level and family level also through distorting different traditional norms. The more tourists will come in a place, the more different values and attitudes are coming at that place along with the tourists which influences the individual behaviors. So, interpersonal and intrapersonal communication with the tourists can keep impact over the host community's individuals' patterns as well as it creates great opportunities to bring new positive behavioral pattern in a certain remote community.

Like the world scenario, Bangladesh has also a lot of potentiality in tourism. The most potential tourism area of Bangladesh is the South-Eastern Coastal Areas. It's gradually becoming as a suitable tourist destination. Among the coastal areas, Cox's Bazar is the ideal most for the tourists. This is because the world's longest constant natural sandy beach (more than 120km /62.5 miles) is situated at Cox's Bazar which has a variety of natural phenomena (www.parjatan.gov.bd). The north of Cox's Bazar is Chittagong and the hill districts of Bandarban and Khagrachhari, to the east is Myanmar, to the west and south is the Bay of Bengal (www.parjatan.gov.bd). "The Government of Bangladesh has new plans to put this area as a Tourist Holiday Zone of this country on the International tourist map (www.parjatan.gov.bd)". It hopes to earn more than $5billion (£3.17billion) from tourism in the next 10 years by attracting more domestic and foreign visitors (Ahammed, 2010).

Tourism in Bangladesh is managed by Bangladesh Parjatan Corporation (BPC). The economic contribution of tourism and the share of Cox's Bazar to the national economy are not studied with reliable statistics. World Travel and Tourism Council's Bangladesh Country Report 2010 forecasted that the contribution of Travel & Tourism (TT) to Gross Domestic Product (GDP) is expected to rise from 3.9% (BDT265.9bn or US$3,786.4mn) in 2010 to 4.1% (BDT788.4bn or US$8,781.7mn) by 2020(www.wttc.org). The Real GDP growth for the Travel & Tourism Economy (TTE) is expected to be 1.7% in 2010 and to average 6.4% per annum over the coming 10 years (www.wttc.org). The contribution of the TTE to employment is expected to rise from 3.1% of total employment, 2,373,000 jobs or 1 in every 32.3 jobs in 2010, to 3.2% of total employment, 3,114,000 jobs, or 1 in every 31.1 jobs by 2020 (Ahammed, 2010). Export earnings from international visitors are expected to generate .5% of total exports (BDT6.0bn or US$85.8mn) in 2010, growing (nominal terms) to BDT20.5bn or US$228.5mn (.5% of total) in 2020 (Ahammed, 2010). Travel & Tourism investment is estimated at BDT64.0bn, US$911.9mn or 3.7% of total investment in 2010 (Ahammed, 2010). By 2020, this should reach BDT190.7bn, US$2,124.5mn or 3.8% of total investment (www.wttc.org).

Within this background, this study is an endeavor to evaluate the socio-cultural impacts of tourism on the tourist-host villages of Cox's Bazar Sea beach area of Bangladesh.

1.2 Statements of the Problem

The local villagers and the local residents are compelled by the situation to participate with the process of tourism when the local economy is depended upon tourism. The local resident's attitudes and perceptions towards tourism should be assessable at that time (Allen et al, 1988). The most important reason of making study about the Socio-cultural impact of Tourism is – it influences the perception about tourism of the local community. This perception is very important for the tourism perspective because, in future, how many more tourists they will accept or either they will accept the tourism at their community in recent future or not, everything will be dependable upon it (Daye, 1997). To make an effective tourism strategy by which there will be no conflict or resistance going on between the Tourists and the tourist-hosts, that should be dependable upon how the various socio-cultural effects of tourism are defined (Daye, 1997).

It is certainly true that, tourism development in a place or a tourism host area will face both positive and negative impact of tourism. Thus, analysis of the negative and positive impact of tourism in a certain place is important so that it will be possible to determine the way how to eradicate or reduce the negative impacts of tourism from the local community and increase the development of that are through tourism. In Bangladesh, the Government authority and the other organizations are already determining the positive impacts of tourism and evaluate the contribution of tourism at the GDP of Bangladesh. But, a few studies are going on there about the socio-cultural impacts of tourism at the local community. It is very important for Bangladesh because most of the tourism places are situated at the rural areas and the inhabitants of the rural areas are conservative. So, what is the rural people's perspective and view about tourism it's very important for taking initiatives of future development plan of that/those areas. This study is a trial to assess the socio-cultural impact of tourism at the host community of the sea-shore area of Cox's Bazar of Chittagong region, Bangladesh.

1.3 Objectives of the Study

The objective of this study is – to scrutinize the Impacts of Tourism on the Socio-Cultural context of the village/rural communities in Bangladesh. Specially:

- Examine the perception of the inhabitants of the local Sea-beach Community of Cox's Bazar about tourism;

- Prepare some recommendations which will be helpful for the policy makers to continue the Tourism along with preserving the local people's norms and values.

1.4 Research questions

1. What is the perception of the local people of the sea-beach area of Cox's Bazar about tourism?
2. What is the perception of the local people when the Tourists are visiting the sea-shore areas and making acts/works against the local social norms or disobeying the local social norms?
3. What is the perception of the local people when the Tourist trying to commercialize local values?
4. What measures should be helpful for the policymakers to conserve the values of villagers/rural people of the sea-shore area of Cox's Bazar?

REVIEW OF RELATED LITERATURE

2.1 What is Social Norms?

A norm is a group-held belief about how members should behave in a given context (www.en.wikipedia.org). Sociologists describe norms as informal understandings that govern society's behaviors (Oxford Dictionary of Sociology, 2009). Psychologists have adopted a more general definition, recognizing smaller group units, like a team or an office, may also endorse norms separate or in addition to cultural or societal expectations (Jackson, J. (1965). The psychological definition emphasizes social norms' behavioral component, stating norms have two dimensions: how much behavior is exhibited and how much the group approves of that behavior (Jackson, J.,1965).

Norms running counter to the behaviors of the overarching society or culture may be transmitted and maintained within small subgroups of society (www.en.wikipedia.org). Crandall (1988) noted that "certain groups (e.g., cheerleading squads, dance troupes, sports teams, sororities) have a rate of bulimia, a publicly recognized life-threatening disease, that is much higher than society as a whole. Social norms have a way of maintaining order and organizing groups (Haung, P & Wu, H., 1994).

2.1.1 How Social Norms are making Social Control?

Social Norms can act as a motivator as well as working like as a social controller. Social norms can be enforced formally (e.g., through sanctions) or informally (e.g., through body language and non-verbal communication cues) (www.en.wikipedia.org). Because individuals often derive physical or psychological resources from group membership, groups are said to control discretionary stimuli; groups can withhold or give out more resources in response to members' adherence to group norms, effectively controlling member behavior through rewards and operant conditioning (Hackman, J.R., 1992). Social norms also allow someone to assess what behaviors the group deems important to its existence or survival, since they represent a codification of belief; groups generally do not punish members or create norms over actions which they care little about (Feldman, D.C. , 1984). Norms in every culture create conformity that allows people to become socialized to the culture in which they live (Oxford Dictionary of Sociology, 2009).

2.2 Background of Tourism

Tourism is often viewed as an expression of human behavior (Kim, 2002). Tourism is an invisible industry, encompassing transportation, lodging, and entertainment (Harrill and Potts, 2003, p. 233). Tourism as the set of ideas, theories, or ideologies for being a tourist, and that it is the behavior of people in tourist roles, when these ideas are put into practice (Przeclawski, 1986). Once a community becomes a destination, the lives of residents in the community are affected by tourism, and the support of the residents is essential for the development, planning, successful operation and sustainability of tourism (Kim, 2002). Therefore, the quality of life of the residents should be a major concern for community leaders (Tamakloe, 2011).

Thus, tourism is a complex industry which provides employment opportunities and tax revenues and supports economic diversity (Tamakloe, 2011). It has very different impacts, both positive and negative, or even mixed ones and comes in many shapes and forms such as social, cultural, economic, and environmental (Godfrey & Clarke, 2000). Tourism has been a source of social-economic change in many developing countries (Tamakloe, 2011). Tourism is one of the world's fastest growing industries and one of the global engines of development (www.unwto.org). As one of the largest industry in the world, tourism employs 192.3 million workers (www.unwto.org). International tourism arrivals will grow by an estimated 4.3 percent per year and spending will grow by an estimated 6.7 percent per year, providing communities and tourism interests with both a problem of managing such growth and the possibility of sustainable economic development (Tamakloe, 2011).

2.3 Socio-cultural Impact of Tourism on Host Communities

Socio-cultural impacts refer to the changes in the norms and values of the society that are more apparent in the short term but lead to longer terms and gradual change in a society's values, beliefs, and cultural practices (Brunt & Courtney, 1999). Social impacts are more immediate changes in the social structure of a community and adjustments to the destination's economy and industry while cultural impacts are more long-term changes in a society's norms and standards, which will gradually emerge in a community's social relationships and artifacts (Murphy, 1985). Thus, socio-cultural impacts arise when tourism brings changes in value systems, behaviour, norms, lifestyle (Tamakloe, 2011).There is some concern that tourism development may lead to tourism dominated communities losing their cultural identity by catering for the perceived needs of tourists particularly from abroad.

The extent to which socio-cultural impacts of tourism are experienced by host communities depends on a number of factors which includes: the number and type of tourists; cohesiveness of the community; dependence on tourism; the nature and pace of tourism development in the area; as well as the socio-economic and cultural conditions of the host communities (Ratz, 2003). In other words, tourism has the power to affect cultural change (Tamakloe, 2011). While presenting a culture to tourists may help preserve the culture, it can also dilute or even destroy it (Tamakloe, 2011). The point is to promote tourism in the region so that it would both give incomes and create respect for the local tradition and culture (Tamakloe, 2011).

2.4 Tourism information of Cox's Bazar

Nearly two million people visit Cox's Bazar in peak season from November to March (Ahammed, 2010). Visitors are mainly Bangladeshi nationals and originate from all parts of Bangladesh (Ahammed, 2010). The visitors are generally busy with making walk along the beaches, sea bathing, shopping from the Rakhaine stalls (Ahammed, 2010). The beaches of Labonee, Kalatoli, Himchari and Innani are particularly heavily visited-Labonee beach is reportedly one of the most heavily visited tourist destination in the country (Daily maximum visitors as high as 30,000) (Ahammed, 2010). Cox's Bazar experiences huge growth in tourism since 1990 (Ahammed, 2010). During the peak season some millions of tourists visit Cox's Bazar and all hotels, motels and guest houses are totally filled up and even some visitors spend their night inside the vehicle because no seats are available in the hotels (Ahammed, 2010). From general observation it is understood that tourism has brought a big change in this area (Ahammed, 2010). Local community people are seemingly benefited from tourism and its economy is quite good compared to other backward area (Ahammed, 2010). On economic front, the local community and other stakeholders like investors, hoteliers, tour operators and so on are getting benefits (Ahammed, 2010). But little is known about the overall implication or impact of tourism - whether good or bad. The substantial literature on the economic, environmental and sociocultural impacts of tourism is replete with seemingly contradictory observations, with researchers reporting both positive and negative findings in each of these categories (www.sciencedirect.com/science/article).

2.5 The Effect of Tourism at the Civic Society of Cox's Bazar

There are both Negative and Positive effects of the Tourism at the Society. According to Ahammed (2010), the positive social effects of tourism of Cox's Bazar are as follows:

1. Coming out from the local conservativeness to modernity in the positive sense;
2. Literacy rate is increasing;
3. Traditional popular belief or superstition or even profession is being replaced by the

mixing of the tourists who have a fair understanding of modern ideas, values and behavior;

4. The Living standard of the community is increasing and they receive the tourist and tourism with welcoming attitudes;

According to Ahammed (2010), the negative social aspects of tourism at here are:

1. Crime rate is getting higher unexpectedly;
2. Prostitution or moral erosion is increasing. A group of people including hotel owners, brokers, rickshaw pullers and the local women are in a circle to do this prostitution business. Even some hotels are conducting this business using school and college going girls. “This is very ominous for the tourism in future. The local community is still very much conservative and tries to live as per their social tradition and also showing good demeanor to the tourism development. But if the present trend goes on, the local public sentiment will shift to the antagonism and so for the sake of tourism, moral perversion or prostitution is to be checked with strong hand (Ahammed, 2010)”;
3. Drug addiction is increasing.

METHODOLOGY

3.1 Study Area

The study area is the Sea-beach community area especially the local community of Laboni Sea-beach Point area of Cox’s Bazar. This area is one of the major attractive places of Cox’s Bazar for the tourists. It is located at the southern part of the Cox’s Bazar town.

3.2 Study Design

This research’s target is to measure the possible socio-cultural impacts of tourism at the rural community of the Sea-beach area of Cox’s Bazar. Primarily it’s based on qualitative research where the circumstances were interpreted by the interviews. Thus the design for this study was an accumulation of qualitative and quantitative research.

3.3 Sources of data

Primary and Secondary data sources were used for this study. The Primary data gathered from the Interviews through structured Questionnaire. The Secondary data were gathered from literatures of books, policies, journals and articles of the relevant subjects.

KEY FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

4.1 Key findings

The study has examined the Impact of Tourism on the Socio-Cultural Context of the Rural Community in Bangladesh. The perception and understanding of the local people of a Sea-beach Community about tourism was examined by this study. This study has also tried to find out some policy measures which may be helpful for the policy makers to enhance the tourism activities without any grievance of the local people and preserve the values of the rural community of Bangladesh. There were four research questions for this study. Under these questions a set of questionnaires were prepared for the survey. The substance of the answer and findings of the four research questions are stating at bellows:

The first research question of this study was to examine the perception of the inhabitants of the Sea-beach Community of Cox's Bazar about tourism. The key findings about this issue are as follows:

1. Local people has negative perception about tourism;
2. This perception varied by the change of demographic characteristics; elderly people think that tourism is a cause of the decay of the social norms and values of this area and the young people think that it brings modernity at this community;
3. To attract more tourists, the existing facilities of this community should be more developed.

The second research question examined the perception of the local people when the Tourists are visiting the sea-shore areas and making acts/works against the local social norms or disobeying the local social norms. The major findings of this issue are as follows:

1. The local people of the Sea-beach Community have very negative perception about this issue. The local people especially the elderly people are thinking that tourism causes the erosion of social norms and values and it devaluates (prostitutions, leave together, pre-marital and post marital sex, higher divorce rate, etc) the morality of local community especially the youth and new generation people.
2. The local people are thinking that, tourism is one of the basic reasons of the change of the lifestyle and daily habituates of this area (i.e. food, market, cultivation habituates, etc.)
3. The local people are thinking that tourism is one of the major reasons of the increase of crime in this area.

4. The local people are thinking that tourists are unable to show proper respects about the local religious places, rituals and values.

The third research question examined the perception of the local people when the Tourist trying to commercialize local values. The major findings of this issue are as follows:

1. The local people of the Sea-beach Community have very negative perception about this issue. The local people are thinking that the tourism related organizations are making business with their rituals and religious objects. Thus, the rituals and religious objects are demeaning by them.
2. The local people have the perception that the tourists are unable to show proper respect about their religious places. Tourists are violating the rules and hindering the sacred environment of their religious places.
3. The local people have the perception that the Tourism related Industries and other organizations are making business with their traditional cultures so that the culture is losing its originality and it degrades its quality.

The fourth research question examined the perception and the suggestions of the local people about formulating policies to conserve the values of the sea-shore area of Cox's Bazar. The major findings of this issue are as follows:

1. The local people of the Sea-beach Community things that, it is very necessary to formulate new policies to preserve the local community's values and social norms.
2. The Local Community people have the desire to participate at the Policy generation level and to provide their opinion during the time of policy generation so that the policy will be fruitful for them. Thus, the local people want to provide their representative/representatives during the time of Policy making.

4.2 Recommendations: For Policy Generation

According to the findings from this study, the following recommendations are prepared for the Policy Makers which may be helpful for making future policies in favor of the Local Host Community as well as Tourism:

- ✓ The Government of Bangladesh should enhance the traditional cultural sectors of the Tourist Host Communities of Bangladesh. The Government can establish Traditional Cultural Training Centers & Institutes through which the local and regional indigenous cultural activities (i.e.: folk song, traditional dances, traditional dress and costume preparation and making, traditional food preparation training, etc.) will be nurtured. In these institutions, local people will get the employment as trainers.

Through this activity, the anxiety of local people about their cultural originality and commercialization will be eradicated.

- ✓ The Government should prepare ‘Guidelines’ for “Tourists’ Behavioral Activities and Patterns” and can publish it as a Booklet/Pump-let. The Government can modify the activities of the tourists through this way and can aware the tourists about the local social & religious norms and values. The Government may take the opinions from relevant stakeholder’s like-Ministry of Civil Aviation and Tourism of Bangladesh, Bangladesh Tourism Board, Bangladesh Parjatan Corporation, Government and Non-government Travel Agencies, National and International Hotel-Motel & Restaurant Authorities, Tourism Organizations, Local Community Representatives and Opinion Leaders, etc so that those guidelines will become sustainable and fruitful both for the tourists and the local host communities. The Government may recruit especial force or surveillance team to oversee this issue and local people should get privilege to recruit at this team.

- ✓ The Government should establish especial rules for the tourist through which everything will be separated from the local people and tourists can get special treatment like India. In this way, the Government can establish especial markets, bar & pubs and other sort of facilities for the tourists. This sort of facilities should be restricted & controlled and supervised by the especial surveillance team. The government can arrange especial pass for the local tourists and use passport checking systems for the international tourists to use those facilities.

