

7

1. Introduction
2. Narrowing the definition of trade related support measures
3. Trade-related support measures for the development of agro-based industries
4. Conclusions

Bangladesh - Articulating trade-related support measures for agriculture

Tofazzal Hossain Miah and Jamie Morrison

1. Introduction

The earlier chapter on trade policy demonstrates that although there has been a significant opening of the Bangladesh economy to trade, agricultural trade policy is still actively used in supporting both the development of exportables and in the “protection” of import competing products. It also highlights that trade policy can be as important in achieving objectives such as staples self-sufficiency as it is in the promotion of agricultural exports.

However, as in the case of trade policy, where export promotion is a much more explicit objective than import substitution, the identification of trade-related support measures (TRSMs) has also been predominantly focused on export promotion.

To a certain extent, the explicit focus on export promotion in identifying and prioritizing TRSMs is at odds with actual support expenditures on different categories of agricultural production *per se*. Section 2 illustrates the fact that significant support is provided which could increase the tradability of import competing as well as exportable commodities and products.

Section 3 then considers how the articulation of trade related support measures has been undertaken in practice by drawing upon a Taskforce Review completed under the auspices of the WTO in 2003. A number of action points from the Taskforce Review are listed and the initiatives taken by the Government highlighted. For a selection of the action points commentaries are provided by drawing on a series of project background papers which include supplementary findings on

support measures required for the export of vegetables and shrimps. An attempt is also made to relate the specific documentation of TRSMs to the issues identified in the chapter on trade policy. Finally, Section 4 concludes with recommendations to improve the current process of identification and prioritization of TRSMs.

As explained in the synthesis paper (Chapter 4), this case study uses the term TRSM instead of Aid for Trade (AfT) for two reasons. One is that AfT is limited to external funding while TRSM does not make that distinction and covers all support measures irrespective of the source of funding. The other reason is that TRSMs as used here are meant to cover all products and sub-sectors, including importables, whereas AfT is often seen as support to exports, although this is not very clear from the WTO Task Force report on AfT. Aside from these, there are no differences between the two terms. The six categories of the scope of the AfT are comprehensive in covering both trade-specific measures and productive sectors like agriculture and industry.

2. Narrowing the definition of trade-related support measures

A key difficulty in discussing the process by which TRSMs are identified and prioritized is in defining the scope of such measures. As illustrated in Section 3 below, narrowly defined, such measures are typically identified and designed with the facilitation of increased levels of exports in mind.

However, in most countries, more broadly defined support aimed at increasing the levels of productivity will also improve the tradability and competitiveness of crops that are not typically exported by the country. As such the definition of TRSMs can be a bit problematic.

For Bangladesh, information from the General Economics Division on agricultural growth priorities (summarized in Table 1) indicates that significant support was targeted not just at the exportable sector but also at the import competing sector. This reflects the fact that increasing the productivity and profitability of agricultural crops and non-crops have recently been given top priority in reducing poverty.

Assistance was provided to crop farmers through strengthened intervention in the agricultural input markets (for examples, seeds, fertilizer, irrigation, concessional interest rates, electricity tariffs) and in public food procurement. Such measures aimed at reducing the cost of agricultural production, helping producers to cope with price hike of inputs and in facing competition from neighbouring countries.

Bangladesh's WTO notifications on domestic support measures provide comprehensive information on various support measures. During the period covered by Bangladesh's first notification (1997/98 to 1999/00), the Aggregate

TABLE 1:
Agricultural growth towards poverty reduction

Strategic goal	Input indicators/policy change	Output indicators	Outcome/impact indicators
Increasing productivity and profitability of agriculture (crops and non-crops)	<ul style="list-style-type: none"> • expenditure on agriculture by sub-sectors as percentage of total public expenditure • expenditure on agricultural research and extension services • expenditure on irrigation • expenditure on marketing services • expenditure on agro-processing and agro-business development • expenditure for subsidies in agriculture • timely availability of agricultural inputs • expenditure on production of quality seeds • disbursement of agricultural credit by sub-sectors and farm size • protect crop lands from non-agricultural uses • improve land resource base 	<ul style="list-style-type: none"> • new varieties of seeds • supply of inputs in the market • pro-poor extension services focused • irrigation infrastructure • supply of quality seeds 	<ul style="list-style-type: none"> • per capita consumption of food grains, vegetables, protein, milk and milk products • agricultural wage rate by male/female • agricultural growth rate • household food security • employment by sub-sector and by male and female • poverty head-count ratio • regional and temporal price variation • agricultural output by sub-sectors • reduction of yield gaps • production of cash crops and high value crops • output of agro-processing industries

