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POLICY BRIEF ON "INDUSTRY AND TRADE" CPD TASK FORCE REPORT



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Policy Brief on Industry and Trade

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Policy Brief on "Industry and Trade"

Background of the Policy Brief Exercise

Issues of short as also medium to long term developmental interests to Bangladesh are expected to be at the centre of focus of discussion during the run up to the next parliamentary elections. Manifestos of the political parties will deal with such issues, voters will be interested to know the standpoint of the various political parties on these issues, and major stakeholders will be articulating how they would like these issues to be addressed by the policy makers. Questions will be asked, answers will be sought, positions of political parties will be weighed and judged. In all likelihood, this will be a time of heightened interest as to how the economy should be run over the next few years consequent to the assumption of office by the newly elected government. The initiative of CPD to prepare *Pre-election Policy Briefs* is geared towards contributing to this process by stimulating an enlightened and constructive engagement by the civil society on key policy issues at this important juncture in our nation's history. Such an exercise, apart from enriching the pre-election policy discourse, is also expected to contribute towards evolution of a consensus based developmental agenda to be subsequently pursued and implemented by the newly elected government. Articulated through a process of intensive discussion, and validated by consultations with multi-stakeholders, such an agenda could claim domestic ownership in design and broad-based support in implementation.

In the above context, the importance of industry and trade related issues, as areas of popular concern and developmental interest, can not be overemphasised. *The Policy Brief on Industry and Trade*, thus, occupies a central position in CPD's ongoing exercise to prepare a set of Policy Briefs to inform the electoral debate 2001 in Bangladesh.

Objectives

The objectives of this Policy Brief on Industry and Trade, *inter alia*, include the following:

- To highlight important milestones in the development of Bangladesh's industry and trade sectors over the recent past
- To articulate major challenges in the area of industry and trade
- To come up with policy recommendations to address the attendant challenges
- To provide inputs to the electoral discourse on issues related to development of industry and trade in Bangladesh, and
- Based on the above, to put before the newly elected government a set of actionable agendas to stimulate development of trade and industry.

The present Policy Brief has been prepared through an intensive consultation and discussion process with active participation of the members of the *Task Force on Industry and Trade*. The draft has also incorporated many of the comments and

suggestions made in the course of dialogues with major stakeholders in Dhaka and Khulna where the initial draft of the report was presented.

1. The Context of the Discourse and the Emerging Challenges

1.1 Development of the Industrial Sector: Issues and Challenges

1.1.1 There is a general consensus that in order to generate accelerated economic growth Bangladesh will need to ensure radical structural shift favouring the industrial sector. The Industrial Policy 1999 sets a target contribution of 25 per cent of GDP coming from the manufacturing sector, as also a target of 20 per cent of employment to be created in this sector. As is known, the erstwhile policy emphasis on public sector-led, import-substituting industrialisation in Bangladesh has now given way to a market-oriented, private sector-led export-oriented industrialisation strategy. In the context of the limited resource base of Bangladesh, the constraints of the domestic market, the pressure from a growing labour force in search of gainful employment and also in view of the emerging opportunities in the global market, the task of designing an industrial strategy capable of adequately addressing the emerging challenges, both domestic and global, have become one of paramount importance for future development of Bangladesh. The importance of industrial development as an engine of Bangladesh's economic growth is also reinforced by a growing realisation that the development of agriculture sector, one of the mainstays of the country's economy, critically hinges on its backward and forward linkage with the industrial sector.

1.1.2 Industrial development of Bangladesh, during the post-independence period, both in terms of its growth rate as well as the structural changes, has been rather modest. This is not to say that there had been any shortage of industrial policies: Industrial Policy of 1973, the New Industrial Policy of 1982 (NIP-1982), the Revised Industrial Policy of 1986 (RIP-1986), followed by a number of other policies, with the latest being the Industrial Policy of 1999, have all attempted to revamp the sector with a view to create a strong manufacturing base in the economy. In spite of these efforts, between 1973/74 and 1999/00 manufacturing GDP has increased at a modest annual compound rate of only 3.8 per cent. As a result, the sector's contribution to GDP has been delimited to about 11 per cent during the entire period (15 per cent according to revised estimates under the new system of national accounting). To be fair, the 1990s saw some upturn in the sector's performance: according to new estimates, the annual compound rate of manufacturing growth between 1988/89 and 1994/95 was estimated to be nearly 8.2 per cent, with some decline in the second-half of the 1990s when the growth rate came down to 5.5 per cent.¹ However, the growth rate and the attendant intra-industry structural changes were not robust enough in a way that could make the

¹ The fall in growth rate to the level of 3.2 per cent in 1999 due mainly to flood 1998 has contributed to this deceleration in growth rate.

industrial sector play the role of an *engine of growth* to service the needs of an economy geared towards a *take-off*.²

- 1.1.3 A disaggregated picture of the performance of the industrial sector³ provides some useful insights. Within the industrial sector, it is the large industry which has come to play an increasingly important role in recent years. Thus, a point to note here is that, in terms of value addition, the share of large industry has gone up from 51 per cent to 67 per cent between 1973/74 and 1999/00 (71.8 per cent according to new estimates). The annual compound growth rates for large industry were 8.4 per cent and 5.5 per cent during the first and second half of the 1990s respectively; the corresponding figures for the small scale industry were 7.7 per cent and 5.5 per cent.⁴ Of some concern is the deceleration in the growth rates for both large and small scale industries over the last couple of years.⁵
- 1.1.4 The rise in the share of large industry in the industrial GDP, however, conceals the fact that the industrial base has continued to remain rather narrow. A large number of these industries registered negative growth: for example, 28 such industries accounting for a combined industry weight of 57 per cent either posted negative growth or stagnated during the second-half of the 1990s. Factors contributing to this deceleration have varied from industry to industry: jute and textile industries have suffered from falling demand and synthetic substitutes, paper industry through displacement by competing imports, and sugar industry from high production costs.
- 1.1.5 It is to be noted here that more than four-fifth of the growth of the industrial sector in the 1980s was accounted for by 5 industries with a combined weight of 19.5 per cent. Of these, three, readymade garments, fish and seafood and leather tanning and leather goods are predominantly export-oriented industries. The other two industries, fertiliser and pharmaceuticals industries, registered robust performances thanks respectively to large scale public sector investment and protection from competing imports. There have been some positive changes though in the 1990s, with the industrial growth becoming more broad-based. Accordingly, the top five industries contributed to about 67.3 per cent of sectoral growth accounting for a combined weight of 27.8 per cent. Of interest to note here is that excepting RMG, the other four such industries belong to import-

² This does not compare favourably with some of the neighbouring countries such as Thailand which has seen the contribution of its industrial sector to GDP register a rise from 22 per cent to 32 per cent between 1980 and 1998.

³ *Industry* is broadly defined in the Industrial Policy 1999 to include manufacturing industry which includes all production, processing and assembling activities as well as repairing and reconditioning of processed goods, and also service industry which includes service oriented activities which involve significant use of equipment or fixed assets.

⁴ "Large Industry" is defined in the new Industrial Policy 1999 to include all industrial enterprises having 100 or more workers and/or having a fixed capital of over Taka 300 million. Medium industry covers enterprises employing between 50 and 99 workers and/or with a fixed capital investment between Taka 100 million and Taka 300 million. "Small Industry" means enterprises having fewer than 50 workers excluding the cottage units and/or with a fixed capital investment of less than Taka 100 million. "Cottage Industry" covers household-based units operated mainly with family labor.

⁵ There has, however, been some encouraging upturn during the first three quarters of FY2001.

substituting category: pharmaceuticals, bidi, publication and printing and re-rolling mills. However, excepting cement, which was supported by large FDI infusion, dominant import-substituting industries such as pharmaceuticals, soap and detergent, fertiliser, re-rolling, silk and synthetics have failed to post robust growth in recent years. On the contrary, driven by robust export sector performance, export-oriented industries such as RMG (both woven, and most notably knit), leather and frozen food have performed relatively well.

- 1.1.6 The performance of the small and cottage industry sector calls for special attention because of its labour-intensive character, its focus on catering to the demand of low and medium income consumers and its capacity for import substitution. Amongst the small scale industries, production of electric apparatus, plastic toys, miscellaneous metal wears, tin plate and readymade wear has registered robust performance in recent years. To be sure, this subsector has also been particularly vulnerable to natural disasters and other production snags compared to medium and large scale industries.
- 1.1.7 With the gradual dismantling of the public sector, and increasingly more emphasis being put on the private sector underwritten by the private sector led industrialisation strategies pursued in the 1980s and 1990s, the share of public investment in total manufacturing investment has come down from 57 per cent in 1980/81 to only 3.4 per cent in 1998/99.⁶ The failure of the private sector, either domestic or FDI, to bridge this gap in any substantive manner, has been a major cause for the slow growth of Bangladesh's industrial sector in recent years. Manufacturing investment remained less than 3 per cent of GDP throughout the last two decades; FDI in EPZs accounted for less than 10 per cent of the total manufacturing investment during this period. Major part of FDI flow to EPZs was in garments, textiles, footwear and other labour intensive sectors which accounted for about 70 per cent of total investment, whilst the share of relatively high-tech industries such as electronic and electrical goods and metal based products had been around 12 per cent only. FDI flow to Bangladesh has been concentrated only in a few subsectors such as gas, power and cement, the average annual flow being less than US\$ 200 million in the 1990s.⁷ Bangladesh's failure to attract any significant quantum of FDI should be judged in the context of the very liberal, even by regional standards, investment regime put in place for attracting foreign investment: Bangladesh has no restriction on foreign equity participation, no prior approval is required for any level of FDI and there is a very liberal policy in the area of remittance and profit repatriation.
- 1.1.8 Factors inhibiting industrial investment in Bangladesh are rather common for domestic as well as foreign investors: poor infrastructure, absence of skilled labour and mid-level technical expertise, underdeveloped legal system, constraints originating from limited size of the domestic market, law and order situation,

⁶ As a matter of fact, fertiliser has been the lone sector where public investment was made in any significant amount in recent years.