- ✓ The Government can impose especial taxes for the tourist use commodities, foods, cloths, etc and separate it from the local daily used commodities. The surveillance team will make proper vigilance at the local market to control the price of local commodities and the commodities for the tourists. In this way, Government can control the overpricing of the local livelihood.

- ✓ The Government can impose especial housing tax and fix the especial housing rent for the Hotel-Motel and the private houses which are using for the tourists. Through this way government can control the hose rent of the local area.

- ✓ The Government can arrange special medical facilities for the tourists that will maintain the international standards (i.e.: International renowned doctors, nurses and staff, medicine, etc). It will able to attract the international tourists. On the other hand, the Government can provide the same facilities towards the local people in a reduction price.

- ✓ The Government can arrange special transportation system for the tourists and can fix special price for the tourists. Government can continue the vigilance at the rent fare of the local transportation system to reduce the transportation cost for the local people.

- ✓ The Government can arrange motivational awareness programs join collaboration with different stake holders (i.e.: Ministry of Civil Aviation and Tourism, Bangladesh Tourism Board, Bangladesh Parjatan Corporation, Local Administration, Different Tourism Organizations, local opinion leaders and local community representatives, etc) amidst at the local community. This motivational Program will able to create awareness among the local people about the role of tourism at the development of local community.

- ✓ Making this awareness program successful, Government should include the local communities Opinion leaders in this sort of program. Government can take initiatives to train up those local Opinion Leaders at motivational techniques and government can train them from abroad. Government can also borrow foreign expertise as well as foreign tourism authority staff to teach the local Opinion leaders about motivational skills and share the development experiences by the shake of tourism with those opinion leaders. Sometimes, these foreign people can go in front of general people also to describe about the positivity of Tourism.

- ✓ The Government can establish Tourism Training Centre/centers at the host communities' areas where the local community people will get privilege to get the training. International experts can come and participate at the training programs. Government can arrange Tourism Exchange Programs with other countries through which local trainers as well as trainees can visit other countries' training centers and tourist spots and enhance their experiences.

4.3 Conclusions

This study has concluded that the Impacts of Tourism on the Socio-Cultural Context of the Rural Community in Bangladesh are mixed, and tourism keeps a deep impact on the socio-cultural context of the local community. The negative socio-cultural impacts of tourism are more than that of the positive impacts of tourism. If the local community wants to get sustainable benefits from the tourism, the negative socio-cultural impacts of tourism should be eradicated and the Government should take initiatives about that.

Previous experiences and other evidences showed that host communities have positive perceptions about tourism and local community has long-term planning about tourism. At the same context, the Sea-beach Community of Cox's Bazar has also the same expectation from tourism. But, the negative socio-cultural impacts of tourism are creating apathetic views about tourism upon the mind of local people. Thus, the Government of Bangladesh has the duty to overcome those stagnate situations through generating some policies on tourism so that the negative socio-cultural impact of tourism will be reduced and the local people will welcome the tourism and tourism related activities.

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Trade Liberalization in Bangladesh : An Overview of Trade Policy and Tariff Rationalization

Md. Mayen Uddin Molla[4]

Now a days trade liberalization is a crucial issue. It is important to note that the trade liberalization in Bangladesh has been an integral part of the broad objectives of an economy in the country. Trade liberalization issue includes various policies and factors such as trade policy namely import policy and export policy, industrial policy, exchange rate policy, monetary policy, fiscal policy, privatization programme, FDI policy etc. This paper focuses trade policy namely import policy and export policy as well as custom tariffs that is a part of a fiscal policy. The adopted polices and issues try to measure the trade liberalization in Bangladesh.

Import Policy

After indepedence in 1971 the import policy of Bangladesh consisted import controls. The most administrative instruments was imposed to implement the policy during this regime. The government relied upon import-licensing rather than on tariffs. During the second regime 1980-91, a moderate liberalization took place. In 1984, a significant change was made in the import policy regime with the abolition of import-licensing system, and imports were permitted against letters of credit (L/C). Since 1986, there had been significant changes in the import procedures. In 1986 two lists were replaced, namely the Negative List (for banned items) and the Restricted List (for items importable on fullfilment of certain prescribed conditions) instesd of lengthy Positive List. Imports of any items outside the mentioned lists were allowed. These changes might be considered as significant moves towards import liberalization. Since 1990, the Negetive List and Restricted List of importables had been merged into one Consolidated List. The control list of Import Policy Order (2012-2015) contains the banned and restricted items. The content of this has been amended through several SRO/Public Notices.

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The range of products subject to import ban or restriction has been curtailed substantially from as high as 752 in 1985-86 to only 26 in 2012-15. Import restrictions have been imposed on two grounds: either for trade related reasons (i.e., to provide protection to domestic industries) or for non-trade reasons (e.g., to protect environment, public health and safety, and security). Therefore, only the trade-related restrictions should be the interest to policy reforms and liberalization. Table-1 shows the evolution of import restrictions in Bangladesh at the HS 4-digit level.

Table-1: Removal of quantitative restrictions (QRs) at the 4-digit HS Classification Level

Import Policy Year	Total	Restricted for trade reasons			Restricted for non-trade reasons
		Banned	Restricted	Mixed	
1985-86 (Fiscal Year)	478	275	138	16	49
1991-92 (Fiscal Year)	193	78	34	25	56
1995-97 (Two Year)	120	5	6	16	93
1997-02 (Five Year)	122	5	6	16	95
2003-06 (Three Year)	63	5	8	10	40
2012-15 (Three Year)	26	4	6	2	14

Source: Various Import Policy Order, Ministry of Commerce

Export Policy

After indepedence in 1971 the export policy of Bangladesh followed a strategy of import-substitution. That regime was also characterized by high degree of anti-export bias. Since 1985 several export policy reforms have been undertaken. A few sectors, specially the ready-made garments (RMG), have been the major beneficiaries of these reforms. The reforms have provided expoters with duty-free access to imported inputs, credits subsidies and various forms of fiscal incentives, such as rebates on income taxes and cocessionary duties on imported capital machinery. The reforms have also aimed at strengthening the institutional framework for export promotion. Major export promotion policies in Bngladesh have included the following schemes and systems:

- ***Export Performance Licencing (XPL)/ Export Performance Benefit (XPB) Scheme (1986):*** Under this scheme non-traditional products exporters are given cash benefits.

- ***Special Bonded Warehouse Scheme (1978):*** Under this scheme exempts exporters from import taxes for RMG industry.

- ***Duty Drawback System (1983) :*** This system has facilitated RMG exportes to import inputs for exports without paying any duty.

- ***Back-to Back L/C System (1987):*** This system has enabled expoters to import raw materials on deffered payment basis.

- ***Cash Compensatory Scheme (1986):*** This system has allowed expoters a cash assistance of certain percentage of their export values.

- ***Export Credit Guarantee Scheme (1978):*** This scheme has provided expoters with credit of cocessionary rate.

- ***Export Promotion Fund:*** This scheme has provided capital on easy terms and lower interest rate for the non-traditional items exporters.

- ***Fiscal Incentives:*** Various incentives such as rebates on income taxes and concessionary duties on imported raw materials and capital machinary have been given to expoters.

- ***Institutional Development for Export Promotion*** (1977): Eslablished Export Promotion Bureau (EPB) has been a leading institution with the aim of promoting exports and designing plans and policies conducive for the private sectors.

Rationalization of Tariff Rates

After the Independence in 1971, Bangladesh followed a strategy of a highly restricted trade regime. This trade policy was characterized by high tariffs and non-tariff barriers to trade and overvalued exchange rate system, which was supported by the import-substitution industrialization strategy of the government. In the early 1990's a large scale liberalization of trade was implemented. Since 1991 and onwards, rapid import liberalization was created. During this time considerable rationalization of tariff rates has been taking place instead of high tariff rates and also tariff bands were compressed. As a result, average custom duty (unweighted) and average protective duty fell down and also the maximum tariff rate has been brought down.

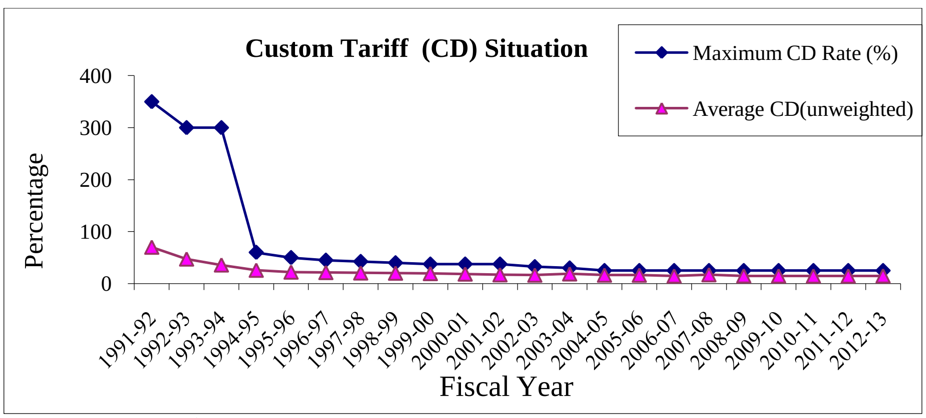
Table-2: Progress in Tariff Rationalization

Progress factors	**FY 91-92**	**FY 01-02**	**FY 05-06**	**FY 08-09**	**FY 09-10**	**FY 10-11**	**FY 11-12**	**FY 12-13**
Average CD (unweighted)	70	17.13	16.39	15.12	14.97	14.85	14.83	15.10
Average Protective Duty	73.62	29.43	26.50	22.50	20.10	23.90	23.70	26.50
Maximum CD rate	350	37.50	25	25	25	25	25	25

Source: National Board of Revenue (NBR) database

After FY 1991-92, average custom duty (unweighted) and maximum custom duty rate were gradually reduced. In 1991-92 average custom duty (unweighted) and maximum custom duty rate were 70% and 350% respectively and in 1992-93 and 1993-94 average custom duty (unweighted) was 47.37% and 36.02%, its maximum custom duty rate remained 300% as well. After the years maximum custom duty rate was radically felled down. In 1994-95 maximum custom duty rate was brought down to 60% and average custom duty (unweighted) remained 25.92%. After the two decades now custom duty is much more liberal than many developing countries. In 2012-13 average custom duty (unweighted) is only 15% and its maximum custom duty rate is 25%.

Chart-1: Trends of average custom duty (unweighted) and maximum custom duty rate

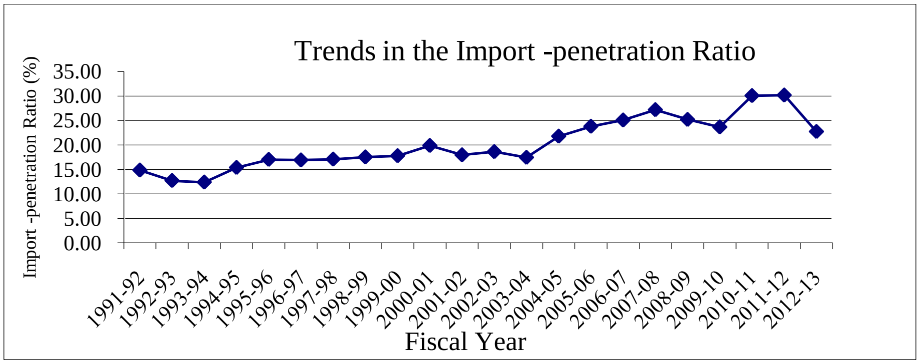


Source: National Board of Revenue (NBR) database

Import-Penetration Ratio

The import-penetration ratio is the share of total imports in GDP. In FY 1991-92 the country's GDP (current) was 23,764 million USD and its imports was 3,526 million USD. In terms of import liberalization import-penetration ratio was 14.84%. After the decades in 2012-13 the country's GDP (current) was 1,49,991 million USD and its imports was 34,084 million USD. For this year import-penetration ratio is 22.72%. It is expected that following trade liberalization of Bangladesh there will be an increase in imports and the import-GDP ratio will rise. It is reasonable to consider the import penetration ratio as a measure of import liberalization.

Chart-2: Trend in the Import-penetration Ratio

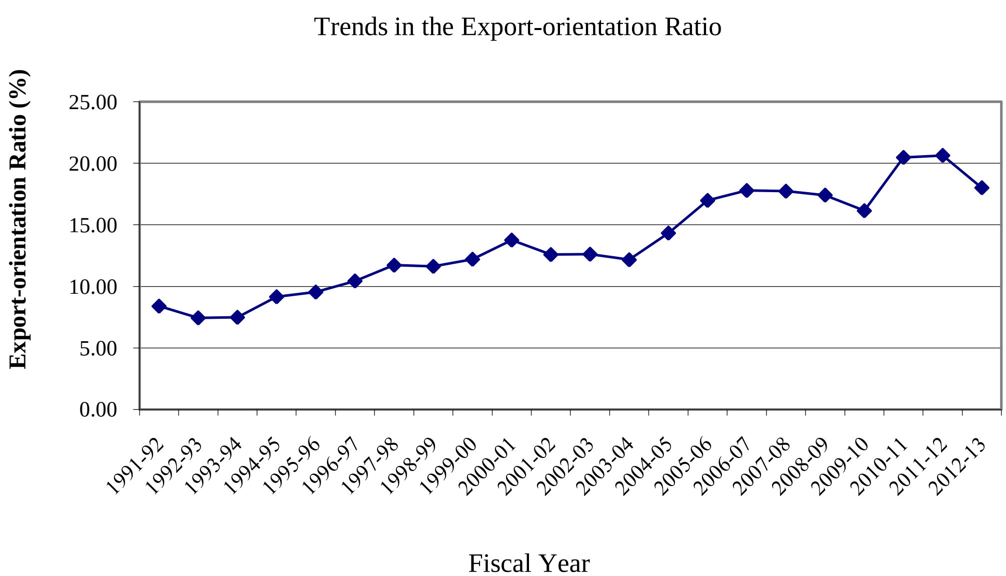


Source: Various Bangladesh Economic Review, Finance Division, Ministry of Finance

Export-Orientation Ratio

The export-orientation ratio is the ratio of a country's total exports its GDP. The figure-shows the trend for export-orientation in Bangladesh. In FY 1991-92 the country's GDP (current) was 23,764 million USD and its export was 1,994 million USD. In terms of export liberalization, export-orientation ratio was 8.39%. After the decades in 2012-13 the country's GDP (current) is 1,49,991 million USD and its export is 27,027 million USD. Now export-orientation ratio is 18.02%. It is evident that the export-GDP ratio was low in FY 1991-1992 and high in FY 2010-11 and 2011-12 respectively.

Chart-3: Trend in the Export-Orientation Ratio



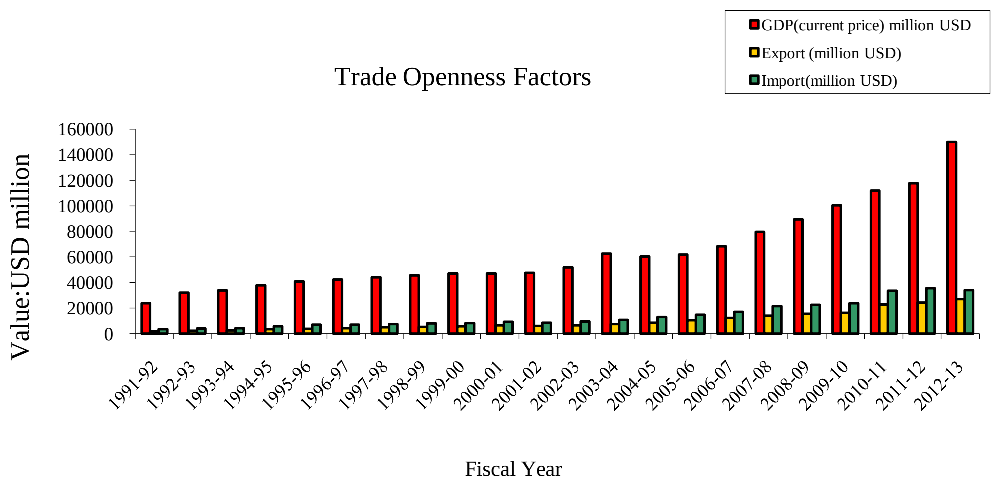
Source: Various Bangladesh Economic Review, Finance Division, Ministry of Finance

Trade Openness

The relative impact of an economy on international trade can be seen in a comparison of exports and imports as a percentage of gross domestic product (GDP).The trade-to-GDP ratio is frequently used to measure the importance of international transactions relative to domestic transactions. This indicator is calculated for each country as the simple average of total trade relative to GDP.

In FY 1991-92 the GDP of Bangladesh was 23764 million USD. Its export was 1994 million USD and import was 3526 million USD respectively. After the decades trade of the country has been gradually increased and in 2012-13 GDP (current) is 1,49,991 million USD and its export and import are 27,027 and 34,084 million USD respectively. The trade openness factors are shown in chart-4.

