



-Bangladesh-
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GENERAL FEATURES OF TRADE POLICY

The export sector in Bangladesh has undergone considerable structural change in the last ten years with a significant shift from jute-centred exports to exports focusing on ready-made garments and knitwear. For the time being ready-made garments (RMG), knitwear and hosiery products are Bangladesh's major export products. However, Bangladesh has not succeeded in developing a backward linkage industry for the garment sector, and is thus continuing to be dependent on fabric imports mainly from India and China.

Exports of Bangladesh to the EU are intimately linked to the Community's GSP (Generalised System of Preferences) scheme. As a least-developed country Bangladesh retains under the GSP scheme the total suspension of import duties and quotas on eligible products originating in Bangladesh. The so-called Everything But Arms (EBA) initiative approved by the EU in 2001 further opens the EU market to Bangladesh by granting unrestricted duty-free access to essentially all products from the least-developing countries. In addition, Bangladesh, as a SAARC country, enjoys the benefit of regional cumulation of the rules of origin.

The EU and the USA are the two main export markets for Bangladesh. During the last decade its exports to the EU increased significantly.

Total legal imports have generally grown at a lesser pace than Bangladesh's exports over the last decade. Generally speaking, imports comprise mainly raw materials, intermediate and capital goods. Imports come to a large extent from Asia and therefore, the country has enjoyed a growing trade balance surplus with the EU.

In recent years, Bangladesh has reoriented its trade policy towards a higher degree of openness, and various reforms have been started, including reduction of tariffs, removal of quantitative restrictions and simplification of import procedures.

Bangladesh joined the World Trade Organisation on 1 January 1995 as a founding member. Bangladesh is also a member of South Asian Association for Regional Co-operation (SAARC) and a contracting party to the SAARC Preferential Trading Agreement (SAPTA). The EC-Bangladesh "Commercial Co-operation Agreement", signed in 1976, has been replaced by the new Co-operation Agreement signed on 22 May 2000 and in force from 1 March 2001.

The following table is an overview of the tradeflow between the European Union and Bangladesh

Section	Year	Import(Euro)	Export(Euro)
	1996	94,019,410	14,023,350

Animals & animal products	1997	69,737,030	15,220,950
	1998	77,611,440	12,356,250
	1999	109,816,330	14,600,100
	2000	178,242,290	21,466,930
	2001	169,967,780	15,747,110
	2002	183,676,200	13,215,370
	2003	184,752,910	12,913,010
Vegetable products	1996	5,398,170	36,621,450
	1997	6,778,480	44,820,940
	1998	7,876,930	87,040,040
	1999	7,589,480	80,284,490
	2000	8,952,670	26,114,050
	2001	10,098,730	49,814,390
	2002	9,208,470	46,564,330
2003	10,667,310	29,911,300	
Animal or vegetable fats	1996	130	1,795,050
	1997	15,500	1,184,310
	1998	18,800	2,168,360
	1999	460	2,993,410
	2000	0	1,241,690
	2001	1,780	1,302,920
	2002	7,930	854,680
2003	3,580	519,710	
Prepared foodstuffs	1996	5,382,230	8,367,410
	1997	4,103,170	13,092,200
	1998	2,969,540	21,868,290
	1999	2,184,010	22,141,860
	2000	6,383,710	30,888,180
	2001	9,728,750	29,546,010
	2002	11,325,920	24,500,180
2003	13,966,050	20,108,750	
Mineral products	1996	5,500	5,603,040
	1997	910	11,642,950
	1998	18,780	1,735,550
	1999	4,920	2,289,540
	2000	1,050	2,744,120
	2001	780	7,560,530
	2002	410	3,646,200
2003	12,700	3,866,070	
Chemical products	1996	2,128,250	72,096,470
	1997	317,720	80,002,060
	1998	2,805,640	96,808,790
	1999	3,481,270	94,376,190
	2000	2,483,900	139,019,770
	2001	4,119,730	149,523,590
	2002	781,700	151,089,600
2003	13,235,600	130,225,670	
Plastics & rubber	1996	1,466,680	10,564,130
	1997	1,762,020	14,593,290
	1998	1,611,500	11,258,130
	1999	2,750,950	12,302,920
	2000	5,286,690	16,018,180
	2001	4,914,760	16,217,140
	2002	4,420,820	15,356,080
2003	4,282,720	15,215,740	
Hides & skins	1996	64,665,010	422,860
	1997	62,606,120	373,110
	1998	66,249,420	771,120
	1999	53,093,740	147,660
	2000	96,318,180	594,990
	2001	119,474,240	684,360