⁷ To compare, FDI in Thailand averaged US\$ 2.0 billion annually over the corresponding period.

bureaucratic red tapism, and weakness of institutions. Though, as of now, trade unions are not allowed to function in the EPZs, the recent decision by the GOB, under pressure from some of the OECD governments, to allow trade union activities in EPZs by 2004, is also expected to have important implications in terms of investment in the EPZs.

- 1.1.9 Performance of the industrial sector has also suffered owing to only a modest rise in labour productivity, which has failed to match the rise in real wages, and also as a result of the marginal decline in capital use efficiency as manifested in the change in the *incremental capital value added ratio* (ICVR) from 3.2 during 1990/91-1994/95 to 3.8 during 1995/96-1999/00.
- 1.1.10 The number of public sector enterprises (PMEs) has come down from their peak of 416 in 1976/77 to 146 in 1990/91, and to 116 in 1999/00. Excepting four products, which experienced a modest growth ranging 3-6 per cent, all other PME products experienced a declining output during the 1990s. The total loss of PMEs stood at Tk. 4.8 billion in 1999/00, which was equivalent to 4.3 per cent of industrial GDP in the large-scale manufacturing sector during the corresponding year.⁸ The country is also burdened with the sick industries: of the 1960 private enterprises applying for registration with the Ministry of Industry in 1997, about two-thirds or 1265 enterprises were manufacturing units with 10 or more workers.⁹
- 1.1.11 The pace of liberalisation and the changing trade regime, failure to raise efficiency and competitive strength, under-development of capital market, lack of timely access to loan, compounded by corruption and bad governance have contributed to a situation where the performance of both industrial as well as the financial sectors had been seriously undermined. The quality of a significant part of industrial loan was questionable; the practise of the banking sector of borrowing short and lending long compounded the problems. The government, in its attempt to improve the situation has been taking a number of measures including strengthening of legal framework, institutions and processes for debt recovery, reform of the NCBs, and better monitoring of the private and public sector banks. In spite of these efforts total classified loans stood at Tk. 55.4 billion in June, 2000, which indicates that the aggregate rate of non-performing loans remained as high as 39.7 per cent.¹⁰ Identifying appropriate modalities to unburden the financial sector of this huge non-performing loan remains a key measure in terms of reducing the cost of capital to be borne by entrepreneurs, enhanced flow of loanable funds to the sector and, consequently, for ensuring an accelerated growth of the country's industrial sector.

⁸ During the first ten months of current FY2001 the losses incurred by PMEs amounted to Tk. 3.3 billion.

⁹ These accounted for 4.4 per cent of all manufacturing enterprises and 6 per cent of all employment in units with 10 or more workers.

¹⁰ It is interesting to note here that the share of SOEs in the total outstanding loans was 49 per cent, whilst that of private borrowers was 51 per cent (as of June, 2000).

1.1.12 Setting up of the *Privatisation Board* in 1993 and enactment of Privatisation Law in July, 2000 were attempts by successive governments to unburden the public sector of losing SOEs. However, during 1993-1995 the Board had been able to privatise only 12 mills with a total value of Tk. 186.9 crore; during 1996-00, 8 more enterprises valued at Tk. 8.3 crore have been privatised; sale process for 2 more units have been initiated; letter of intent has been issued for 8 other mills; shares of 6 multinational and national companies have been offloaded; in case of 4 public limited companies GOB has delivered its share to ICB. Over the recent past, GOB has handed over 9 textiles mills to the workers, employees and management of the concerned mills as a new form of privatisation. However, the pace of privatisation remains modest, indicated by the fact that losses suffered by the PMEs declined only at a rate of 4 per cent per annum between 1990/91 and 1999/00.

1.2 Trade Reforms, External Sector Performance and Industrial Growth

1.2.1 Trade and investment regimes in Bangladesh had traditionally been designed to service the inward looking, import-substituting growth strategy which informed the development agenda of the country in the 1970s. Tentative steps to deregulate, decontrol and liberalise the Bangladesh economy were first initiated in the early 1980s. Liberalisation policy pursued by Bangladesh since then is observed to have passed three phases.

1.2.2 The first concerted effort at reforming the erstwhile import-substituting trade and investment regime was undertaken in the early 1980s with the introduction of the New Industrial Policy of 1982. The NIP-82 was adopted with an objective, *inter alia*, to encourage greater participation of the private sector in the industrialisation of the country. The policy called for important changes in the investment and trade policies pursued by the country since the post-independence period. This phase of reform covering the period between 1981/82 to 1985/86 witnessed a number of important initiatives towards liberalisation of the economy, including a shift from the *positive* list of import control to a *negative* list, reduction in the number of commodities imports of which were banned, expansion of export performance benefits, introduction of duty drawback facilities to stimulate the export sector, and setting up of institutions to stimulate export-oriented activities. The second phase was initiated in 1986 to coincide with the Revised Industrial Policy (RIP, 1986) and covered the period between 1986/87 and 1990/91. This phase saw removal of a large part of the quantitative restrictions (QRs) on imports. The number of QRs came down from 478 to 239 between 1985/86 and 1991/92. A substantial reduction in the anti-export bias was achieved through rationalisation of tariffs, reduction in the number of tariff slabs and introduction of a system of concessions and incentives for export-oriented activities which included zero-tariff access to imported inputs, subsidisation of export credit and special incentives for economic activities in export processing zones (EPZs).

- 1.2.3 The most recent one, the third phase initiated in 1991-92, was the most intensive of these phases, both in terms of the depth of the reforms undertaken, as well as their coverage. The third phase was the most comprehensive compared to the reforms of the earlier two phases. The third phase, in effect, coincided with the structural adjustment programme (SAP) which was being implemented in about the same period. The SAP envisaged important and deep reforms in the fiscal, financial and institutional policies which were in place in Bangladesh. This phase of reform went a long way in instituting a set of reforms which created a policy environment that was conducive to export promotion and capable of substantially reducing the existing anti-export bias in the economy.
- 1.2.4 As a result of the reforms average nominal tariff rates in Bangladesh came down from 89 per cent to 17 per cent between 1991/92 to 1999/00. For manufacturing imports, the corresponding import-weighted tariff rates were brought down from 51.8 per cent to 15.9 per cent over the matched period. The reforms helped reduce the difference between the statutory levels of protection and the observed levels. The multiple rate sales tax, which had an inherent import discriminating bias was replaced by a flat value added tax (VAT)¹¹ which was imposed on both imports and domestically produced goods. Regulatory duties and surcharges on imports were replaced by a supplementary excise duty, which is a trade-neutral consumption tax.
- 1.2.5 The degree of openness of the Bangladesh economy increased significantly as a consequence of the deepening of the liberalisation reforms. Although Bangladesh's average tariff rates are somewhat higher compared to a number of countries in Latin America and South East Asia, these continue to remain lower compared to other South Asian countries barring Sri Lanka and Nepal. As a matter of fact, excepting Columbia, Bangladesh's reduction in average tariffs over the reform period was the highest in the world.¹² Effective protection rates have also registered significant decline in case of most of the industries.¹³ Excepting the textiles sector, QRs in almost all other sectors have been brought down substantially;¹⁴ most of the remaining QRs (about 40 per cent) are on account of non-trade related factors.
- 1.2.6 The change in the import regime in post-reform Bangladesh appear to have been quite radical when posited against the pre-reform regime. Consequently, the domestic import substituting industries are now faced with a heightened degree of competition with substantial erosion in the levels of protection. The reduction in protection rates have also gone hand in hand with the export-promotion strategy which was pursued over the same period.

¹¹ The VAT was fixed at a flat rate of 15% from the very beginning when it was introduced on July 1, 1991.

¹² This is measured as a ratio of average tariffs following the reforms compared to those prior to the reforms.

¹³ Effective protection rates measure protection to net value added and is a qualitatively better indicator of the degree of protection enjoyed by a certain industry since it takes into account protection on traded inputs

¹⁴ About 25 percent of all eight-digit harmonised system in textiles are under quantitative restrictions.