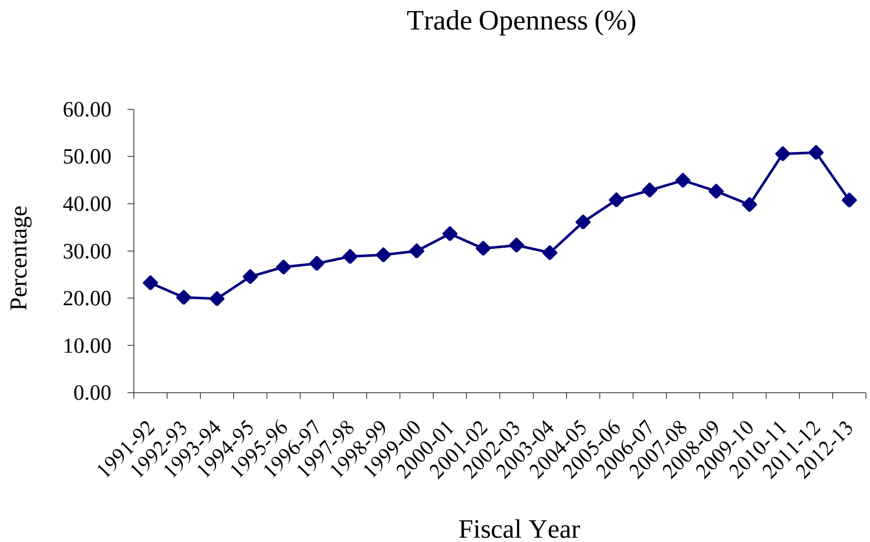
Chart-4: Trade Openness factors



Source: Various Bangladesh Economic Review, Finance Division, Ministry of Finance

Trade-GDP ratio is an instrument to measure trade liberalization of the country. In term of trade openness, trade-GDP ratio in 1991-92 was 23.23%. After the two decades trade-GDP ratio in 2012-13 is 40.74%. The chart-5 shows that trade openness of Bangladesh are more liberal rather than past decades. The peak trade openness of Bangladesh prevailed in FY 2011-12. In this time the GDP of Bangladesh was 117703 million USD. Its export was 24302 million USD and import was 35516 million USD, as a percentage of trade openness was 50.82.

Chart-5: Trade Openness (%)



Source: Various Bangladesh Economic Review, Finance Division, Ministry of Finance

This paper has overviewed trade policy namely import policy order and export policy as well as custom tariffs that develop the economy of Bangladesh. Bangladesh has undergone significant changes over the last two decades. For the purposes of industrialization and employment, import policy of the country was modernized. The results of the initiatives, quantitative restrictions are squeezed. On the other hand for the promotions of exports several schemes and policies have been adopted. After the decades, exports and imports are gradually increased as well as its current GDP is also increased. Now time says that trade policy and custom tariff reforms of Bangladesh have been created trade liberalization as well as market-oriented and private-sector-oriented economy are running well in Bangladesh.

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Impact Analysis of Probable EU-India FTA on Trade of Bangladesh

Mirza Abul Fazal Md. Tawhidur Rahman[5]

FTA or Free Trade Agreement is a common form of Regional Trade Agreement, which includes trade agreement between certain countries granting their members an exclusive favor. FTA eliminates tariffs, import quotas, and preferences on most (if not all) goods and services traded between them. So FTA can increase the mutual benefits of the involving countries. But, thus this come up with the third country cost? EU is one of the major export destinations of Bangladesh. On the contrary, India is one of the largest trading partner of EU and recent developments indicate a FTA negotiation is underway. In addition to this, India is said to be a competitor of Bangladesh in EU market. This writing is about the findings of the affect of the EU-India FTA on the trade of Bangladesh.

Trade of Bangladesh, EU and India

Partner Analysis

Trade data shows that EU was the largest export partner of Bangladesh (57%) and India (18%) in 2011.

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Table1: Top Export Partners of Bangladesh, EU and India

	Bangladesh		EU		India	
	Export Destination	**Exported value in 2011 (Share)**	Export Destination	Exported value in 2011 (Share)	Export Destination	Exported value in 2011 (Share)
1	EU	54,330.47 (56.48%)	United States	366,984.77 (16.92%)	EU	54,610.77 (18.11%)
2	USA	5,081.82 (19.63%)	Switzerland	194,198.33 (8.95%)	United Arab Emirates	37,369.38 (12.40%)
3	Canada	1,072.41 (4.14%)	China (People's Republic Of)	189,789.45 (8.75%)	United States of America	32,919.04 (10.92%)
4	Turkey	896.00 (3.46%)	Russian Federation (Russia)	150,772.28 (6.95%)	China	16,717.79 (5.55%)
5	India	579.13 (2.24%)	Turkey	101,584.20 (4.68%)	Singapore	15,627.48 (5.18%)
6	Japan	562.63 (2.17%)	Japan	68,214.88 (3.14%)	Hong Kong, China	12,585.97 (4.17%)
7	China	449.04 (1.73%)	Norway	64,953.00 (2.99%)	Indonesia	6,400.25 (2.17%)
8	Russian Federation	342.88 (1.32%)	India	56,439.74 (2.60%)	Japan	5,592.61 (1.86%)
9	Australia	250.96 (0.97%)	Brazil	49,749.91 (2.29%)	Brazil	5,391.31 (1.79%)
10	Republic of Korea	244.21 (0.94%)	United Arab Emirates	46,354.70 (2.14%)	Saudi Arabia	5,133.32 (1.70%)
			Bangladesh	2,381.10 (0.11%)	Bangladesh	3,405.52 (1.13%)

Source: Calculation based on ITC data

In the above table, top ten export destination of the countries (region) along with the value and export share is given. From this table it is obvious that EU is major export destination for both India and Bangladesh. A high degree of export biasness towards EU is found in case of Bangladesh. In addition to this, it is observed that such kind of export biasness is not found in case of other two countries. On the other hand, it is not a good export destination for EU, whereas India is a good export destination for EU. Therefore, trade between EU and India is significant.

While as an import source of Bangladesh, EU stood third (11%) and India stood second (7%). Following table (table 2) is going to show the comparisons of the import partners of Bangladesh, EU and India.

Table2: Import Partners of Bangladesh, EU and India

	Bangladesh		EU		India	
	Import Source	**Imported value in 2011 (Share)**	**Import Source**	**Imported value in 2011 (Share)**	**Import Source**	**Imported value in 2011 (Share)**
1	China	7,810.66 (25.29%)	China	408,247.50 (17.08%)	China	55,483.03 (12.00%)

	Bangladesh		EU		India	
	Import Source	**Imported value in 2011 (Share)**	**Import Source**	**Imported value in 2011 (Share)**	**Import Source**	**Imported value in 2011 (Share)**
2	India	3,405.52 (11.03%)	Russian Federation (Russia)	277,137.25 (11.59%)	EU	55,126.23 (11.92%)
3	EU	2,346.01 (7.60%)	United States	265,748.03 (11.12%)	United Arab Emirates	35,471.58 (7.67%)
4	Singapore	2,270.76 (7.35%)	Norway	130,522.92 (5.46%)	Switzerland	31,367.45 (6.78%)
5	Malaysia	1,776.46 (5.75%)	Switzerland	127,837.98 (5.35%)	Saudi Arabia	28,423.66 (6.15%)
6	Republic of Korea	1,627.62 (5.27%)	Japan	96,250.29 (4.03%)	United States of America	22,573.88 (4.88%)
7	Indonesia	1,361.92 (4.41%)	Turkey	66,899.07 (2.80%)	Iraq	17,442.40 (3.77%)
8	Thailand	1,215.51 (3.94%)	India	55,106.27 (2.31%)	Kuwait	14,690.53 (3.18%)
9	United States of America	1,145.59 (3.71%)	Brazil	54,161.84 (2.27%)	Indonesia	13,964.66 (3.02%)
10	Japan	1,074.34 (3.48%)	Korea, Republic Of (South Korea)	50,261.83 (2.10%)	Nigeria	13,604.80 (2.94%)
			Bangladesh	12,038.20 (0.50%)	Bangladesh	579.13 (0.13%)

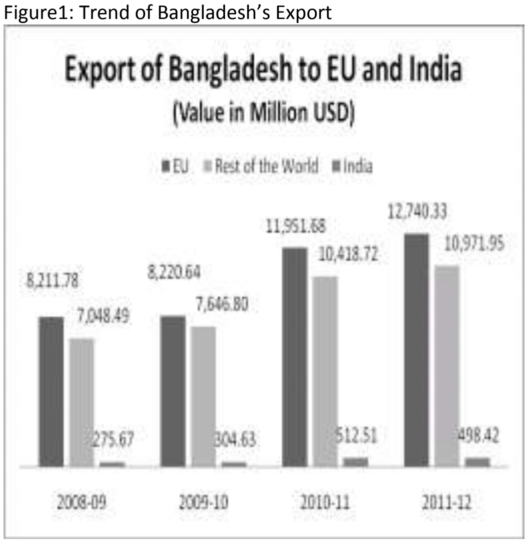
Source: Calculation based on ITC data

From above table, it can be seen that China is not only the number one import source of Bangladesh but also the import source of the other two. As for Bangladesh, both EU and India are vital import source. On the contrary, in case of EU and India, Bangladesh is not so much key role player as import source.

Thus, the trade partner analysis reveals that both EU and India are major trade partners of Bangladesh though the opposite is not as much evident in case of EU and India. In other words, trade of Bangladesh is dependent on both India and EU where India and EU's trade is not dependent on Bangladesh.

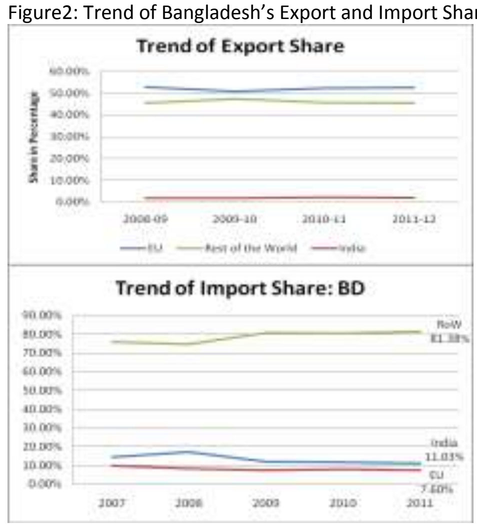
Trend of export and Import Share

Figure1: Trend of Bangladesh's Export



Source: EPB

Figure2: Trend of Bangladesh's Export and Import Share



Source: EPB and ITC

The trends of Bangladesh's export and import show that it has a positive trend. However, the export share with EU has more than the rest of the world. The export share of India is almost same over the period. Again, the import share of EU and India has a decreasing trend.

Product Level Analysis

In 2011-12 FY, Bangladesh exported 12.7 Billion USD to EU and 0.5 Billion USD to India. The export product of Bangladesh shows that main export items of Bangladesh are RMG, Fish, Footwear, Leather etc.

Table3: Top Ten Products at 2 Digits and 6 Digits

Country	2 Digit Level		6 Digit Level	
	Export	Import	Export	Import
Bangladesh	61, 62, 63, 53, 03, 64, 41, 65, 27, 24	52, 84, 27, 85, 10, 15, 72, 55, 39, 87	610910, 620342, 611020, 620462, 611030, 620520, 610510, 030613, 610462, 611120	271019, 520100, 151190, 100190, 170111, 100630, 150710, 520842, 720711, 720839
India	27, 71, 85, 29, 84, 87, 30, 62, 72, 52	27, 71, 84, 85, 29, 72, 15, 31, 39, 26	271019, 710239, 271011, 711319, 300490, 260111, 100630, 520100, 851712, 020230	270900, 710812, 710239, 270119, 710231, 271111, 851712, 151110, 260300, 271019
EU	84, 87, 85, 27, 30, 39, 90, 72, 29, 73	27, 84, 85, 87, 30, 39, 72, 29, 90, 73	300490, 271019, 870332, 870323, 271011, 880240, 870899, 870322, 870324, 270900	270900, 271019, 300490, 271121, 870332, 271011, 851712, 847130, 870899, 870323

Source: Calculation based on ITC, Eurostat data

It is obvious from the above table that overlapping of export and import item is found in case of the EU export-import and Indian export-import items. This is happening mainly due to the composition effect and may be due to the inter-industry trade, which is absent in case of Bangladesh.

Table 4: Share of Top Ten Products at 2 Digits and 6 Digits

Country	2 Digit Level		6 Digit Level	
	Export	Import	Export	Import

Bangladesh	95.62%	64.33%	62.39%	25.43%
India	60.51%	81.76%	40.24%	53.44%
EU	62.40%	63.37%	15.31%	21.13%

Source: Calculation based on ITC, Eurostat data

Export-Import analysis of Bangladesh shows a high degree of concentration in product terms. This structure makes Bangladesh's position vulnerable in international trade.

FTA Participation of the Parties

Till date, EU, India and Bangladesh have 28, 6 and only one FTAs respectively. As FTAs are concerned with the reduction of tariff and non-tariff barriers, it can be assumed that if the FTA between EU and India is signed, India might get better access than present.

The Analysis

Presence in the market

Analysis reveals the high degree of concentration in Bangladesh's top ten export items in both the markets. And interestingly, both EU and India have same and low degree of concentration in top ten items in the respective markets.

Table5: Share of Top Ten Export Products

	EU Market	IN Market
Bangladesh	72.23%	71.38%
India	30.53%	-
EU	-	30.55%

Source: Compiled from EUROSTAT data

However, the high degrees of concentration in Bangladesh originated items are well enough to catch some of the products market share. An analysis on market share discloses that Bangladesh has leading market share in EU market in only 158 products and in Indian market, the number is 581. Nevertheless, as Bangladesh has moderate number of export items, it is obvious that it's rivals in the market are able to catch better market share.

Table6: Market Share Lead at 6 Digits

	EU Market	IN Market
BD	158	581
IN	4073	-
EU	-	4331

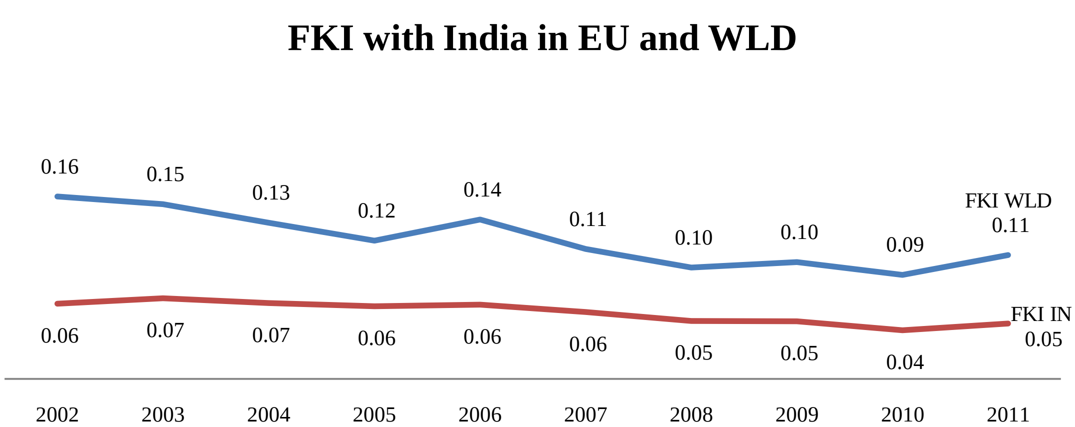
Source: Compiled from EUROSTAT data

Similarity at Six Digit Level

It would be required to check whether Bangladesh has a high similarity in those markets with other partner. Because higher similarity would indicate a higher degree of impact in the specific market. Here FKI (Finger Kreinin Index) is used to measure the similarity.

FKI with India indicates that in both EU and world market similarity is in decreasing trend except the 2011. Nevertheless, Bangladesh has a higher similarity with India in EU market than the world market. This puts Bangladesh into a slight risky position, if the FTA is done. Because higher similarity (with increasing trend) means India can take higher market share (cut from Bangladesh) where the products are similar with Bangladesh due to the potential preferences facilitated under FTA.

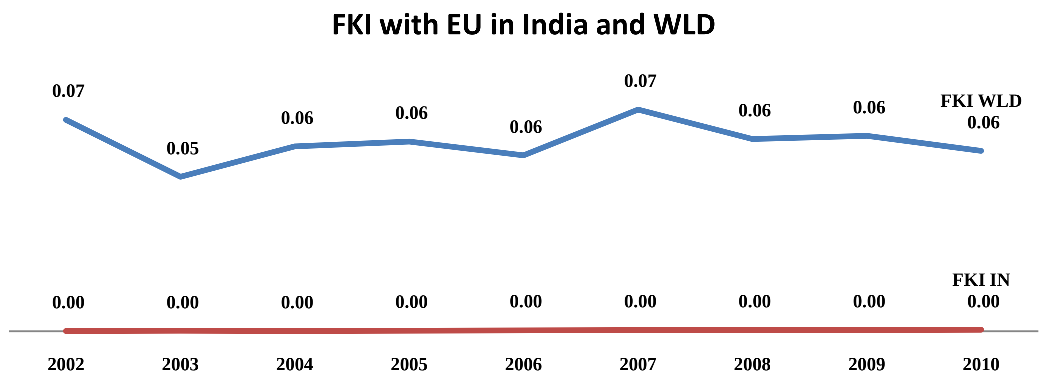
Figure3: Evolution of FKI(at 6 Digit) of Bangladesh Export for EU with India



Source: Calculation based on ITC data

On the other hand, from the following graph it can be found that export products of Bangladesh and EU are very much different in Indian market. Moreover, similarity in world market is also at very low level. Does EU may not replace Bangladesh from India Market after signing FTA.