Source: General Economics Division, Planning Commission (2008)

Measurement of Support (AMS) exceeded Green Box outlays by up to 36 percent and grew faster for AMS than for Green Box measures. All product-specific AMS-related expenditure was used for price support operations for rice and wheat between 1995/96 and 2003/04. Until 1999/00 Green Box-type support was largely directed at research and development activities; from 2001/02, there was a shift toward extension and advisory services (Table 2).

In addition to support provided through various trade and related policies as discussed in the chapter on trade policy, the WTO TPR notes that “miscellaneous forms of public support to agriculture relate to research, agricultural extension, pest and disease control measures, training, marketing services, and various infrastructural services. Such assistance is provided both on a product-specific and general basis. A large part includes water development infrastructure, such as flood control embankments and drainage”.

These statistics do not provide insights into the implementation of support measures. For example, the subsidy on diesel for irrigation was pre-fixed per unit of

TABLE 2:
Developments in domestic support to agriculture and livestock, 1997-04 (USD million)

	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
Total domestic support (I+II+III)	69.90	92.63	99.01	..	116.07	97.66	142.31
Share of total domestic support to GDP	0.16	0.20	0.21	..	0.24	0.19	0.25
Share of total domestic support to total tax revenue	2.06	2.75	3.10	..	3.13	2.27	2.96
Share of total domestic support to total government expenditure	1.23	1.50	1.45	..	1.64	1.29	1.70
I. Aggregate Measurement of Support (AMS)							
(a) Product-specific AMS							
Rice	9.25	14.02	15.14	..	-6.77	-3.85	-11.97
Wheat	5.33	3.62	1.46	..	-4.39	-0.58	..
(b) Non-product-specific AMS							
Indirect subsidy through the use of electricity for irrigation at subsidized rate	6.65	8.93	7.14	..	7.68	7.32	8.24
Subsidy provided through manufactured fertilizer and indirect subsidy to farmers through imported urea fertilizer	15.40	26.83	33.04	..	64.22	44.53	58.50
II. Measures exempt from the reduction commitment – "Green Box"							
General services	33.20	39.02	42.01	..	55.12	50.06	87.42
(i) Research and development of non-rice crops, (fruit, vegetables, spices for FY 96-97, 97-98, 98-99) except sugar cane, jute, cotton, and tea	12.77	12.66	15.25	..	10.34	9.32	12.58
(ii) Research and development of rice crops	3.93	7.66	7.21	..	1.06	2.73	3.76
(iii) Research and development of sugar cane	0.97	1.31	1.44	..	0.99	1.07	1.05
(iv) Research and development of cotton	0.40	0.40	0.39	..	0.37	0.35	0.38
(v) Research and development of jute	0.38	0.45	1.04	..	0.48	0.52	0.53
(vi) Pest and disease control	0.01	0.01	0.01	..	0.02	0.46	0.47
(vii) Training services	0.08	0.14	0.34	..	4.10	1.21	1.28
(viii) Extension and advisory services	0.53	0.95	1.95	..	30.50	27.44	59.39
(ix) Marketing and promotion services	0.94	1.13	1.03	..	0.60	1.49	2.11
(x) Infrastructure services	0.99	0.44	0.61	..	2.29	0.06	0.06
(xi) Research and extension for improving dairy sector	5.12	5.06	4.82	..	2.12	2.19	3.22
(xii) Research and extension for improving poultry sector	7.48	8.81	7.92	..	2.25	3.22	2.59
III. Measures exempt from the reduction commitment Special and Differential Treatment "Development programmes"							
Investment subsidies available to poor and marginal farmers (including fisheries and livestock subsectors)	0.07	0.21	0.22	..	0.21	0.18	0.12
(i) Re-finance facilities provided to farmers at a concessional rate of interest at 1.5% per annum for credit to "Special Economic Zone of the country"	0.03	0.14	0.12	..	0.10	0.09	0.09
(ii) 2% interest rebate for repayment of loan on schedule. This is generally available to marginal farmers	0.04	0.07	0.10	..	0.11	0.09	0.03