- 1.2.7 Till the time when trade policy *per se* is able to eliminate the anti-export bias in the policy regime, export promotion incentives continue to play a crucial role as complementary to the liberalisation process. The incentives ensure that export-oriented industries are able to access imported-inputs at world-prices, exporters are subsidised which enable them to compete from position of strength in the global market, investments in export-oriented industries are encouraged, and that foreign direct investment in export-oriented industries in the EPZs are promoted. These incentives have played a crucial role in enabling Bangladesh to achieve a robust annual export growth rate of 12.5% over the last decade.
- 1.2.8 The export incentives provided in Bangladesh till now could be broadly grouped into (a) assistance to gross value added or returns to primary factors, (b) assistance to inputs or intermediates and (c) assistance to output. The main objectives of these incentives are to: (a) ensure reduction of administrative bottlenecks, (b) enhance backward linkage and value addition, (c) diversify exports, (d) promote export-oriented investment, and (e) strengthen price competitiveness in global markets. The incentives have gone a long way to ensure a *norm situation* for the export-oriented activities in Bangladesh, and were able to substantially reduce the *anti-export bias* in the economy.
- 1.2.9 To stimulate export-oriented activities, exporters have been provided with import facilities under back-to-back L/Cs, bonded warehouse facilities, assistance under cash compensation scheme and duty drawback; 100 per cent export-oriented units outside the EPZs are allowed to import capital machineries on a duty free basis. The approval of the *Private Export Processing Zone Act 1996* by the cabinet enables private companies to set up special EPZs in selected areas. The government is also actively considering the option of allowing local private entrepreneurs to set up export-oriented industrial parks. However, due to implementational weakness and low capacity of institutions, incentives have often failed to reach their objectives.
- 1.2.10 The impact of the liberalisation policy has been mixed. Easier access to imported raw materials, derestriction and deregulation coupled with new incentive regimes have contributed towards and encouraged export-oriented investment in the country over the recent past.¹⁵ On the other hand, some of the import-substituting industries have been negatively impacted as a consequence of the policy of import liberalisation. This has been accentuated by the relatively rapid pace of liberalisation, lack of prior and clear understanding about the calendar of reforms and their potential consequences for the economy, and also because the reforms to liberalise the economy was not accompanied by adequate complementary reforms in other areas which could stimulate the required supply side response.
- 1.2.11 As a result of the trade reforms, its concomitant impact on the production capacities within the country, enhanced access to production and non-production

¹⁵ It is, however, difficult to establish one-to-one correlation between Bangladesh's robust export sector performance and the policy of import liberalisation.

related imports and accelerated growth of exports, the degree of openness of the Bangladesh economy has gone up significantly over the recent past: from 21 per cent in 1980/81 to 30 per cent in 1999/00.¹⁶ Exports expanded at 9.2 per cent and 14.4 per cent during the 1980s and 1990s respectively, whilst the corresponding figures for imports were 4.4 per cent and 10.9 per cent. Consequently, there has been a steady rise in the capacity of export sector to pay for the rising imports: from 31 per cent in 1980/81 to 67 per cent in 1999/00. Over the last two decades there has been significant shift from *resource-based* to *process-based* exports and, from a significant dependence on primary commodities to manufactured ones within the export basket. However, the flip side of this is that there has been a parallel shift from *jute-centric export structure* to an *RMG centric one* with the result that the degree of concentration in exports has gone up significantly in the 1990s. Woven and knit-RMG now contribute about three-fifths of total exports from the country. This growing product concentration was also accompanied by a growing market concentration, where EU and USA account for more than four-fifths of the total export. Export-diversification and market diversification continue to remain major challenges confronting the export sector of the country; a lack of capacity on both these counts has added quite a significant measure of vulnerability to Bangladesh's export sector performance. As was mentioned earlier, export-oriented industries account for about a-third of the industrial capacity in the country; the share of this segment of the industrial base in terms of fixed assets, investment, industrial loan and employment has been on the rise in recent years, not least, as has been pointed out earlier, because of the fact that the rate of growth of export sector was more than double the rate of growth of the manufacturing sector throughout the 1990s.

- 1.2.12 In spite of the robust performance demonstrated by the export sector, it is faced with major risks and beset with acute problems originating from domestic supply side constraints and factors related to the demand side in the form of market access challenges and pressure from emerging competitors. Both these factors have the potential capacity to undermine the recent relative success enjoyed by Bangladesh's export oriented sector.
- 1.2.13 Supply side bottlenecks pose formidable challenge in translating Bangladesh's *potential opportunities* into *realised opportunities*. For example, lack of adequate backward linkage industries in spinning and weaving not only undermines Bangladesh's competitive advantage, but also severely limits her capacity to access the GSP facilities provided by the EU in the apparels sector.¹⁷ At a time when the lead period allowed by international buyers is being drastically reduced, establishing backward linkage in textiles has become an important factor in terms of the continued competitiveness of the country's RMG sector. Bottlenecks related

¹⁶ Degree of openness of the economy shows share of export and import as a percentage of the corresponding GDP.

¹⁷ Bangladesh is able to access GSP facilities for her apparels export to the EU market only to the tune of about 35-40 per cent of her total export because of her inability to comply with the *two-stage conversion* requirement for accessing GSP facilities.

to infrastructure, communication, ports,¹⁸ governance of the external sector, and lack of capacity in implementing the incentives regimes¹⁹ as well as the effective proper functioning of export related institutions have severely constrained the efficiency of the export sector of the country. Such bottlenecks add to the cost of doing business in Bangladesh and discourage further investment in export-oriented activities.

1.2.14 Since compliance with stringent quality standards has become an essential password to access the global market, current lack of adequate human resource and technological capacities in export-related production and service sectors are also expected to severely limit Bangladesh's ability to access global market in near future. Competitive pressure on Bangladesh's exportables is likely to grow in the face of continuing erosion of the GSP margin because of tariff reduction by developed countries, gradual phase-out of the Multi-fibre Arrangement (MFA) over the next three and half years, and increased competition from countries such as China whose accession to the WTO is most likely within the shortest period of time. The enactment of US TDA2000 providing zero-quota, zero-tariff market access to non-Asia-Pacific LDCs, growing presence of Mexico in the US apparels market thanks to NAFTA²⁰ and new issues such as labour standards, environment, competition policies, and eco-labelling are expected to put up new challenges for the export sector of the country.

1.2.15 A major challenge for Bangladesh will be to ensure compliance with her commitments under the WTO rules. These are expected to have important implications in terms of the manner in which industrial and the external sectors of the country will need to operate in future. WTO provisions and commitments in the area of TRIPs, TRIMS, GATS and AoA will require important regulatory changes in such areas as subsidies, tariff regimes, conformity with patents and copy rights standards etc. On the other hand, Bangladesh will also need to play a more proactive role, not least as the leader of the LDCs in WTO, in terms of ensuring implementation of *Programme of Action* agreed during the Third UN Conference on the LDCs, and also putting into effect the S&D commitments in the WTO in the area of trade related technical assistance, ensuring flexibility in compliance with WTO provisions, ensuring greater market access to developed countries, and continuing to receive preferential treatment for her exports. These are becoming critical to Bangladesh's survival in a globalised world. Strategies will also need to be designed to address *non-tariff barriers* (NTBs) to trade. In

¹⁸ For example, for handling a 20 TEU equivalent ship, when an entrepreneur has to incur a cost of US\$ 220 in Singapore and US\$ 360 in Colombo, he has to incur US\$ 660 for the same service in Chittagong port.

¹⁹ Although the incentives provided in the export sector in Bangladesh are not insignificant, there is formidable difficulty in actually accessing such incentives. The result of a survey shows that on average it takes 12 days for export-oriented inputs to be released through the customs, 9 days to obtain customs clearance for exporting a shipment, 7 days to clear all the documents required for exports and 52 days to obtain refunds from DEDO. On average a firm spends more than half a person year to deal with the various government agencies involved in promoting exports. The administrative costs of the duty free access mechanism is perhaps as high as 6 per cent of the value of the total value-added.

²⁰ For example, Mexico has been able to increase her share in the US market from 6 per cent to 14 per cent since the establishment of NAFTA.

recent years Bangladesh has been facing a deteriorating terms of trade; exchange rate has often been misaligned and an increasingly larger share in incremental exports is coming from changes in *volume index* relative to the *price index*.

- 1.2.16 The upshot of the above discussion is that the report card on the recent performance of industry and trade sectors of Bangladesh evince a rather mixed signal. One could go even further and say that the performance of these sectors leaves much to desire in the context of the fast pace of liberalisation and globalisation observed during the recent years. The modest growth rate achieved by the manufacturing sector in the 1990s was, in large part, underwritten by the incremental contribution of the export-oriented industries. Industrial base continues to remain essentially narrow, and though the share of public sector in manufacturing GDP has come down significantly, the gap has not been adequately bridged through private sector investment and the FDI flow. Bangladesh is indeed in urgent need of a forward looking industrial-strategy to strengthen the competitive strength of her domestic market-oriented as well as the export-oriented industries. The above discussion also bears out the fact that the task of addressing the challenges faced by Bangladesh's industrial sector is closely related to pursuing an active trade policy capable of addressing the challenges of globalisation and liberalisation. Whilst the trade policy reforms of the 1990s have played a key role in putting into place a predominantly market-driven economy, the reforms have also put the domestic industries under increased competitive pressure from imported goods. In spite of fiscal, financial and institutional incentives the export base has continued to remain narrow and shallow; the country's potentials in the global market has also continued to remain unrealised because of the formidable supply side and demand side constraints. The issue of improving the quality of governance is becoming critically important in terms of improving Bangladesh's trade and industrial sector performance.

In the above context, the task of designing a comprehensive strategy to face the challenges and access the opportunities originating from globalisation have become one of paramount importance for Bangladesh's industrialisation and robust external sector performance.

2. Tasks Ahead and Actionable Agendas

- 2.1 The growth rate of Bangladesh's industrial sector is still far off the mark necessary for the manufacturing sector to claim a share of 25 per cent in her GDP, a target which, as was mentioned earlier, is envisaged under the Industrial Policy of 1999. In the context of globalisation and liberalisation where the country's trade and industrial sectors are facing increasing challenges in translating comparative advantages into competitive advantage, and competitive advantage into revealed competitive advantage, there is an urgent need to design actionable agendas to cope with the attendant risks, and also make good use of the newly emerging opportunities.

