

CHAPTER SIX

EXTERNAL SECTOR

Although global trade has turned around in 2021 after the effects of COVID-19 pandemic, the Russia-Ukraine conflict has been showing significant negative impact on world trade. As a result, food supply chains have been disrupted and Western sanctions on Russia have led to global trade instability. At the same time, the prices of petroleum along with commodity prices are rising, which is also creating inflationary pressures on the economies. However, Bangladesh's export growth is on a positive trend. During July-February of FY 2021-22, total export earnings increased by 30.86 percent to US\$ 33,843 million compared to the same period of previous fiscal year. The total import payments (c&f) stood at US\$ 58,774 million in FY 2021-22 (July-February), which is 46.7 percent higher than the import payments of the same period of the preceding fiscal year. The deficit of trade balance widened and stood at US\$ 22,306 million in FY 2021-22 (July-February) which was USD\$ 12,359 million in FY 2020-21 (July-February). This deficit mainly occurred by the high growth in import payments relative to the growth in export earnings. During the time, current account balance showed a deficit of US\$ 12,834 million due to expansion of trade deficit and a great fall of workers' remittances. At the same time, the surplus of capital account balance and financial account balance both increased due to substantial amount of term loans received from the global development partner agencies. The net outcome of all these made the overall balance a deficit of US\$ 2,222 million in FY 2021-22 (July-February) compared to US\$ 6,879 million surplus in the same period of previous fiscal year. Due to the deficit of the overall balance, the foreign exchange reserve decrease slightly. The foreign exchange reserve stood at US\$ 46 billion at the end of February 2022, which is sufficient for the 6.3 months import coverage. At this time, the exchange rate of Taka depreciated by 0.84 percent against US dollar. The process of reducing import tariff rate of Bangladesh is still continued in FY 2021-22 in order to increase the efficiency of the indigenous industries and makes consistency with the process of world-wide tariff reduction. The government has undertaken initiatives to conclude more PTA/FTA in order to overcome the challenges of graduation after 2024.

Global Trade

Reflecting the significant slowdown in overall activity, global trade growth is expected to decline notably in 2022. Although global trade has turned around in 2021 after the effects of COVID-19 pandemic, the Russia-Ukraine conflict has been showing significant negative impact on world trade. As a result, food supply chains have been disrupted and Western sanctions on Russia have led to global trade instability.

According to forecasts of IMF World Economic Outlook, April 2022, the overall global trade growth is projected to slow from an estimated 10.1 percent in 2021 to 5.0 percent in 2022 and further to 4.4 percent in 2023. Over the medium

term, trade growth is expected to decline to about 3.5 percent.

Growth of import in advanced economies is expected to fall at 6.1 percent and 4.5 percent in 2022 and 2023 respectively. Likewise, export of the advanced economies is expected to fall at 5.0 percent and 4.6 percent during the same period. On the other hand, the growth of import in emerging markets and developing economies will decrease to 3.9 percent in 2022 and expected to moderate at 4.8 percent in 2023. Likewise, export growth in emerging markets and developing economies will decrease to 4.1 percent in 2022 and further declined to 3.6 percent in 2023 (Table: 6.1).

Table 6.1: World Trade Volume

(Percent Change)

	Actual		Projections	
	2020	2021	2022	2023
World Trade Volume (Goods and Services)	-7.9	10.1	5.0	4.4
Imports				
Advanced Economies	-8.7	9.5	6.1	4.5
Emerging and Developing Economies	-7.9	11.8	3.9	4.8
Exports				
Advanced Economies	-9.1	8.6	5.0	4.7
Emerging and Developing Economies	-4.8	12.3	4.1	3.6

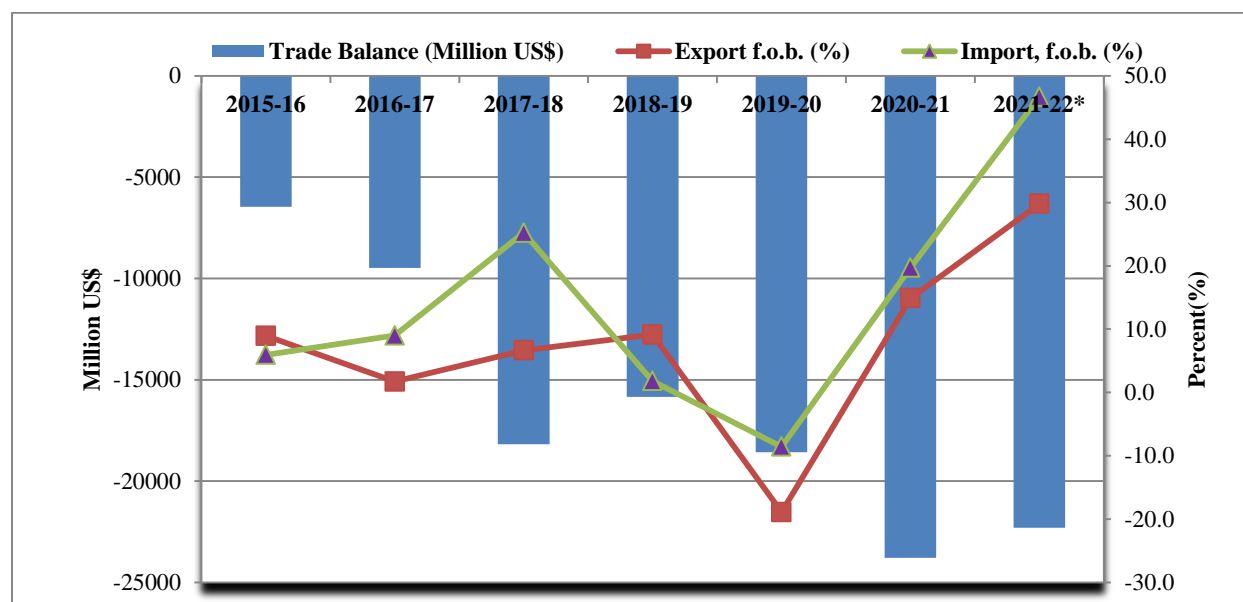
Source: World Economic Outlook, April 2022, IMF

Balance of Payments (BOP)

The deficit of trade balance widened and stood at US\$ 22,306 million in FY 2021-22 (July-February) which was US\$ 12,359 million in FY 2020-21 (July-February). This deficit mainly occurred by the high growth in import payments relative to the growth in export earnings. During the time, current account balance showed a deficit of US\$ 12,834 million due to expansion of trade deficit and a great fall of workers' remittances. At the same time, the surplus of capital account balance and financial account balance both increased due to substantial amount

of term loans received from the global development partner agencies. The net outcome of all these made the overall balance a deficit of US\$ 2,222 million in FY 2021-22 (July-February) compared to US\$ 6,879 million surplus in the same period of previous fiscal year. The trend of trade balance, exports (f.o.b), and imports (f.o.b) from FY 2015-16 to FY 2021-22 (July-February) has been shown in Figure 6.1 and the overall balance of payments position from FY 2015-16 to FY 2021-22 has been shown in Table 6.2. Detail of the Balance of Payment (BOP) has been shown in Appendix 55.