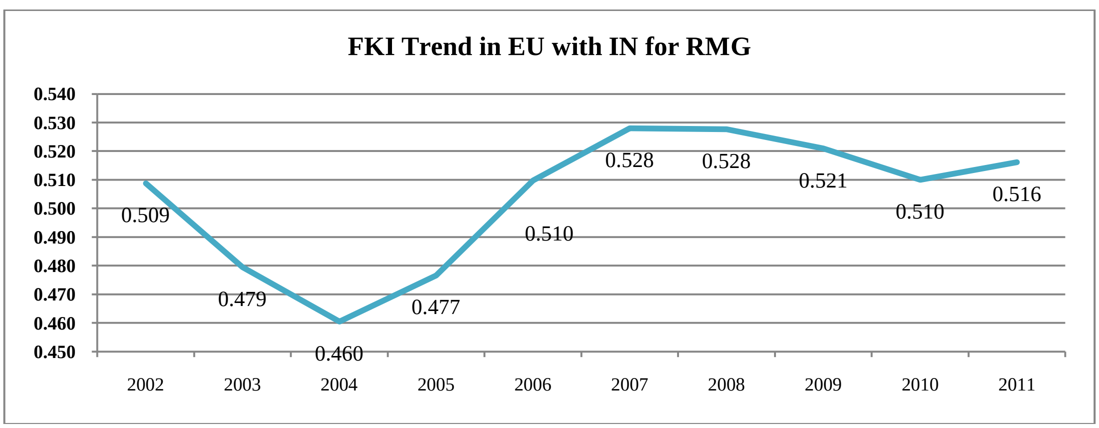
Figure4: Evolution of FKI(at 6 Digit) for EU and Bangladesh



Source: Calculation based on ITC data

So, from the FKI analysis it can be found that FTA might put Bangladesh in back foot in case of EU market rather than the Indian market. However, as it is found the main export items of Bangladesh are the RMG, it would worth looking for the FKI's with India in those sector in EU market to find more about the vurneralibity of Bangladesh. Following graph will deleneate the picture.

Figure5: Evolution of RMG FKI(at 6 Digit) for India and Bangladesh in EU Market



Source: Calculation based on ITC data

From the above graph it is very much clear that Bangladesh and India share more than fifty percent of RMG products in EU market. This indicates a high level of impact on the RMG products if the FTA between India and EU is signed. Still further analysis would be required for understanding the impact more. However, similarity analysis also suggests almost 49% products may not be affected totally.

Evolution of FKI suggests that the similarity between india and Bangladesh at HS 6 digit level is very low for both the destinations. This also suggests that in those markets, the similarity had a decreasing trend but it has increased in the last year (2011). And, in EU's market the similarity is lower. Thus, it indicates that Bangladesh and India shares a little products which are common in the EU. Therefore, competition between India and Bangladesh may not become hard immediately. This may give a positive sign for Bangladesh. Because, Bangladesh may have any advantage over those products which India does not have. But a preference can be eroded by a FTA between India and EU.

Tariff Preference

Bangladesh has duty free access under the EBA arrangment, while India has reduced duty access under the general arrangement. Nevertheless, among the 8,333 products at 8 diigit level Bangladesh has no tariff preference over India in almost 62% products and Bangladesh has only about 2% of total export in these products. While India has over 62% of its' total export in those. Again, it is found that if EU gives tariff reduction to India upto 10%,through the FTA, almost 97% exports of Bangladesh to EU would be affected(based on 2011 export data).

Table7: Tariff Preference over India and export presence in EU Market

	No Tariff Preference	Tariff Pref Above 0% up to 5%	Tariff Pref Above 5% up to 10%	Tariff Pref Above 10%	Percentage of Total HS at 8 Digit	BD Exp Share 2011	IN Exp Share 2011
No BD Export	4630	1240	755	411	84.44%	0.00%	60.02%
No IN Export	1298	366	214	288	25.99%	0.02%	0.00%

Source: Calculation based on WTO and Eurostat data

According to the preference in unit price analysis (Table 4) shows that, Bangladesh exports almost 92% of its total export where it has preference over India in unit price. Rest 8% export happens where India has preference in unit prices. So if Bangladesh losts tariff preference in the products where Bangladesh has a less preference in unit price, Bangladesh may loose the market in those products.

Table 8: Tariff and Unit Price comparison with India in EU Market

Tariff Pref Unit Price Pref	No Preference	Above 0% up to 5%	Above 5% up to 10%	Above 10%	Percentage of Total HS at 8 Digit	BD Exp Share 2011	IN Exp Share 2011
Same As India*	1563	432	253	299	30.57%	0.00%	0.03%

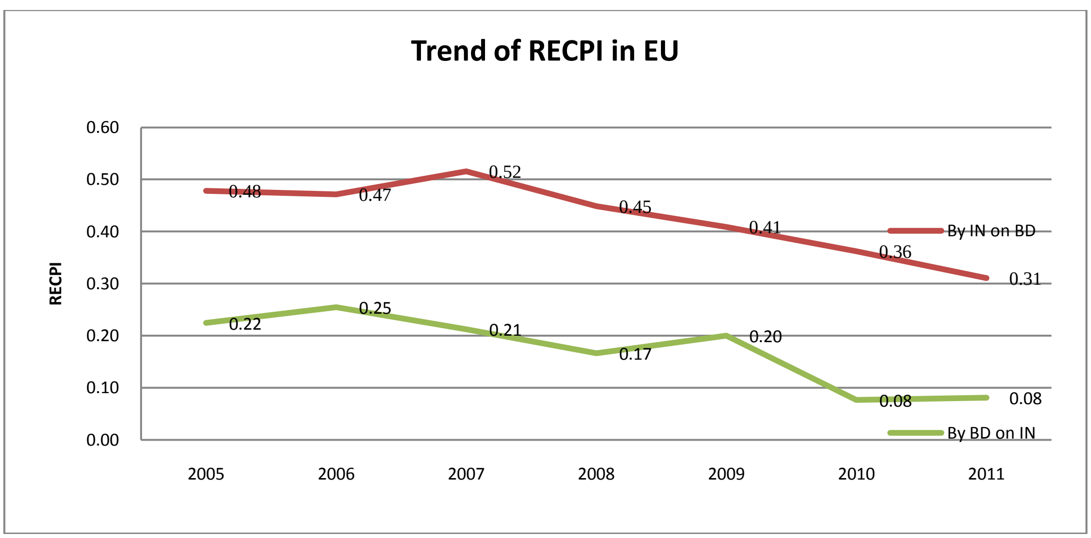
Tariff Pref Unit Price Pref	No Preference	Above 0% up to 5%	Above 5% up to 10%	Above 10%	Percentage of Total HS at 8 Digit	BD Exp Share 2011	IN Exp Share 2011
Pref Over IN by BD **	194	68	358	30	7.80%	91.56%	24.30%
Pref Over BD by IN ***	3409	910	675	142	61.63%	8.44%	75.67%

*where IN and BD both have no export, counted as same.
**Where IN has no export but BD has, counted as BD Preference over IN
*** Where BD has no export but IN has, counted as IN Preference over BD
Source: Calculation Based on WTO and Eurostat Data

Relative Export Competitive Pressure Index (RECPI)

Relative Export Competitive Pressure Index or RECPI explores the average degree of competition between two contries in a particular market. In this case, the commission has examined the compettive pressure on both Bangladesh and India by both the countries in EU market. RECPI considers the similarity of the products which in turn facilitates the analysis by identifying competitive pressure by a partner in specific market.

Figure6: Evolution of RECPI(at 6 Digit) for India and Bangladesh in EU



Source: Calculation based on ITC data

From the above graph it is evident that RECPI is in decreasing trend for both the countries. Nevertheless, it is found that Bangladesh is facing higher pressure in EU market by India than India faces by Bangladesh. It also suggests Bangladesh has lower export basket than India.

According to RECPI analysis, it can be inferred that Bangladesh might face some harsh impact if the EU-India FTA is commenced. Because India has larger product basket as well as the export is higher in EU. It will be difficult for Bangladesh to compete with India if the preference is erosioned by the FTA.

Findings

If the proposed FTA is going to be signed, there would be effects in the longer run period. However, the effect is harder to predict. Still there is scope to assess the consequence. As mentioned in the previous section, Bangladesh might loss market shares in products. Again, the similalrity among major export item of Bangladesh i.e. RMG items, with India in EU market show that it has a increasing trend. However, RECPI shows that the pressure is in decreasing trend. In addition to these, there is another possible effect. Bangladesh is likely to become a developping country some period after 2020, large impact would be seen then. At that point Bangladesh will have less preference than India, which will lead Bangladesh to a lesser competitive position than India. Then Bangladesh might loss the market share in EU.

Conclusion

FTA between two countries is signed in the light of increasing bilateral welfare. So, as long as India and EU both are finding benefits from a FTA, there will be possibilities of signing the FTA. Bangladesh has the largest export market in EU. Yet again, Bangadesh has a concentration in the export items in the EU market. However, Bangladesh has some weakness in global export basket. Product level concentration is too high. This also increases the vulnerabilities. Accounting these, Bangladesh is more concsious about the EU market. Because, slight change in EU market state may affect Bangladesh in large. To minimize the negative effects on the trade of Bangladesh due to the FTA between EU and India, it would be the high time for Bangladesh to start analyzing further to asses the impact more rigourously and negoiatiate in the needed forum. Another approach, along with the negotiation, could be the diversification of the export basket. Diversification would reduce the risk of loosing market portfolio. Hence, it would be better to get things started.

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EU-Vietnam FTA: Impact on Garments Export from Bangladesh

S. M. Sumaiya Zabeen[6]

The bilateral negotiation for a Free Trade Agreement (FTA) between European Union (EU) and Vietnam has a strong background of eleven rounds of negotiations. Since 2012 EU started negotiation with Vietnam for a comprehensive free trade agreement to enhance positive environment for promoting trade and investment. Till to date eleven rounds of negotiations were held for the finalization of this FTA. The last round that is the eleven round of negotiation held in Brussels, on 19-23 January 2015 with an aim towards a swift conclusion of the negotiations. The bilateral ties between the two countries will be enhanced through these consecutive rounds of talks with an aim of ambitious and comprehensive agreement on goods, services and investment, and government procurement. Besides the elimination of existing tariff and non tariff barriers get specific consideration.

EU is the second largest trade partner and major export destination of Vietnam. On the other hand from the EU perspective Vietnam is the EU's fifth largest trading partner within ASEAN and 30th out of the EU's total trade. The major export items of EU are high tech products including electrical machinery and equipment, aircraft, vehicles, pharmaceutical products and iron and steel. EU remains a major market for telephone sets, electronic products, footwear, textiles and clothing, coffee, rice, fishery products, and furniture from Vietnam. It shows that export structure of these two is mutual complementary and less competitive.

There is no doubt that the agreement will further strengthen EU-Vietnam trade and investment ties and create enhanced business opportunities on both sides. In these circumstances considering the existing trade structure between Bangladesh and EU, it is well observed that EU is the major concern for Bangladesh for several reasons. Around 12% of Bangladesh's total trade is conducted with EU. From the EU perspective Bangladesh is the 35th largest trading partner in goods compared to the position of Vietnam which is 30th in ranking. Export of Bangladesh in EU market is dominated by clothing, though footwear and fish products show a gradual export growth. Under these circumstances ongoing negotiation should be a concern for Bangladesh because of the export similarities between Vietnam and Bangladesh.

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2. Global Trade Concentration: A Comparative Analysis

2.1 Chapter Level Concentration: Global Export Scenario

Chapter level analysis indicates that there is a significant similarity between export structures of Vietnam and Bangladesh. Both countries have export concentration in garments (Chapters 61 and 62), fish (Chapter 3) and footwear (Chapter 64). In 2012, Vietnam's 24% of total export earnings come from these items compared to 80.54% of that of Bangladesh (Table 1).

Table 1: Global Export Concentration

(Value in Million USD)

SL	Vietnam				Bangladesh			
SL	Chapter	Description	Value (2012)	Share	Chapter	Description	Value (2012)	Share
1	85	Electrical, electronic equipment	31,177.51	25%	61	Articles of apparel and clothing ac	11,595.75	39.39%
2	27	Mineral fuels, oils, distillation products, etc	11,070.54	9%	62	Articles of apparel and clothing ac	11,155.99	37.90%
3	64	Footwear, gaiters and the like, parts thereof	10,399.87	8%	63	Other made up textile articles; set	1,001.45	3.40%
4	62	Articles of apparel, accessories, not knit or crochet	8,419.27	7%	53	Other vegetable textile fibres; pap	634.47	2.16%
5	84	Machinery, nuclear reactors, boilers, etc	7,678.78	6%	03	Fish and crustaceans, molluscs and	559.68	1.90%
6	61	Articles of apparel, accessories, knit or crochet	6,946.93	6%	64	Footwear, gaiters and the like; par	397.27	1.35%
7	94	Furniture, lighting, signs, prefabricated buildings	5,082.51	4%	41	Raw hides and skins(other than furs	314.33	1.07%
8	09	Coffee, tea, mate and spices	4,298.64	3%	87	Vehicles other than railway or tram	198.64	0.67%
9	03	Fish, crustaceans, molluscs, aquatic invertebrates nes	4,266.66	3%	65	Headgear and parts thereof	174.18	0.59%
10	40	Rubber and articles thereof	2,880.13	2%	39	Plastics and articles thereof	83.45	0.28%

Source: ITC

2.2 Chapter Level Concentration :Global Import Scenario

Similarity is being observed between Bangladesh and Vietnam's import items also which enlists Cotton (Chapter 52); Electrical, electronic equipment (Chapter 85); Machinery (Chapter 84); Iron and Steel (Chapter 72), Mineral Fuel (Chapter 27) and Plastic (Chapter 39) (Table 2). Aggregate level of concentration in these items is almost similar between the two countries. In 2012, a total of 48% import payment stands against these items in Vietnam, which is almost similar (47.10%) to Bangladesh.

Table 2: Global Import Concentration

(Value in Million USD)

SL	Vietnam				Bangladesh			
SL	Chapter	Description	Value (2012)	Share	Chapter	Description	Value (2012)	Share
1	85	Electrical, electronic equipment	20,927.43	17%	52	Cotton	4,407.40	15.0%
2	84	Machinery, nuclear reactors, boilers, etc	13,605.71	11%	84	Nuclear reactors, boilers, machiner	3,018.84	10.3%
3	27	Mineral fuels, oils, distillation products, etc	10,478.47	8%	27	Mineral fuels, mineral oils and pro	2,043.93	7.0%
4	72	Iron and steel	6,500.68	5%	85	Electrical machinery and equipment	1,675.93	5.7%
5	39	Plastics and articles thereof	6,069.40	5%	72	Iron and steel	1,664.90	5.7%
6	61	Articles of apparel, accessories, knit or crochet	3,782.18	3%	15	Animal or vegetable fats and oils a	1,450.54	4.9%
7	60	Knitted or crocheted fabric	3,092.58	2%	55	Man-made staple fibres	1,062.88	3.6%
8	08	Edible fruit, nuts, peel of citrus fruit, melons	3,064.06	2%	39	Plastics and articles thereof	1,006.08	3.4%
9	87	Vehicles other than railway, tramway	2,883.91	2%	17	Sugars and sugar confectionery	839.72	2.9%
10	52	Cotton	2,788.72	2%	87	Vehicles other than railway or tram	832.78	2.8%

Source: ITC

Chapter level analysis reveals significant similarity between international trade structures of the two countries. Now it needs a more detailed analysis to specify the nature of the similarity. In the section below product level analysis conducted to serve the purpose.

2.3 Product Level Concentration: Global Export Scenario

The list of top ten export products (Table 3) of the two countries shows no similarity between their export structures. From the list of top ten export products of both the two countries it is observed that Vietnam concentrate mainly on electrical and electronic equipment; footwear, gaiters and the like, parts thereof ; coffee, tea, mate and spices; rice etc wherein Bangladesh concentrate mainly on garments products and frozen shrimp. Telephones, electronic circuits, camera, coffee, petroleum products, footwear, rice etc are major export products of Vietnam. Among which electronic and electrical equipment experienced a very sharp average annual export growth since 2008. For example, Telephones (HS Code 851712) with its export concentration of 10.6% in 2012 has an average yearly growth of 529%, from USD 8.39 million export earnings in 2008 to USD 13,153.84 in 2012. For other electrical and electronic products under HS Code 852990 and 854231, the growth is 126% and 147% respectively. In case of Bangladesh, the situation is quite different from that of Vietnam. Out of the top ten export products of Bangladesh all are garment items, except one. These nine top ten items contribute 60.58% to export earnings in 2012 of which all have a positive growth.

