

WORLD TRADE ORGANIZATION

RESTRICTED
WT/BOP/R/58
13 September 2001

(01-4318)

Committee on Balance-of-Payments Restrictions

REPORT ON THE CONSULTATIONS WITH BANGLADESH

1. The Committee resumed consultations with Bangladesh, suspended on 15 December 2000, on 24 July 2001. The meeting was chaired by the incoming Chairman, Ambassador Hernando Gómez (Colombia).

2. The Chairman recalled that the purpose of the resumed consultation was to discuss the items listed in Annex II of WT/BOP/N/54 for which Bangladesh would seek other justification.

3. The Committee had before it the following documents:

WT/BOP/N/54	Communication from Bangladesh (22 May 2001)
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WT/BOP/R/57	Report on the Consultation with Bangladesh (23 January 2001)
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A. OPENING STATEMENT

4. The opening statement of the representative of Bangladesh is attached as Annex I.

B. DISCUSSION IN THE COMMITTEE

5. Members welcomed the detailed report by the representative of Bangladesh, but expressed some disappointment that the matter had not yet been settled. The representative of Bangladesh explained that the statements made to the Committee in December had been preliminary and the internal discussions had not yet been completed; however, the study of the options available to Bangladesh would be completed soon. Given the existence, currently, of a caretaker Government and elections expected in early October, the representative explained that he would come back to the Committee in November with a definitive plan. Members expressed support for this request and the Committee agreed to resume in November at which time Bangladesh would communicate the option it had chosen. On this basis, the Committee agreed to suspend.

ANNEX 1

Opening statement by the representative of Bangladesh

1. First, let me thank you and the delegations of the member countries for attending this meeting. I also take this opportunity to thank the officials of the WTO Secretariat for their contribution to the BOP Committee consultations on Bangladesh. The technical assistance that we have been getting from the WTO Secretariat has been immensely helpful in our decision-making processes. At the same time, may I assure this Committee that the Government of Bangladesh deeply appreciates the interest of this Committee in assisting us.

2. This Committee has endorsed the phase-out plan for restrictions on 11 products submitted by Bangladesh in the last meeting held on 15 December 2000. We had indicated in that Meeting that Bangladesh might wish to seek other justification for the restrictions on the remaining 6 products, which are currently covered by Section B of Article XVIII. Presently, the Governmental authorities, with the assistance of the WTO Secretariat, are in the process of examining the implications of alternate options. I wish to brief the Committee on some of these elements and considerations.

3. As the members of this Committee are aware, Bangladesh belongs to the group of least developed countries. The GDP per capita in 1998/99 was only US\$345, making it one of the most disadvantaged countries. The agriculture sector, including the fisheries, still dominates the economy by contributing over 25 per cent to the GDP in financial year 2000/01. This sector employs about 63 per cent of the total labour force, making it more important than its contribution to the economy would indicate. It is also the main source of income and livelihood of around 80 per cent of the population. In fact, when our harvests are bountiful, the economy is regarded as being healthy.

4. One of our greatest handicaps is vulnerability to natural disasters, including periodic flooding and cyclones. When we have a natural disaster, or severe flooding, our economic growth is seriously affected. Despite this, the Government of Bangladesh has continued to pursue trade liberalization, financial sector reform, and privatization, while maintaining one of the most liberal foreign direct investment regimes in South Asia. The Government is committed to speedily integrate the country into the multilateral trading system, and our trade liberalization appears to have progressed at a much faster pace than most other countries similarly situated. As countries that have already trodden this path will appreciate, this is not an easy task for us. In fact, within the international trade regime, we are left with very little space to promote local industries.

5. Poverty and unemployment are our most pressing concerns, and the Government and other actors of civil society are engaged in addressing these issues. The unemployment rate is still high in Bangladesh and stands at over 20 per cent, with high prevalence of disguised unemployment. Close to 40 per cent of Bangladesh's population live below the poverty line. Given the high incidence of poverty, the density of population and its dependence on the agricultural sector, and the vulnerability to natural disasters, food security and the creation of employment opportunities, through the promotion of income generating activities especially in the rural areas, are major policy objectives of the Government.

6. Our economy is in the early stages of development. There exist small-scale industries whose competitiveness is limited but on which poor, vulnerable rural populations depend for income-generating activity. A surge of imports of the products produced by such industry would destroy the livelihood of poor rural populations dependent on those small-scale industries. The modification and extension of the production structures of those industries, in order for them to become internationally

competitive, will take time. The Government of Bangladesh therefore considers it necessary to assist their development through appropriate measures.

7. In addition, Bangladesh has land boundaries that are long and difficult to police. The Government of Bangladesh has not yet been able to acquire the resources necessary to efficiently guard its borders for customs purposes. The customs authorities lack capacity in several respects, and need reinforcement in terms of the number of customs officials employed, training and modern customs facilities. For this reason, the Government of Bangladesh is constrained in the range of measures that could be considered in a particular case. In order to improve the administrative capacity of its customs authorities, technical cooperation has been sought from our partners in the multilateral trading system.

8. Let me briefly touch upon the condition of the industries associated with the products that are under consideration of this Committee.

