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# *EVERYTHING BUT ARMS INITIATIVE OF THE EU (EU-EBA): MARKET ACCESS IMPLICATIONS AND POTENTIAL BENEFITS FOR BANGLADESH*

***(Executive Summary)***

**A Study Prepared under the CPD's Trade Policy Analysis Programme**

**Debapriya Bhattacharya**
**Mustafizur Rahman**
**Ananya Raihan**

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**Centre for Policy Dialogue**
House No 40/C, Road No 11 (new), Dhanmondi R/A, Dhaka-1209
*Mailing Address*: GPO Box 2129, Dhaka 1209, Bangladesh
Tel: (880 2) 8124770; Fax: (880 2) 8130951; E-mail: cpd@bdonline.com
Website: www.cpd-bangladesh.org

# EVERYTHING BUT ARMS INITIATIVE OF THE EU (EU-EBA): MARKET ACCESS IMPLICATIONS AND POTENTIAL BENEFITS FOR BANGLADESH

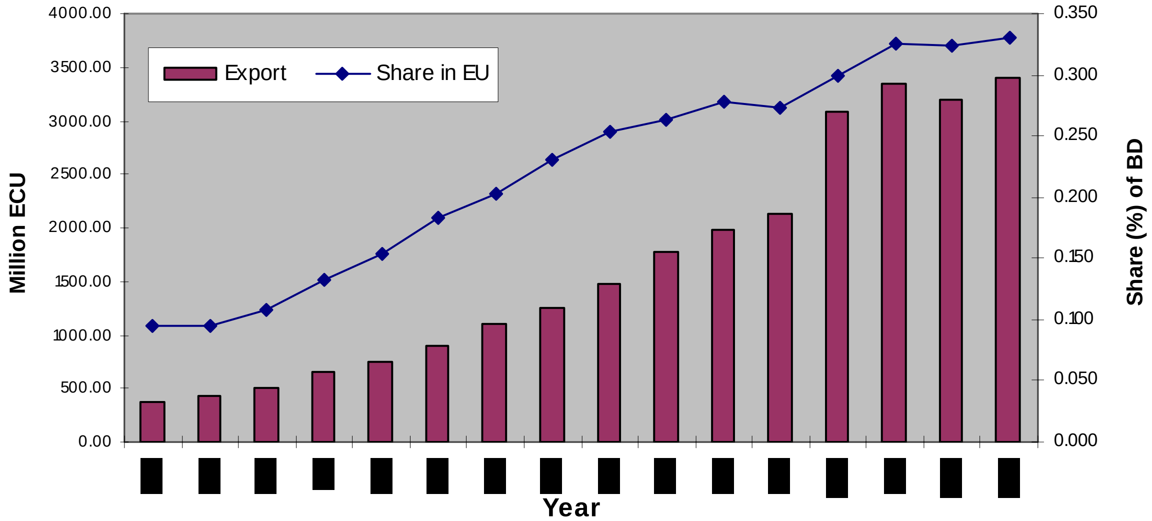
## ❑ *About the CPD Study*

- GSP Schemes were introduced in 1971 to facilitate access of products from the LDCs to the markets of developed countries. This initiative was a follow-up of the UNCTAD recommendation of 1968 to put in place preferential market access schemes for developing countries as a supportive measure towards efforts to develop their economies. The GSP schemes offered two important benefits: (a) preferential market access in the form of reduced (or zero) tariffs for particular products originating in the LDCs; (b) enhanced market access in the form of increased quotas, or quota/ceiling-free entry of products into domestic markets of developed countries. These preferential market access schemes are necessarily subject to various rules of origin (RoO) which are specific to individual GSP schemes, and often vary between products within a single GSP Scheme. Bangladesh has been a beneficiary of the GSP scheme run by the EU since her independence in 1971. As a matter of fact, the EC GSP Scheme were also initiated around this same period. At present Bangladesh enjoys preferential market access under 17 GSP Schemes.

- The focus of the CPD study were: (a) to analyse the new scheme and identify its departure from the earlier scheme; (b) to identify products of Bangladesh's export interest which have come under the purview of the new scheme; (c) to analyse the market access opportunities of the newly included products in the markets of the EU; (d) to review the current supply side capacity in view of these opportunities; and (e) suggest measures towards capacity building in relevant areas in order to be able to realise the potential benefits.