Table 3: Top Ten Global Export Products

(Value in Million USD)

SL	Vietnam				Bangladesh			
SL	**HS**	**Description**	**Value (2012)**	**Share**	**HS**	**Description**	**Value (2012)**	**Share**
1	851712	Telephones for cellular networks mobile telephones or for other wirele	13,153.84	10.6%	610910	T-shirts, singlets and other vests, of cotton, knitted	3,952.56	14.62%
2	270900	Petroleum oils and oils obtained from bituminous minerals, crude	8,603.38	6.9%	620342	Mens/boys trousers and shorts, of cotton, not knitted	3,857.78	14.27%
3	854231	Electronic integrated circuits as processors and controllers, whether	4,029.36	3.2%	620462	Womens/girls trousers and shorts, of cotton, not knitted	2,060.95	7.62%
4	090111	Coffee, not roasted, not decaffeinated	3,410.00	2.7%	611020	Pullovers, cardigans and similar articles of cotton, knitted	1,909.26	7.06%
5	640399	Footwear, outer soles of rubber/plastics uppers of leather, nes	3,154.88	2.5%	620520	Mens/boys shirts, of cotton, not knitted	1,594.14	5.90%
6	100630	Rice, semi-milled or wholly milled, whether or not polished or glazed	2,341.89	1.9%	611030	Pullovers, cardigans and similar articles of man-made fibres, knitted	1,356.86	5.02%
7	852990	Parts suitable f use solely/princ w the app of headings 85.25 to 85.28	2,171.00	1.7%	610510	Mens/boys shirts, of cotton, knitted	728.70	2.69%
8	640299	Footwear, outer soles/uppers of rubber or plastics, nes	1,880.96	1.5%	610462	Womens/girls trousers and shorts, of cotton, knitted	512.38	1.89%
9	270111	Anthracite, whether or not pulverised but not agglomerated	1,845.66	1.5%	030617	Other frozen shrimps and prawns	412.29	1.52%
10	852580	Television cameras, digital cameras and video camera recorders	1,784.25	1.4%	611120	Babies garments and clothing accessories of cotton, knitted	407.83	1.51%

Source: ITC

2.4 Product Level Concentration :Global Import Scenario

Petroleum oil, electronic or electrical equipments, iron and steel product, cashew nuts are major import products of Vietnam. On the other hand petroleum oil, cotton products, sugar, crude soya bean oil, palm oil, iron and still products etc are major import items of Bangladesh. Table 4 listed top ten import products of both countries which indicate that the similarity level is very low.

Table 4: Top Ten Global Import Products

(Value in Million USD)

SL	Vietnam				Bangladesh			
SL	HS	Description	Value (2012)	Share	HS	Description	Value (2012)	Share
1	271019	Other petroleum oils and preparations	5,405.16	4%	271019	Other petroleum oils and preparations	1,801.26	6.0%
2	271012	Light petroleum oils and preparations	2,756.56	2%	520100	Cotton, not carded or combed	965.81	3.2%
3	854231	Electronic integrated circuits as processors and controllers, whether	2,628.65	2%	151190	Palm oil and its fractions refined but not chemically modified	871.26	2.9%
4	851770	Parts of telephone sets, telephones for cellular networks or for other	2,446.25	2%	520942	Denim fabrics of cotton,>/=85%, more than 200 g/m2	556.91	1.8%
5	854239	Electronic integrated circuits (excl. such as processors, controllers,	1,598.00	1%	170114	Raw cane sugar, not containing added flavouring or colouring matter (excl. 1701 13)	526.71	1.7%
6	854232	Electronic integrated circuits as memories	1,442.36	1%	720711	Semi-fin prod,i/nas,rect/sq cross-sect cntg by wgt<.25% c,wdth<2X thk	476.80	1.6%
7	080131	Cashew nuts, in shell, fresh or dried	1,426.00	1%	150710	Soya-bean oil crude, whether or not degummed	426.94	1.4%
8	880240	Aircraft nes of an unladen weight exceeding 15,000 kg	1,175.33	1%	520842	Plain weave cotton fabrics,>/=85%, >100 g/m2 to 200 g/m2, yarn dyed	423.45	1.4%
9	720839	Hot roll iron/steel nes, coil >600mm x <3mm	1,100.99	1%	720839	Hot roll iron/steel nes, coil >600mm x <3mm	338.49	1.1%
10	230400	Soya-bean oil-cake&oth solid residues,whether or not ground or pellet	1,092.13	1%	310420	Potassium chloride, in packages weighing more than 10 kg	298.41	1.0%

Source: ITC

3. Global Export Composition of Garments Items: Where Vietnam Stands

The Chapter level analysis of the global export of both Bangladesh and Vietnam indicates that there is a significant similarity between export structures of Vietnam and Bangladesh. Both countries have export concentration in garments (Chapters 61 and 62), fish (Chapter 3) and footwear (Chapter 64). So no doubt, that the question of possible threat for garments market of Bangladesh in EU in the context of EU Vietnam FTA demands proper analysis and concern.

A details analysis shows a quite different scenario. In 2012, Vietnam's 24% of total export earnings comes from garments (chapter 61 & 62), fish and footwear compared to 80.54% of those of Bangladesh .But a chapter level analysis of top ten export products reveals that products under this Chapter are not enlisted in the list of top ten global export products. Besides Vietnam's global export shows a gradual shift from garments and fish products to telephone and machineries. Telephones, electronic circuits, camera, coffee, petroleum products, footwear, rice etc are major export products of Vietnam. Among those electronic and electrical equipment experienced a very sharp average annual export growth since 2008.

4. Export Performance of Garments Products in EU

4.1 Performance of Bangladesh

Analysis on top ten export products from Bangladesh to EU indicates high export dependence on garments items. As per information of 2012, a list of top ten exports to EU includes only a single non-garment item, Frozen Shrimps and Prawns (HS 030617) with 2.5% contribution in 2012, which is a relatively new inclusion in our export basket to EU .Export of Bangladesh to EU gradually increases from USD 8,189.99 million in 2009 to USD 12,714.29 million in 2012 with an annual average growth 11.6%. The growth trend is almost similar to garment items, from USD 7,190.32 million in 2009 to USD 10,811.93 million in 2012 with a 10.7% growth (Table 5). Among the total contribution of garment items under chapter 61 (knitwear/ knitgarments) contributes the major portion of export earning such as 61.13%. Though contribution of garment items under chapter 62 (Woven garments) gradually increases with an annual average growth of 15.4%; its contribution is still limited compared to chapter 61 as 38.87% of total earning comes from garment items in EU.

Table 5: Contribution of Garments Items in Total Export of Bangladesh to EU

	Chapter 61	**Chapter 62**	**Total of 61 & 62**	**Total Export of BD to EU**
Value (2012) (in Million USD)	6,609.73	4,202.21	10,811.93	12,714.29
Concentration	61.13% (In total of 61 &62)	38.87% (In total of 61& 62)	85.04%	100%
Average Yearly Growth	8.2%	15.4%	10.7%	11.6%

Source: Calculation based on data from EUROSTAT

4.2 Performance of Vietnam

Since garment items are the prime concern of Bangladesh its contribution to total export of Vietnam to EU is an important factor. Tables 6 and 7 are giving clear picture of contribution of chapter 61 to total export earnings from garment products to EU which is appeared minimal. As per annual growth though growths of woven and knitwear are almost similar; aggregate contribution of chapters 61 and 62 is gradually reducing from 15.37% in 2009 to 14.28% in 2010 and further to 9.40% in 2012.

Table 6: Contribution of Garments Items in Total Export of Vietnam to EU

	Chapter 61	Chapter 62	Total of 61 & 62	Total Export of VN to EU
Value (2012) (in Million USD)	594.66	1,654.76	2,249.42	23,924.98
Concentration	26.44% (In total of 61 &62)	73.56% (In total of 61& 62)	9.40%	100%
Average Yearly Growth	6.57%	7.87%	7.52%	21.58%

Source: Calculation based on data from EUROSTAT

Table 7: Trend Analysis of Contribution of Garments products in Vietnams Export to EU

	2009	2010	2011	2012	Growth
Chapter 61	461.00	512.59	631.00	594.66	6.57%
Chapter 62	1,222.32	1,309.21	1,723.96	1,654.76	7.87%
Total 61& 62	1,683.32	1,821.81	2,354.96	2,249.42	7.52%
Total Export of Vietnam to EU	10,951.30	12,760.19	18,085.70	23,924.98	21.58%

Source: Calculation based on data from EUROSTAT

5 . Analysis and Conclusion

Bangladesh's export to EU dominated by garments products with a contribution of around 86%, with an average yearly growth of 11%. The contribution of knitwear (chapter 61) contributes the most; around 61.13%.The scenario is totally different in case of Vietnam. The contribution of garments items in its total export to EU constitute a relatively small share than that of Bangladesh, around 10%.The yearly growth of which stand only 7.52%. Besides the contribution of knitwear (chapter 61) is only 26%, compared to 61.13% of that of Bangladesh. In this context Vietnam as a garments exporter to EU market has limited possibility to capture the market for garments products from Bangladesh.

Bangladesh as a LDC enjoys duty and quota free access in EU market under EBA. Thus there is no doubt, any FTA between EU and Vietnam increase the competitiveness of garments products from Vietnam. But the question is about its depth. Aggregate level analysis shows that, Bangladesh enjoys 5%-10% duty preference for most of the products over Vietnam; around 85% at HS 6 digit level on which both Vietnam and Bangladesh have comparative advantage in the EU markets. In these products Bangladesh achieved average NRCA (Normalized Revealed Comparative Advantage) 0.74 and Vietnam 0.57. The most important thing is most of our garments export remains in this section of duty preference. Among these Men's or boys' anoraks, windcheaters, wind jackets and similar articles (620193); Women's or girls' anoraks, windcheaters, wind jackets and similar articles (620193);Men's or boys' trousers, bib and brace overalls, breeches and shorts (620342); women's or girls' jackets and blazers of synthetic fibres (excl. knitted or crocheted, wind-jackets (620433); Women's or girls' trousers, bib and brace overalls, breeches and shorts (620463); Men's or boys' garments of textile fabrics (621040); Women's or girls' garments of textile fabrics (621050); Men's or boys' tracksuits and other garments (621133);women's or girls' tracksuits and other garments (621143) export from Bangladesh would face competition due to the EU-Vietnam FTA.

Now the impact on Bangladesh’s garments market in EU depends on a major question, whether it would be cost effective for Vietnam to concentrate and allocate its resources in garments sector, which shows a limited growth scenario compared to that of others like telephone, electronic items and footwear.

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Modalities for Exploring Bangladesh's Export Potentials to Countries of Gulf Cooperation Council (GCC): Challenges and Opportunities

Kazi Monir Uddin[7]

Bangladesh is a low income country, heavily dependent on agriculture, Ready Made Garments industry and workers remittance from abroad. Though Bangladesh shifted from Import Substitution Policy to Export Promotion Policy in 1990s, still her export trade is characterized by high degree of concentration both in terms of products, namely RMG and in terms of destination, namely EU and USA. As a Least Developed Country (LDC) Bangladesh is gets duty free and quota free (DFQF) market access from developed countries like countries of European Union, Canada, Australia etc as well as few developing countries like South Korea. Dependence on too little export basket and export destination makes the country's export performance vulnerable to shocks from demand side as well as supply side. For example, if EU takes any initiative of providing tariff preferences to other countries who are competitor to Bangladesh in RMG markets by mean of FTA or PTA or GSP, it creates anxiety among business people as well as policy makers about the fact that there might be possibility of preference erosion of Bangladeshi products (which leads to reduction of the demand for Bangladeshi products) in EU market. Hence obtaining preferential access from different countries and forming FTA or PTA with potential partners are being thought as two alternative ways of achieving export targets and sustaining macroeconomic stability in the context of globalization. This paper examines the potentials of countries of Gulf Cooperation Council as export destination of Bangladesh and possible ways of achieving such market access.

Objectives of this Paper

This paper makes an attempt

- To find out whether there is any exportable product of Bangladesh for seeking market access in GCC Countries;
- To assess the prospects for export of services especially expatriate workers;
- To compare pros and cons of possible modalities of exploring export potentials in GCC countries.

Methodology and data

In order to get an idea on countries of Gulf Cooperation Council and Bangladesh, overview of on the economies of GCC countries and Bangladesh is discussed briefly. Trade performances of GCC as well as Bangladesh are discussed. Then the tariff policy of GCC is analyzed. Bangladesh's potential export products in GCC countries are identified using the Revealed Comparative Advantage Index (normalized) and Common External Tariff (CET) within the idea of Export Complementarities. Bangladesh's potential in service sector especially foreign expatriate workers is assessed through descriptive analysis of Bangladesh's remittance earnings and recruitments policies of GCC countries. Last but not the least, opportunities and challenges in possible modalities of achieving market access is discussed to find a way out.

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Several data sources are used. For the purpose of the paper, tariff data has been taken from Bangladesh Economic Review, Bangladesh Bank, National Board of Revenue (NBR), GCC Secretariats, World Integrated Trade Solution (WITS) Database of World Bank, ITC Trade Map, CIA World fact Book GCC secretariat etc. Besides, trade policy related information has been taken from WTO Trade Policy Reviews. Mirror data is utilized in absence of direct data. Moreover, information on service related policies is gathered fro review of published books and journals. So, this paper is prepared on the basis of secondary data.

Economic Trends

In spite of having few internal problems like political instability as well as other infrastructural bottlenecks and external problem like 2008-09 global financial meltdown, Bangladesh achieved a real GDP growth rate of 6%.over the last decade. Over the last three years, the economy is constituted with GDP of US$ 133.40 billion with per capita GDP of US$ 880 in 2011-12, US$ 150.00 billion with per capita GDP of US$ 976 in 2012-13 and US$ 173.82 billion with per capita GDP of US$ 1115.00 in 2013-14. Bangladesh is the most densely populated country in the world wherein food security is one of the major challenges. Natural gas, fertile soil, water and coal are the only natural resources of Bangladesh. The land is devoted mainly to rice, jute and wheat cultivation. The main agriculture products of Bangladesh are rice, jute, tea, sugarcane and wheat. The economy is increasingly led by export-oriented industrialization. Its main industrial products are woven garments, knitwear, jute goods, frozen fish, seafood, pharmaceuticals, home textiles, chemical fertilizer, leather products, light engineering products, melamine products, ship breaking for scrap, ceramic tableware etc

On the other hand, the GCC countries are individually high-income, hydrocarbon-based economies. So collectively GCC is a hydrocarbon based high income economy. Per capita GDP in 2011 ranged from about US$ 23.7 thousand (Oman) to US$ 90.5 thousand (Qatar). The total nominal GDP of the GCC economies has constituted more than doubled since 2005. In the recent years GCC has amazing GDP growth rates, except 2009 as a result of worldwide economic recession. It is observed that all GCC countries are stronger economies with large GDP except Bahrain and Oman. GDP growth rates were noteworthy almost in every year (except in 2009). The GCC countries have accumulated large fiscal and current account surpluses in recent years. Public expenditure, derived primarily from oil revenue, has increased significantly, with a focus on developing the physical and social infrastructure required for private sector development. GCC economy is severely dependent on foreign labor, young and rapidly growing labor force, and a large public sector.

The GCC is one of the major sources of petroleum. In 2011, daily production of crude oil was 70.40 million barrels in which GCC contributed 23.0% of world's production, Russia's contributed 14.11%, USA contributed 8.04%, China contributed 5.79% and other countries contributed the rest. In reserves of world's crude oil, GCC had 33.52%, whereas Venezuela had 20.09%, Iran had 10.44%, Iraq had 9.54%, Russia had 1.40% and other countries captured the rest (Figure 2). Two distant features of the GCC economies are evident from the said figure. Firstly, GCC had the dominance in the world's production as well as reserves of crude petroleum oil. Secondly, GCC utilizes its depletable natural resource more as compared to the other countries like Venezuela. GCC produced 23.04% of world's production of crude oil, having 33.52% whereas Venezuela produced 4.09%, having 20.09% of world's reserve. GCC countries are also blessed with natural gas. In 2011, GCC's total natural gas production was 303.5 trillion cubic meters, accounting for 9.09% of world's production. In the same year, the reserve of natural gas was 46,000 trillion cubic meters accounting for 23.45% of world's proven natural gas reserve.

Though the GCC countries are high income countries, GDP growth does not reflect their economic welfare for two reasons. Firstly, since more than 40 percent of GCC's GDP comes from oil sector, the purchasing power of GCC countries are very sensitive to commodity price variability thus change in quantity of output may not be reflected from the GDP growth. Secondly, as the employment of nationals in oil sector is low and more than half of the labour forces are foreign expatriates, the link between output and well being of nationals is weak[8].

Table 1: Selected Economic Indicators of Bangladesh and GCC Countries

Indicator	**Country**	**Year***					
		2008	2009	2010	2011	2012	2013
GDP Current US$, Billion	Bangladesh	102.48	115.28	128.68	133.40	150.00	173.82
	GCC	1,184.56	957.68	1,137.77	1,439.36	1,578.86	1,642.40
	Bahrain	25.71	22.94	25.71	29.04	30.76	32.89
	Kuwait	147.40	105.91	115.43	154.03	174.04	175.83
	Oman	60.91	48.39	58.64	69.52	77.50	79.66
	Qatar	115.27	97.80	125.12	169.80	190.29	203.24
	Saudi Arabia	519.80	429.10	526.81	669.51	733.96	748.45
	United Arab Emirates	315.47	253.55	286.05	347.45	372.31	402.34
Real GDP Growth Rate (%), Base Year 2005	Bangladesh	5.05	5.57	6.46	6.52	6.01	6.12
	GCC	7.08	0.19	5.80	7.89	5.78	N/A
	Bahrain	6.25	2.54	4.33	2.10	3.59	5.34
	Kuwait	2.48	-7.08	-2.37	10.21	8.31	N/A
	Oman	8.20	6.11	4.80	0.88	5.76	N/A
	Qatar	17.66	11.96	16.73	13.02	6.04	6.32
	Saudi Arabia	8.43	1.83	7.43	8.57	5.81	3.95

[8] Strom S.B. et al "Gulf Cooperation Council Countries (GCC): Enhancing Economic Outcomes in an Uncertain Global Economy", ISBN-13: 978-1-61635-231-8, Chapter 2, page 17

Indicator	Country	Year*					
		2008	2009	2010	2011	2012	2013
	United Arab Emirates	3.19	-5.24	1.64	4.89	4.68	5.20
Per Capita GDP, Thousand US$	Bangladesh	0.70	0.78	0.86	0.88	0.98	1.12
	GCC	28.94	22.38	25.57	31.26	33.29	33.74
	Bahrain	23.04	19.25	20.55	22.47	23.34	24.69
	Kuwait	54.55	37.16	38.58	49.29	53.54	52.20
	Oman	23.48	18.17	20.92	22.98	23.38	21.93
	Qatar	84.81	62.53	71.51	88.86	92.80	93.71
	Saudi Arabia	19.71	16.01	19.33	24.12	25.95	25.96
	United Arab Emirates	46.40	32.85	33.89	38.93	40.44	43.05
Inflation CPI (%)	Bangladesh	7.60	6.82	10.91	8.69	8.78	7.35
	GCC (avg.)	10.56	2.19	2.24	2.87	2.38	2.48
	Bahrain	3.53	2.80	1.96	-0.36	2.75	3.19
	Kuwait	10.58	4.61	4.50	4.91	3.20	2.70
	Oman	12.09	3.94	3.20	4.07	2.91	1.25
	Qatar	15.05	-4.86	-2.43	1.92	1.87	3.13
	Saudi Arabia	9.87	5.07	5.34	5.82	2.89	3.51
	United Arab Emirates	12.25	1.56	0.88	0.88	0.66	1.10
Population, Million	Bangladesh	143.80	147.80	149.70	151.60	153.70	155.80
	GCC	40.94	42.78	44.50	46.04	47.43	48.68
	Bahrain	1.12	1.19	1.25	1.29	1.32	1.33
	Kuwait	2.70	2.85	2.99	3.12	3.25	3.37
	Oman	2.59	2.66	2.80	3.02	3.31	3.63
	Qatar	1.36	1.56	1.75	1.91	2.05	2.17
	Saudi Arabia	26.37	26.80	27.26	27.76	28.29	28.83
	United Arab Emirates	6.80	7.72	8.44	8.93	9.21	9.35

Source: Author's calculation based on World Bank's World Development Indicators Database, Bangladesh Economic Review 2014 and Bangladesh Bank Monthly Economic Trends, December 2014
*For Bangladesh, Year 2002 means Fiscal Year 2002-03 and so on.

