

# 6

---

---

1. Introduction
2. Trade components of policy documents
3. Coordination in policy document preparation
4. Conclusions

# Bangladesh - Mainstreaming trade policy

*M. Harun-Ar Rashid and Jamie Morrison*

## 1. Introduction

This paper, drawing on the key themes developed in the previous chapter on trade policy, and the next chapter on support measures, examines the extent to which trade policy formulation is consistent across a range of policy frameworks in Bangladesh, and in doing so, attempts to investigate how the relationship between the formulation of trade policy and broader strategies of poverty reduction can be improved.

As a case study review, it examines the trade policy positions in a series of contemporaneous historical documents developed around the time of the first PRSP preparatory process:

1. I-PRSP, PRSP and associated policy matrices (2004).
2. Import Policy Order 2003-2006.
3. Export Policy 2003 – 2006.
4. National Food Policy 2006.

The objective of the case study review is to assess the extent to which trade, and trade policy more narrowly, were considered across the different policy documents, the extent to which the process of PRSP formulation allowed mainstreaming, and whether on the basis of this experience, the PRSP has shaped more recent policy documents impinging on trade and trade policy, such as the Export Policy 2006-2009, and their use in achieving policy reduction targets.

For each of the policy documents, and to the extent that the available literature allows, the paper considers: (a) the emphasis on trade and trade policy in each of the documents, particularly in respect of the issues discussed in the previous

chapter, namely (i) the move towards a more liberal trading environment, albeit still relatively highly protected in the agriculture sector; (ii) self-sufficiency in grains; (iii) the ability to respond to decisions by key grain exporters and (iv) the increased emphasis on (a) export promotion; (b) the links between that document and the other documents and (c) the process by which the document was formulated. It then considers the extent of coordination between key actors and the degree of consultation with stakeholders more broadly.

## 2. Trade components of policy documents

### 2.1 I-PRSP, PRSP and associated policy matrices<sup>1</sup>

Interim PRSPs (I-PRSPs) summarize the current knowledge and analysis of a country's poverty situation, describe the existing poverty reduction strategy, and lay out the mechanism for producing a fully developed PRSP through a participatory process. In doing so, they outline a country's existing poverty reduction strategy and provide a road-map for the development of a comprehensive PRSP (for example, a timeline for poverty diagnostics, recognition of policy areas that need evaluation and reform, envisaged participatory process, etc) (CPD, 2004).

Bangladesh prepared an I-PRSP document, *Bangladesh: A National Strategy for Economic Growth, Poverty Reduction and Social Development*, finalized in March 2003. The I-PRSP was formally presented to the Boards of Directors of the World Bank and the IMF on 17 June 2003. Bangladesh subsequently prepared a PRSP on the basis of the I-PRSP.

CPD (2004) states that "the I-PRSP was prepared under the constraints of limited opportunities for consultation and thematic review and as such a number of gaps were identified during post-document reviews. The major gaps which were identified and subsequently addressed in the PRSP preparation included the following:

- Environment-poverty interface.
- Strategy for water resources management.
- Quality improvement in education.
- Mainstreaming gender issues in agriculture, rural development and labour market.
- Private sector development.
- Medium term plan for trade policy reforms.
- Financial sector reforms.

---

<sup>1</sup> This sub-section draws on CPD (2004)

- Policies and institutions for rural non-farm activities, and
- Medium term framework on sectoral policy priorities”.

Interestingly, the lack of attention to future trade policy was identified as one of the major gaps. In assessing how different components of trade and related policies were addressed in the full PRSP, it is useful to consider the overall thrust of the strategy set out in the document. This is summarized in Figure 1.

In the document, eight specific areas (four strategic blocks and four supporting strategies) through which the goal of accelerated poverty reduction was to be pursued are detailed:

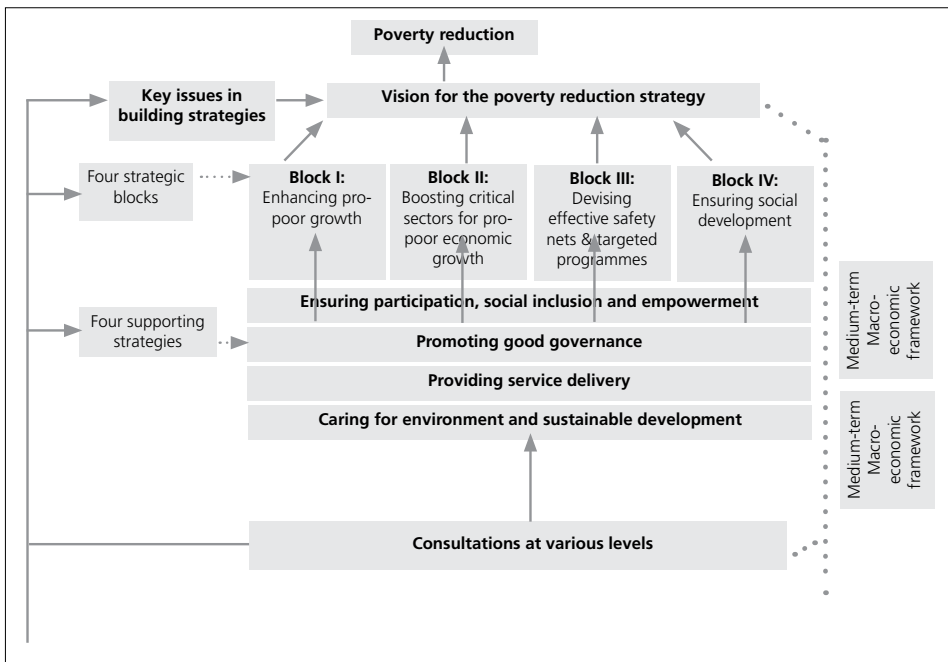
- The first focuses on the conditions required for rapid growth (i.e. stable macroeconomic balances, improved regulatory environment, higher private investment and increased inflow of FDIs, effective trade and competition policies, and poor and gender sensitive budgetary process).
- The second indicates that targeting critical sectors will be needed to maximize pro-poor benefits from the growth process, with special emphasis on the rural, agricultural, informal and SME sectors and improved connectivity.
- The third strategic block is concerned with safety net measures to protect the poor, especially women, against anticipated and unanticipated income/ consumption shocks.
- The fourth addressed human development of the poor through raising their capability through education, health, nutrition and social interventions.