- 2.2 In the context of the above, there is a need to concretise three types of doables and interventions to energise the country's industrial and trade sectors: (a) Policy-induced Interventions, (b) Structural Change Related Interventions, and (c) Interventions towards Improvements of Quality of Governance. Many of these doables will relate to three areas of actions: (a) fiscal incentives, (b) financial measures and (c) institutional initiatives.

Related to the above, major areas where concrete actions will be urgently required include:

- Designing a Long Term Vision Strategy for Industrialisation
- Stimulating Resource Mobilisation for Industrial Development
- Enhancing Competitive Strength and Encouraging Technical Upgradation in both Domestic-Market Oriented as well as Export-Oriented Industries
- Supportive Measures for Small and Cottage Industries
- Raising the Efficacy of Industry and Trade Related Institutions
- Strengthening Backward and Forward Linkages in Export Sector and Diversifying Export Base
- Designing Incentives to Encourage Investment in New Export-oriented Industrial Activities
- Raising the Efficiency of Management of Export Incentives
- Enhancing Export Finance Facilities
- Raising Efficiency of Export Related Infrastructure
- Ensuring Greater Access to Trade Related Supportive Services
- Raising the Efficacy of Import Administration
- Designing a Effective Exchange Rate Policy
- Making Globalisation Work for Bangladesh and Facilitating Global Market Access by Bangladeshi Firms

3. Proposed Action Agendas for Stimulating Bangladesh's Industry and Trade Sectors

☐ Focus of Action

3.1 Design a Long Term Vision Strategy for Industrialisation

There is a need to make a distinction between policies and strategies. Whilst policies are designed to facilitate industrialisation and trade in general, and this has been attempted through successive policies during the decades of the 1980s and 1990s, a strategy will need to identify concrete measures to tackle problems which constrain survival of existing industries, stimulate development of next generation of industries and ensure competitive strength of both import-substituting and export-oriented industries in the context of liberalisation and globalisation.

Action 1: Take measures for creating a comprehensive data base on Bangladesh industry. Dearth of reliable data on investment, capacity, capacity utilisation, production,

value-addition, and employment seriously undermine strategic industrial policy making in Bangladesh. For example, the census of Manufacturing Industries (CMI) data for 1995/96 is yet to be published. Data on rural and small scale industries is seriously inadequate. To address this concern, the capacity of BBS should be sufficiently strengthened to ensure regular generation of industrial data and publication of CMI. An institutional framework should be designed to regularly collate, systemise and publish a reliable set of information on Small and Medium Enterprises (SMEs).

Action 2: Measures to ensure systematic and regular information flow on registration, investment on the ground and progress of investment covering all units enlisted with the Board of Investment. Easy access by potential investors to this database, to be posted on line, must be ensured.

Action 3: Set up a National Commission on Industry to design a clearly articulated strategic vision for Bangladesh's industrialisation. Such a strategic document, as distinct from industrial policy, must identify the dynamic comparative advantage of Bangladesh's industries in a global setting, articulate concrete modalities to raise competitive strength of Bangladeshi enterprises, estimate the investments required for implementing the strategy, identify sources of financing as well as entrepreneurial resources and institutions to realise the goals and put in place the required investments in supportive infrastructure, and also articulate appropriate policy instruments to give effect to these goals. The specific role of the GOB, private sector and the NGO sector to implement these goals within a time-bound programme will have to be worked out within the framework of this strategy. Such a strategy, to be implemented over the next 10 years, may be made coterminous with the Sixth and Seventh Five Year Plans of Bangladesh.

☞ Focus of Action

3.2 Stimulating Resource Mobilisation for Industrial Development

Mobilising adequate funds for industrialisation continues to remain a key area of concern specially in view of the relatively low domestic and national savings rates and in the context of a banking sector burdened with bad and doubtful loans and the negligible flow of FDI coming forward to invest in the country's industrial sector. Consequently, fund shortage and high cost of capital have seriously undermined industrial investment in the country. The commercial banks have not been able to replace the DFIs, and investment companies which came into existence has not been successful in realising their statutory objectives and tended to operate as quasi-commercial banks. The stock market has also not been able to overcome the boom and bust experienced in 1996. Lack of adequate industrial financing is a major reason for the deceleration in industrial growth in recent years. New institutions and instruments will need to be devised to mobilise the required resources for industrial financing. Concrete measures may include the following:

Action 1: Create a new Investment Finance Company. The objectives of such a Company would be (a) to mobilise funds for industrial term loan financing, and (b) to actively engage in industrial investment promotion activities. It is to be ensured that the industrial

capital mobilisation strategy should be geared towards enlargement of the aggregate financial resource availability rather than based on diversion of the limited available funds. The proposed company could generate the required fund by accessing the following potential sources: (a) NCBs, (b) local private banks, (c) IFC, (d) GOB, (e) global financial market, (f) FDI, (g) non-resident Bangladeshis and migrant workers, and (h) domestic capital market. This company would essentially focus capital support need of medium to large scale industries in the area of collateral based credit, lease financing as well as venture capital financing.

Action 2: Reduce the cost of industrial borrowing. Interest rate on loanable funds from the commercial banking system will need to be brought down by unburdening the NCBs of the accumulated bad debt by creating a new agency for loan recovery. Such an agency, to be a joint subsidiary of all the NCBs, would be exclusively committed to the task of loan recovery through such instruments as asset swaps, asset conversion and debt sales. This would bring down the cost of borrowing from the NCBs and is also likely to have positive impact on cost of borrowing from private financial institutions.

Action 3: Mobilise funds for industrialisation by issuing industrial bonds through the capital market and also by sale of such bonds to the NRBs. Special tax incentives may be announced to promote investment in this type of bonds.

Action 4: Encourage access to facilities from leasing companies. In recent years industrial financing through leasing companies has turned out to be an increasingly attractive form of industrial financing. Special incentives may be designed to stimulate this type of financing.

Action 5: Remove the bottlenecks to facilitate access to industrial credit from the SAARC Development Fund.

Action 6: Create an environment conducive to smooth conduct of investment and trade activities. Civil society, in collaboration with political parties, should take an initiative in support of reaching a consensus to the effect that political activism will not hamper the greater interests of the country's industry and commerce.

Action 7: Take adequate measures to maintain good working environment and a satisfactory law and order situation in the industrial zones. Establishment of an *Industrial Police Force*, which will be trained to safeguard the interest of all stakeholders, may be considered in this respect.

Action 8: Perceive and pursue foreign investment not as a substitute of, but as complementary to, domestic investment. Policies should be geared accordingly. Added thrust needs to be given to create conducive conditions for setting up joint ventures; adequate provisions will need to be put in place for local expertise development and technology transfer in case of involvement of FDI.

Action 9: Ensure enforcement of policy and strategies. Both the Investment Act and EPZ Authority Act should be revised to remove the clauses that have become redundant over time and to incorporate provisions which are required to meet the demands of the present time. Appropriate rules should be framed to provide legal backing for the Acts. All other laws of the land, e.g. labour laws, having a bearing on the investment situation, should be brought into conformity with Investment Act.

Action 10: Streamline Institutional Framework.

a) Create a Monitoring Cell in BOI

A strong and well-equipped monitoring cell should be put in place in the Board of Investment to:

- Monitor the investment situation on a continuous basis.
- Monitor the progress of implementation of projects which have been registered.
- Review capacity utilisation of existing industries on a continuous basis.
- Maintain close liaison with trade and investment promotion organisations.

A proposal should be considered in this context to enforce registration as compulsory and intimation of the periodic status of implementation of an investment project as mandatory in order that BOI can compile and bring out statements reflecting the progress of investment by foreign investors.

b) Upgrade the capability of One Stop Service Centre

The One Stop Service Centre, as it stands now, is not vested with decision-making authority and, therefore, fails to deliver the goods properly and effectively. It needs, therefore, to be upgraded by providing it with decision making authority.

c) Set up an Information and Data Bank at BOI

An information and data bank needs to be set up within the Board of Investment to serve as a central pool of information and data to address the requirements of investors for wide-ranging information relating to investments. The data bank should also gather information pertaining to the investment situation of foreign countries, and should also gather information on technology. An important task may be performed by the unit in compiling a list, with periodic upgrading, of the prospective investors willing to put up equity with foreign investors. This unit should maintain a steady interaction with our embassies to collect and disseminate information on foreign investment through Internet facilities. The unit should be equipped with facilities for computer networking with all the chambers of Bangladesh as well as internet linkage with selected foreign chambers of the developed and developing countries together with our embassies abroad.

d) Initiatives with Respect to TRIPS

Relevant national policies should recognise the role of Intellectual Property Rights (IPR) as an important issue which has a critical place in the WTO and also in terms of attracting foreign investment. The amendment and formulation of IP laws should be given priority consideration to convey a distinct message to the potential foreign investors that Bangladesh is serious about protection of IPR and fulfilment of its due obligations towards TRIPS.

Action 11: Change the definition of 'export oriented' industries. The current practice of categorising industries with at least 70 per cent of products being exported as export oriented appears to be too stringent; accordingly the limit should be scaled down to 60 per cent of the output. To stimulate domestic linkages, industries with substantial local raw material contents (50 per cent and above) should qualify as export oriented even if their export-output ratios are lower than 60 per cent. For such industries export requirements may be reduced to 50 per cent.

Action 12: Existing discrepancies between export and deemed export should be reduced.

Action 13: Reduce corporate tax rate. The high rates of corporate and other taxes in Bangladesh have evoked concerns on the part of foreign investors. These rates are found to compare very unfavourable with many South and South East Asian countries. Accordingly, corporate tax rates should be determined in a manner which allows Bangladesh to be attractive in the regional context.