Trade Performance in Recent Years

Bangladesh has achieved a steady growth both in export and import of goods, The table below shows that in 2012 (FY 2012-13) its global trade accounted for US$ 61.11 billion that was 3.77 times higher than what it was ten years back. On the other hand, Out of 61.11 billion of total trade in 2012, export earnings was US$ 27.03 billion and import payment was 34.08 billion. Bangladesh's export is concentrated to a limited number of products, e.g.

clothing which constitutes more than three fourth of country's total export earnings. Its major export items are woven garments, knitwear, jute and jute goods, pharmaceuticals, leather & leather products, frozen foods, chemical products, home textiles, footwear, light engineering products, ceramic products, melamine products and bicycle. The major export destinations of Bangladesh are the United States, Germany, United Kingdom, France, Italy, Belgium, the Netherlands, Spain, Canada and India. Bangladesh is an import dependent country. Its major import items are cereal, capital machineries and equipments, chemicals, edible oil, fuel, iron and steel, textiles, yarn, fertilizer, petroleum products, plastics, chemicals cement clinker. Industrialization of Bangladesh is extremely depended on import of raw materials, capital machineries, and parts and accessories. Major sources of imports of Bangladesh are India, China, Singapore, Japan, Hong Kong, Taiwan, South Korea, the USA and Malaysia.

On the other hand, GCC countries are larger than not only in terms of GDP but also in terms of trade. In 2012, the value of total trade in goods of GCC countries was US$ 1,343.52 billion of which export accounted for US$ 896.32 billion and import accounted for US$ 447.20 billion Analysis of trade performance indicates that GCC expensed positive growth rate in exports as well as import, except in 2009 when the developed world especially Europe encountered sovereign debt crisis. In 2009 total import value of all GCC countries accounted for US$ 324.64 billion decreasing by 15.61 percent from previous year and export value was US$ 448.43 billion decreasing by 33.26 percent from the previous year.

Table 2: Trade Performance of GCC countries

Year*	Bahrain	Kuwait	Oman	Qatar	KSA	UAE	All GCC countries	Bangladesh
Export Value in Billion US$								
2002	5.70	12.83	11.13	10.37	71.37	27.50	138.89	6.55
2003	6.45	17.37	12.20	13.71	93.24	53.33	196.31	7.60
2004	7.35	26.10	11.98	18.30	123.54	71.71	258.97	8.66
2005	9.96	36.43	17.17	25.34	177.86	89.03	355.80	10.53
2006	11.44	55.08	19.59	33.63	207.35	116.48	443.57	12.18
2007	13.37	61.48	22.08	41.49	229.62	121.69	489.73	14.11
2008	12.57	85.74	33.78	66.44	307.74	165.66	671.93	15.57
2009	7.91	50.31	22.88	46.84	185.98	134.51	448.43	16.21
2010	15.50	68.21	31.60	72.80	245.91	147.75	581.77	22.93
2011	21.65	96.40	41.25	112.76	358.20	195.14	825.40	24.30
2012	11.63	112.93	45.67	132.35	381.01	212.73	896.32	27.03
Import Value in Billion US$								
2002	5.01	5.60	6.01	2.79	32.33	31.32	83.05	9.66
2003	5.66	9.60	6.80	4.91	36.92	52.07	115.96	10.90
2004	6.58	9.95	8.80	6.26	44.74	72.07	148.41	13.15

Year*	Bahrain	Kuwait	Oman	Qatar	KSA	UAE	All GCC countries	Bangladesh
Export Value in Billion US$								
2005	9.34	12.87	8.97	10.06	59.51	80.81	181.56	14.75
2006	8.96	17.24	11.04	16.44	69.80	97.86	221.34	17.16
2007	11.52	21.36	16.02	23.43	90.21	127.00	289.55	21.63
2008	18.41	24.84	22.92	27.90	115.13	175.49	384.70	22.51
2009	11.99	15.04	17.85	19.95	95.55	164.25	324.64	23.74
2010	16.00	19.02	19.77	23.24	106.86	180.73	365.63	33.66
2011	17.64	20.33	23.62	17.74	131.59	210.95	421.87	35.52
2012	8.95	19.53	28.12	30.79	155.59	204.22	447.20	34.08

Source: Calculation based on World Integrated trade Statistics database. Data compiled using direct as well as mirror data based on total trade value reported by different countries. So, total trade data may differ from official trade statistics of respective countries

*For Bangladesh, Year 2002 means Fiscal Year 2002-03 and so on.

Product wise trade of GCC countries shows that Petroleum products are principal export which accounting for more than 80% of its total export. Other major export products are Machinery and mechanical appliances and parts thereof; Vehicles; Electrical machinery and equipment and parts thereof; Pearls, precious and semi-precious stones, metals, coins, etc, Plastics and articles thereof, Organic chemicals etc. Analysis of GCC countries' global import export indicates that total import of GCC countries is concentrated in four items, namely Machinery and mechanical appliances and parts thereof, Vehicles other than railway, tramway; Electrical, electronic equipment; Pearls, precious stones, metals, coins, etc accounting for more than 42% of their total imports from the global market. However, Mineral fuels, oils, distillation products, etc, Articles of iron or steel, Iron and steel, Aircraft, spacecraft and parts thereof; Plastic and articles thereof; Cereals and pharmaceutical products are also amongst the major import products of GCC. As a whole, major import sources of GCC countries are China, United States, India, Japan, Germany, United Kingdom, Republic of Korea, Italy, France and Switzerland and major export destinations are Japan, South Korea, China, India, United States, Singapore, Thailand, Netherlands, Iran, and Pakistan and Netherlands.

GCC countries are lagging behind as compared to their performance in trade in goods. In 2011, total export of services from six GCC countries was accounted for US$ 4.67 billion whereas total import of these countries was US 43.17 billion.. Yet GCC economies are net importers of commercial services. The trade performance of commercial services of GCC countries as a whole is given the table captioned below which shows that GCC countries are normally a net importer of travel and transportation services. On the other hand, GCC is a net exporter of communication services.

Economic Integration of Gulf Cooperation Council

GCC[9] was formed on 25 May 1981 by six Arabian countries, viz. Bahrain, Kuwait, Oman, Qatar, KSA and UAE with a view to achieving regional cooperation and integration in all economic, social, and cultural affairs, including trade, industry, investment, finance, transport, communications and energy. In the same year, GCC Economic Agreement was signed and came into force in 1982. It set up a FTA in 1983 thereby originating goods in GCC countries have been exempted from customs tariffs. However, GCC leaders adopted a **new Economic Agreement**[10] at Muscat Summit in December 2001 to cope with the overall development of the GCC action and to reflect the local, regional and international economic changes. This agreement contains provisions relating to the **customs union**, Common GCC Market, Monetary Union, etc. The new Economic Agreement contains a comprehensive revision of the original Economic Agreement that was signed in November 1981. The customs union actually came into force in January 2003 which is characterized by the following salient features:

A. A common external customs tariff (CET) was set up with charging a 5% duty rate on all foreign imports, excluding the following categories:

a. Exempting (417) commodities from customs duties most of which cover the following:
   - I Live animals; fresh and chilled meat; and fish
   - II Fresh vegetables and fruit; and cereals
   - III Medicaments and medical supplies
   - IV Books; newspapers and magazines
   - V Ships and commercial aircraft

b. Charging a 100% duty rate on tobacco and products thereof, taking into account the minimum assessment rate according to number, weight and type.

c. Exempting the industry inputs (production requirements) in the GCC States from the customs duties.

d. The customs exemptions provided for in the GCC Common Customs law (i.e. diplomatic exemptions, personal effects, and imports for charitable foundations).

e. Protective customs duties charged by some member States on the foreign products that are similar to their national products during the 3-year-transitional period ending by year 2005.

B. Common customs regulations and procedures.

C. Single entry point where customs duties are collected.

D. Elimination of all tariff and non-tariff barriers, while taking into consideration laws of agricultural and veterinarian quarantine, as well as rules regarding prohibited and restricted goods.

E. Goods produced in any Member State are being accorded the same treatment as national products.

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[9] THE COOPERATION COUNCIL FOR THE ARAB STATES OF THE GULF (GCC) had been established in the first session of the Supreme Council held in the United Arab Emirates (May 1981) wherein the GCC Charter was adopted.

[10] The new Economic Agreement contains a comprehensive revision of the original Economic Agreement that was signed in November 1981

The GCC declared **common market** status in 2008 aimed at creating a single environment where citizens of member countries enjoy equal rights and privileges, including the rights to move, settle, work, receive social protection, retirement, health, education and social services, and engage in various economic activities and services. It also calls for unrestricted rights of ownership of property and equity, movement of capital, and similar tax treatment.

On 15 December 2009, Bahrain, Kuwait, Qatar, and KSA announced the creation of a Monetary Council. This aimed to increase technical cooperation between the four states on monetary policy without introducing a single currency. The Council is working on completing its institutional and organizational structures. Member countries are working towards improving and coordinating monetary, banking, and financial statistics.

All GCC countries are members of the World Trade Organization (WTO). KSA is the most recent GCC member who joined the WTO in 2005. Besides, all members are member of Pan Arab Free Trade Area (PAFTA) under Council of Arab Economic Unity. Duties and other restrictions on substantially all trade between the signatories were to be eliminated by 31 December 2007; in practice duties on all products were eliminated as of 1 January 2005. A FTA between GCC and European Free Trade Association (EFTA) was signed in June 2009, covering trade in goods and services, competition, government procurement, and intellectual property rights. GCC and each EFTA member state concluded bilateral agreements on trade in agricultural products. The GCC-EFTA is yet to come into force. Besides, GCC concluded signed an FTA with Singapore in 2008 that is yet to come into force.

Recently GCC most member countries engaged in external trade negotiations on a unilateral basis, for instance, FTAs and Trade and Investment Framework Agreements (TIFA). Four countries of GCC such as Kuwait, Qatar, KSA and UAE signed TIFA with USA in 2004 under which FTA were being negotiated. Bahrain and Oman formed bilateral FTA with the United States (which contradicts the norms of GCC customs union), but Qatar and UAE suspended the negotiation.

Tariff Policy of GCC Countries

Though GCC members are committed to apply Common External Tariff (CET) for rest of the world, The GCC's external tariffs are low. Historically, GCC economies have maintained low external tariffs as a result of their narrow production base and sizable oil wealth. The signing of the Customs Union Agreement in 2003 helped to further reduce overall external tariffs, as the agreement called for establishing a CET of 5 percent on most imported merchandise and 0 percent on essential goods. Still there are slight heterogeneity among tariffs of different countries of GCC, especially in agricultural products, few "special items" and tobacco.

GCC Member States exempts "national industry inputs" from customs duties. These inputs are: machinery, equipment, parts, raw materials, semi-manufactured materials, and packing materials required for immediate industrial production.

Table 3: Summary analysis of GCC's tariff lines 2012

Duty Rate	Bahrain	Kuwait	Oman	Qatar	Saudi Arabia	United Arab Emirates
No. of Tariff Lines	7286	7235	7234	7285	7311	7286
	Number of Tariff Lines [Percentage of Total Tariff Lines]					
Duty Free	808 [11.09]	806 [11.14]	806 [11.14]	808 [11.09]	805 [11.01]	808 [11.09]
5%	6381 [67.58]	6330 {87.49}	6331 [87.52]	6374 [87.49]	5833 [79.78]	6381 [87.58]
5.5%					14 [0.19]	
6%					4 [0.05]	
7%					100 [1.37]	
8%					17 [0.23]	
10%					49 [0.67]	
12%					201 [2.75]	
15%					148 [2.02]	
20%				6 [0.08]	22 [0.30]	
40%					3 [0.04]	
100%		1 [0.01]	1 [0.01]	1 [0.01]	1 [0.01]	
Mixed Duty	20 [0.27]	19 [0.26]	19 [0.26]	19 [0.26]	19 [0.26]	19 [0.26]
Prohibited	27 [0.37]	77 [1.06]	77 [1.06]	27 [0.37]	81 [1.11]	27 [0.37]
Special Goods	50 [0.69]			50 [0.69]		50 [0.69]
Not available		2 [0.03]			14 [0.19]	

Source: Author's Analysis based on WTO Tariff Analysis Online, TAO
Note: The values in Parenthesis are representing the percentages of total tariff line belongs to that tariff slab

In spite of the having commitment of implementation of common external tariff (CET) the above table shows there exists some differences in tariff lines among GCC states although such differences are negligible in most cases. Simple Average MFN tariffs of GCC countries range from 4.7 to 5.1 percent. The Tariff structure suggests that average tariff on agricultural products are slightly higher than non agricultural products Simple average tariff of agricultural products range from 5.5 to 7.5 percent while simple average tariff on non agricultural products range from 4.6 to 5 percent. At product level average tariff on beverage products are high in all GCC countries that range from 32.9 to 60.2.percent. The Tariff Structure of GCC countries in 2012 are shown in the table below.

Table 4:. Summary analysis of MFN tariff (%) of GCC countries, 2012

	Bahrain	**Kuwait**	**Oman**	**Qatar**	**Saudi Arabia**	**United Arab Emirates**
Product groups	Simple Average (%)					
All Products	**5.0**	**4.7**	**4.7**	**4.7**	**5.1**	**4.7**
Agricultural Products	**7.5**	**5.1**	**5.7**	**5.5**	**6.2**	**5.5**
Non Agricultural Products	**4.6**	**4.6**	**4.6**	**4.6**	**5.0**	**4.6**
Animal products	3.1	2.8	2.8	2.8	3.3	2.8
Dairy products	5.0	5.0	5.0	5.0	5.0	5.0
Fruit, vegetables, plants	3.3	3.3	3.3	3.3	3.5	3.3
Coffee, tea	8.1	3.1	3.1	3.1	3.6	3.1
Cereals & preparations	3.2	3.2	3.2	3.2	3.6	3.2
Oilseeds, fats & oils	4.8	4.8	4.8	4.8	4.8	4.8
Sugars and confectionery	3.5	3.5	3.5	3.5	3.8	3.5
Beverages & tobacco	60.2	32.9	44.4	39.8	51.2	39.8
Cotton	5.0	5.0	5.0	5.0	5.0	5.0
Other agricultural products	4.9	4.4	4.4	4.4	4.4	4.4
Fish & fish products	3.6	3.6	3.6	3.6	3.6	3.6
Minerals & metals	4.9	4.9	4.9	4.9	5.3	4.9
Petroleum	5.0	5.0	5.0	5.0	5.3	5.0
Chemicals	4.4	4.4	4.4	4.4	4.6	4.4
Wood, paper, etc.	4.7	4.7	4.7	4.7	6.3	4.7
Textiles	5.0	5.0	5.0	5.0	5.7	5.0
Clothing	5.0	5.0	5.0	5.0	5.1	5.0
Leather, footwear, etc.	5.0	5.0	5.0	5.0	6.0	5.0
Non-electrical machinery	4.5	4.5	4.5	4.5	4.7	4.5
Electrical machinery	3.7	3.7	3.7	3.7	4.1	3.7
Transport equipment	4.0	4.0	4.0	4.0	4.6	4.0
Manufactures, n.e.s.	4.6	4.6	4.6	4.6	4.7	4.6

***Source*: W**TO Secretariat calculations obtained from WTO tariff Profiles

GCC countries basically do not depend on internal taxes. **Saudi Arabia** does not impose VAT, excise duties or any other internal tax or charge on domestically produced or imported products. It applies other duties and charges only on 20 tariff lines covering tobacco and tobacco-related products (HS Nos. 2401, 2402, and 2403). In general, no other duties are applied on imports in **UAE**, with the exception of alcoholic beverages, which may be subject to municipality taxes; e.g. liquor is subject to a 30% municipality tax in Dubai. **Kuwait** Customs collects *ad valorem* fees on imported goods, including special services fees for temporary entry of products, transit services fees, and non-*ad valorem* fees for certificates. **Bahrain** does not apply other duties and taxes, except on some fresh agricultural products, where a municipality tax of up to 2% may be charged for statistical purposes. Bahrain does not levy value-added tax (VAT) or sales tax. **Oman** does not apply other duties and taxes on imports and does not levy VAT or sales tax. **Qatar** does not impose any other fees or charges are imposed on imports[11]. However Some GCC countries namely Bahrain, Kuwait, Qatar and Saudi Arabia have commitments to WTO in their schedules of specific commitments to impose other duties and charges. Though these commitments are country specific, they range from 1% to 15%.