Source: Adapted from WTO Trade Policy Review (2006)

.. Not available

land and has provided incentives to cash constrained farmers. However, the total area irrigated by small farmers is not significant and therefore the benefits of these subsidies were minimal (Mandal 2010, pers. comm). This was compounded by weaknesses in implementation. Similar difficulties were associated with electricity subsidies which primarily benefited owners of deep tubewells. Significant benefits have, however, been observed as a result of more timely delivery of inputs.

The above measures, although increasing the tradability of import competing crops, are not strictly “trade support measures”. To a similar extent, measures to support improved productivity are included in the Export Policy 2003-2006 which “envisages special measures to promote the tea industry, including rehabilitating tea gardens, connecting gas to tea gardens to ensure their price competitiveness, loans for sick tea gardens, as well as more traditional “trade support measures” such as loans on easy terms to help promote tea quality, increased productivity and modernization of tea plants, and duty-drawback/bond warehouse facilities for imported packaging materials” (WTO, 2006).

Action has also been taken to support the jute industry, which as explained in the chapter on trade policy, had been negatively impacted by government involvement in procurement and processing activities. A Jute Diversification Promotion Centre (JDPC), set up in 2002 under the Ministry of Textiles and Jute, has provided financial assistance through a Tk 200 million revolving fund to support jute-diversified enterprises, a Tk 30 million grant fund extending incentives, not exceeding 15 percent of the machinery cost, to investing entrepreneurs to reimburse the cost of acquiring new technologies and related training, market survey, intelligence and promotion; and an investment fund to ensure adequate supply of funds to entrepreneurs investing in diversified jute products (WTO 2006).

As indicated in the trade policy chapter, Bangladesh also introduced a direct cash subsidy of up to 30 percent for certain agricultural and fisheries exports (frozen shrimp and fish, fruits, vegetables, agro-processed products) in 2003. In fact, the budget allocation in 2005/06 for subsidies and other assistance to the agriculture sector doubled and agricultural products have been gradually becoming an important component of its foreign trade.

3. Trade-related support measures for the development of agro-based industries

While the fact that Bangladeshi agriculture receives many different forms of support, both to exportable and import competing sectors, is clear, the process by which support related to the facilitation of increased trade is identified and prioritized is less so.

Unlike other LDCs, Bangladesh has not been subject to a DTIS. However, in a somewhat similar process, the Taskforce Review (2003) on the trade policy of Bangladesh was drawn up by the WTO Secretariat. One component of the Taskforce Review details the major actions taken and/or decided upon by the government for the development of agro-based industries of the country. As such, it provides an indication as to the way in which prioritization and implementation has proceeded, although there is little documentation on the process itself.

In what follows, 19 of the most relevant identified actions are discussed. Most have an almost exclusive export focus, to the extent that the heading under which most of the agriculture related measures are listed is “Development of Export-Oriented Agro-based Industries”.

The actions and initiatives taken by the Government are reproduced verbatim. However, the discussion is elaborated with commentaries on more recent discussions of identified needs of, and initiatives taken in support of, the export of vegetables and shrimps and which are documented in project papers prepared by Monowar Hossain and Mitul Saha “Vegetables Trade in Bangladesh” (Hossain and Saha 2010; AHM Monirul Haque “Support Measures for Improving Vegetable Production and Export Market of Bangladesh” (Haque 2010); Md. Nazrul Islam “Support measures for improving shrimp production and export market of Bangladesh” (Islam 2010); and Md. Taj Uddin “Value Chains in Bangladesh Shrimp Trade” (Uddin 2010).

At a general level, Islam (2010) notes that the production level of shrimp is very low at around 250 kg/ha/yr and that there are a number of factors contributing to this low yield. In regard to marketing, the long supply chain of raw material collection, inadequate infrastructure facilities, poor level of maintenance of the cool chain, and lack of adequate HACCP based training on hygiene and sanitation at the field level are the main problems of quality loss of raw materials.