☐ Focus of Action

3.3 Capital Market Development

Action 1: Improve of the flow of information, introduction of a system of market-maker in addition to the prevailing order-driven system, credible and quick settlement and the development of over-the-counter markets (OCT) for large green field projects and non-listed securities are the prerequisites.

Action 2: Design a comprehensive plan to address the reasons for the stock market boom and bust of 1996 with a view to restoring investor confidence through greater transparency and accountability of the trading of the exchanges. Towards this speedily implement the plan to introduce a central depository system (CDS).

Action 3: Introduce new and wide ranging instruments which provide minimum returns with certainty to investors, such as preferred stocks, sweeteners accompanying debt and equity warrants etc. This will improve the supply side of the securities market.

Action 4: Strengthen the DSE and CSE by updating the rules and regulations guiding these institutions in order to facilitate surveillance and enforce compliance of rules.

Action 5: Take up plans to develop professionalism among the market operators, especially dealers-brokers.

Action 6: Ensure a greater and effective role for merchant banks. Capital market development is related with the financial deepening, which in turn, depends on effective financial intermediation as well as on the availability of a wide variety of financial instruments. In this context, merchant banks have to play due role in revitalising the stock market.

Action 7: Establish a Capital Market stabilisation/Development fund to reduce the probability of the recurrence of 1996 situation.

☐ Focus of Action

3.4 SOEs and the Policy of Privatisation

For over two decades now Bangladesh has attempted to pursue a policy of denationalisation, divestiture and privatisation. Although the state has been gradually withdrawing from many productive activities, and the share of public investment in total investment has been secularly declining, the country's industrialisation itself has suffered both from a lack of a sense of direction for the existing SOEs, as well as a lack of any visible success as regards the policy of privatisation. On both counts there is an urgent need for doable actions. Privatisation does not mean only transferring the liability of the state to private shoulders --it means achieving competitive efficiency in order to have a positive impact on growth and development

Action 1: Constitute a commission to suggest strategies towards commercial viability of the state owned enterprises (SOEs), more specifically identify those sectors which have a natural comparative advantage to be an SOE (for example, these providing utility services since for obvious reasons these would still remain as SOEs over the near future).

Action 2: Create a framework for privatisation of state owned monopolies. The policy framework in place at present does not have a built-in mechanism for creating and enforcing regulatory and competition policies. If the authorities carry forth the privatisation program of public monopolies in utilities, infrastructure, and communications to the private sector, in order to ensure gains from privatising in these non-competitive sectors, industry regulations must be in place and be implemented rigorously to protect consumer interests and social objectives. Privatisation, and private sector entry in monopoly and oligopolistic markets should be supervised by a strong, credible, transparent regulatory framework that limits the scope for abusing market power and appropriating rents.

Action 3: Undertake a comprehensive study on the performance of privatised industries and incorporate the lessons learnt in new privatisation initiatives.

Action 4: Identify and address the problems associated with the absence of a 'market' for enterprises earmarked for privatisation. Towards this:

a) *Ensure proper valuation of enterprises on the privatisation list.* Assets and liabilities of the enterprises should be valued by a selected accounting firm, using one or more internationally accepted accounting and auditing procedures, subject to review by the authorities and, if necessary, revaluation by another selected accounting firm. The authorities will need to ensure that there is no collusion between the accounting firms and the potential buyer. Strict sanctions should be put in place to address this possibility.

b) *Ensure competitive environment.* Generally the market price should reflect the "value" of the firm, provided it is being valued in a well-functioning and informed market place, composed of a large number of agents operating within a competitive environment. Since the capital market in Bangladesh is underdeveloped, the flow of information for investors in the capital market is often imperfect and incomplete. Thus, the highest bid price may not reflect the value of the firm in terms of economic fundamentals. It should, therefore be, ensured that the tendering process is competitive and draws a large number of buyers. In the absence of a competitive environment there is scope for under valuation, particularly in a oligopolistic situation where the number of potential buyers are few and there may be structural features which enable collusive behaviour.

Action 5: Facilitate financing. Buyers should be allowed to sell "privatisation bonds" in the capital market to raise funds to buy enterprises.

Action 6: Ensure proper revenue management. Under present policy, the revenue from privatisation accrues to the Government. The proceeds should not be viewed as dividends but rather as sale of assets. The proceeds from privatisation of enterprises, at least a significant part of it, should be used for addressing the consequences of retrenchment of labour owing to privatisation.

Action 7: Undertake a comprehensive policy for retraining of retrenched workers.

Action 8: Set a time table. An indicative time table for privatisation, with set goals for each stage of privatisation, will send strong signals to investors and create confidence in the commitment of the government favouring an effective and goal-oriented privatisation program.

Action 9: Ensure speedy implementation. According to the policy, the state shall ensure that the transfer of the privatised enterprises is complete within 90 days of signing of the agreement. The less delay there is in the transfer process, the better it is for corporate management. Once a decision has been reached, it will need to be speedily implemented.

☐ Focus of Action

3.5 Enhance Competitive Strength and Encourage Technical Upgradation in both Domestic-Market Oriented as well as Export-Oriented Industries

Labour productivity and capital output performance are becoming increasingly critical factors for survival of Bangladesh's industries in the context of the market-led reforms, competition in domestic market from imported products and competition in the export markets from local and other foreign products. Upgradation of both skills and technology of export-oriented enterprises is essential for translating comparative advantage into competitive advantage. Energetic steps ought to be taken to address the attendant challenges.

Action 1: Stimulate investment in vocational training system and relate it to the requirements of textiles, agro-based, leather, engineering and other related industries. The private sector should collaborate with the Government in setting up skill-training institutes.

Action 2: Support in-factory skill upgradation and training activities through fiscal and other incentives.

Action 3: Review outdated labour laws to ensure compliance with the newly emerging requirements of the buyers in developed countries and also various conventions on labour.

Action 4: Put in place adequate measures to stimulate technology transfer and technology diffusion to local industries from foreign investors.

Action 5: More fashion and design institutes should be set up to enable garments exporters to move to higher value-added fashionable wear.

Action 6: Technology acquisition, adaptation and upgradation must be given top priority and vocational education must be re-designed to cater to this need.

Action 7: Strengthen capacity of industries to conform with the increasingly stringent quality standards in the global market by strengthening quality control measures and related institutions. A central pool of technical resources could be created to provide such supports.

Action 8: Create a technology upgradation fund to provide support for modernisation and technology acquisition initiatives of both SOEs and private sector.

Action 9: Be actively involved in global initiatives in support of transfer of technology favouring the developing countries and the LDCs.

Action 10: Stimulate R&D activities by creating incentives for close collaboration between industries and academic institutions. Export-oriented producers need to be encouraged to undertake R&D through provision of appropriate fiscal and other incentives.

☒ Focus of Action

3.6 Supportive Measures for Small and Cottage Industries

Small and cottage industries have a captive domestic market which caters to low income groups. Employment generation capacities of these industries is also quite substantial. In many developing countries these industries are also important export-earners. However, support to these industries have tended to be neglected in the earlier industrial policies. The impact of previous industrial policies to control private investment fell unevenly on small and cottage industries. This was because of the relative inability of the small and cottage industries, compared to their large-scale counterparts, to cope with the regulations. Often small scale industries suffer from long and cumbersome project evaluation procedures and stringent collateral requirements based on ownership of fixed assets. Consequently, the policy regime was often biased against small and cottage industries. Because of their structural weaknesses, these industries require an active policy support for their development beyond the mere removal of policy biases.

Action 1: Devise proper and unified method of classification. Various agencies of the government should use a consistent set of definitions with respect to classification of enterprises by size. However, this is not the case at present. The 1999 Industrial Policy defined small and cottage industry using both the criteria of employment and fixed assets. This is at variance with the definition used by the BBS. Similarly, the National Board of Revenue (NBR) uses a different definition of "Cottage" enterprise for exemption from Value Added Tax (VAT) and Turnover Tax, which is based on a cut off limit of fixed capital and annual turnover. An uniform set of definitions should be designed for use by all pertinent agencies to ensure consistency in this regard.

Action 2: Ensure Flow of public expenditure. There is need for substantial increase in public investment in the sector particularly in the area of training, extension, research, market promotion etc.

Action 3: Stimulate private investment. One of the critical elements of industrial promotional policy should be to guide investment into the small and cottage sector. For this purpose, there is need for adequate pre-investment counselling. The existing facilities provided in this respect by relevant agencies such as the *Bangladesh Small and Cottage Industries Corporation* (BSCIC) should be substantially improved through adequate logistic support.

Action 4: Rationalise tax structure. In terms of indirect taxes, there is virtually no distinction between small and cottage industries and their large-scale counterparts.

Similarly, there is hardly any difference in the treatment of small and cottage industries on the one hand, and large scale manufacturing industries on the other, either with respect to duty on capital machinery or direct taxes. Bangladesh's fiscal policy needs to be particularly tailored to provide support to small and cottage industries by raising the ceiling of exemption limits as regards taxation, and by lowering the VAT rates.

Action 5: Provide marketing assistance. A diversified base of export oriented small and cottage industries is an important source of foreign exchange in many developing countries. To stimulate foreign exchange earning capacities of small and cottage industries, ensure that they have adequate representation in trade fairs and support market promotion of their products abroad. Set targets for Bangladeshi Missions abroad in terms of exports of cottage industry based products.

Action 6: Stimulate sub-contracting activities. Sub-contracting activities have played an important role in the industrialisation of many countries. Support for ancillary activities and producers of spares and machineries need to be ensured in light of GOB's sub-contracting policy, including through procurement and purchase policy of the government.