Products such as pharmaceuticals, vegetables, food products, spice products, meat and meat products, poultry, cosmetics, detergents etc are subject to various NTBs, especially for religious, health, national security and environment purposes.

Bilateral Trade and Economic Relation between Bangladesh and GCC

Bangladesh has long history of cultural, social, diplomatic and economic relationship with GCC countries. Bangladesh has diplomatic relation missions in all GCC countries. A number of Agreements have been signed between Bangladesh and GCC countries since late 1970s. Such Agreements are presented in the table captioned below:

Table 5: Bilateral agreements between Bangladesh and GCC countries

Parties	Agreement
Bangladesh-Bahrain	Agreement on Economic Commercial and Technical Relations. The Agreement signed in 1992
	Air Services Agreement between Bahrain and Bangladesh. (Initialed on 6 February 1990. Last consultation meeting was held on 7-8 November 2007, in force)
Bangladesh-Kuwait	Agreement between Bangladesh and Kuwait on Joint Economic Commission. (Signed in 04 June 1979.)
	Technical Cooperation Agreement on Manpower between Bangladesh and Kuwait. (Signed in November 2000.)
	Air Services Agreement between Bangladesh and Kuwait. (Initialed on 28 April 1980. Last consultation meeting was held on 30-31 January 2007, In force.)

[11] Trade Policy Reviews of GCC countries

Parties	Agreement
Bangladesh-Oman	Agreement between Bangladesh and Oman on Avoidance of Double Taxation on air transport income. (Signed on 10 May 2008, in force)
	Agreement on Manpower Cooperation. Signed on 10 May 2008, In force.)
	Air Services Agreement between Bangladesh and Oman. (Signed on 30 April in 1987. Last consultation meeting was held on 11 November 2008, In force.)
Bangladesh – Qatar	Agreement on organization of Manpower Employment in the state of Qatar. (Signed on 28 January 1988)
	Additional Protocol to the Agreement on organization of Manpower Employment in the state of Qatar (Approved by the advisory Council in 2007
	Agreement of Avoidance of Double Taxation
	Air Service Agreement. (Signed on 25 June 2009)
Bangladesh-Saudi Arabia	Joint Economic Commission. (9th Meeting held in Dhaka on 7-8 April 2008)
	Hajj Agreement between Bangladesh and Saudi Arabia. (Signed During the visit of Bangladesh Delegation to KSA on 30 March-04 April 2009 led by Hon'ble State Minister for Religious Affairs, In force.)
Bangladesh-United Arab Emirates	Joint Economic Commission Agreement between Bangladesh and UAE. (Agreement was signed in December 1980. 3rd Meeting will be held in Dubai, soon.)
	Air Services Agreement between Bangladesh and UAE. (Concluded in the year 1988, In force.)
	General Trade Agreement between Bangladesh and UAE. (Concluded in the year 1978. In force.)
	Cooperation in the Field of Manpower. (Concluded in 2007, In force.)

Source: Official website of Ministry of foreign Affairs, Bangladesh

The recent trends of bilateral trade indicate that GCC collectively is one of the major import sources of Bangladesh but not a significant export destination. In FY 2012-13, Bangladesh's total exports to GCC accounted for USD 469 million whereas import from GCC (including IDB loans) and grants accounted for USD 2,816 million. The following table shows that Bangladesh has a chronic trade deficit with all GCC countries.

Table 6: Bilateral trade between Bangladesh and GCC countries

[Million USD]

Country	2009-10	2010-11	2011-12	2012-13
Total export to GCC countries	183.0	272.2	341.7	469.2
Bahrain	3.3	3.8	4.0	4.4
Kuwait	10.0	14.3	15.5	20.8
Oman	1.0	1.3	3.4	10.0
Qatar	11.9	11.6	11.9	13.6
Saudi Arabia	91.0	116.2	136.7	169.1

Country	2009-10	2010-11	2011-12	2012-13
United Arab Emirates	65.8	125.0	170.2	251.2
Total import from GCC countries	1583.1	2881.5	3082.2	2816.0
Bahrain	4.2	1.3	2.6	22.5
Kuwait	555.8	1228.6	1298.1	971.7
Oman	16.1	19.7	30.2	31.0
Qatar	93.6	166.9	131.0	154.1
Saudi Arabia	472.3	693.7	806.5	864.5
United Arab Emirates	441.1	771.3	813.8	772.2
Trade Balance	**-1400.1**	**-2609.3**	**-2740.5**	**-2346.8**

Source: EPB (export data) and Bangladesh Bank (import data)

It is necessary to state that the import data used above is inclusive of import under IDB short term loans and grants. The statistics of cash import as reported by Bangladesh Bank is more or less consistent with NBR ASYCUDA database. The statistics is shown below:

Table 7: Bangladesh's import under cash from GCC countries in FY 2012-13

(Million USD)

Country	2008-09	2009-10	2010-11	2011-12	2012-13
Bahrain	2.9	4.2	1.3	2.6	22.5
Kuwait	560.1	350.9	787.8	914.8	543.8
Oman	9.2	16.1	19.7	30.2	31.0
Qatar	99.4	93.6	166.9	131.0	154.1
Saudi Arabia	356.3	183.1	323.2	371.1	363.7
United Arab Emirates	302.1	291.5	317.3	295.3	209.1
Total	1,330.1	939.4	1,616.2	1,745.0	1,324.3

Source: Bangladesh Bank

Analysis of Major Export Items of Bangladesh to GCC indicates that its recent export is mainly concentrated in apparel which accounting for more than 42% of total export to GCC countries. Other export products include Edible vegetables and certain roots and tubers, Vegetable, fruit, nut, etc food preparations, Sugars and sugar confectionery, Cereal, flour, starch, milk preparations, Fish, Vegetable textile fibres etc which are shown in table below.

Table 8: Major Export Items of Bangladesh in GCC (FY2012- 13)

HS Chapter	Description	Bahrain	Kuwait	Oman	Qatar	KSA	UAE	Total GCC	Share of total export	CET in % (Avg)
		Million US$								
61	Articles of apparel, accessories, knit or crochet	0.5	2.6	0.7	1.0	24.2	76.8	105.9	22.6%	5.00
62	Articles of apparel, accessories, not knit or croc..	0.3	0.7	0.4	0.3	22.4	69.1	93.2	19.9%	5.00
07	Edible vegetables and certain roots and tubers	1.5	7.7	1.0	7.7	28.4	8.4	54.7	11.7%	2.53
06	Live trees, plants, bulbs, roots, cut flowers etc	0.0	.0.0	0.0	0.0	38.2	0.0	38.3	8.2%	3.25
20	Vegetable, fruit, nut, etc food preparations	0.4	0.8	3.9	0.8	9.2	15.7	30.9	6.6%	5.00
17	Sugars and sugar confectionery	0.0	0.0	0.0		0.0	27.2	27.3	5.8%	3.33
19	Cereal, flour, starch, milk preparations and produ...	0.5	1.2	1.4	0.8	11.0	9.4	24.4	5.2%	4.72
03	Fish, crustaceans, molluscs, aquatic invertebrates…	0.4	2.7	0.0	0.6	8.6	5.6	17.9	3.8%	3.21
09	Coffee, tea, mate and spices	0.3	1.6	0.5	1.0	8.1	6.3	17.7	3.8%	3.57
53	Vegetable textile fibres nes, paper yarn, woven fa...	0.0	0.0	0.1	0.0	9.7	3.4	13.2	2.8%	5.00

Source: Author's calculation based on data of Export Promotion Bureau of Bangladesh and GCC customs Information Center

Composition of Bangladesh's import from the GCC countries indicates that Bangladesh imports significant amount of Petroleum products from GCC countries accounting 59% of total import from GCC countries. Among six GCC countries Kuwait, KSA and UAE hold the most share of Bangladesh's total import of petroleum products. Bangladesh imports significant amount of fertilizer from Qatar, Saudi Arabia and UAE which accounts for 22% of total import. Besides, Bangladesh imports Plastic products, Aluminium and articles thereof, Pulp of wood, fibrous cellulosic material, waste etc. Top ten import items of Bangladesh from GCC countries are shown in the following table:

Table 9: Bangladesh's major import products (for home use) from GCC in FY 2012-13

HS Chapter	Description	Bahrain	Kuwait	Oman	Qatar	Saudi Arabia	United Arab Emirates	Total GCC	Share in total import
		Million US$							
27	POL	4.7	397.1	0.7	0.0	109.8	338.3	850.7	59.0%
31	Fertilizers	0.0	0.0	0.0	148.6	142.8	25.7	317.2	22.0%
39	Plastics and articles thereof	0.0	1.5	5.2	23.0	93.9	8.4	132.0	9.2%
76	Aluminium and articles thereof	20.9	0.0	3.5	0.2	5.3	10.4	40.2	2.8%
25	Salt, sulphur, earth, stone, plaster, lime and cem...	0.0	0.0	1.1	0.0	0.0	13.2	14.2	1.0%
47	Pulp of wood, fibrous cellulosic material, waste e...	0.2	0.4	0.0	0.1	0.8	9.9	11.3	0.8%
03	Fish, crustaceans, molluscs, aquatic invertebrates...	0.0	0.0	6.7	0.0	0.0	1.4	8.1	0.6%
08	Edible fruit, nuts, peel of citrus fruit, melons	0.0	0.02	0.0	0.0	1.2	6.7	7.89	0.6%
29	Organic chemicals	0.0	0.0	0.3	0.0	7.2	0.2	7.6	0.5%
32	Tanning, dyeing extracts, tannins, derivs,pigments..	0.0	0.0	0.0	0.0	4.9	1.9	6.8	0.5%

Source: Authors calculation based on ASYCUDA++ database of National Board of Revenue (2012-13). Data comprises of imports for home use only

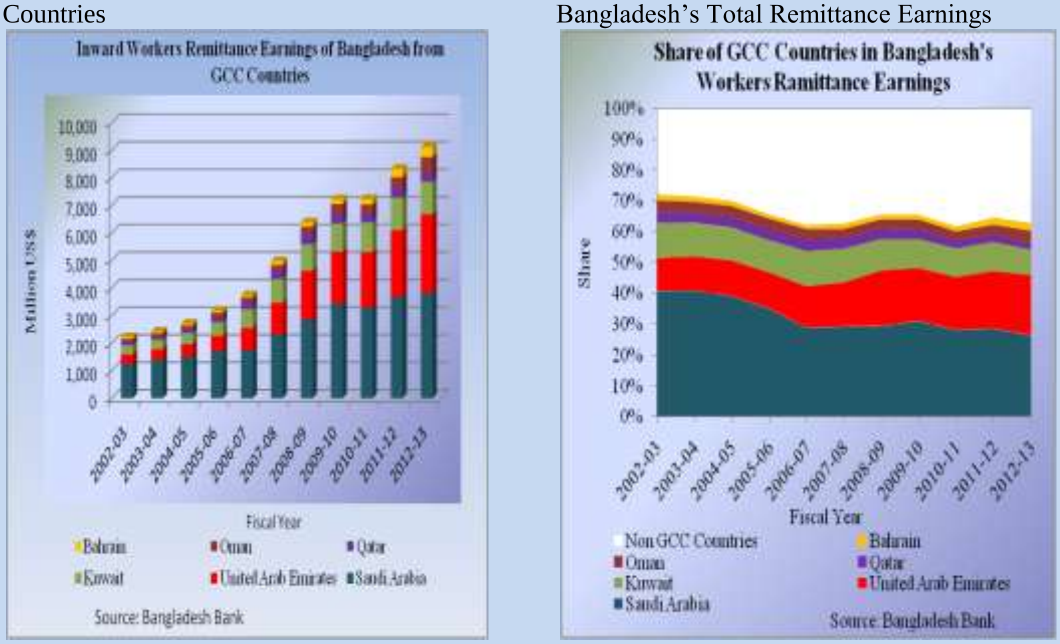
Bilateral Relation in Foreign Expatriates

GCC countries are the top major sources of Bangladesh's workers' remittances. In FY 2012-13, Bangladesh achieved inward workers remittance of USD 14.5 billion, 63 percent of which is attributed to six GCC countries which contribution was 80% in 1993-94 and 72% in

2002-03. That means Bangladesh workers' remittance inflow from GCC has a downward trend. So it is evident that historically GCC countries are the main destinations for manpower export of Bangladesh. With the increased scope and employment opportunities in other countries, the relative dependence on GCC countries decreased but still 63 percent could be thought as "A Lion Share".

Figure 1: Bangladesh's inward workers remittance

Panel a: Remittance Earnings from GCC Countries	Panel b: Share of GCC Countries in Bangladesh's Total Remittance Earnings



Bangladesh's Export Potentials in Goods

In order to find out potential products of Bangladesh for exporting in the GCC markets, the similarities between Bangladesh's global exports and GCC's global imports and the issue of CET of GCC and Bangladesh's positive normalized RCA[12] have been examined. The idea behind this approach is that there is scope of inducing increase in export to GCC if Bangladesh has export capacity as well as comparative advantage in the Global Market and at the same time GCC countries have import demand. The Export capacity is assessed export

[12] Revealed Comparative Advantage $\mathrm{RCA}_{iw}^{k} = \left(\frac{x_{iw}^{k}}{X_{iw}}\right) \Big/ \left(\frac{x_{ww}^{k}}{X_{ww}}\right)$ where x_{iw}^{k} denotes export of country (i) in sector k to world (w) and X_{iw} denotes total Export of Country i to w. Thus x_{ww}^{k} denotes export of world in sector k to world and X_{ww} denotes total export of world to world. Normalized RCA or NRCA = (RCA-1) / (RCA+1)

value while import demand assessed from import value. In this way, a number of 62 products at 6 digit level has been identified for which Bangladesh's average global export is more than USD 5 million and the global import of GCC countries is more than USD 50 million From these products 31 are marked as the most export potential products to GCC markets which have Bangladesh has global export of US$ 10 million or above and GCC has USD 100 million or above along with CET of 5 percent

Table 10: Potential exportable products of Bangladesh for the Market of GCC Countries

SL	HS 2002 Product Code	Product Name	Bangladesh's average export of FY2011-12 and FY 2012-13 in global market	Total global import of GCC countries in 2012	Average of CET duty rate 2012	NRCA of Bangladesh
			Million US$			
1	030379	Fish, n.e.s., frozen (excl. fillets/oth. fish meat...	34.55	95.01	5.00	0.372
2	091099	Spices, n.e.s.	15.66	85.55	5.00	0.557
3	120740	Sesamum seeds, whether or not broken	7.92	106.59	5.00	0.304
4	151590	Fixed vegatable fats & oils (excl. of 1515.11-1515...	8.04	53.56	5.00	0.630
5	240120	Tobacco, partly/wholly stemmed/stripped	49.21	72.41	Special	0.596
6	252329	Portland cement (excl. white cement, whether or no...	7.54	179.69	5.00	0.280
7	610332	Men's/boys' jackets & blazers, knitted or crochete...	79.21	111.84	5.00	0.831
8	610333	Men's/boys' jackets & blazers, knitted or crochete...	33.59	62.58	5.00	0.711
9	610342	Men's/boys' trousers, bib & brace overalls, breech...	153.09	134.13	5.00	0.965
10	610343	Men's/boys' trousers, bib & brace overalls, breech...	36.67	132.12	5.00	0.907
11	610432	Women's/girls' jackets & blazers, knitted or croch...	29.30	290.24	5.00	0.823
12	610433	Women's/girls' jackets & blazers, knitted or croch...	19.72	133.58	5.00	0.836
13	610442	Women's/girls' dresses, knitted or	83.19	63.03	5.00	0.953

SL	HS 2002 Product Code	Product Name	Bangladesh's average export of FY2011-12 and FY 2012-13 in global market	Total global import of GCC countries in 2012	Average of CET duty rate 2012	NRCA of Bangladesh
			Million US$			
		crocheted, of c...				
14	610443	Women's/girls' dresses, knitted or crocheted, of s...	6.58	74.29	5.00	0.835
15	610452	Women's/girls' skirts & divided skirts, knitted or...	24.09	74.98	5.00	0.963
16	610462	Women's/girls' trousers, bib & brace overalls, bre...	225.98	238.77	5.00	0.970
17	610463	Women's/girls' trousers, bib & brace overalls, bre...	12.73	153.27	5.00	0.863
18	610469	Women's/girls' trousers, bib & brace overalls, bre...	64.21	66.62	5.00	0.880
19	610510	Men's/boys' shirts, knitted or crocheted, of cotto...	634.91	83.36	5.00	0.975
20	610520	Men's/boys' shirts, knitted or crocheted, of man-m...	23.12	91.24	5.00	0.887
21	610711	Men's/boys' underpants & briefs, knitted or croche...	152.53	89.17	5.00	0.950
22	610821	Women's/girls' briefs & panties, knitted or croche...	197.68	51.06	5.00	0.958
23	610822	Women's/girls' briefs & panties, knitted or croche...	24.17	57.37	5.00	0.866
24	610831	Women's/girls' nightdresses & pyjamas, knitted or ...	85.05	55.75	5.00	0.965
25	610832	Women's/girls' nightdresses & pyjamas, knitted or ...	8.60	129.79	5.00	0.842
26	610910	T-shirts, singlets & oth. vests, knitted or croche...	4,697.88	438.66	5.00	0.982
27	610990	T-shirts, singlets & oth. vests, knitted or croche...	230.29	351.19	5.00	0.896
28	611020	Jerseys, pullovers, cardigans, waist-coats & sim. ...	746.44	173.51	5.00	0.964
29	611030	Jerseys, pullovers, cardigans, waist-coats & sim. ...	169.14	293.34	5.00	0.954