## ❑ *Importance of the EU Market for Bangladesh*

**Figure 1: EU's Imports from Bangladesh and Bangladesh's Share in Total Imports of EU Countries**



- Over the past years the EU has evolved into the single largest market for Bangladesh's exports. Bangladesh's exports to the 25 member-countries of the expanded EU currently stand at US$3298.6 million (FY2003) which was about half (50.4%) of Bangladesh's global export of $6548.4 million over the corresponding year. This explains why preferential access to the EU market is of such crucial importance to Bangladesh. Major export destinations in the EU include Germany ($819.9 million or 24.9% of Bangladesh's total exports to the EU), UK ($771.1 million or 23.6%), France ($417.9 million or 12.7%), Italy, Belgium and the Netherlands ($260.0 – 290.0 million, at about 8.4% each).

### ❑ *The EU-EBA Initiative: Distinctive Features*

- The EU-GSP Scheme previously in place (prior to the EU-EBA initiative) allowed Bangladesh zero-tariff access to the EC market for most of her manufactured exports, subject to conformity with EC Rules of Origin (RoO). A large number of products belonging to agro-product groups (HS 1-25) were also covered under the EC-GSP Scheme. As an LDC, Bangladeshi exports were also allowed quota-free entry into the EU market for products which were covered by the EC-GSP Scheme (in case there were quotas on those items in the EU market). However, the EC-GSP Scheme still excluded about 10 per cent of the 10,500 tariff lines at HS 8 digit level which were included in the Community's tariff schedule. Thus, out of the 10500 items (tariff lines), 944 tariff lines were excluded from the EC-GSP Scheme prior to the introduction of the EBA initiative. The EU-EBA initiative has now expanded the ambit of the EC-GSP Scheme to include 919 new tariff lines out of these 944 lines, excluding only 25 items relating to trade in arms. These 919 items are agricultural and agro-processed products which fall under HS 1-25 which were not previously included under the EC-GSP Scheme. In the case of only three products, bananas, sugar and rice, there will be some safeguard measures for a number of years (between 2006-09). It is to be noted that the EU absorbs 20% of developing country exports and 40% of EU imports originate in developing countries. The EU is the largest importer of products from developing countries ($432.0 billion) accounting for more than the combined imports from these countries by the US, Canada and Japan. EU also ranks first amongst importers of agri-products from developing countries. EU imports under GSP amounted to $63.8 billion in 2002 compared to $19.2 billion by the USA. Bangladesh ranked first amongst the GSP beneficiaries amongst the LDCs.

- The EU-EBA has a number of important features, and is important for Bangladesh for a number of reasons: (a) The initiative has ensured WTO compatibility by ensuring that non-Lome LDCs receive the same treatment as was offered to Lome LDCs (zero-tariff, zero-quota market access for virtually all goods); (b) Unlike the previous EC-GSP Scheme which was subject to renewal and revision, the EBA has no time limit. This has added an element of certainty and security in terms of market access to the EU; (c) the facility of regional cumulation for members of a number of regional associations, including the SAARC, has been retained; (d) the EBA initiative, introduced prior to the revision of the GSP Scheme for the period 2006-2015, will become part of the revised Scheme; (e) the EBA initiative is also important from the point of view that it puts moral pressure on US to support LDC demands in the current negotiations in the WTO favouring *a global duty-free, quota-free access to all products from the LDCs;* (f) it is also important that the EU-EBA comes at a period of enlargement of the membership of the EU with concomitant expansion of the community's market size; (g) the ongoing negotiations on Agreement on Agriculture (AoA) are likely to lead to substantial reductions in export credit and domestic support within the EU - this is expected to result in important changes in the domestic price of agri-products in the EU and push up the price level within the community; this is likely to lead to larger volume of imports of agri-products to the EU, and consequently, more export opportunities for the LDCs under the EBA; (h) the EU-EBA initiative favouring the agricultural sector comes at a period when LDCs, which are predominantly dependent on the export of apparels, are preparing to brace themselves for the post-MFA regime; as such the initiative provides an opportunity to the LDCs to reduce their vulnerabilities in the global export market, increase export diversification and search for other market opportunities. This is of significant importance to Bangladesh and other LDCs; (i) the EU-EBA initiative, as articulated by Mr. Pascal Lamy, is to be complemented by targeted trade-related capacity building initiatives; (j) the initiative to provide greater market access to agricultural goods is also important in view of the importance of the agricultural sector in terms of its multiplier implications for poverty alleviation.

