

WORLD TRADE ORGANIZATION

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Council for Trade in Goods

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NOTIFICATION UNDER SECTION C OF ARTICLE XVIII OF THE GENERAL AGREEMENT ON TARIFFS AND TRADE 1994 AND THE DECISION OF 28 NOVEMBER 1979 ON SAFEGUARD ACTION FOR DEVELOPMENT PURPOSES¹

BANGLADESH

The following communication dated 21 December 2001, has been received from the Permanent Mission of Bangladesh.

1. This notification is made pursuant to Article XVIII, paragraph 14 of GATT 1994.
2. The Government of Bangladesh hereby notifies that, as Governmental assistance is required to promote the establishment of particular industries with a view to raising the general standard of living of its people, and in light of the special difficulties faced by particular industries, it proposes to invoke section C of Article XVIII of the General Agreement on Tariffs and Trade 1994 and the Decision of 28 November 1979 on Safeguard Action for Development Purposes with regard to certain measures affecting the products listed below. It has also been ascertained that no measure consistent with other provisions of this Agreement is practicable to achieve that objective.

Items for which the Government of Bangladesh seeks Article XVIII:C cover

Srl	H.S. heading Number	H.S. Code Number	Description of items	Proposed measure
1.	01.05	All H.S. Codes	Chicks except for "parent stock" and "grand-parent stock"	Restrictions on imports, unless specifically permitted by the Government
2.	04.07	0407.00	Eggs except "hatching eggs"	Restrictions on imports, unless specifically permitted by the Government
3.	48.19	All H.S. Codes	All cartons except (1) Outer carton: system which is used in State Express 555 cigarettes; and (2) All types of carton except laminated inner carton used for export of all frozen food including shrimps	Restrictions on imports, unless specifically permitted by the Government
4.	25.01	All H.S. Codes	(a) Common salt, except table salt. (b) Table salt.	Restrictions on imports, unless specifically permitted by the Government

3. In the light of the objective of achieving fuller and more efficient use of resources in accordance with its economic development priorities, Bangladesh wishes to seek the concurrence of Members to

¹ BISD 26S, pp. 209-210 (L/4897)

resort to the provisions of Article XVIII, Paragraph 3 and Section C, as interpreted by paragraph 1 of the Decision on Safeguard Action for Development Purposes, for the four products listed above.

4. Bangladesh belongs to the group of least-developed countries and its GDP per capita in 1998/99 was only \$345. The country is vulnerable to natural disasters, including periodic flooding and cyclones. A major natural disaster may wipe out as much as 5-8% of the country's GNP for the year, and set back her developments efforts. The global warming that is expected, and its associated sea level rise, will have severe consequences and may make millions ecological refugees. These factors, over which its authorities have no control, highlight the very adverse circumstances in which the country undertakes its development efforts. In the last decade, despite the adverse circumstances, the country has performed well and has maintained reasonably high growth rates.

5. The very magnitude of the problems, particularly with high population density, make the task of development daunting. The unemployment rate in Bangladesh is about 20 percent, while underemployment or disguised unemployment is much higher, and employment opportunities are particularly rare in rural areas. The unemployment scenario is associated with poverty, and over 40% of Bangladesh's population lives below the poverty line. Despite the very unfavourable environment, the Government of Bangladesh has continued to pursue trade liberalization, financial sector reform, and privatization, while maintaining in legislative terms, and in incentives, one of the most liberal foreign direct investment regimes in South Asia, as noted in the Trade Policy Review of Bangladesh of 2000. The Government is committed to continue Bangladesh's integration into the multilateral trading system.

6. While international trade provides opportunities, it does so for countries that are appropriately positioned. For Bangladesh, the creation of new industries and considerable re-structuring of domestic industries (where they exist), are necessary to adapt to the new and open environment. Given the relatively open environment that is being created, the economy of Bangladesh, dependent on a small range of agricultural products and very few items of export, is particularly vulnerable. It has become vital for the country to diversify its production and export bases. There are some industries that have the potential of being developed and becoming competitive. From time to time, the Government would need to identify these industries, extend all possible help to them, and allow them to develop their competitiveness in the shortest possible time.

7. Some of these industries are currently small-scale, with limited competitiveness, but on which poor, vulnerable populations depend for income-generating activity. In some other cases, the industries have only recently begun to be developed. In yet other cases, the establishment of new branches of production in an existing industry or the substantial transformation of an existing industry are involved. Then, there are cases where substantial expansion of an existing industry supplying a relatively small proportion of the domestic demand are involved. In each of these cases, a sudden huge increase in imports of products, similar or closely allied to those produced by them, would destroy the livelihood of large, poor rural populations dependent on the income from those industries or actually prevent those industries from being developed.

8. The establishment of new production lines, or the modification and extension of the production structures of existing 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 the measures outlined in table 1 and described in further detail below.