In turn, the four supporting strategies covered: (i) participation and empowerment of the poor; (ii) promoting good governance; (iii) improving service-delivery in the areas of basic needs; and (iv) environmental sustainability.

Reflected throughout the PRSP is the fact that the previous, and relatively rapid, growth pattern in Bangladesh had generated inequality and that increased employment was seen as constituting the basic route out of poverty.

In relation to the issues covered in the previous chapter, it is notable that although the executive summary concisely points out that *“Exports matter, but the importance of parallelly mobilizing the potentials of a burgeoning domestic market cannot be left aside. Indeed, it is arguably in the synergies of the two foci - export and domestic markets - that the best opportunities for pro-poor growth lay”*, in the PRSP document itself, trade related components are squarely on the potential for export growth to generate employment opportunities and, with the exception of some reference to trade in the policy matrix on food security (see below) there is no

FIGURE 1:  
Flowchart of Poverty Reduction Strategy Framework



Source: CPD (2004)

specific mention of trade policy or support measures required for import competing food grains.

For example, the PRSP states that *“The export-led growth policy of the Government gives exports a unique position in the poverty reduction discourse. It merits a separate and somewhat broader analysis given its importance in the economy especially in promoting employment for the poor women”*.

This emphasis on the export side goes not just for export promotion measures, but for liberalization programmes, which are discussed in relation to their focus on *“simplification of import procedures, reduction of quantitative restrictions (QRs), rationalization and diminution of import tariffs, and maintaining a competitive exchange rate with export promotion the key driver”*.

Further, the PRSP suggests that *“Liberalization programmes may be considered to have been successful in energizing export. In the 1990s real exports grew at an annual average rate of 12.5 percent in comparison with a 4.8 percent GDP growth rate and a growth rate of exports of 3.9 percent for the 1980s. The*

*trade-GDP ratio increased to 33 percent in 2000 from only 17 percent in the mid-1980s”.*

However, it also notes that export growth had been dominated by the Ready-Made Garment (RMG) sector, which contributed about 75 percent of export earnings and that the protection provided by the MFA which had been phased out by the end of 2004 could have serious implications for the external sector as well as for the overall economy.

*Particularly given that “the export response for all other major commodities such as raw jute, jute goods, tea, leather and leather products, and frozen food and shrimps has been very weak, with, no major export product other than garments showing sustained dynamism over the last decade or so. Therefore, mere liberalization of the trade regime (and thus reduced anti-export bias) does not necessarily guarantee export diversification or a greater supply response”.*

In developing the trade component of the PRSP, reliance was placed on the output of 12 thematic groups (see section on preparation process below). The recommendations of the group looking at trade reforms and export response are summarized in Box 1.

The text in Box 1 again reinforces the emphasis on the export dimension of trade and trade policy. This emphasis is also reflected in the Export Policy (unsurprisingly) but also, significantly, in the Import Policy Order (see following sections).

With respect to the Export Policy 2003-2006, the PRSP states that “the trade policy will therefore seek to achieve adequate export growth with employment generation. Export success will have a direct effect on poverty alleviation if the export-oriented sector generates substantial employment opportunities”. It goes on to note that the Export Policy 2003-2006 therefore aims at increasing export, creating job opportunities and alleviating poverty.

With respect to the Import Policy Order 2003-2006, it is stressed that since government revenue is heavily dependent on trade taxes, an associated problem of tariff liberalization is the loss of tariff revenue and its effect on the budget balance and that this will “require policy support to be built around the overall goal of employment generation. In particular, import policy and the tax and tariff structure need to be revised so as to remove bias against the informal sector”.

The text in the main body of the PRSP is reflected in a series of 19 policy matrices annexed to the PRSP document. The most relevant of these matrices are considered below to examine how the text plays out in terms of recommended steps in relation to how trade is incorporated.

### **Box 1: Thematic sub-group on Trade Reforms and Export Response**

The sub-thematic report outlines the importance of trade reforms and export promotion for poverty reduction and attempts to provide a review of Bangladesh's trade policy and reform measures with future directions for the post-MFA era. To fulfill this broad objective, several specific issues were discussed and analysed: (1) trade liberalization measures undertaken by Bangladesh, (2) policy-induced anti-export bias, (3) further scope of dismantling quantitative restrictions and liberalization and rationalization of the import-tariff regime, (4) export response to trade liberalization, (5) demand and supply side constraints facing the export response, (6) promotion of exports from Bangladesh by addressing various constraints facing the export sector, (7) phasing-out of the MFA quota and the consequent implications, (8) identification of challenges and policy options for the RMG industry, and (9) conceptual issues in the trade-poverty nexus with relevance to the poverty reduction strategy.

