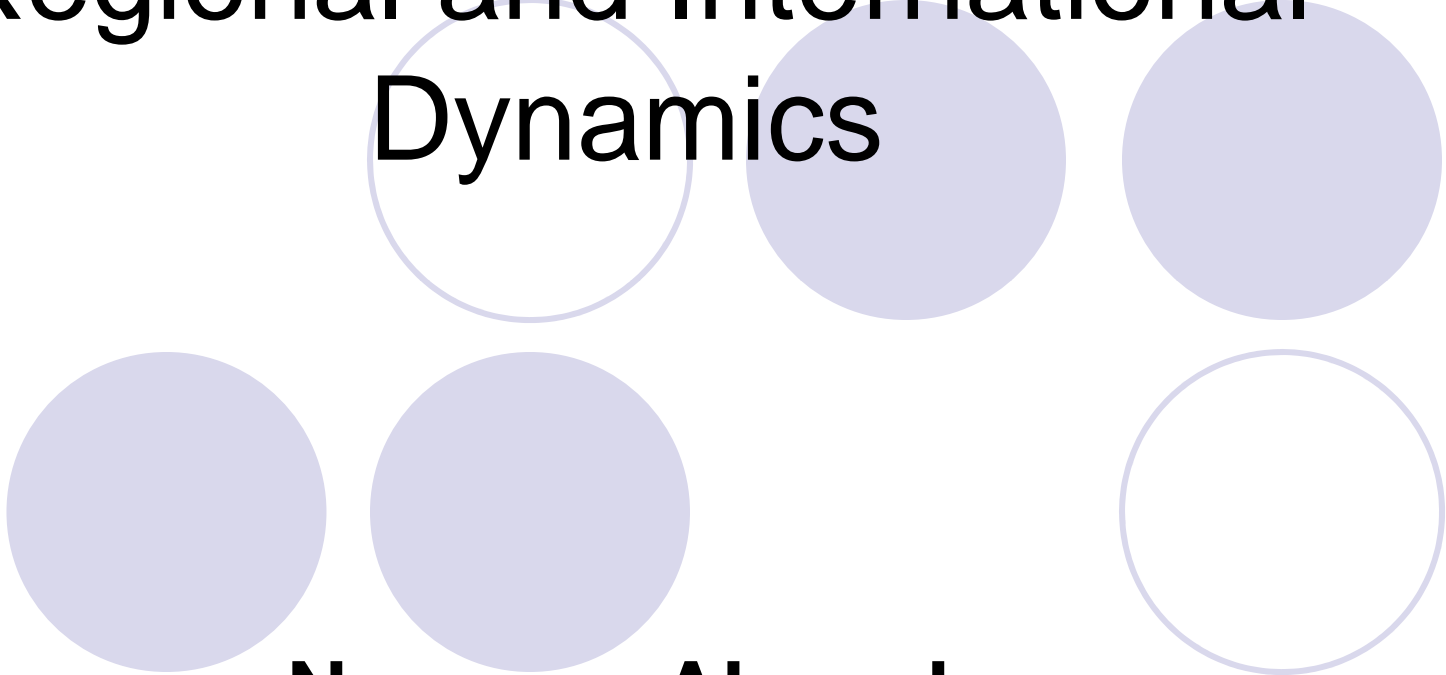


# Exploring the opportunities of Regional and International Dynamics



**Nazneen Ahmed**

**December 8, 2011**

# Outline of the Presentation

- Preferential and free trade agreements and potentials
  - SAFTA and other trade Integration measures
- New GSP and potentials in the EU market
- WTO and challenges
- Discussions

# Bangladesh and preferential / free trade agreements

<b>Agreements</b>	<b>Asia-Pacific Trade Agreement (APTA) (previously known as Bangkok Agreement)</b>	<b>Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC)</b>	<b>Global System of Trade Preferences among Developing Countries (GSTP)</b>	<b>Preferential Tariff Arrangement - Group of 8 Developing Countries (PTA-D-8)</b>	<b>South Asian Free Trade Area (SAFTA)</b>	<b>Framework Agreement on Trade Preferential System Among the Member States of the Organisation of the Islamic Conference (TPS-OIC)</b>
<b>Members</b>	Bangladesh, China, India, Rep. of Korea, Lao PDR, Sri Lanka	Bangladesh, Bhutan, India, Myanmar, Nepal, Sri Lanka, Thailand	48 Developing countries of the Group of 77	Bangladesh, Indonesia, Iran, Egypt, Malaysia, Pakistan, Turkey, Nigeria	Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka	OIC members

# SAFTA and Bangladesh

- The South Asian Free Trade Area (SAFTA) agreement which came into force in January 2006, paved the way for the most significant step toward intensified trade integration in the region.
- Until very recently the negotiations under SAFTA failed to achieve envisaged liberalization of trade among South Asian nations.
- Weak trade relationship is observed among the SAFTA member countries both for export and import. Only 5.56 percent of total export and 3.16 percent of import of SAARC countries take place between themselves.