- However, there are some limitations in the EU-EBA in its present form. The *first* limitation, which relates to the institutional arrangement, is that unlike the *Cotonou Convention*, finalised in 2000 (as a successor to the *Lome Convention)*, it is non-contractual, and therefore may be withdrawn if the EU so decides. (However, it is to be noted that the draft of the EU GSP Scheme for 2006-2015 proposes more favourable treatment for LDCs in case of graduation). The *second* limitation is that the EU-EBA is subject to a new safeguard clause, which allows the EC to withdraw the preference following 'massive increase in imports … in relation to … usual levels of production and export capacity of LDCs'. The *third* limitation relates to the safeguard measures with respect to bananas, rice and sugar which will be phased out between 2006 and 2009 (2006 for bananas and 2009 for rice and sugar). The *fourth* limitation is that the rules of origin under the EC-GSP scheme has remained unchanged under the new EBA initiative.

- Since the new initiative does not envisage any change in the RoO (including the regional cumulation facilities), from a static perspective the EU-EBA may have limited impact on the exports of *existing products* which have been enjoying preferential market access under the EC-GSP Scheme previously. However, the new initiative does bring in elements of predictability and security to preferential treatment, and hence may potentially have positive supply side impact on products which have been enjoying preferential access under the erstwhile GSP Schemes of the EU. However, as was noted earlier, 919 new items have been included under the EBA Scheme, and it is these new items which are the focus of the present study.

## ❑ *Objective and Methodology of the Study*

The objective of the present study was to explore and analyse *incremental* export opportunities for Bangladesh in view of the EBA initiative, and come up with policy suggestions to access the potential market openings under this initiative. At the first stage, an impact analysis was carried out under a general equilibrium framework based on GTAP data to capture the static impact of the EU-EBA. At the second stage, a mapping exercise was carried out in order to identify new products of Bangladesh's interest included under the EBA initiative. Based on this identification, an analysis was carried out to capture the potential benefits which may accrue to Bangladesh in the export of these identified items and also some of the new export opportunities. The study then identifies the current bottlenecks and comes up with a number of policy recommendations which could help Bangladesh realise the potential opportunities.

## ❑ *Results of Simulation Exercise*

**TABLE 1: EXPECTED CHANGE IN THE VARIOUS ECONOMIC INDICATORS AS A RESULT OF THE EU-EBA**

(in percentage)

| | Simulation–1 | Simulation-2 | Simulation-3 |
|---|---|---|---|
| Change in Export | 0.97 | 1.89 | 0.96 |
| Change in GDP | 0.09 | 0.18 | 0.09 |
| Change in Terms of Trade | 1.66 | 2.81 | 1.63 |
| Change in H/H income | 2.31 | 3.93 | 2.27 |

**Source:** Results from Simulation Exercise.

- As was mentioned, the potential benefits of the EBA in terms of its implications for Bangladesh's export was studied under a General Equilibrium Framework (GEF). The exercise was based on information from the GTAP database. Overall findings of the various simulation exercises indicate that if the RoO remain unchanged, the potential benefits would be limited - about $52.0 million (Simulation 1); a more relaxed RoO would lead to an immediate incremental benefit of about $102.0 million (Simulation 2). However, when the impact of other initiatives such as NAFTA, USTDA are also factored into the simulation exercise the incremental export comes down to $50.0 million (Table-1). Since all the new items included in the EBA belong to agri-product groups, as expected Bangladesh's exports of vegetable products and food items to the EU may register some increase (by 9.3% and 6.5% respectively). The modelling exercise showed that from a static perspective the EU-EBA would not have a large impact on Bangladesh's GDP, terms of trade or household income, mainly because the RoO have remained unchanged and agricultural exports constitute an insignificant part of Bangladesh's current exports to the EU. However, this exercise has its limitation in that it takes a static view. The urgent task is to identify the areas of incremental benefit under the EBA, establish a supportive policy package to develop supply side capacities and promote private sector interests to help realise the potential benefits.