The report sketches out as many as twenty-five observations and recommendations for promoting trade. Some major imperatives mentioned are: (i) effective measures are needed for dealing with the MFA phase-out situation; (ii) readjustment of tariffs is needed so that the highest duty rate is reduced but on the whole the tariff structure remains revenue-neutral; (iii) ensuring the neutrality of supplementary duty and VAT by applying them to domestic import-substituting activities in a non-discriminatory fashion; (iv) reducing the effective protection can be beneficial to resource allocation; (v) a realistic tariff rationalization programme can substantially benefit the domestic industry relying on imported intermediate goods; (vi) a proactive and analytical policy regime in the foreign trade sector supports the growth of small and informal sector activities with significant poverty alleviation effects; (vii) mutual exchange of tariff preferences under Regional Trading Arrangements (RTAs) and Free Trade Areas (FTAs) involving Bangladesh may provide a scope for future tariff liberalization; (viii) exports from the potential industries can be expanded by removing the supply side constraints; (ix) a well-devised integrated approach at policy, institutional, and enterprise levels is to be effected to make intervention schemes or support systems comprehensive; (x) a well-devised contingency plan is needed due to the potential adverse consequences of MFA-phase out; (xi) the supply side constraints of the RMG sector such as weak infrastructure, shortage of skilled workers, the law and order situation, political unrest and invisible and high cost of doing business will have to be systematically addressed while a strong argument is made for reducing the long and extended lead-time, particularly in woven RMG; (xii) serious initiatives are needed to convince the US and EU of the importance of the RMG industry for Bangladesh's economy and how the issues of zero tariff and simplification of Rules of Origin (ROO) could prove to be crucial for the country's continued export success; and (xiii) removal of import duty by our major trading partners might greatly enhance Bangladesh's competitive position especially *vis-à-vis* those relatively advanced developing countries with a strong backward linkage industry.

Each matrix details a set of strategic goals (such as “improving international competitiveness”), key targets (for example “formulation of an export policy”), the policy agenda (i.e. changes to policies and key targets) and responsible ministries and agencies.

Interestingly, there is no mention of trade policy in Policy Matrix 1: Macroeconomic stability and pro-poor economic growth. Rather, this is subsumed into three specific components of Policy Matrix 2: Promoting Trade & Remittances, as described in Table 1.

Key points highlighted in the table are the increased role of cash incentives, and the importance of trade missions/fairs in export promotion. In terms of import liberalization, the stress is on reducing the tariffs on intermediate inputs and reducing the dependence on tax revenue from tariffs. However, it should be noted that there is no specific mention of the agriculture sector, even though this sector is a significant employer, particularly among import competing sectors.

Policy matrix 3, *Private Sector and SME Development*, recognizes the fact that trade policy reforms should be implemented at right pace and sequence to achieve the creation of an enabling policy environment, for example by providing adequate lead-time before liberalization, by ensuring that the removal of anti-export bias is accompanied by the resolution of supply-side bottlenecks etc.

Policy Matrix 4, *Agricultural Growth towards Poverty Reduction*, contains 24 strategic goals targeted at stimulating agricultural production but, with the exception of cash incentives for exports makes *not a single mention* of trade or trade policy with respect to key agricultural commodities.

To a certain extent agricultural trade policy is covered in Policy Matrix 8, *Food Security* (see table 2). However, while this matrix is far more cognizant of the role of trade and trade policy in (i) providing food at low cost and (ii) in smoothing domestic consumption, it also is devoid of any discussion or action to ensure that the role of trade and associated policies is considered in ensuring that domestic import competing sectors are protected from excessive competition during the implementation of the strategy in support of agricultural productivity increases.

However, the focus is again squarely on import liberalization/private sector investment to ease trade. There is no mention of the possible need for safeguards, restrictions to protect domestic producers against competition in the PRSP. This is somewhat surprising given the fact that these aspects are reflected in the National Food Policy 2006 (see section below).

During the preparation of this paper, the second PRSP was under formulation. Although a detailed examination of the process followed, and content of the



**TABLE 1:**  
**Key trade related goals in policy matrix 2: Promoting Trade & Remittances**

Strategic goal	Actions taken/underway	PRSP policy agenda (FY05-07)	Responsibilities
3. Improve the international competitiveness of exports	<ul style="list-style-type: none"> <li>• The government has formulated a three-year Export Policy (2003-2006) to make the export sector more competitive</li> <li>• To promote the export of small and medium sized enterprises and non-traditional items the Government, in collaboration with the banking sector, has provided various incentives including credit and cash incentives</li> <li>• New skill-based training for entrepreneurship development is being imparted to promote small and medium sized enterprises</li> <li>• As a result of trade liberalization measures, the anti-export bias in the economy is estimated to have fallen from 59% in FY 92 to 18% in FY03</li> <li>• An action plan has been adopted to remove anti-export bias through institutional reforms</li> <li>• Floating exchange rate regime has been introduced since 31 May 2003 to promote competitiveness in the external sector</li> <li>• The foreign exchange market was further liberalized in December 2003 with the removal of L/C margin requirements</li> </ul>	<ul style="list-style-type: none"> <li>• More products are under scrutiny for cash incentives. These include handicrafts, agro-processing products, vegetables and vegetable-processing products, light engineering products etc</li> <li>• Registrar of Joint Stock Companies has been reorganized and is in the process of automation. Reorganization of work is in the process for EPB, Bangladesh Tariff Commission, CCI&amp;E</li> </ul>	MoC, FD, BB
4. Diversify Export	<ul style="list-style-type: none"> <li>• Measures have been taken to explore markets in the East-European countries</li> <li>• Support to market exploring activities as suggested in the Export Policy of 2003-06 has been provided. These include providing cash incentives, creation of Business Promotion Councils for the overall development of the sector/sub-sector</li> <li>• Policy support has been provided to RMG sector for maintaining and increasing its current market share in the EU, the US and in Canada. Except USA, quota/duty free access has already been obtained in EU, Canada, Australia, Norway, and New Zealand</li> <li>• Bangladesh has already joined three regional free trade blocks namely, SAFTA, BIMSTEC and TPS-OIC.</li> </ul>	<ul style="list-style-type: none"> <li>• Measures include sending missions to Africa, South and South-East Asia</li> <li>• Most aspects of support to market exploring activities have addressed within the policy period ( 2003-06)</li> <li>• BGMEA has employed a lobbyist to work for it for obtaining duty free access of textile and RMG products to USA</li> </ul>	MoC, EPB, Missions Abroad, BGMEA