Action 7: Design a credit guarantee scheme for small scale entrepreneurs who do not have the necessary collateral.

☐ Focus of Action

3.7 Promote Women Entrepreneurship

Many small and rural industries are run by women entrepreneurs, often home-based. Women entrepreneurs are also coming forward in export-oriented activities in an increasing number. Since they are particularly disadvantaged in the context of the prevailing situation in the country, there is a need to take up targetted initiatives in support of this particular group of entrepreneurs.

Action 1: Set up a fund to support women entrepreneurs. Commercial banks may be asked to set up dedicated funds to support women entrepreneurs.

Action 2: Give women's groups or organisations affirmative treatment in allocating plots and other facilities in BSCIC's Industrial Estates.

Action 3: Make adequate provisions to provide women entrepreneurs with preferential access to support services.

Action 4: Set up separate women entrepreneurs support cells in various organisations, including BSCIC, EPB, BSB and also in the chambers.

Action 5: Provide special support to women entrepreneurs who are involved in export-oriented activities for promotion of marketing of their products in overseas markets.

Action 6: Set up programmes for training of women entrepreneurs as professional managers and in this respect support the initiatives of business chambers.

☒ Focus of Action

3.8 Industry and Trade Related Infrastructure

Bangladesh's industrial and trade related comparative advantages are seriously undermined by inadequate and weak infrastructure. This not only raises cost of doing business and thereby creates disincentives for existing industries, but also undermines potential investment in newly emerging sectors such as IT and e-commerce. These supply side bottlenecks must be removed through concrete actions.

Action 1: Take steps for proper port management. A master plan should be designed with a view to transforming Bangladeshi ports into regional hubs. Towards this take concrete steps to develop inland container freight stations which are to be developed at strategic industrial and commercial locations to enable multi-modal operation of containers from the shippers' premises to the premises of the consignees without stuffing and destuffing of containers at the ports; establishment of a modern port at Kuakata, to be run by the private sector, should be explored after proper feasibility study; the development plans of Chittagong and Mongla ports must be completed according to time-bound schedule.

Action 2: Reform telecommunication sector to stimulate and facilitate IT based industrial activities (details are presented in the Task Force Report on IT Sector).

Action 3: Introduce priority investment programs for infrastructure development. Towards this, the Dhaka Eastern by-pass, Jamuna Railway Link project and rehabilitation of core railway network should be implemented. Development of a new cargo-cum-general container composite port at Dhaka, and inland Railway container depot at Tongi/Joydevpur should be undertaken.

Action 4: Declare the Dhaka-Chittagong highway an Export Highway. Industrial parks should be set up along the highway. Industries should be gradually moved out of the cities and located along the highway, with power and other infrastructural utilities to be set up accordingly.

Action 5: Modernise the railway transport system for industrial transportation. Towards this, introduce modern freight handling and terminal facilities at the major yards and bulk handling terminals; commercialised service operations and market based pricing should be put in place to reenergize the sector which is currently plagued by operational inefficiencies; the railway system should be better integrated with other surface modes to facilitate movement of industrial goods.

Action 6: Establish proper infrastructure for multi modal transport in the form of inland container depots and dry ports at points relevant to Chittagong and Mongla ports.

☒ Focus of Action

3.9 Raising the Efficacy of Industry and Trade Related Institutions

In order for industry and trade strategies to be successfully implemented, related institutions must function in an efficient manner. In Bangladesh, the quality coverage and depth of services provided by such institutions have tended to suffer because of limited mandate, legal weaknesses, weak human resource capacities, inadequate resource base and inadequate supportive infrastructures and capacities. Concrete measures need to be undertaken to raise the level of efficiency of such institutions as BOI, EPB, DEDO, BSTR, customs and port authorities (both sea and land).

☒ Focus of Action

3.10 Strengthening the RMG Sector to Meet Post-MFA Challenges

Bangladesh's export-oriented RMG sector is going to face tough challenges once the MFA is phased out under the GATT ATC. There is, thus, an urgent need to take energetic steps to ensure Bangladesh's continued competitiveness beyond 2005. Given the singlemost importance of the sector in terms of export earnings and employment, Bangladesh can hardly afford to take a *business as usual* stance.

Action 1: Design a comprehensive strategy for the export-oriented RMG to address the challenges in the global market. This plan should include (a) areas of major risks, (b) action agendas to address the risks and (c) implementing agencies.

Action 2: Set up a Apparels-Textile Board with the Prime Minister as the Chair to ensure that all initiatives as concerning the RMG sector receive priority attention and support.

Action 3: Design and implement a comprehensive strategy to strengthen RMG's backward linkage in textiles and forward linkage in marketing. Towards this, create a dedicated fund for support to the textile sector and put in place adequate incentives to stimulate investment, both domestic and foreign, in this sector. Link development of the backward linkage textile industry to promoting intra-RMG diversification. In this context tying up aid with backward linkage initiatives should be explored.

Action 4: Explore the feasibility of centralised bonded ware houses to cut down on lead time.

Action 5: Remove anomalies in the operations of Banks which hinder the functioning of export-oriented RMG sector. Some of these are: (a) Procedure of obtaining prior permission from Bangladesh Bank for exporting goods against stock-lot should be withdrawn; (b) Negotiating banks should be authorised to consider discounts up to 20%; (c) Condition for obtaining approval for discount from the Bangladesh Bank should be relaxed and discount approved by the EPB should be treated valid; (d) Private commercial banks should immediately cease charging "LC Acceptance Charges" as done by the Nationalised Banks of the country.

Action 6: Identify the implications of US TDA2000, formation of NAFTA, accession of China into WTO and other related developments on Bangladesh's future export sector performance and design strategic response to address the attendant challenges.

Action 7: Establish locational facilities such as RMG villages to facilitate smooth operations of the export-oriented RMG enterprises.

☞ Focus of Action

3.11 Skill and Technology Upgradation in Leather and Leather Product Industries

The unrealised potential of leather industry is reflected in the fact that almost 65 per cent of the export earnings in the leather sector is still accounted for by export of crust leather. The extent of value addition in the sector, is thus, much less compared to what could have been for exports of finished leather and leather products. Apparently, there is substantive scope for tapping unrealised potentials in the export-oriented leather sector by increasing local value-addition.

Action 1: Set up a 'Tannery Modernisation Fund' to revamp technology and raise productivity.

Action 2: Introduce adequate fiscal and financial incentives and other necessary support policies to raise productivity and improve quality to make the sector globally competitive.

Action 3: Support the establishment of linkage industries such as lasts, cutting dices etc to reduce high import dependence and promote price competitiveness of the sector.

Action 4: Allow duty free imports of raw hides and skin and also wet blue and finished leather for leather footwear exporters.

Action 5: Introduce measures to enable adaptation of new and modern technology such as modern soling through joint ventures and international collaborations.

Action 6: Support the upgradation of the component industries such as lasts, cutting dices and shoe trims through duty concessions, duty free stock facilities, etc.

Action 7: Introduce financing and other incentives to stimulate local investment in this sector.

Action 8: Ensuring legal, institutional and other supportive measures for the development of backward linkage industries of this sector.

Action 9: Provide support to promote compliance with consumer safety and international standard of packaging to improve marketing of leather and leather goods; ensuring direct fiscal incentives in the form of export cash subsidies, import license benefits against export performance; allow tax-free export earnings, reduce airfreight costs, duty drawback, etc to promote export; introduce export credit guarantee schemes to retain export earnings in foreign exchange; provide financial supports for backward linkage industries in this sector; exempt tax and VAT on exportables in this sector; exempt VAT, which is at present 15%, on import of sewing machine needles and parts; in place of L/C introduce open account facilities or other flexible import arrangements to promote export; provide long-term tax holiday to encourage local and foreign investment in this sector.

☒ Focus of Action

3.12 Development of Export-oriented Agro-based Industries

Analysis shows that agro-based industries have great potential both in terms of import-substitution as also as a potentially important foreign exchange earner. The recently initiated 'Everything but Arms' proposal of EU (EU-EBA), which provides LDCs with zero-tariff, zero-quota export facilities to the EU market, could potentially open up significant market opportunities for Bangladeshi exporters of agri-processed products. A number of initiatives will need to be undertaken to support the sector.

Action 1: Provide credit, interest and tax support and other facilities/incentives to promote export-oriented agro-processing.

Action 2: For supporting preservation of horticulture products, import of related equipments such as reaper vans and refrigerated-containers should be exempted from duty and VAT.

Action 3: To support food processing industries import of preserving chemical and technology should be exempted from tax, VAT and duty.

Action 4: Establishment of "Exporting Firms Group" based on export markets should be encouraged and supported through credit, tax, VAT and duty exemption facilities, and technology transfer.

Action 5: Provide credit, tax, VAT and duty facilities for import of technology to support standard packaging.

Action 6: Air cargo space for export of agro-products should be increased and other facilities including offloading, cool room facilities in the cargo shed should be enhanced.

Action 7: Reduce export freight charge to regional levels.

Action 8: Support overseas market search for agro-exports through projects such as Matching Grant Facility (MGF).

Action 9: 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.

Action 10: Establish a research institute for agro-industry.

Action 11: Support the development of suitable varieties such as baby corn, french bean, okra, mushroom etc. and promote their introduction in the market, both domestic and overseas.

Action 12: Harmonise fiscal and tariff structures; existing anomalies in duty structure, which levies higher duty on raw materials, inputs and packaging as against processed imports and thus makes locally produced agro products relatively incompetent, will have to be removed.