# Obstacles to intra-regional trade in SAFTA

- Para-tariff (certificates needed for various clearance)
- Non-tariff barriers
- Lack of trust among businessmen
- Inadequate physical facilities like warehousing, transshipment yard, parking yard and connecting roads at land customs stations
- Non-availability of designated officers in land ports

# Recent developments in regional trade and Prospects for Bangladesh

- Tariff reduction for RMG commodities under bilateral understanding between Bangladesh and India. ( an outcome of visit of President Manmohan Sing's visit to Bangladesh)
- Reduction in the negative or sensitive list of commodities under SAFTA. (Declared in 17<sup>th</sup> SAARC Summit)
- More commitments towards enhancing service trade and eliminating non-tariff and para tariff barriers.
- Understanding on Transit-Transshipment has opened up new window of opportunities

# Recent developments in regional trade and Prospects for Bangladesh

- Duty-free market access for 46 textile items originating from Bangladesh to the Indian market was granted during the visit by Dr. Manmohan Sing (Framework Agreement on Development Cooperation).
- In November, India granted duty-free access to all products except 25 tobacco and liquor items from Bangladesh (reduction of sensitive list under SAFTA)
- Bangladesh exported RMG products worth \$359 million to India during FY2010-11. However after receiving the duty-free entry of 46 RMG items, export of RMG to India is on the rise. It will rise even faster with additional commitments under SAFTA.
- Within 3 to 5 years, the export may reach \$2billion mark (currently total export of Bangladesh to India is about half billion while import from India is about 4.5 billion.
- The Indian domestic market is as big as \$28 billion as it has a 450-million middle class and the demand is growing; so we should take the opportunity.

# New GSP in the EU and prospects of Bangladesh

- EU is the largest market for Bangladesh
- The European Union announced relaxed GSP facility for the Bangladesh as an LDC with effect from January 1, 2011.
- Though duty-free quota-free access to EU market was available under the previous GSP, the utilisation of GSP remained low for some products due to stringent rules of origin criterion. (for example two stage ROO for RMG products, which was difficult for woven RMG products)
- The new rule allows duty-free access to all RMG (knit and woven) garments, even if these use fabric imported from anywhere in the world.
- Moreover, under the new GSP scheme domestic value addition is 30% at the highest, which has created a big opportunity to diversify export of Bangladesh. For example, export of bicycle previously required 70% local value addition, which is now only 30%.
- Allowance of regional cumulation and super regional cumulation.
- New prospects for investment
- Dominance of import from China may continue,



# New GSP and our backward linkage industry

- Domestic backward linkage industry will face competition of imported raw materials. However, there is also opportunity of new joint venture and new investment in this industry.
- Adequate supply of gas and power to the backward linkage industries help them to produce fabrics and yarn in time to tackle competition

# WTO and Bangladesh



- The Eighth Ministerial Conference of the WTO will be held in Geneva, Switzerland, from 15 to 17 December. In parallel to the Plenary Session, where Ministers will make prepared statements, three Working Sessions will take place with the following themes: “Importance of the Multilateral Trading System and the WTO”, “Trade and Development” and “Doha Development Agenda”.
- The LDC Package was proposed by the WTO Director General, in his capacity as Trade Negotiations Committee (TNC) Chair in May 2011 for early harvesting at the Eighth Ministerial Conference (MC8) in December 2011. Since then, these negotiations have run into problems due to the resistance of the United States. Nevertheless, the LDC Package enjoys broad support from other WTO members and the LDC Group in the WTO is continuing to push for results of the package at MC8

# WTO and Bangladesh's prospects

- Need to create space so that job-creating industries can grow.
- Not-only DFQF entry, but full implementation of special and differential treatment.
- Service trade liberalisation (offer list of developed countries should be meaningful for LDCs)
- Doha Declaration on Public Health and the Trade-Related Aspects of Intellectual Property Rights (TRIPS) agreement to be implemented – flexibility for LDCs to pay for patent in medicine.

# Challenges ahead



- Non-tariff barrier still an issue specially in the regional context
- Service trade shows bright potentials, we need to work for market
- Local poor infrastructure is going to be the main obstacle to utilize increasing trade opportunities both at regional and international arena.



Thanks for your attention