**TABLE 1 (cont'd):**  
**Key trade related goals in policy matrix 2: Promoting Trade & Remittances**

Strategic goal	Actions taken/underway	PRSP policy agenda (FY05-07)	Responsibilities
Import Liberalization Provide freer trade environment for more efficient domestic production	<ul style="list-style-type: none"> <li>• Tariffs on intermediate inputs have been reduced</li> <li>• There has been significant rationalization in the structure of tariff rates with the number of tariff slabs reduced from 24 in the 1980s to 4 (0, 6, 13 and 25%) in FY05</li> <li>• The trade regime has been liberalized by reducing the maximum tariff rate from 350% in FY92 to 25% in FY05</li> <li>• Quantitative restrictions of all import lines at HS-8 digit level were drastically reduced from about 40% in FY91 to less than 2% by the mid-1990s</li> <li>• In the current IPO, the number of banned and restricted items has been brought down to 24 from 122 of the IPO of 1997-2004</li> <li>• Import license fee on all imports has been withdrawn; sugar, cartoon import liberalized</li> <li>• A three-year Import Policy Order (2003-2006) has been formulated for ensuring greater degree of transparency and continuity of the import policy provisions</li> </ul>	<ul style="list-style-type: none"> <li>• The average protective tariff is planned to be reduced to 20%</li> <li>• Rationalization of quantitative restrictions will continue</li> <li>• Further reduction in number of items is under consideration.</li> <li>• Revenue mobilization efforts will be enhanced to reduce the dependence on import taxes</li> </ul>	MoC, FD, NBR, Chambers

Source: GoB (2005). Annex 4

**TABLE 2:**  
**Extracts from Policy Matrix 8: Food Security**

Strategic goal	Key targets	Actions taken/ underway	PRSP policy agenda (FY05-FY07)	Future priorities	Responsibilities
(1)	(2)	(3)	(4)	(5)	(6)
2. Assuring low-cost food supply	<ul style="list-style-type: none"> <li>• Increase farm productivity</li> <li>• Assure input availability</li> <li>• Introduce new agricultural technology</li> <li>• <i>Continue agricultural trade liberalization</i></li> <li>• Develop infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>• Various agricultural policies and programmes in place</li> <li>• Subsidies in input supply put in place</li> <li>• Livestock and fisheries sector reviews completed</li> <li>• A policy review initiated;</li> <li>• <i>Private sector food trade allowed</i></li> <li>• Infrastructure development given priority</li> <li>• Food distribution undertaken by Ministry of Food and Disaster-management (MFDM) in times of emergency undertaken</li> </ul>	<ul style="list-style-type: none"> <li>• Initiate major sector review of agriculture including marketing and extension</li> <li>• Implement new agricultural extension policy</li> <li>• <i>Encourage private sector trade (both domestic and international)</i></li> <li>• <i>Judicious tariff and avoidance of market restrictions</i></li> <li>• Government domestic purchases to avoid price risk of the product</li> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• Crop and food diversification to be pursued more effectively</li> <li>• Appropriate R&amp;D in agriculture</li> <li>• Technology to be developed for minimising post harvest loss in food crops</li> <li>• Comprehensive disaster risk management.</li> <li>• Crop insurance</li> <li>•</li> </ul>	MoA, MoFL, MoF, MoFDM, LG D, MoC
3. Smoothing fluctuations in food consumption	<ul style="list-style-type: none"> <li>• Ensure national and local level stocks of critical food items at public and private levels</li> <li>• Undertake targeted food operations, price stabilization; farm price support; open market sales and other food distribution mechanisms</li> </ul>	<ul style="list-style-type: none"> <li>• Public food grain stock maintained at various places</li> <li>• Earlier small programmes on food grain stock by private households</li> <li>• Various targeted programmes for food distribution and safety nets</li> <li>• Import liberalization and private imports, open market sales</li> </ul>	<ul style="list-style-type: none"> <li>• Modernize food stock management for speedy distribution/release in times of need</li> <li>• Encourage private households stocks through Programmes of storage of crops at local levels</li> <li>• Underutilized public storage facility be leased or rented out to private sector users</li> </ul>	<ul style="list-style-type: none"> <li>• Modernization of food management to continue</li> <li>• Programmes for private stocks of various kinds of food to continue</li> </ul>	MoFDM, MoSW, MoA, MoC, CBOs