## ❑ *Analysis of Potential Benefits*

**TABLE 2: NUMBER, VALUE AND VOLUME OF BANGLADESH'S EXPORT ITEMS NEWLY INCLUDED IN EU-EBA LIST**

| | | Items Exported by Bangladesh | | | | | |
|---|---|---|---|---|---|---|---|
| | | 1990 | 1995 | 1999 | 2000 | 2001 | 2002 |
| New Tariff lines in EU-EBA: 919 at 8 digit level | Number | 2 | 9 | 7 | 14 | 13 | 18 |
| | Value in 1000 € | 60 | 37 | 27 | 43 | 91 | 386 |
| | Volume in tons | 1001.0 | 29.0 | 27.0 | 46.0 | 85.0 | 657.6 |

**Source:** Computed from Euro-State Database.

**TABLE 3: BANGLADESH'S EXPORTS TO THE EU IN 2001 AND EFFECTIVE GAINS UNDER THE EU-EBA INITIATIVE**

| HS8 | Value in 1000 ECU | Volume in Ton | Unit Price 1000 ECU/Ton | Tariff Rate | | Effective Gain (2001) | |
|---|---|---|---|---|---|---|---|
| | 2001 | 2001 | 2001 | Ad val | Fixed (ECU/Ton) | Ad val | Fixed ECU |
| 19059090 | 18.31 | 13.2 | 1.39 | 9% | | 0.00% | 0.00 |
| 07092000 | 16.79 | 7.1 | 2.36 | 10.20% | | 0.00% | 0.00 |
| 19059045 | 14.66 | 10.6 | 1.38 | 9% | | 0.00% | 0.00 |
| 17029099 | 9.81 | 20 | 0.49 | | 3.4 | 0.00% | 68.00 |
| 19049010 | 9.48 | 8.4 | 1.13 | 8.30% | 460 | 0.00% | 3864.00 |
| 19041030 | 5.02 | 5.6 | 0.90 | 5.10% | 460 | 0.00% | 2576.00 |
| 19023010 | 4.14 | 3.4 | 1.22 | 6.40% | 246 | 0.00% | 836.40 |
| Total (7) | 78.21 | 68.3 | 1.14 | | | 0.00% | 7344.4 |
| Total of 13 HS | 91.01 | 84.8 | | | | 0.00% | 11000.3 |

**Source:** Computed from EUROSTAT data and Based on Annex Table-A.3.

- In order to capture the dynamic impacts, the study has carried out a detailed analysis of the possible implications of the EU-EBA on Bangladesh's exports to the European market. As part of this study, a mapping exercise was carried out whereby the 919 newly included products were matched with items exported by Bangladesh in the recent past. Firstly, the list of 919 new tariff lines (at 8 digit level) which came under the purview of EU-EBA were identified and studied. Following this, the list of Bangladesh's exports to the EU at 8 digit level was identified from the Eurostat data set. A mapping exercise was then carried out to identify Bangladesh's exports to the EU at 8 digit level that matched the newly inducted 919 items in the EBA list. In all 35 such items were identified that were exported by Bangladesh to the EU at one point of time or other between 1990 and 2002. The number of such items has changed over time, with some items appearing in the export list in some years, and disappearing in others. In 2001, when the EBA was introduced, Bangladesh exported 13 items in the list (out of the aforesaid total of 35) of the new items in the EBA (Table-2). The total value of these items was not very significant, €91.0 thousand only (the volume of export was 85.0 tons) in 2001. Under the EBA there will no longer be any duty or quota on these items.

- Seven of the most important exports of Bangladesh in the identified list are (i) Fresh or chilled asparagus (07092000); (ii) Medium rain husked-brown-rice (10062013); (iii) Long grain husked-brown-rice (10062098); (iv) Wholly milled medium grain rice (10063094); (v) Dried, prepared pasta (19023010); (vi) Rice, pre-cooked or otherwise prepared or roasted (19049010); (vii) Biscuits (19059045); (viii) Juice of passion fruit or guavas (0098032), and (ix)

Juice of mangoes, mangoes tin, papaws, tamarinds, cashew apples, lychees, jackfruit, sapodilla (20098033 ). Previously these items were subjected to ad-valorem taxes or specific duties or both, with the ad-valorem taxes ranging from 6.4% to 33.6% and the specific duties ranging from € 120/ton to € 460/ton (Table-3). Some of these were also subject to tariff rate quotas (TRQs). Under the EBA, both the ad-valorem taxes and specific duties on these products have been withdrawn for Bangladesh and there are no longer any quotas on these items. As a result, the landed price for these products in the EU will be significantly reduced, providing Bangladesh's exporters an edge over their competitors in the EU market.

- If the 2001 export figures of Bangladesh to EU are considered, the incremental gain for Bangladesh's exports in terms of these duties and specific taxes would be around €11 thousand on exports of €91.01 thousand from the 13 HS lines exported in 2001, or equivalent to 10% of the export value.