9. I had highlighted the importance of agriculture and the rural economy. Much of the rural sector production is in the form of cottage and small-scale industries. The poultry sector is, even to this date, a cottage industry with production at the family farm. The production is for own consumption and sale in the local market, and not for exports. Commercial poultry farms are relatively new in Bangladesh; it is only in the early 1990s that entrepreneurs saw the potential.

10. Given the good potential of the poultry sector in creating new employment in rural areas the government is keen to promote this sector through supportive measures. Several non-governmental organizations have also been involved in this sector, especially in the development of poultry farms through providing micro credit to small farmers. The government has taken a number of policy steps to stimulate the sector. These include support to livestock farmers, tax and duty concessions on imports of poultry farm equipment and raw material for poultry feed, and facilitating transportation of improved breeds of poultry chicks and eggs from abroad. In addition, to provide protection to an infant industry, there is a ban on the import of chicks and eggs.

11. About a thousand NGOs disbursed over Tk.10 billion up to end-June 1999 for the development of the livestock sector. This accounted for 18 per cent of total micro-credit advanced by the NGOs. As a result of the coordinated efforts of the Government and NGOs there had been spectacular growth (although from a very low base) of private poultry farms and allied industry in the country. The floods of 1998, the worst ever in living memory, caused a loss of over Tk. 30 billion in the livestock sector. Recovery has been slow. Our statistics indicate that at the end of the year 2000, there were 160,000 small and medium size poultry farms with 151 million chicks and ducks. In the financial year 1999/2000 total production of eggs was over 3.5 billion pieces.

12. The carton industry comprises mainly small and medium sized enterprises, and is oriented towards exports. It produces labour-intensive, low quality cartons primarily for the ready-made garment sector. Rapid development of this industry has taken place since early 1990's and is clearly linked with the development of export oriented readymade garment industry in Bangladesh. Most of the carton manufacturing industry is based on imported paper, and thus increases the import of paper-based raw materials. In fact, the development of this industry has resulted in the rapid increase of import of raw material (duplex board and cardboard) for the industry from Tk. 163 million in 1991/92 to Tk.1,030 million in 1999/2000. Paper made from locally produced sugar waste and other waste is also an important source of raw materials for the carton manufacturing industry. Accordingly, this industry is linked to the cane-growing segment of the agricultural sector. It is this backward linkage, emphasizing an element in the development of the farm sector, that is so critical from the perspective of the government.

13. The sugar industry in Bangladesh is based on sugar cane produced in Bangladesh. Although the existing sugar mills are not in a position to fulfil the domestic demand, a significant proportion of the formal labour force is, directly or indirectly, dependent on this industry. As of January 2000, there were 15 sugar mills in Bangladesh, employing around 20,000 regular workers and 9,000 seasonal workers. Besides, a large number of sugar cane growers are directly dependent on the sugar industry. As a result, the Government maintains the restrictions on imports of sugar to keep the employment situation stable. Currently, Bangladesh Sugar and Food Industries Corporation directly imports sugar, when domestic production does not meet the consumption requirements.

14. The import of sugar is generally banned, but a limited quantity of sugar is imported subject to the conditions laid down by the Government. Depending on the domestic production, imported sugar may even extend to one third of total domestic consumption. Currently, the Government of Bangladesh is actively pursuing efforts towards the transformation of the sugar industry through privatisation. Successful transfer of the sector into commercial hands is intended to increase the productivity of the sector and enable it to become internationally viable. Until that stage is reached, the government is carrying out restructuring and balancing and modernization of the mills. The Government feels the need to continue the existing policy framework to prevent the destruction of the industry and large-scale unemployment in the sector. The current regime on sugar may thus be looked upon as restricted import.

15. Sea salt (general type) is importable subject to the conditions laid down by the Government, and "table salt" is importable only by the foreign exchange earning hotels as per provisions of the Import Policy Order. Salt has traditionally been produced in small and cottage industries in the coastal areas of Bangladesh. A cluster of low-income poor people in the coastal areas is completely dependent on the income from salt-production for their livelihood. These industries employ a large number of people. During the last few years, with encouragement from WHO and UNICEF, local salt producers have invested considerable amounts of capital in salt iodization plants. Consumption of iodized salt was made compulsory under law in order to reduce incidence of iodine deficiency diseases. A complete phase out of the restrictions on salt import would threaten the existence of the salt industry with unemployment and, thereby, increase poverty among the salt-producing coastal communities.

16. I have tried to briefly discuss the present state of the industries of the products on which Bangladesh would like to retain the restrictions on imports.

17. To summarize, it is our intention to continue our studies on the options available. As I have explained, in association with the WTO Secretariat, we are looking at alternates. We hope to complete our examination soon, and seek directives from the Capital. At that stage, we will be ready to report back to the Committee.

18. Perhaps the members of the Committee will be aware of the political situation back in Bangladesh. According to our constitution, the term of the elected members of Parliament is 5 years from their first sitting after a general election. Thereafter, a non-partisan, non-political caretaker Government is appointed by the President to run the affairs of the country with the intention of facilitating free and fair elections, which must be held within 90 days of the dissolution of Parliament. This caretaker government assumed office on 15 July, and we expect the elections to be held in early-October. Within November, we will be in a position to report back to the Committee substantively.

19. I would again like to thank the Chairman and members for their patience and understanding. I am confident that the member countries will give sympathetic consideration to the concerns of Bangladesh, aimed at achieving fuller and more efficient use of resources in accordance with its economic development priorities.