Figure 6.1: Trade Balance



* July- February, 2022

Table 6.2: Balance of Payments

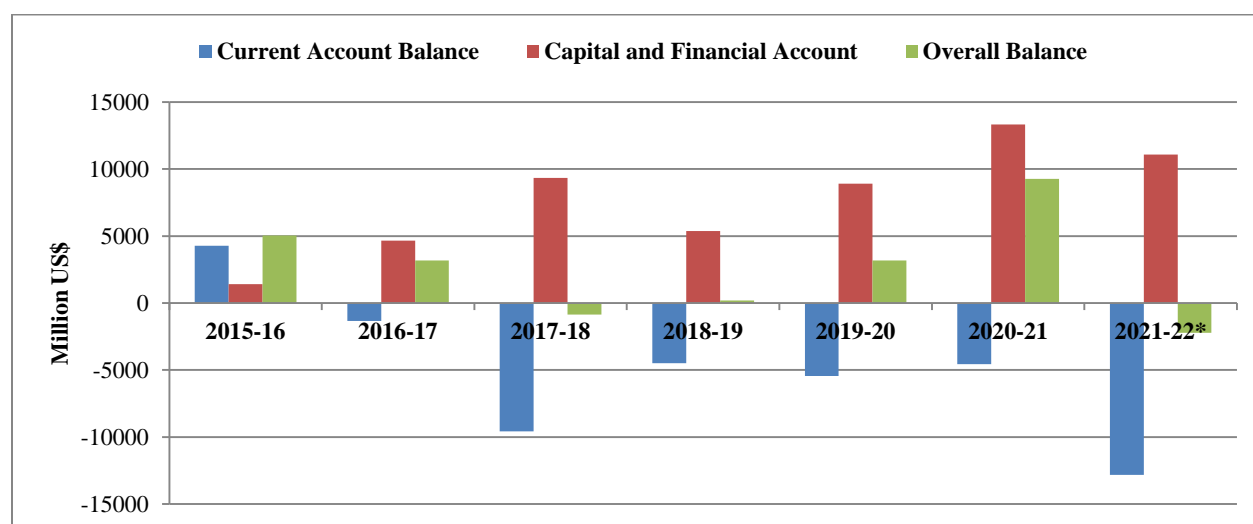
(In million US\$)

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2020-21*	2021-22*
Trade balance	-6460	-9472	-18178	-15835	-18569	-23778	-12359	-22306
Exports, f.o.b. (including EPZ)	33441	34019	36285	39604	32121	36903	24708	32071
Imports, f.o.b. (including EPZ)	39901	43491	54463	55439	50690	60681	37067	54377
Services (net)	-2708	-3288	-4201	-3176	-2578	-3002	-1738	-2502
Primary income (net)	-1915	-1870	-2641	-2382	-3070	-3172	-2160	-1903
Of which Govt. interest payments	382	384	597	758	960	909	605	605
Secondary income (net)	15345	13299	15453	16903	18782	25377	17082	13877
of which workers' remittances	15278	13240	15402	16862	18205	24778	16687	13439
Current account balance	4262	-1331	-9567	-4490	-5435	-4575	825	-12834
Capital account	464	400	331	239	256	221	89	143
Financial account	944	4247	9011	5130	8654	13093	6474	10931
Of which FDI (net)	2502	3038	3290	4946	3233	3387	2353	2533
Portfolio investment (net)	139	457	365	224	44	-269	-204	-92
Other investment (net)	-480	2137	7128	3108	7339	12007	5639	9863
Errors and omission	-634	-147	-632	-700	-306	535	-509	-462
Overall balance	5036	3169	-857	179	3169	9274	6879	-2222

Source: Bangladesh Bank

* July-February

Figure 6.2: Balance of Payments (BOP)



* July-February, 2022

Commodity-wise Export Earnings

The total export earnings for FY 2020-21 stood at US\$ 38,758.32 million, which is 15.10 percent higher than the previous fiscal year. Export earnings stood at US\$ 33,483.45 million during July-February of FY 2021-22, which is 30.86 percent higher than the export earnings in the same period of previous fiscal year. Moreover, commodity-wise growth of export earnings showed that, almost all of the exported commodities except jute goods recorded positive

growth during the period. Among the exported items agricultural products (26.78%), raw jute (37.74%), leather (36.99%), petroleum products (26.67%), woven garments (28.23%), knitwear (32.86%) chemical products (49.42%), and engineering products (56.14%) etc. have increased compare to the same period of last fiscal year. Commodity-wise share of export earnings in total export earnings and export growth from FY 2019-20 to FY 2021-22 (up to February) are shown in Table 6.3.

Table 6.3: Commodity-wise Share and Growth of Export Earnings

(Million US\$)

Commodities	Export Earnings				Percentage of Total Export		Growth**
	2019-20	2020-21	2020-21*	2021-22*	2020-21*	2021-22*	
A) Primary Commodities:	1448	1643	1109	1406	4.29	4.15	26.78
1. Raw Jute	130	138	106	146	0.41	0.43	37.74
2. Tea	3	4	3	2	0.01	0.01	-33.33
3. Frozen Food	456	477	338	407	1.31	1.20	20.41
4. Agricultural Products	472	532	354	348	1.37	1.03	-1.69
5. Other Primary Commodities	387	492	308	503	1.19	1.49	63.31
B) Manufactured Goods:	32226	37115	24753	32437	95.71	95.84	31.04
6. Jute Goods	752	1023	757	653	2.93	1.93	-13.74
7. Leather	98	119	73	100	0.28	0.30	36.99
8. Petroleum Bi Products	23	23	15	19	0.06	0.06	26.67
9. Woven Garments	14041	14497	9691	12427	37.47	36.72	28.23
10. Knitwear	13908	16960	11342	15069	43.86	44.53	32.86
11. Chemical Products	199	281	172	257	0.67	0.76	49.42
12. Shoe	277	344	219	290	0.85	0.86	32.42
13. Handicrafts	21	34	22	30	0.09	0.09	36.36
14. Engineering Products	293	529	342	534	1.32	1.58	56.14
15. Other Mfg. Products	2614	3305	2120	3058	8.20	9.04	44.25
Grand Total (A+B)	33674	38758	25862	33843	100	100	30.86

Source: Compiled by Bangladesh Bank using data of Export Promotion Bureau. * July- February. ** July-February, 2022 over July-February, 2021

Note: Based on Custom Records.