- It is of important policy significance to note that following the EBA, Bangladeshi exporters are being able to take advantage of the incremental market access provided under the initiative. Analysis shows that following the EBA Bangladesh was able to expand its exports of a number of products, and was also able to export some new products which are included in the new list and which were not exported by Bangladesh previously. Bangladesh's exports of the newly inducted agro-products grew from €91.0 thousand in 2001 to €386.0 thousand in 2002, i.e., by more than 300%. Our estimates show that in 2002 Bangladesh exported 18 items from the new list, worth, as was mentioned, €386.0 thousand, with the export volume increasing from 84.8 tons to 657.0 tons. The benefit, according to estimates carried out in the study, would be about € 151.4 thousand by way of specific taxes and import duty reduction.

**TABLE 4: IMPORTS BY EU OF BD'S NEWLY INCLUDED ITEMS IN 2002 (TOP 10 IN 2002)**

| Items | BD Exp Value in 1000 € in 2001 | BD Exports in 2002 to EU | | | Extra EU Exports in 2002 to EU | | |
|---|---|---|---|---|---|---|---|
| | | Value in 1000 € | Volume in Ton | Unit Price 1000 €/Ton | Value in 1000 € | Volume in Ton | Unit Price 1000 €/Ton |
| Wholly milled medium grain rice (10063094) | 1.09 | 138.04 | 302.2 | 0.46 | 3961 | 5475 | 0.72 |
| Garlic, fresh or chilled (07032000) | | 78.41 | 150.2 | 0.52 | 52407 | 46922 | 1.12 |
| Biscuits (19059045) | 14.66 | 42.72 | 37.4 | 1.14 | 20165 | 7902 | 2.55 |
| Pizzas, quiches and other unsweetened bakers' wares (19059090) | 18.31 | 18.83 | 14.1 | 1.34 | 61833 | 25819 | 2.39 |
| Beet molasses resulting from the extraction or refining of sugar (17039000) | | 18.2 | 29.8 | 0.61 | 57928 | 553668 | 0.10 |
| Sugar, including invert sugar, solid and sugar syrups (17029099) | 9.81 | 17.06 | 35.5 | 0.48 | 2650 | 3691 | 0.72 |
| Fresh or chilled asparagus (07092000) | 16.79 | 13.8 | 6.4 | 2.16 | 58646 | 17845 | 3.29 |
| Rice, pre-cooked or otherwise prepared (19049010) | 9.48 | 12.07 | 12.5 | 0.97 | 3305 | 1720 | 1.92 |
| Medium grain husked-brown-rice (10062013) | | 10.72 | 17.8 | 0.60 | 130 | 144 | 0.91 |
| Long grain husked-brown-rice (10062098) | | 10.28 | 22 | 0.47 | 207074 | 486378 | 0.43 |
| Total | 70.14 | 360.13 | 627.90 | | 468099 | 1149564 | |

**Source:** Estimated on the basis of Eurostat Data Base.

- The export of rice is a case in point. From the insignificant level of €1.09 thousand in 2001, exports of milled medium grain rice rose to €138.04 thousand in 2002. Bangladesh also appears to enjoy a price advantage in the EU market – its average unit price per ton was found to be €0.46 thousand in 2002 compared to €0.72 thousand for extra-EU imports of the same item. Analysis also shows that a new item, garlic (tariff line 07032000), has been added to the 2002 list of exports from Bangladesh. This item was not exported from Bangladesh in the past. Exports of biscuits (tariff line 19059045) have also picked up, registering an export value of €42.7 thousand in 2002 compared to €14.7 thousand in 2001.

- Sugar items appear to hold good export prospects in the EU market; the export value of beet molasses was €18.2 thousand in 2002. Indeed, in 1995 €20 thousand worth of this item was exported by Bangladesh to the EU. Exports of sugar products (tariff line 17029099) also went up from €9.81 thousand in 2001 to €17.06 in 2002. The average price for Bangladesh was €0.48 thousand per ton compared to an extra-EU import average price of €0.72 thousand per ton. Eurostat data indicates that the EU's global imports of the 18 items which were exported by Bangladesh in 2002 was worth €468 million in the same year. Thus, Bangladesh's share was only about 0.08% of EU's total imports of these products. If we take into account the factor of intra-EU imports, the market size of these items rises to €2045.6 million. The EU's imports of these products are also expected to rise as subsidies of various types in existence in the EU are phased out as a result of ongoing WTO-AoA negotiations.