Source: GoB (2005). Annex 4. Trade-related text shown in italics

second PRSP is not undertaken in this paper, the purpose of which is to give an historical perspective on the process of mainstreaming trade and related policy in Bangladesh, the following is a summary of trade related policies contained in the second PRSP

The major thrust of the external sector policy concentrates on sustenance of export growth, enhancement of remittance flow and ensuring increasing flow of imports to meet consumer demand. The government's efforts will focus on the reduction of trade transaction costs and delivery time through trade facilitation measures, one-stop export facilities, graduation to higher valued quality products, and recognition from international accreditation bodies. There will be renewed focus on matters related to the narrow supply base and its poor response to changing international demand, inadequate investment funds, lack of connectivity with neighbouring countries due to weak physical infrastructure, and a gearing up of research and development to upscale technological base to increase international competitiveness. The demand side issues will be addresses through attention to pertinent issues such as increased preferential market access, complex rules of origin, restrictive trade policies and non-tariff barriers, and lack of adequate market information. The government is committed to reducing the anti-export bias through rationalization of tariffs and removal of non-tariff barriers to trade, avoidance of negative effective protection to industries and ensuring a stable duty structure. Bangladesh as a member of the WTO and regional trading arrangements such SAFTA and BIMSTEC, will continue to seek duty free access for its products. The country recognizes the need for improved capacity for trade negotiation as a critical aspect of trading agreements (pages 19-20, 2<sup>nd</sup> PRSP, GoB (2009)).

## **2.2 Import policy order 2003-2006**

The gist of, and rationale for, import liberalization stated in the PRSPs is broadly consistent with the Import Policy Order (IPO) 2003-2006, the objectives of which focus on further liberalization and easing of imports.

In the PRSP, it is stated that "the liberalization process has achieved considerable success though progress has been uneven at times. In the latest IPO the number of items appearing on the control list have been brought down to 63 (from 122 in the previous IPO), of which only 22 are due to trade reasons. Items in the control list have been brought down to 24 recently. The highest tariff rate has been brought down from 350 percent in 1992 to 25 percent in FY05. The number of tariff slabs (including zero) has come down from 24 in the 1980s to 4 (0 percent, 6 percent, 13 percent, and 25 percent) causing the un-weighted customs duty rate to fall from 57.2 percent in 1991-92 to only 16.4 percent in 2005-06".

Similarly, that "an important element of trade policy has been the introduction of generous promotional measures for exports which include duty free import

of machinery and intermediate inputs, cash incentives, duty drawbacks, and exemption from value-added and other taxes". It has been estimated that when un-weighted protection of import duties is considered, the anti-export bias in Bangladesh's economy appears to have fallen from as high as 59 percent in 1991-2 to 18 percent in 2002-03.

The stated objectives of the IPO are:

- To make the IPO further liberalized to keep pace with the gradual development of globalization and free market economy under the WTO.
- To provide facility for import of technology for widespread expansion of modern technology.
- To provide facility for easy import for the export support industries for the purpose of placing export industries on a sound base and with this end in view, co-ordinate the import policy of the country with the industrial policy, export policy and other development programmes, and
- to make easier the availability of industrial raw materials for increasing competition and efficiency by gradual removal of restrictions on import of finished goods.

Although some agricultural import competing sectors are heavily protected or regulated (for example the ban on wheat imports) there are remarkably few additional measures listed in the IPO.

For example, in relation to SPS requirements on food imports, clause 16.1 states that "in the case of import of milk, milk food, milk products, edible oil and other food items produced in any country, test of radioactivity levels present in those items is mandatory. It is to be noted that test of radioactivity levels of vegetables and seeds, which may be used as food directly is also mandatory". However, even this is relaxed in the case of import of rice, wheat, other cereals, and food-stuff from SAARC and South-East Asian Countries, where "the provision of the above mentioned radioactivity-test shall be relaxable on fulfilment of certain conditions such as ..... submission of a certificate of origin, issued by the related Government/ approved Agency of the exporting country, a certificate, issued by the Government/ Approved Agency of the exporting country, declaring that the standard and quality of the imported rice, wheat, other cereals and food-stuff are fit for human consumption and free from all harmful germs, shall be submitted to the Customs Authority".

Indeed of most relevance to agriculture are the exemptions to restrictions on imports facing other sectors. For example, "all types of carton except laminated inner carton used for export of all frozen foods including shrimps are banned".

### 2.3 Export policy 2003-2006

The objectives of the EPO are again consistent with the broad programme of rapid export expansion as a generator of employment opportunities. They include:

- Capacity building of export related institutions like EPB (through its reorganization to enhance institutional efficiency), customs department, land and sea ports, fisheries department, BSTI, Tea Board and trade bodies.
- Product diversification.
- Develop product quality and design and production of high value products.
- Adopt new strategies for expanding export products, ensure good use of IT or computer technology, E-commerce and other technologies.
- Develop necessary infrastructures and in required cases backward and forward linkage industries to ensure production of maximum volume of exportable items.
- Create new exporters and provide all assistance to existing exporters and develop a business friendly attitude.
- Develop expert manpower on trade; and
- Equip trade bodies, businessmen and concerned people with necessary knowledge on systems of world trading.

However, a strong emphasis of the strategy is on the identification and specific support to selected sectors which receive a range of additional support and exemptions (over and above any already granted to those in EPZs which are covered by a specific policy). Of the five identified sectors, agro-products and agro-processing products, and leather products are both included.