Country-wise Export Earnings

USA and Germany recorded the top position in respect of importing commodities from Bangladesh. During the time, export earnings from USA and Germany stood at US\$ 6,665.18 million and US\$ 4,954.78 million respectively in FY2021-22 (July-February), which were 19.69 percent and 14.64 percent respectively of country's total export earnings. The major

commodities exported to USA and Germany were woven garments, knitwear, frozen shrimp, cap, home textile, etc. The other major destinations of our exports were UK (9.32%) and France (4.95%). The country-wise export earnings have been shown in Table 6.4. Some ongoing activities for export promotion are given in Annex 6.1.

Table 6.4: Country-wise Export Earnings

(In million USD)

FY	USA	UK	Germany	France	Belgium	Italy	Netherlands	Canada	Japan	Others	Total
2010-11	5107.5	2065.4	3438.7	1538.0	666.2	866.4	1107.1	944.7	434.1	6760.1	22928.22
2011-12	5100.91	2444.57	3688.98	1380.37	741.96	977.41	691.30	993.67	600.53	7682.20	24301.90
2012-13	5419.60	2764.90	3962.60	1513.89	730.81	1036.60	712.47	1090.02	750.26	9046.21	27027.36
2013-14	5583.62	2917.73	4720.49	1677.67	970.53	1332.38	858.13	1099.63	862.07	10164.75	30187.00
2014-15	5783.43	3205.45	4705.36	1743.54	975.13	1382.35	840.34	1029.13	915.22	10628.99	31208.94
2015-16	6220.65	3809.70	4988.08	1852.16	1015.33	1385.67	845.92	1112.88	1079.55	11947.24	34257.18
2016-17	5846.64	3569.26	5475.73	1892.55	918.85	1462.95	1045.69	1079.19	1012.98	12352.06	34655.90
2017-18	5983.31	3989.12	5890.72	2004.97	877.90	1559.92	1205.37	1118.72	1131.90	12906.24	36668.17
2018-19	6876.29	4169.31	6173.16	2217.56	946.93	1643.12	1278.69	1339.80	1365.74	14524.44	40535.04
2019-20	5832.39	3453.88	5099.19	1703.58	723.43	1282.81	1098.68	1000.49	1200.78	12278.86	33674.09
2020-21	6974.01	3751.27	5953.51	1962.14	704.98	1308.62	1277.44	1164.01	1183.64	14478.69	38758.31
2021-22*	6665.18	3154.94	4954.78	1676.50	601.95	1058.58	1163.56	939.20	895.03	12733.73	33843.45
2021-22* share (%)	19.69	9.32	14.64	4.95	1.78	3.13	3.44	2.78	2.64	37.63	100.00

Source: Export Promotion Bureau (EPB), Ministry of Commerce.

Note: Based on Custom Records, * July-February, 2022

Commodity-wise Import Payments

The total import payments (c&f) for FY 2020-21 stood at US\$ 65,595 million, which was 19.73 percent higher than the previous fiscal year. Country's total import payments (c&f) stood at US\$ 58,774 million in FY 2021-22 (July-February), which was 46.70 percent higher than the import payments of the same period of the preceding fiscal year. Among the primary

commodities imported in FY 2021-22, the import payment of rice has increased significantly. On the other hand, among the manufactured goods, the import payments of edible oil and petroleum products have increased significantly. Commodity-wise import payments from FY 2017-18 to FY 2021-22 (July-February) have been shown in Table 6.5.

Table 6.5: Commodity-wise Import Payments

(In million USD)							
Commodity	2017-18	2018-19	2019-20	2020-21	2020-21*	2021-22*	Growth (%)**
1. Major Primary Commodities	7270	5846	6548	9889	6425	6447	0.34
Rice	1605	115	22	851	377	415	10.08
Wheat	1494	1437	1651	1830	1172	1527	30.29
Oil Seeds	571	796	1183	1406	694	1035	49.14
Crude Petroleum	365	416	731	2616	2389	574	-75.97
Cotton	3235	3082	2961	3186	1793	2896	61.52
2. Major Industrial Commodities	10818	12185	11145	14179	8116	14660	80.63
Edible Oil	1863	1656	1617	1926	1049	1831	74.55
Petroleum Products	3652	4562	4627	6369	3476	4405	26.73
Fertilizer	1006	1301	1035	1360	989	3119	215.37
Clinker	766	993	879	1048	615	754	22.60
Staple Fiber	1180	1228	1086	1040	647	1040	60.74
Yarn	2351	2445	1901	2436	1340	3511	162.01
3. Capital Machinery	5462	5413	3581	3825	2225	3773	69.57
4. Others Commodities (including EPZ)	35315	36471	33511	37702	23303	33894	45.45
Total (1+2+3+4)	58865	59915	54785	65595	40069	58774	46.68
% Change (over the corresponding year)	25.2	1.78	-8.56	19.73	-	46.68	-

Source: Compiled by Bangladesh Bank using data of National Board of Revenue (NBR)

*July-February, **July-February'22 over July-February'21

Country-wise Import Payments

In terms of value of total imported commodities, China secured the first position for our import. Up to February of FY 2021-22, 27.46 percent of the total imported commodities came from

China. India was the second largest source of import (17.06%) while Japan held the third position (4.06%). Country-wise import payments have been shown in Table 6.6.