- An attempt was made to compare the unit prices of Bangladesh's identified products with some of the major competitors in the EU. For example, in the case of rice (wholly milled rice: HS 10063094), exports increased from 1 ton to 302.2 tons, quite a significant jump. However, Bangladesh's exports to the EU are insignificant compared to the EU's global imports of this tariff line. In 2000 the EU imported 34,860 tons of this item (Bangladesh's share is less than 1%). The average price level in 2002, at €0.46/ton, also appears to be competitive when compared with an intra-EU average of €0.64/ton, extra-EU average of €0.85/ton, and a global average of €0.68/ton. It is to be noted, however, that some of the regional countries such as Sri Lanka (€0.64/ton), Thailand (€0.61/ton), Pakistan (€0.47/ton) and China (€0.59/ton) appear to have similar price levels as Bangladesh, providing some idea about the possible competitive pressure from regional countries. However, Bangladesh will continue to enjoy more favourable treatment under the EBA in exports of these items. As the study shows, the quota on imports of rice from LDCs is projected to go up from the current level of 3329 tons to 6694 tons in 2008-9 when quotas are to be phased out. The tariffs on rice import from LDCs will also be phased out gradually between now (by 20%) and 2009 (by 100%).

- In the case of garlic, Bangladesh entered the EU market only after the EBA was introduced, exporting 150.2 tons worth € 78.41 thousand. Here also, Bangladesh's prices were lower compared to intra-EU, extra-EU and global average prices. Some of the regional countries such as Myanmar (€ 0.45/ton), Thailand (€ 0.74/ton), India (€ 0.63/ton), China (€ 0.66/ton) are likely to be Bangladesh's major competitors here.

- Yet another item where Bangladesh appears to have export opportunities and does have substantial supply side capacities is poultry products and eggs. Our analysis of tariffs on these products and the market size indicates that though Bangladesh has not exported these products to the EU in the past, these are also items where price comparisons appear to indicate Bangladesh's possible competitive edge in the EU market. However, here compliance with health-hygiene standards, as is the case for many of the agro-products, are likely to play a major role in terms of accessing the EU market.

❑ ***Supply Side Capacities***

- Although analysis of the export performance of the identified products shows that in terms of volume and value their magnitude is not very significant, it is also to be taken into cognisance that Bangladesh is one of the very few LDCs which has considerable supply side capacities in producing many of the items which have been newly included in the list of preferential treatment under the EU-EBA (Table-5). In order to assess the supply side capacities, an analysis was made of domestic production capacities in agri-products, food items and agro-processing, and also exports of such items in the global market (i.e., extra-EU exports by Bangladesh). The new market opportunities were studied in the light of the study findings, recommendations made under the Agricultural Technology Development Programme (ATDP), and some of the ongoing initiatives of the GOB in relevant areas.

**TABLE 5: WEIGHT OF AGRO-BASED INDUSTRY IN BANGLADESH INDUSTRIAL SECTOR**

| Industry | Weights (average in the 1990s) |
|---|---|
| Food, Beverage and Tobacco | 22.14 |
| Fish & Sea Food | 1.81 |
| Hydrogenated Vegetable Oil | 0.44 |
| Flour Milling | 1.18 |
| Bakery | 0.96 |
| Sugar | 2.78 |
| Tea Processing and Blending | 7.87 |
| Jute | 14.07 |

**Source:** ATDP, 2000.

❑ ***EU-EBA and the Required Policy Initiatives***

- SPS-TBT requirements in the EU are extremely stringent, often more stringent than under the relevant provisions of the WTO. It is not easy for producers and exporters in the LDCs to comply with these provisions. A lot will need to be done in terms of addressing the health-hygiene concerns under various import regulations in the EU. The study identified quality assurance, packaging, finishing, supply chain management and marketing as some of the areas where bottlenecks and existing capacity constraints were likely to inhibit realisation of the potential opportunities in the EU market. A number of possible interventions have been identified in this regard. To support exports of agro-processed goods, domestic capacities will need to be developed in such areas as quality foil printing, cap printing, vacuum packaging and bottle manufacturing. Targeted programmes are needed to enable producers and exporters to meet the stringent food safety and safeguard measures in place in the EU.