For vegetables, Haque (2010) points to a number of issues constraining the amount of quality product for export. Poor pre-harvest practices such as withdrawal of irrigation to harden the crop before harvest, not using the correct harvest indices for each variety and crop can affect post-harvest quality in perishable vegetables. For example, if tomatoes are picked after full colour is developed, the fruits do not survive transport beyond the primary market. Mechanical injury due to poor handling, microbial infection during storage and packing and transport from distant areas, are causes of post-harvest spoilage. It is estimated that 16-43 percent percent of post-harvest losses are experienced in the handling of perishable vegetables and fruits. Various studies demonstrate that there is a considerable gap between the gross production and net availability of fruits and vegetables due to heavy post-harvest losses that are estimated to be of the order of 20-30 percent of the production. The loss estimates include those for onion (16-35 percent), tomato (20-30 percent), cabbage (42-47 percent), cauliflower (45-49 percent), and lettuce (60-62 percent). Cultivation

operations and harvesting might contribute a loss about 2-5 percent, transportation 5-10 percent, storage 10-15 percent and minor operations 2-5 percent. The loss assessment studies have been conducted to quantify the losses of selected fruits and vegetables throughout the post-harvest handling chain.

When post-harvest losses are small, a percentage increase in production slightly greater than the post-harvest loss will make up the deficiency. As the percentage loss increases, the percentage increase in production required to offset the loss increases rapidly. It requires a 25 percent increase in production to offset a 20 percent post-harvest loss, a 66 percent increase to offset a 40 percent loss, and a 150 percent increase to offset a 60 percent loss (Haque 2010).

Actions reported in the Taskforce Review¹

1. Provide credit, interest as well as other facilities and/or incentives to promote export-oriented agro-processing industries

Government of Bangladesh (GoB) initiative: In 2002, the GoB announced a 15 percent cash incentive for the frozen food sector (see trade policy chapter). The Commerce Ministry recommended that the Finance Ministry waive the interest partially and sanction fresh loans to the enterprises after transferring the same amount to block accounts. The GoB through a circular issued on 2 May 2002, requested banks to waive interest partially and provide block account facility. Some steps have been taken by the GoB to reduce the cost of funds available to agro-based industries, but this is not a concerted effort and depends on bank and client relationships which vary significantly from bank to bank and from client to client.

Commentary: Shrimp processing units need credit facilities to update processing technology by allowing shrimp processing units to access the concerned technologies and acquire the capability to put in place quality control measures required by the relevant importing countries. Islam (2010) notes that the Central Bank (The Bangladesh Bank) had encouraged Commercial Banks to finance the shrimp projects through provision of a Credit Guarantee Fund or reimbursement facilities. Under the credit guarantee scheme, an entrepreneur was allowed to take bank loans of four times his/her own investment without any collateral.

2. Import related equipment, for example reaper vans and refrigerated containers, should be exempted from duty and VAT for supporting preservation of horticulture crops

GoB initiative: No action has been taken by the government.

¹ This subsection is broadly based on elements of the WTO Taskforce Review, with commentary based on project papers.

3. *Import of chemical preservatives as well as preservative technology should be exempted from tax, VAT and duty for supporting food-processing industries*

GoB initiative: Reduction of duties on many inputs for supporting food-processing industries has been implemented, but the VAT exemption has not been implemented.

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

GoB initiative: In the case of inputs, duty has been reduced on many packaging items, but there is no GoB initiative to set up a packaging institute to develop international standard packaging for food items.

5. *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*

GoB initiative: No initiative has been taken by the government.

6. *Air cargo space for export of agro-products should be increased and other facilities such as offloading and cool room facilities in the cargo shed should be enhanced*

GoB initiative: No initiative has been taken by the government.

Commentary: For exports of fresh produce which are primarily dispatched by air freight, the pressing need is to upgrade the facilities at Zia International airport, Dhaka. A dedicated and detailed study of existing and required systems would help to define the current level of expertise and qualification among personnel as well as the audit of facilities and equipment, to itemize areas that need to be strengthened. Quarantine facilities at Chittagong are equally in need of upgrade, but for fresh produce exports the pressing need is at the major international airport.

Horticultural exports from Bangladesh can be improved by replacing the Special Inducement Price (SIP) for horticultural exports with an equivalent increase in the export subsidy to shift exporters' attention from securing cargo space on Biman to other measures to improve overall movement of exports, and also explore sea freight as an alternative to air freight where appropriate.