Table 6.6: Country-wise Import Payments

(In million US\$)											
FY	India	China	Singapore	Japan	Hong Kong	Taiwan	South Korea	USA	Malaysia	Others	Total
2010-11	4569	5918	1298	1308	777	731	1124	677	1760	15500	33658
2011-12	4743	6440	1710	1455	703	792	1544	709	1406	16014	35516
2012-13	4777	6328	1422	1180	612	733	1296	538	1903	15295	34084
2013-14	5985	7550	2407	1291	762	897	1182	792	2084	17782	40732
2014-15	5588	11268	2894	1816	881	1060	1417	880	1361	13539	40704
2015-16	5722	12582	1203	2075	827	1004	1417	1134	1184	15974	43122
2016-17	6336	13292	2113	2031	726	990	1483	1358	1040	17636	47005
2017-18	8941	15937	2255	2422	676	1129	1907	2160	1342	22096	58865
2018-19	8242	17265	2274	2254	614	1175	1618	2370	1520	22583	59915
2019-20	6663	14360	1883	2092	382	1084	1525	2839	1623	22334	54785
2020-21	10334	16974	2436	2468	275	971	1436	2398	1801	26502	65595
2020-21*	6424	10383	1429	1557	186	602	809	1405	971	16303	40069
2021-22*	10026	16139	1940	2386	229	943	1343	2152	1614	22002	58774
Share (%)*	17.06	27.46	3.30	4.06	0.39	1.60	2.29	3.66	2.75	37.43	100.00

Source: Bangladesh Bank and National Board of Revenue (NBR), * July -February

Foreign Exchange Reserve

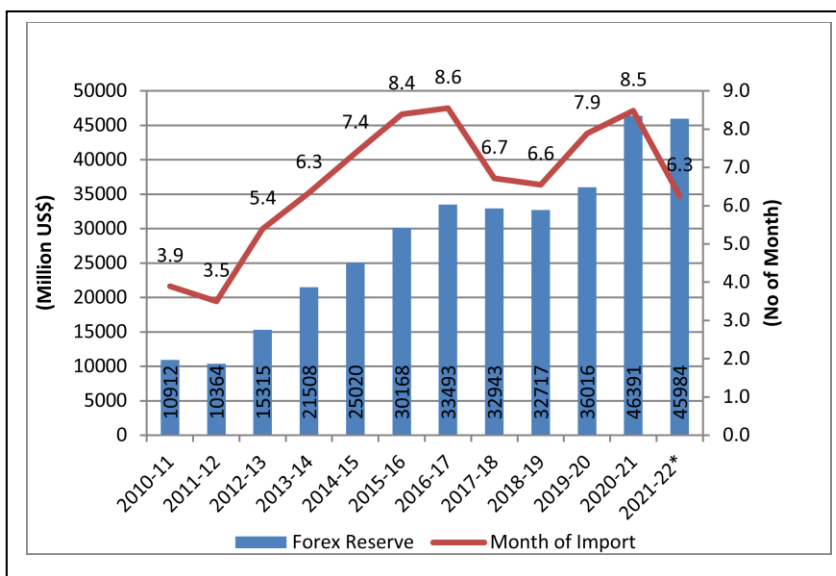
The surplus in the overall balance helped to maintain the foreign exchange reserve up. On 30 June 2020, the foreign exchange reserves reached US\$ 36.04 billion. On 30 June 2019, the foreign exchange reserve was US\$ 32.72 billion. The

foreign exchange reserves increased to US\$ 46.39 billion at the end of June 2021, which is sufficient for maintaining 8.5 months of import coverage. Table 6.7 and Figure 6.3 show the foreign exchange reserve position at the end of June 2011 to the end of June 2021.

Figure 6.3: Foreign Exchange Reserves and Month of Import Coverage

Year End	Amount (In million US\$)
2010-11	10912
2011-12	10364
2012-13	15315
2013-14	21508
2014-15	25020
2015-16	30168
2016-17	33493
2017-18	32943
2018-19	32717
2019-20	36016
2020-21	46391
2021-22*	45984

Source: Bangladesh Bank, * February, 2022



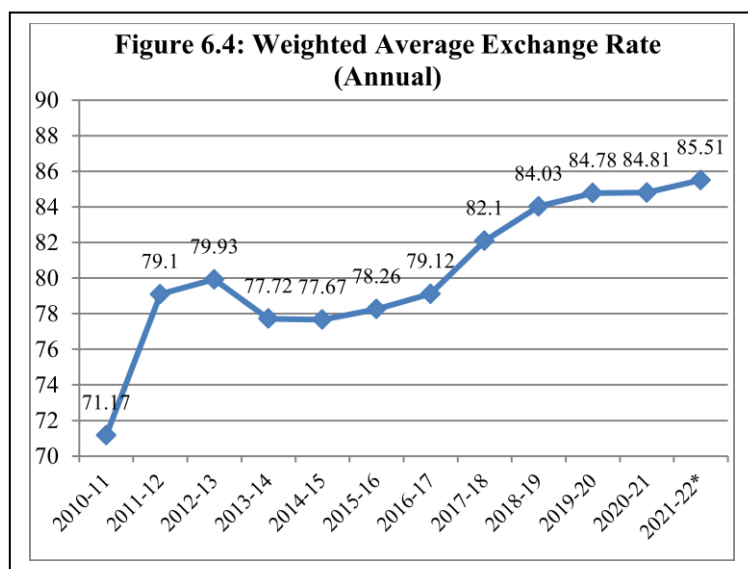
Exchange Rate

Bangladesh observed overall 0.03 percent depreciation of Taka against US dollar in FY 2020-21 compare to that of the FY 2019-20. The weighted average inter-bank rate stood at

Taka 85.51 per US\$ in July-February of FY 2021-22, reflecting 0.83 percent depreciation of Taka during the period. The weighted average of Taka-Dollar exchange rates from FY 2010-11 to FY 2021-22 (July-February) has been shown in Table 6.8 and Figure 6.4.

FY	Weighted Average exchange Rate
2010-11	71.17
2011-12	79.10
2012-13	79.93
2013-14	77.72
2014-15	77.67
2015-16	78.26
2016-17	79.12
2017-18	82.10
2018-19	84.03
2019-20	84.78
2020-21	84.81
2021-22*	85.51

Source: Bangladesh Bank, *July-February, 2022



Tariff Regime

Bangladesh has been following the Most Favoured Nation (MFN) tariff rate from FY 2000-01 in order to facilitate smooth implementation of the import policy of the Government. Tariff structure from FY 2000-01 to FY 2020-21 has been presented in the Table 6.9 below:

Table 6.9: Tariff structure from FY 2000-01 To FY 2020-21

FY	Operative Tariff (%)	Maximum Tariff Rate (%)	Number of Operative Tariff Slabs
2000-01	0, 5, 15, 25, 37.5	37.5	5
2001-02	0, 5, 15, 25, 37.5	37.5	5
2002-03	0, 7.5, 15, 22.5, 32.5	32.5	5
2003-04	0, 7.5, 15, 22.5, 30	30	5
2004-05	0, 7.5, 15, 25	25	4
2005-06	0, 7.5, 15, 25	25	4
2006-07	0, 5, 12, 25	25	4
2007-08	0, 10, 15, 25	25	4
2008-09	0, 3, 7, 12, 25	25	5
2009-10	0, 3, 5, 12, 25	25	5
2010-11	0, 3, 5, 12, 25	25	5
2011-12	0, 3, 5, 12, 25	25	5
2012-13	0, 3, 5, 12, 25	25	5
2013-14	0, 2, 5, 10, 25	25	5
2014-15	0, 2, 5, 10, 25	25	5
2015-16	0, 1, 2, 5, 10, 25	25	6
2016-17	0, 1, 5, 10, 15, 25	25	6
2017-18	0, 1, 5, 10, 15, 25	25	6
2018-19	0, 1, 5, 10, 15, 25	25	6
2019-20	0, 1, 5, 10, 15, 25	25	6
2020-21	0, 1, 5, 10, 15, 25	25	6
2021-22	0, 1, 5, 10, 15, 25	25	6