	2002	71,530,680	452,970
	2003	57,515,370	3,073,820
Wood & wood products	1996	1,307,740	232,310
	1997	1,011,140	388,520
	1998	1,549,630	289,200
	1999	1,795,600	640,020
	2000	2,037,720	366,470
	2001	2,007,450	307,710
	2002	2,094,220	387,310
	2003	2,149,200	342,580
Wood pulp products	1996	324,410	19,741,580
	1997	471,600	19,544,160
	1998	423,620	15,900,310
	1999	470,650	17,436,300
	2000	640,240	27,869,310
	2001	642,140	31,838,800
	2002	774,830	36,034,700
	2003	787,830	32,943,700
Textiles & textile articles	1996	1,234,609,450	7,165,850
	1997	1,556,130,770	9,556,420
	1998	1,731,125,360	11,386,850
	1999	1,869,401,710	12,814,690
	2000	2,687,662,330	14,998,120
	2001	2,925,133,280	33,424,360
	2002	2,835,812,290	25,358,010
	2003	3,165,034,740	22,400,360
Footwear, headgear	1996	17,853,230	713,990
	1997	22,912,560	789,660
	1998	38,707,370	1,272,660
	1999	39,324,390	568,440
	2000	42,900,840	1,030,100
	2001	36,014,940	808,470
	2002	32,042,140	839,190
	2003	45,763,400	1,220,630
Articles of stone, plaster, cement, asbestos	1996	7,544,370	4,468,670
	1997	7,967,260	5,149,270
	1998	8,070,690	6,460,160
	1999	7,778,320	5,730,090
	2000	13,275,200	10,907,310
	2001	18,018,340	6,663,880
	2002	13,777,070	4,995,910
	2003	15,262,100	4,707,950
Pearls, (semi-)precious stones, metals	1996	37,710	2,299,510
	1997	14,450	1,725,060
	1998	24,270	324,660
	1999	12,780	277,110
	2000	13,130	280,590
	2001	15,440	224,690
	2002	59,770	252,450
	2003	89,340	30,630
Base metals & articles thereof	1996	1,179,970	24,535,820
	1997	1,604,500	65,117,220
	1998	2,353,470	31,918,730
	1999	1,190,480	22,106,410
	2000	1,832,060	46,792,230
	2001	814,220	24,085,890
	2002	656,850	24,074,130
	2003	1,032,230	27,121,660
	1996	1,484,960	139,973,700
	1997	4,630,490	190,564,870
	1998	11,250,740	167,432,900