7. *Reduce export freight charges to regional levels*

GoB initiative: Air freight for vegetables exports has been reduced.

Commentary: Hossain and Saha (2010) suggest that for the export of agricultural products, additional space in the aircrafts should be allotted and separate cargo aircrafts should be arranged, and both air and sea fare for transport of agricultural products should be reduced to a reasonable rate. He notes that Biman Bangladesh Airlines will take initiatives to introduce a regular "Cargo Freighter Service" with Europe.

8. Institutionalize and implement quality control measures. The BSTI (Bangladesh standard and testing institute) should be equipped with modern and appropriate technology and most qualified manpower to support standardization of export-oriented agro-industry products

GoB initiative: Some steps have been taken to modernize BSTI. Despite this, much more efficient action should be taken towards capacity building at BSTI to ensure compliance with requirements emanating from the WTO agreements.

Commentary: It has been noted that BSTI provides the regulatory framework for product standards, but its implementation is not free from criticism. It is argued that the government should undertake a campaign to raise awareness among the exporters of ISO-9000 (quality standard) and ISO-14000 (environmental standard) and provide adequate policy support and incentives to encourage the concerned entrepreneurs to achieve such goals.

Clearly, quality control is a key issue to be improved if export markets are to be fully exploited. EU countries continue to be sensitive to HACCP compliance issues, forcing the country's frozen food exporters to seek increased shipments to the USA. The country has an excellent opportunity to export its frozen food to the US market as other major exporting countries such as India have been facing anti-dumping barriers by the US.

FIQC has three stations located at Dhaka, Chittagong and Khulna with modern laboratory facilities. However, they require more scientific qualified technical manpower, and further more sophisticated facilities to effectively conduct the quality assessment.

There is increased pressure from importing countries for fish processors to establish effective quality assurance systems in their plants (Hussein and Islam, 2005). These have been further complicated by inclusion of the Bio-terrorism Act, Antidumping Act, COOL system and traceability regulation.. The Bangladesh government has emphasized two main issues: (i) quality and safety (bacteriological quality, contaminants, residues, additives and traceability) and (ii) trade issues (labeling, documentation and G.S.P).

As of now, HACCP is applied on the processing plants, but to ensure the quality of production and to reduce risks, shrimp farms are also required to adopt HACCP

methods. Processing plants, being the large investors and the ultimate risk takers in the business, have already adopted the procedures mentioned in HACCP rules, but it has been difficult for them to impose it on small shrimp farms. Most shrimp farmers are aware of the risks in business but they are not adequately motivated actively adopting the standards. Also, most farmers need to be trained on the impact of chemicals (used during crop production) on shrimp quality (Haque, 2003) and the GoB's assistance is required in this respect.

Similarly, for vegetables, it is suggested that a separate HACCP scheme for vegetable freezing should be operated in line with the fish processing industry of Bangladesh. Hossain and Saha (2010) add that the upgrading of laboratory testing facilities for pesticide residues and other contaminants/heavy metals and provision of a subsidy for testing charges to be paid by the stakeholders need to be introduced. Equally, there is a need for strict regulation and monitoring to restrict marketing of inferior quality seeds, adulterated fertilizers, pesticides, and for strengthening food safety legislation and enacting laws and regulations for quality control for all types of agricultural inputs, including agro-chemicals and medicine.

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

GoB initiative: A notable success has been observed through MGF project for supporting agro-export efforts, but the MGF project is at the end of its tenure and needs to be extended in a more focused form and its disbursement linked to performance to make it more effective.

Commentary: For frozen vegetables, a comprehensive programme of market research should be initiated to identify global market potential by region for each major product. A programme of proactive market promotion in target markets should be initiated and a realistic strategy for development and marketing of frozen vegetables should be prepared following the result of test marketing.

10. *Existing anomalies in duty structure, which result in a higher duty on raw materials, inputs and packaging as against processed imports and thus make locally produced agro-products relatively non-competitive, will have to be removed*

GoB initiative: Duty anomalies existing in 2001 have been removed to some extent. Nevertheless, some of the following anomalies are hampering rapid growth of the agro-based industries of Bangladesh:

- (a) Expansion units of existing agro-based industries which are enjoying tax holidays are not currently eligible for such tax holidays. To encourage expansion of agro-

based industries, expansion units of existing agro-based industries should also be provided the option of tax holidays.