Source: NBR

Duty concessions and general exemptions to the applied MFN tariff rates are being provided in accordance with Section 20 of Customs Act on a case-by-case basis through Gazette notification. At present, three types of tariff concessions on these MFN rates are being provided: (i) import under different bilateral/regional trade agreements, (ii) imports of capital machinery and spares/parts by registered industrial consumers including export-oriented industries and (iii) import of raw material for a specific use or user (i.e. end use provisions) such as dairy and poultry, pharmaceuticals, leather and textile industries. At present tariff concession are being provided along with MFN tariff rate in respect of following goods:

- Capital machinery and parts imported by export oriented Industry.
- Capital machinery and parts by registered Industry.
- Raw materials imported by Pharmaceutical Industry.
- Raw materials used in Textile Industry.
- Accessories used in Agriculture Sector.
- Computer and Computer accessories.
- Medical equipment and accessories.
- Newsprint imported by newspaper and periodical publishers.
- Raw materials used by the insecticide manufacturers which used in Agriculture
- Machinery, parts and accessories imported by Poultry Firm.

Reduction of Tariff

The process of reducing import tariff rate of Bangladesh started since FY

1991-92 is still continued in FY 2020-21 in order to increase the efficiency of the indigenous industries and make consistency with the process of world-wide tariff reduction. The Un-weighted import average tariff rate in FY 1991-92 was 57.22 percent which decreased at 14.75 percent in FY 2021-22. At present, ad-voluerum duties are being imposed on 99.57 percent tariff line. Specific duties are in existence at different rate on some products such as sugar, cement clinker, bitumen, gold, steel products-scraped ship against 0.43 percent tariff line. Value Added Tax, Regulatory Duty, Supplementary Duty, Advanced Income Tax and Advanced Trade VAT are imposed on importable goods in addition with Customs Duty. The MFN Un-weighted import average is given in Table 6.10 below:

Table 6.10: MFN Un-weighted Import Average

FY	MFN Un-weighted Average (%)
2000-01	21.39
2001-2	21.01
2002-03	19.88
2003-04	18.85
2004-05	16.53
2005-06	16.39
2006-07	14.87
2007-08	17.26
2008-09	15.12
2009-10	14.97
2010-11	14.85
2011-12	14.83
2012-13	15.10
2013-14	14.44
2014-15	14.44
2015-16	14.37
2016-17	14.61
2017-18	14.56
2018-19	14.60
2019-20	14.77
2020-21	14.78
2021-22	14.75

Source: NBR

Trade Related Agreements

A. Bilateral Preferential/Free Trade Agreement (PTA/FTA)

Bangladesh will lose duty-free access to developed and developing countries as a result of transitioning from the Least Developed Country to developing country. To address these challenges, the Ministry of Commerce has taken development activities to trade with different countries. As part of these activities, initiatives have been taken to conclude Preferential Trade Agreement (PTA) and Free Trade Agreement (FTA) with various commercially important countries for Bangladesh. Progress has been made in signing the Preferential Trade Agreement (PTA) with Nepal and Indonesia. The Ministry of Commerce already has conducted feasibility study to sign FTA/PTA with Malaysia, Sri Lanka, United States, Thailand, Japan, South Korea, Lebanon, Morocco, Singapore, Canada, Association of Southeast Asian Nation (ASEAN) and Eurasian Economic Union (EAEU). In

addition, the ministry has taken initiatives for conducting feasibility studies to sign FTA/PTA with Australia, the Philippines, Nigeria, Iraq, Kenya, Sierra Leone, Senegal and Mauritius.

1. Signing of Bangladesh-Bhutan Preferential Trade Agreement (BB-PTA)

Bhutan was the first country to recognise Bangladesh as a sovereign and independent country. Bhutan thus bears special significance to us. Bangladesh provided duty free market access to 18 Bhutanese products and reciprocally Bhutan provided duty free market access to 90 Bangladeshi products in 2010 under special arrangement. During the visit of Hon'ble Prime Minister of Bhutan H.E. Lyonchhen Dr. Lotay Tshering at the invitation of Hon'ble Prime Minister of Bangladesh H.E. Sheikh Hasina from 12-15 April 2019 both the Hon'ble Prime Ministers agreed to allow duty free access to additional 16 items proposed by Bhutan and 10 items proposed by Bangladesh. After the meeting of the two Prime Ministers both sides expedited the process. Then the first meeting of Trade Negotiating Committee (TNC) for Bangladesh-Bhutan Preferential Trades Agreement (BB-PTA) was held during 22-23 August 2019 in Thimphu. Both the sides finalized the draft for a PTA after several meetings. The final PTA was signed in 6 December 2020 at the presence of the Hon'ble Prime Ministers of both the countries. Bangladesh-Bhutan Preferential Trade Agreement (PTA) is the first bilateral PTA of Bangladesh and this is the beginning of PTA.

The bilateral trade between Bangladesh and Bhutan is increasing year by year. Bangladesh's major import item from Bhutan is Boulder Stone that plays an important role to develop the infrastructure of Bangladesh. Other major import items from Bhutan are Fruits, Raw materials of Cement, Vegetable products. Major export items of Bangladesh to Bhutan are Knit & Woven garments, Juice, Plywood, Melamine tableware, Dry food, Drinks, Pharmaceuticals.