Machinery & mechanical appliances	1999	3,806,120	203,737,010
	2000	9,449,950	251,914,260
	2001	2,122,250	352,322,140
	2002	3,291,050	277,212,340
	2003	2,642,170	272,980,790
Transportation equipment	1996	5,960,080	17,238,760
	1997	4,016,100	31,784,290
	1998	2,892,190	13,569,280
	1999	6,174,400	21,735,250
	2000	12,998,270	20,314,160
	2001	14,249,810	35,517,390
	2002	16,474,590	14,866,010
	2003	19,371,520	6,765,500
Instruments - measuring, musical	1996	77,160	16,746,690
	1997	188,770	12,685,560
	1998	506,190	17,343,040
	1999	149,310	16,574,790
	2000	163,740	17,627,370
	2001	217,610	22,910,220
	2002	152,510	26,492,320
	2003	292,740	20,254,160
Arms & ammunition	1996	0	49,250
	1997	0	922,680
	1998	47,010	269,750
	1999	0	674,150
	2000	0	506,450
	2001	0	1,778,210
	2002	10,780	633,090
	2003	0	375,910
Miscellaneous	1996	2,534,800	2,951,850
	1997	2,457,260	1,830,790
	1998	2,465,990	1,678,540
	1999	1,149,630	1,664,560
	2000	1,306,620	2,697,010
	2001	927,050	4,952,900
	2002	1,033,360	2,352,410
	2003	2,722,920	2,997,780
Works of art	1996	19,040	4,310
	1997	16,950	0
	1998	18,250	82,340
	1999	10,070	0
	2000	1,320	32,370
	2001	1,000	27,640
	2002	21,140	72,370
	2003	15,930	890
Other	1996	372,480	1,041,340
	1997	257,130	18,574,060
	1998	1,673,050	6,064,040
	1999	1,334,070	3,102,870
	2000	2,806,770	2,072,100
	2001	2,110,490	4,062,900
	2002	2,872,330	8,121,270
	2003	3,939,970	8,606,070

Services -
Transport

Overview

● *020009-Difficulties faced by shipping operators [2004-06-21]*

European shipping industry has complained about measures and practices hampering their operations in Bangladesh. They have raised the following concerns:

1. Flag protection;

2. Difficulties in establishing offices;
3. Berthing priorities;
4. Brokerage fees;
5. Moves towards the creation of a regulatory body to determine tariffs and terminal handling charges;
6. Excessively expensive port charges against a very low level of services;
7. The absence of regulatory framework for freight forwarders;
8. Delay in setting up a professional organisation (now resolved).

1. Flag protection

According to the Bangladesh Flag Vessels (Protection) Ordinance, 1982, at least 40 % of the sea-borne cargoes relating to the country's foreign trade has to be carried by Bangladesh flag vessels. The provisions of the Ordinance can be relaxed through general waiver notices. The authorities concerned may grant a general waiver in respect of certain trade or sea-route after consultation with the Bangladesh Shipping Corporation (BSC) and the Shippers Council of Bangladesh. The General Waiver List has been over the years substantially extended. However, the operators attribute some of their problems to this legislation and find that it creates uncertainty for the general maritime framework.

In that context, the shipping operators have raised their concern about the aim to strengthen the presence of the National Flag carrier in international feeder trade which may result in a discriminatory treatment of foreign operators.

On 16th August 2003 a General Waiver Notification was issued by the Bangladesh authorities some five weeks after the adoption in Parliament of the Flag Vessels Amendment Bill. Analysis has shown that the administrative order does not comply with the spirit of the amendment to the Flag Vessel Protection Ordinance.

2. Difficulties in establishing offices

There is a world-wide tendency for the container shipping lines to open their own offices in the place of business, rather than operating through any third party representation, in order to ensure quality of service as per international standards. The shipping operators complain that due to the Bangladeshi Shipping Policy they have had difficulties in opening their own offices in Bangladesh. The Shipping Policy allows foreign collaboration in service areas such as ancillary, agency and other related services only on a selective basis. It requires compliance of certain pre-set criteria to avoid "drainage of foreign exchange" and to promote "utilisation of Bangladesh human resources". The problem is linked to obtaining a license with the customs officials, which control the shipping agency licenses.

3. Berthing priorities

According to the Chittagong Port Authority all ships are received in Chittagong on a "first come first served" basis. An exception to this rule is, however, maintained for the state owned flag carrier Bangladesh Shipping Corporation, BSC, whose ships are granted priority at the relevant jetties. Although the situation has recently slightly improved, the operators are still unsatisfied with the discrimination against foreign vessels.