- (b) Publicly listed companies currently receive a 10 percent rebate of corporate tax if they pay a dividend of a minimum of 20 percent. To stimulate the agro-sector, publicly listed agro-based companies who pay dividend of minimum 15 percent should also be entitled to 10 percent rebate.
- (c) Publicly listed companies pay corporate tax at the rate of 30 percent. Corporate tax may be fixed at 20 percent for agro-based publicly listed companies.
- (d) Presently VAT at 15 percent is levied on all agro-based products. To encourage the agro-sector, VAT could be totally withdrawn, or VAT at 15 percent could be levied only on the value added portion and not on indigenous raw materials.
- (e) VAT is levied on milk products while white milk is VAT free. To stimulate milk production and consumption, VAT on milk products should be charged only on the value added portion.
- (f) Duty drawback claims are not being reimbursed for months together. Claims should be refunded by local banks on receipt of export proceeds.
- (g) Cash incentive of 15 percent on exports of agro-based products, which was announced in the budget has not been paid. This should be paid by local banks on receipt of export proceeds to make exports more competitive.

Commentary: Not unsurprisingly, given the review in the chapter on trade policy, this action point receives significant attention in the Taskforce review. Hossain and Saha (2010) comment that government policies significantly influence vegetables export performance. The following decisions were taken by the government (The Export Policy for 2006-2009) and these were published as Export Principles for Highest Priority Sectors under Agro-products and Agro-processing Products:

- Contract farming will be encouraged for the production of exportable vegetables.
- Government Khas (Government owned) land, if available, will be allotted to interested exporters for the production of vegetables and fruits and establishment of export villages will be encouraged.
- Production of modern and scientific packaging materials necessary for the export of vegetables, foliage and fruits will be encouraged.
- Cultivation, production and exportation of potato will be encouraged.
- Training system for the producers and exporters of vegetables, flower's-foliage and fruits will be continued.
- Strong checking in borders to protect unwanted penetration of low quality and adulterated inputs.

11. Operationalize the Entrepreneurs Equity Fund (EEF) floated in the 2000/01 budget to be targeted to the agro-processing industry

GoB initiative: The EEF's coverage now includes agro-processing industries. However, the procedures for accessing loans from EEF, which has been increased to Tk 300 crores from Tk 100 crores in 2000/01, need to be further simplified if this facility is to be widely accessed.

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

GoB initiative: No action has been taken in this regard.

13. To set up intermediate input industries, for example, packaging, bottling, printing, etc.

GoB initiative: No initiative was taken by the government to establish input industries, but some private sector industries have come up.

14. Establish a research institute for agro-industry

GoB initiative: No initiative was taken by the government.

15. 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

GoB initiative: No government initiative was taken.

16. Establish a HYV seed research and multiplication institute

GoB initiative: No government initiative was taken

17. Establish an agricultural product development authority to offer one window assistance to local exporters and foreign importers of agro-industrial products

GoB initiative: No government initiative has been taken.

Commentary: Despite all the advantages of production of horticultural crops in Bangladesh and the gradual shift from subsistence to commercial farming, exporting fruits and vegetables is difficult. There are various steps that the producers as well as exporters have to perform in accessing and sustaining their presence in the export markets. Timely harvesting, efficient pack house operation, packing, palletization and cool chain transportation are the most important measures could be taken to sustain the export markets.

Hossain and Saha (2010) suggest that an assessment of how to restructure and revitalize the Horticulture Export Development Foundation (HORTEX) to transform it into a more effective institution in respect of manpower, logistic facilities and financial capability is required. They go on to note that an “Agro-Products Business Promotion Council” will be formed to improve and control the quality of agriculture and agricultural products.

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

GoB initiative: No government initiative has been taken.

19. Develop an effective infrastructure for transportation of perishables

GoB initiative: No government initiative has been taken to develop effective infrastructure for transportation of perishables.