2. Comprehensive Economic Partnership Agreement (CEPA) with India

Bangladesh and India signed bilateral trade agreement in 1972 which was later renewed in 2015 with some amendments/modification. But this agreement is only facilitative in nature. However, being member of SAFTA (South Asia Free Trade Agreement) and APTA (Asia Pacific Trade Agreement) Bangladesh is enjoying duty benefits for trade in goods in India. During the Commerce Secretary level meeting held in Dhaka in February 2018 both the countries agreed to explore the possibility of entering into a Comprehensive Economic Partnership Agreement (CEPA) covering various aspects of trade such as trade in goods, trade in service, investment, e-commerce, standardization etc. This issue was further discussed during the Hon'ble Prime Minister's visit to India in October 2019. India proposed a draft Terms of Reference (ToR) for conducting CEPA between Bangladesh and India. The Ministry of Commerce examined the draft ToR and the ToR has been agreed by both the Countries. India nominated Centre for Regional Trade (CRT) on their behalf while on the other hand; the Ministry of Commerce has nominated Bangladesh Foreign Trade Institute (BFTI) to conduct a joint feasibility study. It may be mentioned that both the sides have already completed the Study on behalf of them. A delegation from Bangladesh visited India on 23-25 February 2022 to complete the joint feasibility study.

B. Regional Trade Agreements (RTAs)

1. South Asian Free Trade Area (SAFTA)

SAARC member countries are engaging to reduce sensitive lists and tariff reductions since July 1, 2006 under SAFTA Agreement. Member countries have reduced their sensitive list by 20 percent in the second phase effected from January 1, 2012. In addition, India has given duty-free access to all products of the SAARC Least Developed Countries, including Bangladesh, except 25 products. As a result, the

trade deficit will be reduced with the increase in Bangladesh's exports to SAARC countries including India. It is mentioned that at present, as per WCO HS Code-2012, the number of products in the Sensitive List of Bangladesh is 1,022 for LDCs and 1,033 for non LDCs. At a special meeting of the SAFTA Committee of Export (CoE) held in Islamabad, Pakistan on July 4, 2015, Afghanistan proposed to reduce the number of goods of the Sensitive List to 235 by 2030 in the counter proposal by Pakistan, India, Bhutan and the Maldives to bring down to 100 by mid-2020. Currently, a significant reduction of the number of goods in the Sensitive List is underway among the member countries under the Phase-III program of Trade Liberalization. It is noted that in terms of trade, Bangladesh is the second largest exporter after India under SAFTA. Each of the SAARC countries has issued a notification for the purpose of removing para-tariff barriers. In this regard, a negotiation of the Committee of Exports is going on to reduce/remove of these obstacles gradually. The trade in this region will be more dynamic if these obstacles are removed through this negotiation and the implementation of Phase-III as well.

2. SAARC Agreement on Trade in Service (SATIS)

The SAARC Agreement on Trade in Services (SATIS) was signed by SAARC member countries at the 16th SAARC Summit held in Thimpu, Bhutan on April 29, 2010. Member countries including Bangladesh have already exchanged their preliminary offer list and request list under this agreement. Bangladesh offered 10 service categories in telecom and tourism sectors to other member countries of SATIS. Moreover, the schedule of commitments has already been submitted. Negotiation is going on to finalize the schedule of commitments of the member countries. There will be an increase investment in the service sector and trade in this sector as well once the agreement is implemented. According to the latest meeting of the 11th Export Group of

SATIS held in Islamabad, Pakistan on Jul 5, 2015, Afghanistan, India, Nepal and Bhutan prepared a list of their initial offers. According to the latest information, all the member countries except Pakistan have sent their preliminary schedule of commitments to the SAARC Secretariat. Trade in the service sector in the SAARC region will increase if the agreement is implemented.

3. Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC)

The Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) is a regional organization comprising of Bangladesh, India, Myanmar, Sri Lanka, Thailand, Nepal and Bhutan. A framework agreement was signed in February 2004 to form the BIMSTEC FTA under this organization. This framework agreement includes (1) trade in goods, (2) trade in services and (3) investment. Although the goods in trade agreement is almost final, trade and investment in service sector are currently under discussion. Under this agreement, a Trade Negotiating Committee (TNC) is formed to finalise (1) Agreement on Trade in Goods, (2) Agreement on Trade in Services, (3) Agreement on Trade in Investment (4) Agreement on Cooperation and Mutual Assistance in Customs Matters, (5) Protocol to Amend the Framework Agreement on the BIMSTEC Free Trade Area and (6) Agreement on Dispute Settlement Procedures and Mechanism. The last 21st BIMSTEC Trade Negotiating Committee (TNC) meeting was held during 18-19 November 2018 in Dhaka, Bangladesh. The meeting finalized (i) Agreement on Trade in Goods, (ii) Agreement on Cooperation and Mutual Assistance in Customs Matters and (iii) Agreement on Dispute Settlement Procedures and Mechanisms. In addition, a virtual meeting of the BIMSTEC Working Group on Rules of Origin was held during 10-11 January 2022 where a significant progress has been achieved on Rules of Origin.

4. Asia-Pacific Trade Agreement (APTA)

Under the initiatives of UNESCAP, seven countries in the Asia-Pacific region: Bangladesh, India, Laos, South Korea, Sri Lanka, the Philippines and Thailand signed the Bangkok Agreement in 1975. The main objective of the agreement is to expand inter-regional trade through mutual tariff benefits between APTA member countries. Of the seven countries mentioned the Philippines and Thailand yet to ratify the agreement. However, China's accession to the treaty in 2001 gave it a new impetus. After China's accession, the third round of negotiations began and the agreement was renamed the Asia Pacific Trade Agreement (AFTA). In these negotiations, member countries exchanged tariff concession on a significant number of products. Mongolia joined APTA on 1 January 2021. Bangladesh has given 10 to 60 percent tariff exemption (margin of preference) facility on 598 products to APTA countries and 20 to 50 percent on 4 more products to LDCs. Bangladesh will get 33 percent tariff concession on 28 percent tariff lines of APTA countries. China gave duty-free access to 8,256 Bangladeshi products on 1 July 2020.

5. Trade Preferential System among OIC Countries (TPS-OIC)

Bangladesh signed and ratified Framework Agreement on Trade Preferential System among the Member States of the OIC (TPS-OIC) to increase and diversify trade amongst OIC member states. In continuation with this Framework Agreement, Bangladesh signed Rules of Origin (RoO) on 25 February 2011 and ratified it on 23 June 2011. Subsequently, on February 2012 Bangladesh submitted offer list containing 476 tariff lines in the OIC Headquarter under this agreement. The implementation date on TPS-OIC has been determined on 1st July 2022 on the 37th COMCEC Ministerial Conference held on Istanbul, Turkey. If TPS-OIC comes into force, as its current status as a least developed country Bangladesh will have greater access to export with 30% LVA (Local Value Addition).