- The EPB has identified a number of areas where further action is required to enhance export of agro-processed goods: (a) limited cargo space in aeroplanes; (b) slow response of the agro-sector to changing market demands (in production, marketing and distribution); (c) lack of *Cool Chain Transportation* services; (d) lack of improved packaging systems; (e) high rate of air freight; and (f) compliance with SPS-TBT requirements.

- Successive export policies have come up with a number of policy initiatives to stimulate the export of agricultural goods from Bangladesh. Besides the general fiscal and financial incentives which are applicable for all exports, some of the incentives targeted to promote particularly agro-exports have been: (a) recognition of agro-products and agro-processing goods as one of three sectors accorded *highest priority* in export policy 2003-2006; (b) a cash compensation scheme for agricultural and agro-based exports at the rate of 25% (which has recently been raised to 30%); (c) support to the agro-processing sector under the EEF operated by the Bangladesh Bank with the help of commercial banks. (d) waiver of royalties from foreign airlines to facilitate agro-exports; (e) with the help of the Hortex Foundation, technical assistance has been provided to agro-products exporters to enhance their capacity in the field of production, grading, packaging, transportation and distribution; (f) facilitation of the participation of agro-exporters in various international trade fairs; (g) the interest rate for the export credit was fixed at 7%; (h) the facility of subsidised cargo-freight for export of fruits and vegetables.

- Discussion with major stakeholders indicate that Bangladesh's policymakers will need to focus their attention on a number of areas if the country is to reap the potential benefits of the window of opportunity opened by the EU-EBA. The CPD Task Forces on Export Sector set up under its Policy Brief initiatives also came up with a number of important suggestions in this regard. Some of the possible policy interventions could include the followings:

  - *Provide credit, interest and tax support and other facilities/incentives to promote export-oriented agro-processing by taking cognisance of the specific characters of agro-based industries (e.g. relatively longer gestation period) in designing the supportive policies for this sector.*

  - *For supporting preservation of horticulture products, imports of related equipment such as reaper vans and refrigerated-containers should be exempted from duty and VAT.*

  - *To support food processing industries imports of preserving chemicals and technology should be exempted from tax, VAT and duty.*

- *Establishment of an "Exporting Firms Group" based on export markets should be encouraged and supported through credit, tax, VAT and duty exemption facilities, and technology transfer.*

- *Provide credit, tax, VAT and duty facilities for imports of technology to support standard packaging.*

- *Air cargo space for the export of agro-products should be increased and other facilities including offloading and cool room facilities in cargo sheds should be enhanced.*

- *Reduce export freight charges to regional levels.*

- *Support overseas market research for agro-exports through projects such as the Matching Grant Facility (MGF).*

- *Institutionalise and implement quality control measures. The BSTI should be equipped with appropriate technology and qualified manpower to support standardisation of export-oriented agro-industry products.*

- *Support the development of suitable varieties such as baby corn, french bean, okra, mushroom etc. garlic and promote their introduction in the market, both domestic and overseas.*

- *Strengthen laboratory testing capacity and internationally recognised certificate issuance capacity.*

- *Harmonise fiscal and tariff structures; existing anomalies in duty structure, which levy a higher duty on raw materials, inputs and packaging as against processed imports and thus make locally produced agro products relatively uncompetitive, will have to be removed.*

- *Establish intermediate input industries, i.e packaging, bottling, printing, etc.*

- *Develop an effective infrastructure for the transportation of perishables.*

- *Provide bonded warehouse facilities to enable agro-industries to import their inputs.*

- *Establish a HYV seed research and multiplication institute.*

- *Establish an agricultural product development authority to offer one window assistance to local exporters and foreign importers of agro-based industries.*

- *Ensure adequate human resource development through the establishment of a food technology institute with modern facilities.*

- *The revised EU-GSP Scheme for 2006-2015 strongly articulates the need for capacity building through technical assistance to enable LDCs to realise the potential opportunities originating from the EC-GSP Scheme. In view of the above felt-needs, Bangladesh should prepare concrete proposals for technical assistance from the EU to address the relevant tasks.*

- *Make best use of the ongoing regional trading negotiations with a view to enhance opportunities of exporting agro-based and agro-processed goods to the EU.*

- *Analyse the outcomes of the ongoing negotiations in Geneva as regards the Agreement on Agriculture (AoA) in order to identify the market opportunities in the EU under the EBA in the context of further liberalisation of the markets for agri-goods products.*

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