Commentary: For the vegetable sector, Hossain and Saha (2010) suggest that developing physical infrastructure (pack house, cool chain, testing laboratory services), improvement in packaging system and quality management needs to be undertaken to respond the buyers’ requirements regarding health and environmental issues. Interestingly, they suggest that strengthening private public partnership in market infrastructure development, packaging, transportation etc could be the mechanism through which this is delivered.

In addition to the action points above, there have been efforts to develop the capacity of the MoC staff to understand and engage in trade policy developments and negotiations, in particular with respect to the WTO. There is, however, a need to broaden the dialogue on trade issues to individuals and organizations outside the main government Ministries (for example, the Bangladesh Bank, BIDS and Universities).

4. Conclusions

This brief review suggests that explicit identification and prioritization of trade support measures appears to be restricted to products with perceived export growth potential. Two key issues emerge from the review.

Sequential alleviation of constraints

While a significant number of potential constraints that can be alleviated through the implementation of trade support measures have been identified and justified in documentation and related literature, many such measures have not been, or have only partially been, implemented.

Prioritization does not appear to have received sufficient attention. However, given limited resources and capacity, prioritization is critical. An interesting observation made by Haque (2010) is worth highlighting:

“There is little point in addressing or improving individual limiting factors alone. As with a metal chain in which the strength of the chain is only the strength of the weakest link, the same applies to the production processing and transportation in the fresh produce supply chain. Before embarking on a wholesale revision or upgrading of individual components it would be sensible to consider the probable creation of a new limiting factor (weakest link). For example, increasing production of exportable produce would be pointless unless the air freight bottleneck was widened and freight services made more reliable using meaningful contracts backed by enforcement. Similarly it would be irrational to expect an increase in air freight capacity to open up European markets automatically. SPS standards and controls would need to be met for the targeted market.”

There needs, therefore, to be much greater attention to prioritization, and to determining how to approach the sequential alleviation of constraints, rather than simply listing these and attempting to address them on an ad hoc basis.

A more balanced approach to identification

Although trade related support measures to facilitate exports are relatively well documented, it is not clear that measures (i) to support the management of imports in potential competition with domestically produced commodities and/or (ii) to increase the tradability of domestically produced import substitutes, has received sufficient attention.

The chapter on trade policy illustrates that trade of importables is restricted (often for short periods) relatively actively. However, for trade to be managed efficiently, a range of trade support measures, including those that allow improved monitoring of import flows and prices and those that build the capacity to design and implement appropriate trade policy, will be necessary. Such measures also need to be more fully reflected in the identification of trade related support measures.

Adding to the complexity of identifying trade policy support measures is the increasing need to work with trade partners to address key concerns about environmental and climatic change which pose significant risks to future food security. Initiatives might include, for example, improvements in road infrastructure and flexible trade pacts, but these need to be developed on the basis of a much more thorough understanding of the potential impacts of change and the most appropriate mitigating policy interventions.

References

- EPD/** Planning Commission (1998), *Fifth Five Year Plan 1997-2002*, Ministry of Planning, Government of the People's Republic of Bangladesh, Dhaka.
- Haque, A.H.M.** Monirul (2009), Export programme of fresh fruits and vegetables in Bangladesh – present scenario, problem and prospects. Paper presented at the workshop on Appropriate Trade Policies for Bangladesh, Bureau of Socioeconomic Research and Training, BAU Mymensingh, 13 May 2009.
- Haque, A.H.M.** Monirul (2010), Support Measures for Improving Vegetable Production and Export Market of Bangladesh (1980 – present). FAO Project Background Paper
- Hossain, M. & Saham M.** (2010), Vegetables Trade in Bangladesh. FAO Project Background Paper
- Islam, Md. N.** (2010), Support measures for improving shrimp production and export market of Bangladesh. FAO Project Background Paper.
- Mandal, S.** (2010), Personal communication.
- Uddin, Md. T.** (2010), Value Chain in Bangladesh Shrimp Trade. FAO Project Background Paper.
- WTO** Trade Policy Review (2006), Trade Policy Review – Report by the Secretariat on Bangladesh, 9 August 2006. http://www.wto.org/english/tratop_e/tpr269_e.htm
- WTO** Taskforce Review (2003), Trade Policy (Bangladesh). <http://unpan1.un.org/intradoc/groups/public/documents/APCITY/UNPAN018232.pdf>