The types of special measures included are again broadly consistent with the thrust of the PRSP. For example, funds for export will be facilitated through interest free loans under duty-draw-back credit schemes for 180 days and 100 percent of the loan amount will be provided in advance; the import process of raw materials and related products will be made easier under the export promotion fund (EPF); importing capital machineries with soft term loan with lesser interest rate can be considered for export promotion.

Under the export loans, the exporters can get 90 percent of the amount from commercial banks under irrevocable letters of credit. Similarly, export-oriented industries are able to import 10 percent spare parts of their capital machineries without duty in every two years. And consistent with the IPO, they "will be allowed to import raw materials, packaging goods and machinery that are banned or importable under certain conditions to perform specific export orders". In addition, income tax exemptions are provided for export earnings, with exporters receiving 50 percent exemptions on their income taxes.

Although prepared after the PRSP process, the more recent Export Policy 2006–2009, reinforces such measures and explicitly references the PRSP. It is split into sections on the regulations and on the strategy/support components. The strategy component makes specific reference to the PRSP: “Keeping in mind the objectives stipulated in the PRSP, the government has taken initiatives to diversify and liberate the export sector from limited goods dependency and ensure the supply of goods in competitive prices in the world market by means of putting more importance on the implementation and observation of issues such as the facilitation and simplification of import-export procedures, expansion of the use of modern technology in businesses, market expansion, capacity building activities such as productivity increase, quality goods production, reduction of business expenses, and compliance-related issues including the overall development of the governance situation. At the same time the government has taken the initiative to increase the export earnings from the service sector (such as information and communication technology, consulting services, construction etc.) by providing all facilities for the development of this sector. Keeping the goals and objectives of the PRSP in mind, the government has taken the initiative to prepare the “Export Promotion Strategy Paper 2006-2009” as an integral part of the country’s “Export Policy 2006-2009”. One of the main objectives of the PRSP is to create jobs and generate income for the mass public of Bangladesh, and to cut poverty in half by the year 2015. This is to be accomplished by means of expansion of export trade”.

While there is some consistency between the PRSP, IPO and EPO in terms of the aspects included, and the strong emphasis on export expansion, all of these policy documents have significant gaps with respect to the role of trade and trade policy in agriculture sector development. These gaps become particularly apparent when examining the National Food Policy.

## **2.4 National food policy 2006**

In contrast to the trade related policy documents, which are developed in support of employment generation through export, the National Food Policy has a different set of objectives.

The document begins by stating that “the first and foremost responsibility of the State is to ensure an uninterrupted supply of food to all people at all time” and that “in the constitution of Bangladesh, it shall be a fundamental responsibility of the State to secure its citizens to the provision of basic necessities of food”. It also notes that “the present food policy was developed in the light of the recently adopted Poverty Reduction Strategy Paper and also in a broader perspective according to the definition of food security as adopted in the World Food Summit”.

In achieving these goals, three sets of objectives are listed:

- Objective 1: To ensure adequate and stable supply of safe and nutritious food.  
Objective 2: To enhance purchasing power of the people for increased food accessibility, and  
Objective 3: To ensure adequate nutrition for all (especially women and children).

In essence, this provides a broader set of objectives against which policies are formulated than the trade policy documents which contribute only to Objective 2, and to a minor extent, Objective 3

Importantly, the policy document recognizes that domestic food production, public and private stocking *and international trade* together determine food availability at the national level, and that “with the liberalization of trade, global availability and prices of food are of increasing importance for ensuring national food security”.

Of course, not all components of the National Food Policy include reference to agricultural trade, but important parts do. These are described in turn.

### ***Objective 1: Adequate and stable supply of safe and nutritious food***

The first strategy under this objective, strategy 1.1: *Efficient and sustainable increase in food production*, does not mention trade or trade policy. However, under Strategy 1.2: *Efficient food markets*, a number of relevant sub-strategies are mentioned.

Under 1.2.2 *Encouragement to private sector food trade*, the document recognizes that private sector food trade involves many millers, wholesalers, and small traders who buy, process, store, transport and sell food throughout the country and that modern milling, polishing, sorting, cleaning and packaging techniques need to be promoted to cater to both the domestic and export market demand. The following priorities are reflected:

1. Provide adequate incentives for private food marketing, processing, sorting and stock maintenance.
2. Manage private sector food imports through adjustment of tariff rates and extending other administrative support so as to encourage imports when needed and avoid excessive imports that might have negative impact on domestic production, and
3. Encourage export of agricultural products in times of surplus production and excessive market supply.

It goes on to argue that for the development of a trade-supportive legal and regulatory environment, the provisions for various marketing Acts and trade practices should be reconsidered. “To bring the markets under the trade supportive



market regulations it is essential that, various forms of marketing charges, taxes and levies be rationalized and market development be ensured". Here, the Government will:

1. Establish a system of monitoring private storage and supply of food items.
2. Ensure recognition of the positive role of market intermediaries, and
3. Enact and enforce competitive trade promoting anti-trust and anti-monopoly Acts.

### ***Objective – 2: Increased purchasing power and household access to food***

Under this objective, the trade related component is evident, but restricted to the management of short term shocks. Under Strategy 2.1: *Transitory shock management*, the aim is to ensure private sector participation in meeting the domestic production deficit and enhance the economic access to food. To facilitate this, the Government will:

1. Ensure removal of restrictions on storage and movement of food.
2. Provide credit facilities for storage and stock-holding.
3. Support development of efficient storage and delivery techniques.
4. Encourage private imports through selective trade and fiscal policy measures to absorb internal and external price shocks, and
5. Extend public storage/handling facilities for use by the private traders at reasonable prices to ensure speedy and efficient delivery of food through the private sector.