9. The customs procedures and their administering structures, in Bangladesh, are in need of upgrading and improvement. Programmes have been taken up for this purpose, with external assistance from the World Bank, other multilateral agencies, and bilateral development partners. Until the proper developed of the regulatory and enforcement procedures, many traditional measures are not considered feasible. For instance, the tariff measures that would be feasible in other countries

may not work in Bangladesh. High tariffs are frequently evaded through “smuggling”, incorrect invoicing, or other means. For these, and other, reasons the Government of Bangladesh considers that it is not at present feasible to introduce alternative measures, such as increased tariffs, in these particular cases. The Government of Bangladesh would also appreciate technical cooperation, from its partners in the multilateral trading system, to assist in improving the administrative capacity of its customs authorities. Taking into account the objective conditions in the country, and of the limited capability of the administration to handle alternates, the Government feels that the best course of action would be to impose restrictions on the import of these products.

10. The measures which Bangladesh proposes to take under Article XVIII:C concern four sectors, as described below under three separate headings:

Chicks and eggs

11. The agricultural sector is of high importance in Bangladesh as it employs more than 60 percent of the total labour force while it accounts for about 30 percent of GDP. It is also the main source of income and livelihood of around 80 percent of the population, who have a rural base. In recent years, the agriculture sector has also generated more than half of the new employment in the country. The poultry sector is positioned to make a major contribution to that development. Much of the agricultural production is in the form of cottage industries and a major source of revenue for many poor families. Given the high incidence of poverty, the dense population, the dependence of the population on the agricultural sector for revenue and the vulnerability to natural disasters, it is not unusual to find that that food security and the creation of employment opportunities, through the promotion of a wide range of income generating activities especially in the rural areas, are major policy objectives of the Government of Bangladesh.

12. The poultry sector is, to a large extent, a cottage industry with production at the family farm. The production is for own consumption and sale on the local market and not for exports. Commercial poultry farming has only begun to be explored from the early 1990s, and is yet in its infancy. It is expected that this sector will grow in importance, to provide cheap protein to the large population.

13. The livestock sector has been identified as a key sector, with good potential to create employment opportunities in rural areas and thereby contribute to the Government's effort to alleviate poverty. The Government of Bangladesh has been promoting the livestock sector since the early 1990s with the objective of involving the private sector not only in livestock production but also in the production of poultry feeds, input supplies and in the marketing of livestock products. Several non-governmental organizations have also been involved in this sector, and especially in the development of poultry firms through providing micro credit to small farmers.

14. As an outcome of these policies, an increase in private investment with credit support from commercial banks and Bangladesh Krishi (Agriculture) Bank has been recorded. Over a thousand NGOs disbursed Tk 10.7 billion up to June 1999 in the development of the livestock sector, which accounted for 18 percent of total micro-credit advanced by the NGOs. The government has taken a number of policy steps to stimulate the sector, including cash support to livestock farmers, tax concessions on import of poultry farm equipment and raw material for poultry feeds, facilitating transportation of improved breeds of poultry chicks and eggs from abroad, while maintaining a ban on import of chicks and eggs. In addition, different government agencies have been involved in delivering free training and advisory services, poultry vaccines and poultry feeds to farmers. As a result of the coordinated efforts of the Government and NGOs, there are signs of excellent growth of private poultry firms and allied industry in the country. This sector, as a whole, has recorded an attractive growth rate of around 8 percent in the recent years. The production of poultry meats and eggs has increased significantly, which has also contributed to an improvement in the average consumption of these items. An estimated total of about 15,000 private poultry farms (of varying

sizes) have been established since early 1990s, creating job opportunities for the rural population. In addition, to support the poultry farms a number of poultry hatcheries, broiler and layer farms, poultry feed mills, poultry vaccine production firms and other supporting industries have been established in recent years.

15. Given the fact that Bangladesh is a net food importing country, heavily dependent on imports of food items, the development of livestock production, including chicks and eggs, contributes both to employment generation and to a reduction of the food import bill. The Government of Bangladesh considers that it is necessary to continue with the ban on imports of eggs and chicks until the poultry farms reach a certain level of efficiency, with adequate support from allied industry, and is capable of absorbing the shock of competitive imports.

Production of Meats (including poultry meats) and eggs

Item	Unit	FY 1996-97	FY 1997-98	FY 1998-99
Meat including poultry meat	Million ton	0.575	0.620	0.650
Eggs	Million Number	2815	3260	3530

Source: Department of Livestock Services

16. Despite the restrictions on imports of chicks and eggs, the Government has maintained a flexible approach. There have been, in fact, some imports as can be seen from the tables below. The bound tariff rate on chicks is 200% with the exception of one HS 6-digit heading (01.05.11) on which it is 50%. The applied MFN rates for chicks are either 0% or 25% depending on the type of chicks. The bound rate for eggs is 200% and the applied MFN rate is 37.5%.