Action 13: Establish intermediate input industries, i.e packaging, bottling, printing, etc.

Action 14: Operationalise the Entrepreneurs Equity fund floated in the 200-2001 budget to be targetted to agro-processing industry.

Action 15: Develop proper infrastructure for transportation of perishables.

Action 16: Provide bonded warehouse facilities to enable agro industries to import their inputs.

Action 17: Establish a HYV seed research and multiplication institute.

Action 18: Establish an agricultural product development authority to offer one window assistance to local exporters and foreign importers of agro-based industries.

Action 19: Ensure adequate human resource development through establishment of a food technology institute with modern facilities.

☐ Focus of Action

3.13 Incentives to Encourage Investment in New Export-oriented Industrial Activities

Action 1: Zero import tariff on capital machineries for export-oriented industries should continue.

Action 2: Customs duty rates on basic raw materials and intermediate imports used by export-oriented industries should be further reduced and the existing anomalies removed.

Action 3: Tax holiday of 10 years on accelerated depreciation allowance basis should be provided for new export industries.

Action 4: In order to encourage industries related to jewellery, diamond cutting and polishing and electronic goods, which are believed to have good export potential, special bonded warehouse should be set up specially in view of the fact that these are input-intensive activities.

Action 5: At present, bonded warehouse facilities are available for readymade garments and leather. BW facilities should be extended to new export industries as well.

Action 6: Import to BWs are currently made under compulsory back-to-back L/Cs opened in favour of foreign banks. The high interest rates charged by the banks discourage export by reducing profits. It is therefore suggested that a switch should be made from the current system of compulsory back-to-back L/Cs to a more flexible system which would allow exporters to choose from the various export financing options available in the market.

☐ Focus of Action

3.14 Raise the Efficiency of Management of the Export Incentives

Efficient management of export incentives is critical in ensuring success in efforts to promote export. A number of surveys conducted recently has exposed serious weaknesses in the management of export incentives. Here energetic steps are called for along the following lines:

Action 1: The customs clearance procedures for importing inputs and for export shipment are cumbersome, time consuming and, more often than not, characterised by rent-seeking behaviour of concerned officials. Customs clearance procedure should therefore be simplified.

Action 2: The process of computerisation of customs assessment and related activities should be accelerated.

Action 3: Despite the use of flat rates for repayment of duty, the prevailing system of duty draw back operated by the Duty Exemption and Drawback Office (DEDO) is cumbersome. The process of duty reimbursement should be left with dealing banks so as to make the process more efficient and less costly.

Action 4: The prevailing cash compensation scheme of 25 per cent of export value is reportedly being used unethically. Adequate safeguards need to be taken against such malpractices. Furthermore, this scheme would be considered as a prohibited subsidy under the WTO Agreement on Subsidies and Countervailing Measures, and hence will need to be phased out in the near future. Hence, to avoid import sanctions by trading partners, the rate of compensation under the scheme should be gradually reduced in consonance with reductions in import tariffs. However, any such initiative must also take into cognisance the long-term interests of the sector and should put in place adequate measures to ensure the continued competitiveness of the export-oriented industries.

☐ Focus of Action

3.15 Enhance Export Finance Facilities

Easy availability of export finance is crucial for export development. A survey by UNCTAD in 1997 showed that Bangladeshi exporters identified lack of access to export finance as the single most important problem which they face. This issue needs to be addressed urgently.

Action 1: The Export Development Fund operated by the Bangladesh Bank needs to be strengthened.

Action 2: Export-import banks specialising in trade financing should be set up on a priority basis. Such banks would not only reduce costs of doing export business but also quietly facilitate export-related investment activities.

Action 3: The establishment of Equity Development Fund in the Bangladesh Bank with allocation of Tk 1 billion for promoting investment in software export and agro-processing industries is a welcome step. The size of this Fund may however be enlarged to cover other potential export industries.

☐ Focus of Action

3.16 Raise Efficiency of Export Related Infrastructure

Weaknesses in Bangladesh's export-related infrastructure have raised cost of export and reduced their competitiveness. Steps must be taken to strengthen the trade-related infrastructure.

Action 1: Immediate steps must be taken to enhance the cargo-handling capacity of Chittagong Port.

Action 2: Studies have indicated the comparative advantage of Chittagong and Mongla Ports is emerging as the regional transport hub in the future. For realising such potentials, urgent interventions are called for in the areas of equipment handling, container berths and transport facilities.

Action 3: All ports should be fully computerised to facilitate and speed up trading activities.

☒ Focus of Action

3.17 Ensure Greater Access to Trade Related Supportive Services

Trade facilitatory activities, including provision of trade information, export promotion and training services, are crucially important for export development. Trade facilitation needs to be further strengthened.

Action 1: Access to up-to-date trade information through the Global Trade Point Network (GTPN) introduced by the UNCTAD is not available at the EPB. To ensure easy access to trade-related information, steps must be taken to create trade points in the EPB, Government ministries, chambers of commerce and industry and trade-related research institutions which would be connected through the GTPN.

Action 2: Collective effort must be made by the private sector, acting through the chamber bodies, to undertake necessary market intelligence activities, and to access, collect, store, process and disseminate trade information. Such capacity is very limited at the moment. Adequate supportive measures for capacity building should be put in place towards this.

Action 3: The Government and the private sector should collaborate to regularly organise trade fairs, particularly in emerging markets.

Action 4: The commercial sectors of Bangladesh's foreign embassies must play a critical role in collecting market information and feeding these to Bangladeshi exporters. The Ministry of Commerce should closely monitor the performance of the commercial sections of different embassies in this regard.

Action 5: The EPB must develop in-house capacity to provide export-related training on an on-going basis, particularly for small and medium scale entrepreneurs including new exporters. Similar training facilities, in line of DCCI-ZDH partnership project and the DCCI-GTZ business advisory service project, should be developed in the private sector.

☒ Focus of Action

3.18 Raise the Efficacy of Import Administration

Import administration and the policy of import liberalisation have important bearing on export performance in view of the import-dependence of many of Bangladesh's exporters.

Import administration needs to be made more efficient whilst the speed of import liberalisation has to be also closely monitored at the same time.

Action 1: Although improvement has recently been achieved in the area of customs clearance formalities, more needs to be done. In particular, complete computerisation of import clearance procedure needs to be achieved on an urgent basis.

Action 2: PSI-certified import values for purposes of customs assessment are reportedly causing problems. The matter should be thoroughly investigated by the NBR and necessary solutions identified.

Action 3: Import liberalisation policy has not yet proved very effective in diversifying exports. A major reason behind this has been a faulty sequencing of reforms. The impact of liberalisation should be closely monitored by the Ministry of Commerce. At the same time, human resource capability must be developed through appropriate training to locally design trade policy reform.

☐ Focus of Action

3.19 An Effective Exchange Rate Policy

In recent years Bangladesh has undertaken important reforms in the area of exchange rate policy. Consequently, the country has been pursuing a market oriented exchange rate policy which is geared towards keeping the real effective exchange rate (REER) unchanged, or to depreciate it marginally. However, it appears that the current basket of currencies for determination of REER does not reflect the actual direction and volume of trade, both formal and informal, which consequently has given rise to erosion of competitiveness vis-à-vis important trading partners such as India and Pakistan.

Action 1: Reflect actual trade composition (both formal and informal) in the currency basket in determining the real effective exchange rate (REER).

Action 2: To encourage retention of foreign exchange within the country and discourage leakage through hundi, design attractive incentives for foreign exchange earners (in line with introduction of the concept of CIPs) and also ensure flexibility in the operation of foreign currency accounts by resident Bangladeshis.

Action 3: It needs to be ensured that there is no serious misalignment between the nominal exchange rate and the equilibrium exchange rate. Real appreciation of the Taka should be prevented.

☐ Focus of Action

3.20 Making Globalisation Work for Bangladesh and Facilitate Global Market Access by Bangladeshi Firms

Action 1: Develop a trade cadre to adequately monitor, and address the challenges stemming from globalisation.

Action 2: Strengthen the WTO cell in the Ministry of Commerce with adequate manpower and supportive logistics.

Action 3: Take special measures to develop skilled man power to conduct the complex negotiations within the WTO system.

Action 4: Conduct a comprehensive study to look at the operationalisation of S&D status for LDCs provided within the WTO system and use its findings for negotiations during the upcoming fourth Ministerial Meeting of the WTO to be held in November in Doha and also in any possible future WTO Round.

Action 5: Vigorously pursue resource commitments from the developed countries in the light of Bangladesh's technical assistance needs which have been identified under the integrated framework (IF) initiative of six global institutions.

Action 6: The Government must ensure that shrimp processing units can access the technology and acquire the capability to put in place quality control measures required by the importing countries. Adequate credit must be sanctioned to shrimp exporters to help them upgrade processing technology.

Action 7: The Government must undertake a vigorous campaign to familiarise the exporters with ISO-9000 (quality standard) and ISO-14000 (environmental standard) and provide adequate policy support and incentives to encourage individual entrepreneurs to achieve such standards. Regulatory measures must be designed to enforce these measures.

Action 8: The Government should create a Special Fund to pursue possible litigation and arbitration activities in the Dispute Settlement Body (DSB) of the WTO, particularly to face unjustified anti-dumping and/or countervailing actions pursued by importing countries against Bangladesh's exports.