6. Preferential Trade Agreement among Developing Countries (D-8 PTA)

D-8, also known as Developing-8, is an Organization for development Cooperation among eight Muslim developing nations, namely Bangladesh, Indonesia, Pakistan, Iran, Malaysia, Turkey, Egypt and Nigeria. It was officially established by an announcement through the Istanbul Declaration of Summit of Heads of State/Government on June 15, 1997. The objectives of D-8 Organization for Economic Cooperation are to improve member states' position in the global economy, diversify and create new opportunities in trade relations, enhance participation in decision-making at international level, and improve standards of living.

D-8 Preferential Trade Agreement (D-8 PTA) was signed on 13 May 2006. On 25 August 2011 it came into force as a result of ratification by four countries namely Malaysia, Turkey, Iran and Nigeria. In continuation with D-8 PTA, Rules of Origin (RoO) was signed on 28 March 2008. Bangladesh ratified D8 PTA on 17 November, 2017 accepting 40% LVA (Local Value Addition) and sent an Offer list of 350 products to the Secretariat under this Agreement. When the treaty is implemented, Bangladesh will get duty free/lesser duty access of its export items to D-8 countries. This may facilitate to increase and diversify Bangladesh's export destinations. It should be mentioned that the 10th D-8 Summit was held virtually on April 2021 in Dhaka, Bangladesh.

World Trade Organisation (WTO)

WTO cell, under the Ministry of Commerce, is mandated to discharge all functions related to the World Trade Organisation (WTO). Implementing WTO rules and regulations, commenting on alignment of the newly drafted laws of Bangladesh with WTO agreements, availing of the opportunities under the WTO, building trade capacities and protecting interest of the state in international trade regime are important of those responsibilities. Bangladesh is a founding

member of the WTO. Some important activities of the cell are as follows:

- The WTO is a rule-based non-discriminatory international organisation. Specific agreements and regulations have been formulated in each area of international trade, so that international trade can be carried out easily and efficiently in the shortest possible time. All these rules and regulations have created a lot of opportunities; on the other hand, it has also created responsibilities for each member country. A number of ministries and agencies of public sector along with and private sectors are involved in these issues. The WTO Cell has been conducting activities to inform them about the benefits and responsibilities of the WTO system, to provide feedback on various issues and to make them aware of the rules and regulations of the WTO.
- The WTO Cell conducts workshops/training programmes under the Technical Assistance Programme to raise public awareness and capacity in various aspects of the WTO. Workshops/trainings have already been organised on TRIPS, SPS, TBT notification, trade in services, non-agriculture market access (NAMA). In addition, the WTO cell is working to address the post-LDC graduation impact on Bangladesh and other challenges related to international trade.
- Due to Bangladesh's strong role as LDC coordinator in various WTO Ministerial Conferences, all developed countries except a few are providing almost 100 per cent Duty-Free and Quota-Free (DFQF) market access to LDC products under the WTO. Developing countries such as China, India, South Korea, Chile and Thailand also have endorsed DFQF facilities.
- Due to the successful negotiations of the Least Developed Countries (LDCs) including Bangladesh, the existing intellectual property exemption in 2015 has been extended until 1 January 2033. As a result, the development of the Pharmaceutical Industry in Bangladesh will continue and new horizons will be opened in the export of medicines.

Annex 6.1

Some Ongoing Activities for Export Promotion

- **Cash incentives:** In order to encourage exports and the export of commodities cash incentive is being provided to the exporters. This facility is being extended to new products as well. As a result, the export of agricultural products and processed foods, frozen shrimp, potato, handicrafts, jute goods, leather goods, light engineering products and other products are increasing. Considering this, cash incentive is being provided from 2 percent to 20 percent in 43 products.
- **Diversification of export products:** The government is taking various initiatives to differentiate the export product. Out of these, significant activities are identified such as the potential products as 'highest priority sector' and 'special development sector', declaration of 'product of the year' and working closely with the expansion of the market of these products and giving special facilities. In 2017 'leather products including paddock', in 2018 'raw materials', in 2019 'Agricultural and Agricultural Processed Products' and in 2020 'light engineering products' have been declared as product of the year. Besides, various activities including financial incentives for the development of these sectors are being implemented. Along with this, separate policies are being formulated in the relevant sectors to encourage sector-based exports.
- **Active Pharmaceutical Ingredients (API):** Due to the patent waiver of LDCs on pharmaceutical products under the WTO Trips contract on 31 December 2032, the use of patent waiver facilities has opened up opportunities for the country to get immense improvement in medical exports. Because we do not have our own Active Pharmaceutical Ingredient, about 95 percent of the APIs used for therapeutic has to be imported. Our pharmaceutical industry will not be durable based on imported raw materials. On the other hand, there is a probability of increasing the price of medicines in the end of the waiver facility. That is why it is essential to produce the raw material of the medicine industry in our country. In addition, the developed and developing countries, which have to give remediation to the rights holders to create patented medicinal (API) in their own country, they will be interested to invest in Bangladesh to take advantage of Trips Waiver. In this context, in order to create business and investment-friendly environment to increase productivity, export diversification and encouraging domestic and foreign investment through sustainable industrialization in the API sector, the Ministry of Commerce has published 'National Active Pharmaceutical Ingredients and Laboratory Reagent Production and Export Policy'. Activities are currently being implemented to execute the policy.
- **Diversification of export market:** Trade delegation is being sent to different countries of the world, including the participation in international trade fairs, to increase exports through diversification of products as well as expansion of the market. Besides, business delegation yet to send Morocco, Egypt, Tunisia, Algeria, Russia and CIS, Brazil, Chile, Colombia etc. with the representation of public and private to explore new markets. Due to COVID-19 pandemic, it was not possible to participate in International trade fair during FY 2020-21.
- **Setting up new commercial wing:** At present there are 23 commercial wings are performing in 20 countries. In addition, an official from the Ministry of Foreign Affairs has been assigned the responsibility to preserve the commercial interests of Bangladesh in those missions where commercial wings are not created. With these officials, the Ministry of Commerce has continued to make intensive business efforts to further accelerate the commercial activities.