4. Brokerage fees

The issue of brokerage fees covers two different problems: compulsory payment to the Shippers Council and the freezing of fees on accounts as foreign currency retention. Firstly, the Central Bank of Bangladesh requires 1,5 percent of carrier earnings to be retained for the freight brokerage payment including an additional fee of 0,5 percent for the Shippers Council irrespective of whether lines locally require any brokerage service or not. Secondly, the brokerage fees accumulated over the years by shipping lines are kept in a separate bank account and are not allowed to be remitted. This sum has lost its value due to the devaluation of the currency and loss of interest payments.

5. Moves towards the creation of a regulatory body

Shipping operators complain that there are continuous moves by the Government backed by some powerful lobbies towards the creation of a regulatory body to determine tariffs and terminal handling charges.

6. Excessively expensive port charges against a very low level of services

The Chittagong Port is in operation as a monopoly and is among the most expensive ports for the lines to operate from. However, its inefficiency is an issue of grave concern for the shipping lines. Operators list several problems, such as chronic shortage of container handling equipment, inefficient yard management, berthing delay and congestion, and lack of IT

investment. They also point to labour problems (politicisation by dock labour unions, inefficiency of staffs and bureaucratic attitude). According to the recent information Bangladesh is going to modernise the port and raise its handling capacity.

7. The absence of regulatory framework for freight forwarders

There is no legislation, regulatory body or any licensing authority to regulate activities of freight forwarders in Bangladesh. The absence of regulatory framework in this area causes an extended responsibility and costs for the shipping operators. The problem has been acknowledged in the Shipping Policy, but concrete measures to resolve it are still being awaited.

One issue has been resolved, regarding the setting up a professional organisation for container transport. EU operators had felt that it was difficult for the existing professional organisation, Bangladesh Steamer Agents Association (BSAA), to take their interests fully into account. The professional organisation, The International Container Shipping Association (ICSA), was established in January 2004 to assist the relevant authorities to adjust to international practices for the benefit of trade as a whole.

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TARIFFS AND DUTIES

Although applied tariffs have fallen significantly, the customs tariff remains the main instrument of Bangladesh's trade policy. At the same time, it is the Government's principal source of revenue. The number of bands has been reduced through the recent tariff reform. The applied tariff contains five tariff bands, 0, 5, 15, 25 and 37.5 %. The simple average applied tariff is estimated to have fallen to a level of about 17 %. While lowering the tariff averages, Bangladesh has aimed to keep the rate of customs duty lowest on raw materials and capital goods, in-between on intermediate goods, and highest on finished consumer goods.

While tariff reforms have been extensive, little attention has been paid to simplifying the tariff schedule by reducing the number of tariff rates applied to some products. The wide dispersion in nominal tariff rates and the existence of a number of tariff concessions adds to the uncertainty and opacity of tariff assessment.

The lack of bindings, and wide gaps between applied and bound rates imparts a strong degree of unpredictability to the tariff regime. Bangladesh's commitments in its WTO tariff schedule are negligible. It has bound only 831 tariff lines, 13,2 % of the total. All of its agricultural tariff lines and 0.9 % of its industrial ones are bound. Bound tariff rates are prohibitive at 200 %. A small number of agricultural and machinery items are bound at 50%, with a 30 % surcharge.

In addition to tariffs, import protection is afforded by border charges and discriminatory internal taxes which include: an infrastructure development surcharge; a letter of credit authorization or import permit fee; advance income tax; value-added tax; and, in some instances, supplementary duties.

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TRADE DEFENCE INSTRUMENTS

Although the legislation exists, hitherto, there has been no investigation initiated on anti-dumping or countervailing measures in the country.

A provision on safeguards was introduced in 1997 by amendments to Section 18 of the Customs Act, 1969. However, rules regarding imposition of safeguard measures have not been made.