The National Food Policy concludes by reiterating that "Food policy is gradually becoming more complex with the inclusion of all dimensions of food security (availability of, access to and utilization of food). These dimensions of food security policy have to be implemented by the concerned activities of various ministries, departments and agencies of the Government. Changes in world trade and food aid environment also influence the current strategies, which pose new challenges for the food policy in future. Coordination of food security enhancing activities needs to be accomplished at the national level".

## **3. Coordination in policy document preparation**

Reading the National Food Policy in association with the other policy documents (PRSP, IPO, EPO) is revealing in a number of ways: (i) with respect to the more significant coverage of agricultural trade policy in the National Food Policy; (ii) the differences in emphasis; and (iii) the suggested need for greater coordination. In this regard, there appears to be a gap between the aspirations of the National Food Policy and the other policy documents.

Coordination is one potential reason for the apparent inconsistency across the documents and in part, this is a function of the different responsibilities assigned to the different Ministries and agencies in the PRSP preparation process *vis-a-vis* the development of the other policy documents.

For example, Table 3 lists those responsible for rural development including food security, and those responsible for macroeconomic stability and pro-poor growth. It is notable that neither the Ministry of Commerce nor the General Economics Division of the Planning Commission are associated with the former, and that even though agriculture is a key sector for ensuring pro-poor growth, that the Ministry of Agriculture is not associated with the latter theme.

Involving greater cross-Ministry collaboration under each theme is one issue, but clearly, some important components related to trade and trade policy are missing, or of reduced relevance, across the different documents.

The process of PRSP formulation is quite well documented in CPD (2004) and Ahmed (2004) which investigate how the PRSP was formulated, in the hope of identifying gaps, areas of limited coordination, and for understanding why trade policy was considered in a rather narrow, export focused, way, despite the fact that there are alternative and complementary avenues to poverty reduction.

The preparation of the IPO and EPO followed somewhat different processes. The Imports and Exports (Control) Act 1950 empowers the government to regulate

**TABLE 3:**  
**Responsibilities across different PRSP themes**

Names of the thematic Ggroups	Ministries/Agencies responsible
Rural development including Food Security, Disaster Management, Safety-net Programmes, Micro credit and Rural Non-farm Activities	Lead Ministry: Rural Development and Cooperatives Division Associates: 1. Ministry of Relief and Disaster Management 2. Ministry of Food 3. Finance Division 4. Ministry of Social Welfare 5. Local Government Division 6. Ministry of Youth & Sports and 7. BRDB
Macroeconomic stability and pro-poor growth	Lead Ministry: Finance Division, Ministry of Finance Associates: 1. General Economics Division (GED), Planning Commission 2. Programming Division, Planning Commission 3. NBR 4. Bangladesh Bank and 5. ERD

Source: GoB (2005)

the import and export of goods and services. Every five years, customs issues a detailed import-export policy to guide import activities for that period. The MoC is responsible for formulating, implementing, enforcing as well as monitoring trade policy matters through the Bangladesh Tariff Commission (BTC), the Export Promotion Bureau (EPB), the office of the Chief Controller of Imports and Exports (CCIE). Tariff policy is formulated by the BTC. The import policy order (IPO) is taken and enforced by the CCIE. The consultative Committee on Exports makes preliminary drafts of the export policy and ultimately MoC finalizes these. It may be noted that, unlike the IPO, which has the status of law making, the export policy is simply a statement of intent without any legal authority. The National Board of Revenue (NBR) under the Ministry of Finance (MOF) administers all taxes together with custom duties and value added tax (VAT), tax holidays including other tax concessions. A good number of ministries and the concerned agencies, as shown in Table 4, are associated with the process of formulating and implementing trade and trade related policies of Bangladesh. However, coordination is maintained through meetings at inter-ministerial, cabinet sub-committee as well as cabinet levels.

There are also several policy consultative bodies with public and private sector participation, for example, the Import Advisory Committee and the Export Promotion Council, the National Committee on Export, the National Council for Industrial Development. The private sector is usually involved in the formulation of trade policy through its active participation in advisory bodies. The Federation of Bangladesh Chambers of Commerce and Industry is the apex body representing the private sector at the national level. Independent academic institutions, for example, Bangladesh Institute for Development Studies (BIDS), the Bangladesh Economic Association (BEA) etc., are often involved in trade related policy dialogues.

## **4. Conclusions**

The aim of this paper, was, on the basis of a review of documentation of key policy documents and the processes through which they were developed, to identify the degree of consistency in the treatment and mainstreaming of agricultural trade and trade policy and, where gaps were identified, to understand the extent to which the extent of coordination between ministries, and consultation with key stakeholders may have been a factor.

The trade dimension of the PRSP and of both the IPO and EPO are squarely focused on supporting the expansion of key identified export sectors as a way of generating employment and resulting reductions in poverty levels. To that extent the documents are mutually supportive and consistent.