Imports of chicks into Bangladesh in thousands US dollars

Partner	Imports	
	1997	1998
Canada	82	129
Czech Republic	11	28
Finland	15	
France, Monaco	487	385
Gambia	2	
Germany	56	56
Hungary	36	51
India	1,915	368
Malaysia		34
Nepal	47	50
Neth. Antilles		10
Netherlands	219	439
Pakistan	1	
Togo		2
UK	15	
US Miscellaneous Pacific Islands	21	
USA, Puerto Rico, US Virgin Islands	62	50
World	2,980	1,657

United Nations Statistics Division Comtrade database

Imports of eggs, including hatching eggs, into Bangladesh in thousands US dollars
(The data below relate to tariff line HS 04.07)

Partner	Imports	
	1997	1998
India	1,486	4,032
Nepal	4	
Netherlands	6	45
Pakistan		161
Singapore	4	
Thailand	11	621
World	1,511	4,858

United Nations Statistics Division Comtrade database

Cartons

17. The entire manufacturing sector employs about 7 percent of the labour force in Bangladesh and accounts for about 9 percent of GDP. Carton manufacturing is an industry, to a large extent composed of small and medium sized enterprises. It produces labour-intensive, low quality cartons primarily for the ready-made garment sector. Most of the carton manufacturing industry is based on paper made from locally produced sugarcane waste and thus is linked to the cane-growing segment of the agricultural sector. It is, therefore, an element in the development of the farm sector as such, as well as in creating forward linkages between farming and industry. Some of the paper for the production of cartons is imported, and it is expected that such imports would increase with the development of the domestic carton industry.

18. Bangladesh has maintained a restriction on imports of cartons. However, there have been some imports in recent years as can be seen from the table below. The applied MFN tariff rates are either 25% or 37.5% depending on the type of carton. There is no tariff binding for cartons.

Imports of cartons in thousands US dollars

Partner	Imports	
	1997	1998
Chinese Taipei		332
Austria	35	29
Chile	802	
China	809	1,604
Hong Kong, China	21	573
Czech Republic	21	
Egypt		2
France		217
Germany	1	
India	202	394
Indonesia	291	210
Italy	17	1
Japan		35
Korea Rep.	147	1,596
Kuwait	174	1,501
Oceania (not elsewhere specified)		1

Pakistan		41
South African Customs Union	162	
Saudi Arabia		1
Singapore	109	112
Slovenia	517	
Thailand	3	1
United Kingdom	736	143
United Arab Emirates		533
United States	45	39
World	4,071	7,367

United Nations Statistics Division Comtrade database

19. Bangladesh is a major manufacturer of readymade textile apparel. This industry has emerged barely two decades back, and has developed since then. It was expected that backward-linkage industries would be built to meet the demands of this sector. Some industries, providing inputs used by this industry, have indeed sprung up. However, the fluctuating international trading environment, and the manner of implementation of the ATC, has not promoted the growth of backward linkage industry. Till recently, almost all the cartons required for this industry had been imported. Gradually, the packaging industry is being developed and cartons are being produced to meet domestic needs. As most of the enterprises are either new, or are small scale, the Government of Bangladesh considers that it is necessary to continue with the restrictions till the industry reaches a certain level of efficiency, with adequate support from allied industry, and is capable of absorbing the shock of competitive imports.

Salt

20. Sea 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 several million 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 goiter and other iodine deficiency diseases. A complete phase out of the restrictions on salt imports, at this stage, would threaten the existence of the salt industry with unemployment and increased poverty for the salt-producing coastal communities.

21. The imports of salt, though restricted through a non-automatic import licencing system, is frequently opened up to the private sector when circumstances necessitate. Through such imports, the Government ensures that salt is available domestically at all times. Of course, specialized and purified salt is allowed to be imported for specific purposes.

22. The applied MFN tariff rate is 25% and there is no tariff binding. Continuation of the existing import régime on sea salt is considered necessary as part of the encouragement and the extension of this sector, which is not yet at a stage of development where it could be considered as internationally competitive.

Imports of salt in thousands US dollars

Partner	Imports	
	1997	1998
Austria		418
Germany	61	117
India	1,904	65
United Kingdom	5	3
World	1,986	604

United Nations Statistics Division Comtrade database

The Notification

23. The WTO Decision on Measures in Favour of Least-Developed Countries states that the rules set out in the various agreements and instruments and the transitional provisions in the Uruguay Round should be applied in a flexible and supportive manner for the least-developed countries. The Decision further foresees that, to this effect, sympathetic consideration shall be given to specific and motivated concerns raised by the Least-Developed Countries in the appropriate Councils and Committees. This has been reiterated again and again, lastly at the 4th WTO Ministerial held at Doha.

24. Bangladesh is of the view that the circumstances of the domestic industry in the categories of products listed, and described, justify the action intended under this notification. In light of the Decision referred to above, and of the special difficulties which it faces as a Least-Developed Country, Bangladesh hopes that Members will appreciate the circumstances that Bangladesh finds itself in, and will whole-heartedly support the present notification.