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NON TARIFF BARRIERS

Bangladeshi import regime contains the lists of banned or restricted items. Progress has been made in reducing the size of the lists. Trade-related bans remain in effect on imports of certain agricultural products and a number of textile items. A few other import bans are in place for national security, environmental, health and religious reasons. These cover imports of firearms, narcotics, spirits, certain insecticides and live pigs. Products included in the restricted list are importable on the fulfilment of certain conditions, like by the state monopoly or by registered industrial consumers. Moreover, the imports from Israel, Serbia and Montenegro, as well as goods carried on the flag vessels of these countries, are prohibited.

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RESTRICTIVE EXPORT MEASURES

According to the Bangladeshi authorities, export bans are in place mainly for reasons of health, eco-balance, security, archaeological value, or maintenance of adequate domestic supply. Exports of certain petroleum products, raw hides and wet blue leather are prohibited, as well as exports of certain agricultural/food products. Bans are also in effect on exports of firearms, ammunition, explosives, fissionable material, chemical weapons, rare archaeological items, some to mention. In addition, certain items are restricted for export (e.g. molasses, urea fertilizer) requiring a special permit to export.

Bangladesh has introduced an increasing number of direct and indirect export subsidies in recent years. These include a 50% tax rebate on export earnings and duty drawback schemes, which over-compensate exporters. Direct subsidies have been provided to exporters of textiles and garments, manufactured jute goods, leather products, handicrafts, fresh and artificial flowers.

Textiles and Leather

Export Prohibition and Other Quantitative Restrictions

● 970147- *Export ban of raw hides and wet blue leather* [2004-06-11]

Bangladesh has maintained a restriction on export of raw hides and wet blue leather since 1990. Only exports of finished leather and leather goods are permitted. According to the Bangladeshi authorities, the ban is in place in order to maintain an adequate domestic supply and to facilitate the development of the domestic leather industry.

The export ban appears to be a clear infringement of Article XI of GATT. Article XI prohibits export embargoes and restrictions unless it can be demonstrated that they are temporarily applied to prevent or to relieve critical shortages of products essential to the exporting party. The measures have been in force since 1990 and therefore cannot be considered temporary; nor is there any evidence of critical shortage in Bangladesh. However, the ban limits the access of EC industry to competitive sourcing of raw and semi-finished materials.

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INVESTMENT RELATED BARRIERS

Bangladesh has the most liberal regimes for foreign direct investment in South Asia. The Government is actively trying to encourage foreign investment, but has to date only had modest success in doing so. Despite tax holidays, reduced import duties on capital goods, permission for 100% foreign ownership in most sectors and the grant of tax exemption on various items, disincentives such as government red tape and corruption, the uncertain law and order situation, widespread poverty, poor infrastructure and confrontational politics have limited foreign investment in Bangladesh. Foreign investment is actually impeded by lack of adequate legal regime consistent with international standards regarding the establishment of companies.

Four sectors are reserved for government investment including production of arms, ammunitions and other defence equipment and machinery; production of nuclear energy; forest plantation and mechanised extraction within the bounds of reserved forests; security printing and minting. Foreign investment is explicitly discouraged in sectors such as ready-made garments (RMG) and some services related sectors.

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IPR

An effort to update the intellectual property right laws has been under way with a view to bringing them into line with the provisions of the TRIPs Agreement. As a least developed country, Bangladesh has a transitional period until the end of 2005 to meet its obligations under the TRIPs Agreement. In the Doha Declaration on TRIPs and Public Health adopted by WTO Members in 2001, least developed countries were given a further extension until 2016 for implementing patent protection on pharmaceuticals.

Through the new Co-operation Agreement with the European Community, Bangladesh has committed itself to abide to a series of IPR conventions by 1 January 2006. To enable Bangladesh to fulfill this commitment, the EC has pledged to provide Technical Assistance upon request.

Bangladesh is a member of the following international conventions on intellectual property rights:

Agreement on Trade-Related Aspects of Intellectual Property Rights
Convention Establishing the World Intellectual Property Organization
Universal Copyright Convention for the Protection of Literary, Scientific and Artistic Works
Paris Convention for the Protection of Industrial Property Rights
Berne Convention for the Protection of Literary and Artistic Works

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OTHERS

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