However, the treatment of trade and trade policy appears rather narrow in both the PRSP and the above two trade policy documents. Although considered in more

**TABLE 4**  
**Responsibilities of the Ministries for relevant trade and trade related issues**

Ministries/Agency	Areas of responsibilities
<b>Ministry of Agriculture</b> <ul style="list-style-type: none"> <li>• SARCAgricultural Information Centre Department of Agriculture Extension</li> <li>• Bangladesh Agricultural Research Council</li> </ul>	<ul style="list-style-type: none"> <li>• Agricultural policy, SPS</li> </ul>
<b>Ministry of Commerce</b> <ul style="list-style-type: none"> <li>• Chief Controller of Import and Export</li> <li>• Export Promotion Bureau (EPB)</li> <li>• Tariff Commission</li> </ul>	<ul style="list-style-type: none"> <li>• Import and export policies, WTO coordination, SAPTA and other regional agreements, insurance services</li> <li>• Registration of importers and exporters</li> <li>• Export promotion, textile quota administration</li> <li>• Tariff policy, anti-dumping and countervailing investigation, safeguards</li> </ul>
<b>Ministry of Finance</b> <ul style="list-style-type: none"> <li>• Bangladesh Bank</li> <li>• National Board of Revenue (NBR)</li> </ul>	<ul style="list-style-type: none"> <li>• Banking services, subsidies</li> <li>• Export finance, banking services, interest rate subsidies</li> <li>• Customs, pre-shipment inspection, customs valuation, tariffs and other duties, tax holidays and tax concessions, duty drawbacks</li> </ul>
<b>Ministry of Industry</b> <ul style="list-style-type: none"> <li>• Bangladesh Standards and Testing Institute</li> <li>• Bangladesh Small and Cottage Industries Corporation</li> <li>• Department of Patent Design &amp; Trademarks</li> </ul>	<ul style="list-style-type: none"> <li>• Industrial policy</li> <li>• Standards</li> <li>• Small and cottage industries</li> <li>• Patents, industrial designs and trade marks</li> </ul>
<b>Prime Minister's Office</b> <ul style="list-style-type: none"> <li>• Privatization Commission</li> <li>• Board of Investment</li> <li>• Bangladesh Export Processing Zones Authority (BEPZA)</li> </ul>	<ul style="list-style-type: none"> <li>• Privatization of state-owned enterprises</li> <li>• Registration of investors (including foreign investment), investment facilities</li> <li>• Export processing zones</li> </ul>
<b>Ministry of Health</b>	<ul style="list-style-type: none"> <li>• SPS</li> </ul>
<b>Ministry of Planning</b> <ul style="list-style-type: none"> <li>• Planning Commission</li> <li>• Central Procurement Technical Unit (CPTU)</li> <li>• Implementation Monitoring and Evaluation Division</li> </ul>	<ul style="list-style-type: none"> <li>• Five Year Plan, Three-Year Rolling Plan, PRSP</li> <li>• Government procurement</li> </ul>
<b>Ministry of Textile and Jute</b>	<ul style="list-style-type: none"> <li>• Textile and jute policy</li> </ul>
<b>Ministry of Fisheries and Livestock</b>	<ul style="list-style-type: none"> <li>• SPS</li> </ul>
<b>Ministry of Food &amp; Disaster Management</b>	<ul style="list-style-type: none"> <li>• Food and disaster management</li> </ul>
<b>Ministry of Environment and Forest</b>	<ul style="list-style-type: none"> <li>• Environment and forest policy</li> </ul>
<b>Ministry of Communication</b>	<ul style="list-style-type: none"> <li>• Road and rail transport</li> </ul>

Source: Adapted from WTO Trade Policy Review (2006).

depth in the subsequent National Food Policy, which points to the importance of facilitating private sector trade in food commodities and in ensuring adequate storage of staples to mitigate the effects of short term stocks, there is also a lack of attention to the role that trade policy might play in assisting the development of import competing sectors and the role that these may play in ensuring food security.

Whilst it may be the case that these issues were discussed and subsequently dismissed in the thematic sub-groups involved in the PRSP preparation, their absence in the IPO is more suggestive of the use of a trade policy framework in which this aspect has received limited consideration. In part, this may be a result of the few opportunities for the Ministry of Agriculture to articulate the different roles that the agriculture can play, and the supportive policies required, to those ministries engaged in the formulation of trade stances and related trade policy.

It may also be the case that the constitution of stakeholder groups and the way in which these groups were consulted during the preparation of the I-PRSP and PRSP, was a factor in the limited attention to key components of agricultural trade. Unfortunately, given that only the process of consultation, and not the documented results, are publicly available, it is difficult to assess the degree to which this was a cause.

## References

- Ahmed, Q M.** (2004). From I-PRSP to PRSP: Steps and Processes. Presentation made the Meeting of the National Steering Committee (NSC) with the Local Consultative Group (LCG) in Bangladesh, held on February 26, 2004.
- CPD** (2004) Finalization of the poverty reduction strategy for Bangladesh: a review of the process and interim measures. CPD Dhaka.
- GoB** (2003) Import Policy Order 2003-2006, Dhaka
- GoB** (2003) Export Policy Order 2003 – 2006, Dhaka
- GoB** (2005) Unlocking the Potential. National Strategy for Accelerated Poverty Reduction (PRSP 1). General Economics Division, Planning Commission, Dhaka
- GoB** (2006) Export Policy Order 2006 – 2009, Dhaka
- GoB** (2006) The National Food Policy 2006, Ministry of Food & Disaster Management, Dhaka
- GoB** (2008) The National Food Policy- Plan of Action, 2008-2015, Food Planning and Monitoring Unit (FPMU), Ministry of Food & Disaster Management, Dhaka

**GoB** (2009) Steps Towards Change- National Strategy for Accelerated Poverty Reduction II (Revised - 2<sup>nd</sup> PRSP) FY 2009-11, GED, Planning Commission, Dhaka

**WTO** (2006) Trade Policy Review: Bangladesh, WTO, Geneva