Fact Sheet

TABLE 1: GLOBAL INTEGRATION OF BANGLADESH ECONOMY

(in bln. US \$)

Indicators	1979-80	1989-90	1999-00
GDP	12.7	22.4	39.4
AID	1.2	1.8	1.6
TRADE	3.0	5.3	13.2
<i>EXPORT</i>	0.7	1.5	5.8
<i>IMPORT</i>	2.3	3.8	8.4
REMITTANCE	0.2	0.7	2.0
FDI	0	0.03	0.3
<i>Memo Items (in %)</i>			
Share of Aid (Disbursed) in GDP	9.7	8.1	4.0
Share of Trade in GDP	23.8	23.6	33.3
<i>Share of Export in GDP</i>	5.7	6.8	14.5
<i>Share of Import in GDP</i>	18.1	16.8	18.8
Share of Remittance in GDP	1.9	3.4	4.9
Share of FDI in GDP	-	0.1	0.6
No. of Workers Going Abroad (in thousand)	28.0	110.0	248.0
<i>Exports as % of Aid (Disbursed)</i>	59.3	84.2	365.2
<i>Exports plus Remittance as % of Aid (Disbursed)</i>	79.7	126.2	489.2
<i>Imports as % of Aid</i>	191.6	211.1	525.2

Source: Compiled from various sources (EPB, Ministry of Commerce and Bangladesh Bank data).

TABLE 2: CHANGES IN TRADE RELATED POLICIES: PRE-AND POST SAP PERIOD

Trade Related Area	Pre-Reform	Post-Reform
Nominal Protection		
Unweighted	88.6%	24.6%
Imp-weighted	42.1%	21.0%
Highest Tariff Rate	350.0%	50.0%
Quantitative Restrictions (number of commodities at 4 digit level)	239	114
<i>for trade reasons</i>	179	23
<i>for non-trade reasons</i>	60	91
Provision for Import	Through “Positive List”	Through “Negative List”
Number of Concessionary Categories for Import	20 Categories	7 Categories
Number of HS-4 Headings with Five or more Tares	79 HS-4 Headings	53 HS-4 Heading
System of Tax on Imports	Multiple Duty Sales Tax and Regulatory Duties and Surcharges	VAT at 15% Flat Rate and Supplementary Excess Duties
Advance Income Tax Deduction on Export Earnings	0.50% of Export Income	0.25% of Export Income
Cash Compensation Scheme (% of local value addition)	15.0%	25.0%
Operative Tariff on Imports of Capital Machineries for Export Oriented Sectors	7.5%	0.0%
Duty Drawback Rate	Differentiated Rates of Rebate	Flat Rates of Rebates for a Large Numbers of Imported Inputs
Eligibility for Duty Drawback	Direct Exports	Direct as well as Deemed Exports
Interest Rates on Bank Loan to Export Oriented Sectors	8.0-12.0%	8.0-10.0%
Incentives between EPZ and DTA	Existence of Substantial Difference	Difference in incentives between EPZ and DTA is being gradually reduced

Source: Updated from Bhattacharya, D., Rahman, M. and Khatun, F.; 1999.

TABLE 3: REVISED ESTIMATES OF MANUFACTURING GDP AT CONSTANT 1995-96 PRICE

Year	Value Added (Million Taka)	Share in Overall GDP (%)	Yearly Growth Rate (%)	Yearly Compound Growth Rate (%)
1989-90 up to				
1989-90	156163	12.52		
1990-91	166133	12.90	6.4	6.4
1991-92	178391	13.28	7.4	6.9
1992-93	193771	13.82	8.6	7.5
1993-94	209554	14.35	8.1	7.6
1994-95	231517	15.15	10.5	8.2
1994-95 up to				
1995-96	246351	15.43	6.4	6.4
1996-97	258795	15.41	5.0	5.7
1997-98	280908	15.88	8.5	6.7
1998-99	289882	15.60	3.2	5.8
1999-00	302205	15.40	4.3	5.5

Source: Bakht, Z. 2001.

TABLE 4: MAJOR CONTRIBUTORS TO INDUSTRIAL GROWTH: 1988/89-1994/95

Industry	Weight	Yearly Growth in QIP (%)	Weighted Yearly Growth (%)	Share in sub- sectoral Output Growth (%)
(1)	(2)	(3)	(4)=(2)X(3)/100	(5)
Readymade garments	9.13	26.1	2.38	24.0
Pharmaceuticals	7.01	23.8	1.67	16.8
<i>Bidi</i>	3.85	27.3	1.05	10.6
Books & periodicals	1.88	52.7	0.99	10.0
Re-rolling mills	1.91	30.7	0.59	5.9
Silk & synthetics	1.59	37.5	0.59	5.9
Fertilizer	1.60	33.8	0.54	5.4
Bakery	0.96	47.6	0.46	4.6
Paints & varnishes	0.06	446.8	0.27	2.7
Fish & seafood	1.81	10.42	0.19	1.9
Leather tanning	2.49	4.78	0.12	1.2
Total	32.29	-	8.85	89.0

Source: Bakht, Z. 2001.

TABLE 5: FLOW OF FOREIGN INVESTMENT IN EPZs

(Million US \$)

Year	Total Investment in EPZ	Total FDI in the EPZ	FDI in EPZ as % of Total Mfg Investment
1983-84	0.87	0.86	0.8
1984-85	1.6	1.0	1.3
1985-86	3.6	2.9	4.0
1986-87	6.6	4.9	4.7
1987-88	1.8	1.7	2.3
1988-89	2.7	2.4	1.9
1989-90	8.6	6.4	4.6
1990-91	22.1	21.3	4.0
1991-92	23.7	21.5	4.4
1992-93	22.0	25.9	3.9
1993-94	37.4	24.5	6.2
1994-95	35.9	15.6	4.3
1995-96	30.6	29.0	3.7
1996-97	53.9	50.8	8.5
1997-98	68.8	52.0	7.3
1998-99	71.6	47.6	8.1
1999-00	35.0	27.4	-

Source: BEPZA.

TABLE 6: SECTORAL DISTRIBUTION OF FDI OUTSIDE EPZ DURING 1990s

(Million US \$)

Sectors	1994-95	1995-96	1996-97	1997-98	1998-99
Gas	14	40	170	217	194
Power	0	0	0	60	321
Telecom	0	4	31	26	13
Cement	15	35	0	0	89
Textiles and RMG	4	9	16	0	0
Other Mfg & services	19	127	34	25	17

Source: World Bank, *Foreign Direct Investment in Bangladesh: Issues of Long run Sustainability*, October 1999.**TABLE 7: TRENDS IN NOMINAL PROTECTION, 1990/91 - 1995/96**

Description	Agriculture	Mining	Manufacturing	All Tradables
<i>Pre-reform, 1990/91</i>				
Unweighted	90.5	54.1	89.0	88.6
Import-weighted	20.9	24.0	51.8	42.1
<i>Post-reform, 1995/96</i>				
Unweighted	26.0	13.6	24.6	24.6
Import-weighted	10.1	38.8	21.9	21.0
<i>Current Status 1999/00</i>				
Unweighted	-	-	24.2	24.7
Import-weighted	-	-	-	-

Source: World Bank Staff Estimates.

TABLE 8: EXPORTS AND IMPORTS OF BANGLADESH DURING 1980S AND 1990s

Description	1980/81	1990/91	1999/00	Annual compound growth rate (%)	
				1980s	1990s
Export (million \$)	710	1718	5752	9.2	14.4
Import (million \$)	2282	3510	8566	4.4	10.4
Trade deficit (million \$)	1572	1792	2814	1.3	5.1
Export as % of import	31.1	48.9	67.1		
Export as % of GDP	5.0	7.3	12.1		
Import as % of GDP	16.0	15.0	17.9		
Openness of the economy (%)	21.0	22.3	30.0		

Source: Export Promotion Bureau and World Bank.

TABLE 9: CHANGING STRUCTURE OF EXPORT: 1980/81-1999/00

(million \$)

Item	1980/81	1990/91	1999/00	Growth(%) 1990-1999
<i>Primary commodities</i>	209 (29.4)	306 (17.8)	469 (8.2)	4.9
Raw jute	119 (16.8)	104 (6.1)	72 (1.3)	Negative
Tea	41 (5.8)	43 (2.5)	18 (0.3)	Negative
Frozen food	40 (5.6)	142 (8.3)	344 (6.0)	10.3
Other primary	9 (1.3)	17 (1.0)	35 (0.6)	8.4
<i>Manufactured goods</i>	501 (70.6)	1411 (82.2)	5283 (91.8)	15.8
Jute goods	367 (51.7)	290 (16.9)	266 (4.6)	Negative
Leather & leather goods	57 (8.0)	136 (7.9)	195 (3.4)	4.1
Woven garments	3 (0.4)	736 (42.9)	3083 (53.6)	17.3
Knitwear	0 (0.0)	131 (7.6)	1270 (22.1)	28.7
Chemical products	11 (1.5)	40 (2.3)	94 (1.6)	9.9
Other Manufactured goods	63 (8.9)	78 (4.5)	375 (6.5)	19.1
<i>Total Export</i>	710 (100)	1717 (100)	5752 (100)	14.4

Figures within parentheses show % share in exports

Source: Export Promotion Bureau.

TABLE 10: PRICE INDEX OF EXPORT AND IMPORT

Description	1979/80	1990/91	1999/00	Yearly growth (%) 1979-1999
Export Price Index	100	101.9	140.6	1.7
Import Price Index	100	107.4	158.0	2.3
Terms of Trade	100	94.9	89.0	Negative

Source: Ministry of Commerce; 2000.

***The following reference materials were consulted in preparing the draft report
(this list is not exhaustive)***

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