SL	HS 2002 Product Code	Product Name	Bangladesh's average export of FY2011-12 and FY 2012-13 in global market	Total global import of GCC countries in 2012	Average of CET duty rate 2012	NRCA of Bangladesh
			Million US$			
30	611120	Babies' garments & clothing accessories, knitted o...	50.61	212.41	5.00	0.957
31	611430	Garments, n.e.s., knitted or crocheted, of man-mad...	7.59	58.69	5.00	0.685
32	611490	Garments, n.e.s., knitted or crocheted, of textile...	17.22	115.96	5.00	0.870
33	611610	Gloves, mittens & mitts, knitted or crocheted, imp...	8.64	60.74	5.00	0.376
34	620193	Men's/boys', anoraks (incl. ski-jackets), wind-che...	66.39	109.16	5.00	0.917
35	620342	Men's/boys' trousers, bib & brace overalls, breech...	3,982.07	372.26	5.00	0.981
36	620343	Men's/boys' trousers, bib & brace overalls, breech...	143.69	167.23	5.00	0.941
37	620349	Men's/boys' trousers, bib & brace overalls, breech...	301.00	67.52	5.00	0.954
38	620442	Women's/girls' dresses (excl. knitted or crocheted...	60.35	128.71	5.00	0.849
39	620443	Women's/girls' dresses (excl. knitted or crocheted...	10.22	140.71	5.00	0.196
40	620449	Women's/girls' dresses (excl. knitted or crocheted...	15.94	240.27	5.00	0.595
41	620462	Women's/girls', trousers, bib & brace overalls, br...	1,608.68	328.58	5.00	0.968
42	620463	Women's/girls', trousers, bib & brace overalls, br...	55.46	58.34	5.00	0.901
43	620469	Women's/girls', trousers, bib & brace overalls, br...	306.17	86.27	5.00	0.943
44	620520	Men's/boys' shirts (excl. knitted or crocheted), o...	1,218.03	336.98	5.00	0.976
45	620530	Men's/boys' shirts (excl. knitted or crocheted), o...	35.16	112.66	5.00	0.981
46	620590	Men's/boys' shirts	600.03	109.58	5.00	0.961

SL	HS 2002 Product Code	Product Name	Bangladesh's average export of FY2011-12 and FY 2012-13 in global market	Total global import of GCC countries in 2012	Average of CET duty rate 2012	NRCA of Bangladesh
			Million US$			
		(excl. knitted or crocheted), o...				
47	620630	Women's/girls' blouses, shirts & shirt-blouses (ex...	212.71	85.47	5.00	0.948
48	620640	Women's/girls' blouses, shirts & shirt-blouses (ex...	17.67	96.92	5.00	0.847
49	620690	Women's/girls' blouses, shirts & shirt-blouses (ex...	92.76	68.33	5.00	0.809
50	620920	Babies' garments & clothing accessories (excl. kni...	59.55	58.64	5.00	0.982
51	621040	Men's/boys' garments made up of fabrics of 59.03/5...	30.03	196.58	5.00	0.936
52	621050	Women's/girls' garments made up of fabrics of 59.0...	34.11	244.40	5.00	0.905
53	621210	BrassiFres & parts thereof , whether or not knitte...	148.37	122.92	5.00	0.856
54	621710	Made up clothing accessories (excl. knitted or cro...	41.92	97.84	5.00	0.575
55	630231	Bed linen (excl. knitted or crocheted), of cotton ...	239.03	52.25	5.00	0.919
56	630260	Toilet linen & kitchen linen, of terry towelling/s...	241.17	133.50	5.00	0.888
57	640391	Footwear (excl. waterproof) with outer soles of ru...	13.97	60.09	5.00	0.686
58	640399	Footwear (excl. waterproof) with outer soles of ru...	169.66	313.85	5.00	0.537
59	640419	Footwear (excl. waterproof) with outer soles of ru...	35.38	169.10	5.00	0.524
60	650590	Hats & oth. headgear, knitted or crocheted/made up...	40.98	122.86	5.00	0.923
61	691110	Tableware & kitchenware, of porcelain/china	31.03	212.94	5.00	0.741
62	871200	Bicycles & oth. cycles (incl. delivery	105.34	75.60	5.00	0.664

SL	HS 2002 Product Code	Product Name	Bangladesh's average export of FY2011-12 and FY 2012-13 in global market	Total global import of GCC countries in 2012	Average of CET duty rate 2012	NRCA of Bangladesh
			Million US$			
		tricycles),...				

Note a. GCC means the Countries of Gulf Cooperation Council
b. NRCA= Normalized Revealed Comparative Advantage [$-1 \leq NRCA \leq 1$]
c. CET means Common External Tariff

It is observed that most of the products with export potentials are Ready made Garments products. Besides, Bangladesh has export potentials for few non RMG products like Fish (frozen) Spices, Sesamum seeds, vegetables, Tobacco bicycle etc. GCC Countries However, GCC has global import of US$ 11 billion worth of RMG Products that are produced and being exported by Bangladesh in global market.

Export Potential of Manpower

The GCC countries are heavily dependent on foreign manpower. By 1999, the number of foreign workers in the GCC countries totaled 7.1 million, representing almost 70% of the total GCC workforce and an increase of more than 60% compared to their number in 1985. The number of foreign laborers is increasing much faster, amounting to 10.6 million in 2008. This represents an increase of almost 50% compared to their number in 1999.. For decades, across the GCC states the migrant labor population has been governed through the kafala or worker sponsorship system. This system creates a direct relationship between each labor migrant and its sponsor or kafeel; and binds each migrant worker to a particular job for a specific period of time**.** Traditionally the kafeel has maintained control over a worker's mobility for the duration of the employees stay in the Gulf. Workers cannot change their place of employment or exit the country without obtaining prior approval from their sponsor. The kafala is bound by the contractual agreements signed by the foreign workers and their sponsors. These contracts (particularly for the lower skill categories of migrants are drawn up for a two-year period of employment and residency, but may be renewed or extended. In current Gulf practices, the *kafala* system is structured to only grant migrants opportunities for temporary cycles of employment. Migrants may choose to engage in repeated cycles of employment within one or more of the GCC states, interspersed with periods of repatriation.

However, Recruitment Agencies and labor brokerages in both sending and receiving end plays key role in labor migration system. Recruiters in sending countries, along with a host of sub-agents, serve to link migrants in remote locations of Asia and Africa with manpower agencies and employers based in the GCC. Recruiters and labor brokerages at both ends of the system financially benefit from the costs they extract from potential migrants. Over the last few years, many GCC governments have made public statements indicating a desire to reform the *kafala*, and yet conclusive structural change has remained absent region-wide. In 2009, the Government of Bahrain omitted one of the more restrictive practices of the sponsorship system by enacting a 'mobility law' that allowed migrants to change employers without approval or consent of their sponsors. In 2010, Kuwait also amended their labor law to incorporate minimum wages for national and foreign workers. In order to ensure full and timely payment for the foreign workers, UAE with the help of its central bank; introduced a Wage Protection System (WPS) whereby all payments have to be made through an electronic transfer system. However, GCC states have not yet formally harmonized policies for managing migration.

However, GCC countries had been the main destination of Bangladeshi foreign expatriates. As per Information of Bangladesh Bureau of Manpower Employment and Training in 2013 total number of overseas employment was 4,09,253 out of which 2,43,668 was employed in six GCC countries (59.54%). Among the six GCC countries Saudi Arabia is one of ke key destination for expatriate workers for so many countries. As of mid-2013, expatriates made up 32 percent of the Kingdom's population, most of them coming from South Asia. They accounted for 56.5 percent of the employed population and 89 percent of the private sector workforce[13] As per information of GLMM, In 2013, the bulk of foreign laborers were working in the construction sector (26.5 percent) and in the retail and wholesale (22.3 percent) and the private households sectors (15 percent). The health and education sectors employ, respectively, 3.6 and 2.6 percent of non-Saudi workers.

However, In absence of mode-wise trade data of Bangladesh as well as GCC countries and in absence of GCC countries' uniform foreign recruitment policy beyond their traditional "kafala System", trade potential of Bangladesh in different services is not clear. Still it could be safely stated that there is a scope for negotiation to promote professional services, managerial and technical services.

Possible Ways of Obtaining Preferential Market Access

Bangladesh can consider two alternative options to explore the export opportunities in the GCC countries. Bangladesh may seek Duty Free Quota Free (DFQF) Market Access or form bilateral preferential Trading Arrangement with Partial Scope for tariff preference or form Free trade area.

Secondly Bangladesh may form agreements with reciprocity. i.e Free Trade Area Agreement or Preferential Trading Arrangement with GCC since the understanding of common external

[13] Demography labor Market and Migration in Saudi Arabia. Gulf Labor Market and Migration, GLMM –EM-No-1 /2014 (Explanatory notes), The Gulf Labour Markets and Migration (GLMM) programme is an international independent, non-partisan, non-profit joint programme of a major Gulf think tank, Gulf Research Center (GRC – Jeddah, Geneva, Cambridge, Tokyo), and a globally renowned academic migration centre, the Migration Policy Centre (MPC – Florence) The document is viewed at http://cadmus.eui.eu/bitstream/handle/1814/32151/GLMM%20ExpNote_01-2014.pdf?sequence=1

tariff won’t Bangladesh to from bilateral FTA/PTA with any individual GCC country. There are prospects and challenges associated with each of two approaches. However, there are two possible alternative modalities to achieve market access in this second approach Partial Scope Agreement and Free Trade Area Agreement. There are other modalities within the idea of customs union or more deep integration like common market. But given the differences in the current state of the economies and trade and tariff policies, the idea of custom union and common market can be rejected straight forward. For example, It won’t be possible for Bangladesh to agree a common external tariff of 5% for the rest of the world as Bangladesh imposes customs tariff much higher than GCC countries. So, it will be a good idea to discuss the opportunities and challenges in three alternative modalities.

Modality 1 Seeking DFQF for goods and LDC Service Waiver in the GCC Countries

Under DFQF initiative of the World Trade Organization, Bangladesh as a LDC can seek Duty Free Quota Free Market Access in potential products. This approach is less sustainable because Bangladesh is achieving steady economic growth which will help Bangladesh graduating to a developing country status. If so happens, such DFQF access won’t prevail. Obtaining DFQF has no adverse effect on domestic industries of Bangladesh as well as government revenue collection since the preference is unilateral. For Trade Service, LDC service waiver is somewhat analogous to the DFQF of trade in goods. Bangladesh may seek waiver from limitations on market access and national treatments they have committed to WTO in their schedules of specific commitments. But the DFQF approach is not sustainable and costs national image and dignity. Similarly, LDC service waiver is not sustainable access.

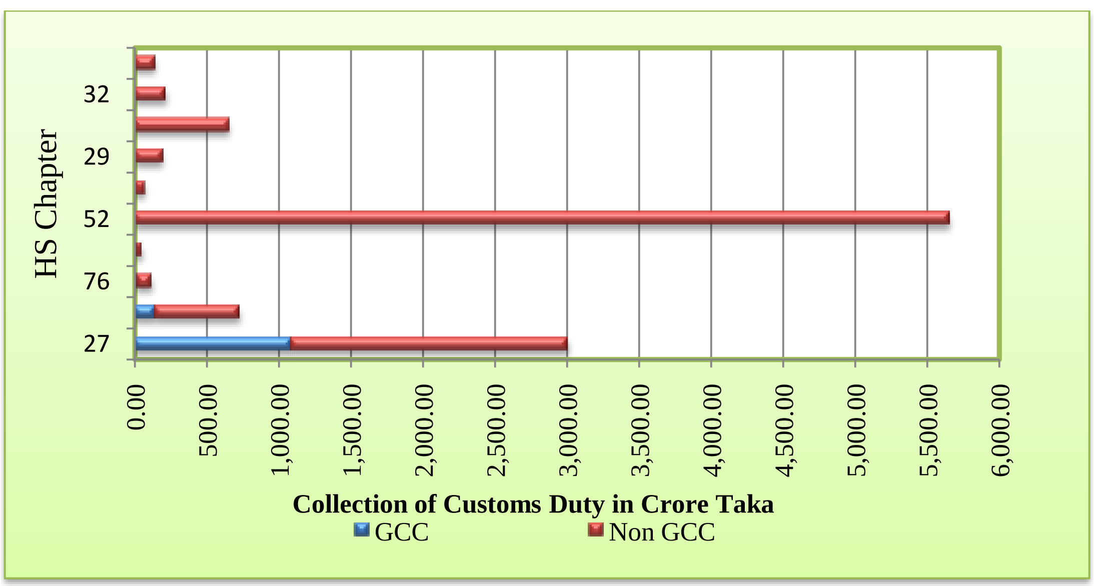
Modality 2: Forming Partial Scope Agreement

The Second option is to form a partial Scope agreement with GCC. This approach has the advantage by the fact that exchange of tariff preference is done through a “positive list” approach. So, domestic industry will be safe as such request and offers for such lists may take account of the stake on domestic industries. But Partial Scope agreement has two major drawbacks, especially for GCC countries being are generous in terms of tariff policies. Firstly, the idea of Partial Scope agreements is not being frequently used by high income countries these days. It seems unlikely for the GCC to agree Partial Scope Agreement with Bangladesh considering the state of GCC economies and the economy of Bangladesh. The trade volume of GCC so higher than trade volume of Bangladesh that partial scope may not come attractive to GCC countries.. Secondly, such Partial Scope agreement may not serve Bangladesh’s purpose too. Bangladesh has already been achieved a lot of progress in trade and economic relationship, in service sectors as well as foreign direct investment. So Partial Scope Agreement may not lay any accommodative platform for trade in service as well as investment.

Modality 3: Forming Free Trade Area

Free Trade Area Agreements are most common form of economic Integration in twenty first century. Free trade area has there may or may not be adverse impacts on domestic industry and government's revenue. As GCC countries are highly dependent on Hydrocarbon, it is expected that the adverse impact of domestic industry may not be huge. In fact reduction in fuel price may benefit domestic industries. But the government's revenue collection may be at risk. The figure below shows In FY 2012-13, Total revenue collection on imports from GCC countries accounted for BDT 4,336 crore which is accounted for 6.59 percent of total import related revenue collection from all countries. Out of BDT 4,336 crore of total revenue from GCC countries, 30.68 percent was customs duties. If Bangladesh forms FTA with GCC countries, it Bangladesh may not impose customs duty in substantially all traded products. So a close look on customs duty generating sectors is necessary. The bar chart below shows top 10 customs duty earning sectors on imports from GCC countries. In order to make a comparison, revenue earnings from Non GCC countries is also shown. It is observed that the government of Bangladesh collects most of the customs duties from Petroleum oil and lubricant (HS Chapter 27) sector on imports from GCC countries. Chapter 27 yielded BDT 1,086 crore of customs duty on imports from GCC countries while BDT 1,924 of customs duty was collected from the Non GCC (rest of the world) countries in this sector. Among other sectors Plastic Items (Chapter 39) is important in terms of collection of custom duties. The other sectors are not significant that much.

Figure 2 Top 10 Customs Duty Generating Sectors in Bangladesh in import from GCC countries in FY 2012-13 : GCC vis-a-vis Non GCC(Rest of the World)



Source: Author's Calculation based on ASYCUDA++ database (FY 2012-13) of National Board of Revenue

So, it is clear that there may or may not be some adverse impact on governments revenue collection on few sectors like Petroleum Oil and Lubricant as well as Plastics Items. But whether the there will be reduction of revenue depends on import demand elasticity of Bangladesh as well as export supply elasticity of GCC for those items. However, overall risk of reduction of customs duty collection is low.

Apart from revenue, there is another challenge still exists. The MFN Tariff imposed by GCC is low for Bangladesh's potential export products just about 5 percent. Would the reduction of customs duty bring any increase of export to GCC countries? Someone may argue that transport cost in ideal condition is about 2 to 3 percent of trade value. So, reduction of 5 percent tariff may not bring any significant change. Regarding this, it should be kept in mind that transport cost is an unavoidable thing. It is not the fact that absence of FTA means absence of transport cost. In fact an FTA may lead the transport cost as well as other elements of trade costs (like documentation, licensing, warehousing etc) down by mean of economics of scale and induced institutional and infrastructural arrangement. So, a reduction of 5 percent tariff may come meaningful with proper care.

In light of the above discussions; It could be argued that considering the economic long view of Bangladesh as well as current trade and economic relationship of Bangladesh with GCC countries, an FTA may be formed to explore the export potential of Bangladesh in GCC countries. But such FTA needs to be complemented by proper institutional support both at government and private level.

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