Annex 6.2

Summary of Major Changes in Foreign Exchange Regulations during FY 2021-22

Bangladesh Bank in its ongoing endeavor to further ease the foreign exchange regulations embarked upon the following notable changes during FY 2021-22 (up to February, 2022):

- **Disposal of IMP Form after matching with bill of entry (B/E) electronically:** Authorised Dealers may accept B/E accessible to them through the customs automated system to dispose IMP Form on completion of matching formalities in terms of prescribed instructions. The custom houses where there is no automated system shall do same stated at paragraph 31, chapter 7 of GFET.
- **Release of foreign exchange for online study abroad:** Given the ongoing situation due to COVID-19, AD banks have been preferred to release foreign exchange on account of study abroad under online teaching arrangements which will be effective for 2 semesters/sessions till 21 March, 2021.
- **Payment of fees for webinar solution services to conduct virtual meetings:** Due to COVID-19 situation, ADs have been preferred for payments against webinar solution services and examining accuracy of invoice and supporting documents with necessary tax cutting. AD banks adopt necessary steps to make payments.
- **Use of international cards for travels outside Bangladesh:** International cards may be used for online purchase of air tickets by cardholders having visa, where applicable, for travels of such destinations outside Bangladesh.
- **0.03 percent of the total export value will be deducted for transferring to SND account naming 'Central of Fund (RMG)' at Sonali Bank Ltd. Ramna Corporate Branch:** According to the guidelines issued by the Ministry of Labor and Employment, 100 percent export oriented garment industry would deduct 0.03 percent of export value received and cashed against each work order of the company for transferring to SND account mentioned above by lien bank from all the LCs to be cashed in Lien Bank of various industries in the 100 percent export oriented readymade garments and the information regarding transferring money have to inform the Secretary of Central Fund Administration Board.
- **Waiver of quarterly repayments against imports permissible under supplier's/buyer's credit:** To facilitate smooth settlement of import payments, the exemption from quarterly installment repayments will apply for other permissible deferred payments imports.
- **Refinancing for imports against usance back to back LCs:** Given the ongoing situation due to COVID-19, the refinancing facilities from EDF for settlement of back to back LCs had been established till 30 September 2020. Before seeking refinance from Bangladesh Bank, ADs shall have to be ensured of the bonafide grounds regarding non-availability to extend usance period/refinancing facilities for extendable tenure. The facilities shall remain valid up to 31 March 2021 for the drawing of refinances.
- **Import of Gold Jewellery:** In view of the trade regulatory framework, now it has been decided that import of gold jewellery is to be executed by Authorised Gold Dealers (AGDs) within the purview of the Gold Policy, 2018.
- **Interest rate on borrowing from Export Development Fund (EDF):** Given the ongoing situation due to COVID-19, the interest rate on EDF loans has been reduced to 1.75 percent per annum chargeable to eligible borrowers; for disbursement till 31 March, 2021. In accordance with the

decision, ADs shall make interest payments to Bangladesh Bank at 0.75 percent per annum; the remainder 1.00 percent per annum as before will be retained by ADs as their interest income.

- **Collection of Demurrage, Detention, Handling or equivalent charges by the foreign shipping lines/their agents for calculation of their remittable surplus:** It has now been decided that the above mentioned charges collected prior to FY 2017-18 shall be considered for calculation of surplus earnings subject to deduction of applicable taxes.
- **Relaxation of foreign exchange regulation for trade transactions-extended facilities:** Given the ongoing situation due to COVID-19 pandemic, the extended period for realization of exports proceeds shall equally be applicable for all sectors, depending on the necessity, till 31 March, 2021.
- **Repatriation of balances held in foreign currency accounts:** This is to reiterate that the balances held in the concerned foreign currency accounts are repatriable abroad without approval from Bangladesh Bank. All AD banks are instructed to facilitate repatriation of fund without creating any obstacle.
- **Import of Ophthalmic Medical Equipment including Intraocular Lens on deferred/usance basis:** To facilitate the imports of Ophthalmic Medical Equipment including intraocular lens, the deferred/usance period under supplier's/buyer's credit is extended up to 180 days from existing 90 days.
- **Business-to-consumer export through sales orders received on internet:** To bring wider scope for Business-to-consumer export, ADs may allow such exports of each sale on e-Commerce website up to USD 500 or equivalent under cash on delivery/payment on shipment terms.
- **Discontinuation of submission of Returns/Statements to Bangladesh Bank:** To improve the ease of doing business and reduce the cost of compliance, ADs are no longer required to submit returns/statements in hardcopy to Bangladesh Bank. However, ADs shall continue reporting of the same information in relevant online portals/modules of Bangladesh Bank.
- **Transfer of remunerations to Foreign Currency (FC) accounts maintained by foreign nationals employed in Bangladesh:** To bring flexibility in executing transactions from FC accounts, it has been decided that up to 75 percent of net monthly income in equivalent foreign currency may be credited to FC accounts of the expatriate employees from Taka accounts and Exporters' Retention Quota (ERQ) accounts of the employers.
- **Advance payments against imports under buyer's credit:** Advance payments against permissible imports may also be executed directly by external financiers and/or offshore banking operation of scheduled banks, subject to repayment guarantees irrespective of amount acceptable to ADs receive from banks abroad and compliance of other relevant instruction.
- **Working Capital Loans from Abroad by Foreign owned/Controlled Companies:** In addition to manufacturing enterprises, the short term borrowing may be applicable to foreign owned/controlled companies engaged in services output activities in Bangladesh; however trading business shall not come under this facility. Such loan may be admissible in convertible foreign currencies maximum for 6 years from the date of inception of manufacturing and/or service output activities by the borrower enterprises.
- **Endorsement of foreign exchange on passports:** Endorsement on passport is applicable against release of foreign exchange either in cash or in non-cash form like international cards, etc. both out of eligible entitlement of travels. The endorsement is equally applicable for release of foreign in cash irrespective of entitlement/sources to persons other than those holding foreign passports.

- **Enhancement of loan limit from Export Development Fund (EDF):** Given the ongoing situation due to COVID-19, it has been decided to continue the enhanced limit of US\$ 30.00 million, for disbursement until 30 June, 2021 to member mills of BGMEA and BTMA.
- **Repatriation facilities by MFSPs to ITES (Information Technology Enabled Services) exporters:** To facilitate small value ITES exports, it has been decided to allow Mobile Financial Service Providers (MFSPs) licensed by Bangladesh Bank for repatriation of export proceeds in association with internationally recognized OPGSPs/digital wallets and/or aggregators having operation in multiple countries.
- **Purchase of foreign currency from digital wallets of incoming tourists/passengers:** To facilitate the transaction for incoming tourists/passengers bringing money through digital wallets, it has been decided that ADs may provide acquiring services to facilitate their transaction while visiting Bangladesh subject to observance of several conditions. ADs shall purchase foreign currency from wallets of incoming tourists/passenger by making payment in equivalent Taka in cash and/or one time issuance prepaid card in Taka.
- **Financing facilities from stimulus packages to industries operating in EPZs/EZs/HTPs:** Type A and Type B industries operating in different zones may access to finance in Taka from concerned stimulus packages. Likewise, Type C industries will be eligible for financing in Taka from stimulus packages as admissible to such industries outside zone areas.