



DHAKA, THURSDAY, JULY 21, 2011, E-MAIL: business@thedailystar.net

Chasing duty waiver dream

REFAYET ULLAH MIRDHA

THE export of garment items to the US market is increasing because of high demand, despite heavy duties levied on the products.

Bangladesh, although a least developed country (LDC), has to export goods to the US by paying high duties, like the developed countries.

Bangladesh, along with other LDC members, has been fighting for a duty-free, quota-free entry to the US market.

The US government agreed to grant a 97 percent duty-free facility to the LDCs at the Hong Kong Ministerial meeting of World Trade Organisation (WTO) in 2005.

But major export items, like garments, leather goods and footwear, were not included in the list.

As a result, the country has been doing business with the US by paying 17 percent duty on average and the highest duty of 32 percent on man-made fibre cloth, industry insiders said.

In fiscal 2010-11, Bangladesh exported knitwear items worth \$1.12 billion and woven garment items worth \$3.50 billion to the US, according to data from state-owned Export Promotion Bureau (EPB).

In 2010, Bangladesh paid \$630 million to export goods to the US, the data showed.

In fiscal 2009-10, Bangladesh exported knitwear items worth \$891.61 million and woven garment items worth \$2.74 billion.

Currently, Bangladesh is receiving



Workers at a factory in Gazipur inspect goods before shipment.

AMRAN HOSSAIN

duty facilities for export to the US for some products under the generalised system of preferences (GSP), but the country rarely produces those items. Some of these products are fish and crustaceans, molasses and other aquatic invertebrates; items made from textile articles, needlecraft sets,

worn clothing and worn textile articles, and rags.

Recently, the US has decided to continue its GSP facility for Bangladeshi sleeping bags, which will enjoy zero tariffs. This decision came into effect after the Obama administration dismissed a petition filed on July 1 by a US company seeking cancellation of the GSP facility for Bangladeshi sleeping bags entering the US market.

Excel Outdoor, an US company, filed a petition with the United States Trade Representative (USTR) to identify sleeping bags as a textile product and exclude the item from its GSP list.

Following the petition, USTR took an initiative to review the GSP facility in January. In a prompt bid, the Bangladesh government lobbied with the US government after discussing the matter with different stakeholders.

Fazlul Hoque, former president of Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA), said Bangladesh has been trying to get the duty-free and quota-free access to the US over many years, but it could not do so.

"If the US gives a duty-free and quota-free access to its market, Bangladesh will be the biggest beneficiary, as other members of the LDC bloc are not so strong in the garments segment like Bangladesh. So we want

the US to give us such a facility, but it is very time consuming and difficult," he said.

USTR is currently running a survey on the possible impacts of a duty-free, quota-free access of goods to the US from the LDCs and other countries.

Dr Zaid Bakht, research director of Bangladesh Institute of Development Studies (BIDS), said the US agreed to 97 percent in the Hong Kong Ministerial Meeting, but the major products were not included in this list.

"Of course the US is a big market for Bangladesh. It would be a great advantage for the country," he said.

He said there are two sides to consider -- economic and political. The US is saying that some other LDCs will be the sufferer if the duty-free, quota-free access is given to Bangladesh alone. As a result, the US might not allow it, he said.

"The political side of the aspect is that Bangladesh did not sign the much-talked about Trade and Investment Framework Agreement (TIFA) with the US. So I do not believe the US will spare everything without some understanding," he said.

But, Bangladesh should continue to lobby with the US and other LDCs to get the facility, he added.

reefat@thedailystar.net

SOME ITEMS THAT ENJOY DUTY WAIVER FOR EXPORT TO US

Yarns and woven fabric made of vegetable textile fibres and paper

Tobacco and manufactured tobacco substitutes

Toys, games and sports equipment

Parts and accessories

Furniture, bedding, cushions, lamps and lighting fittings

Illuminated signs and nameplates

Fertilisers

Plastics and articles

Ceramic products

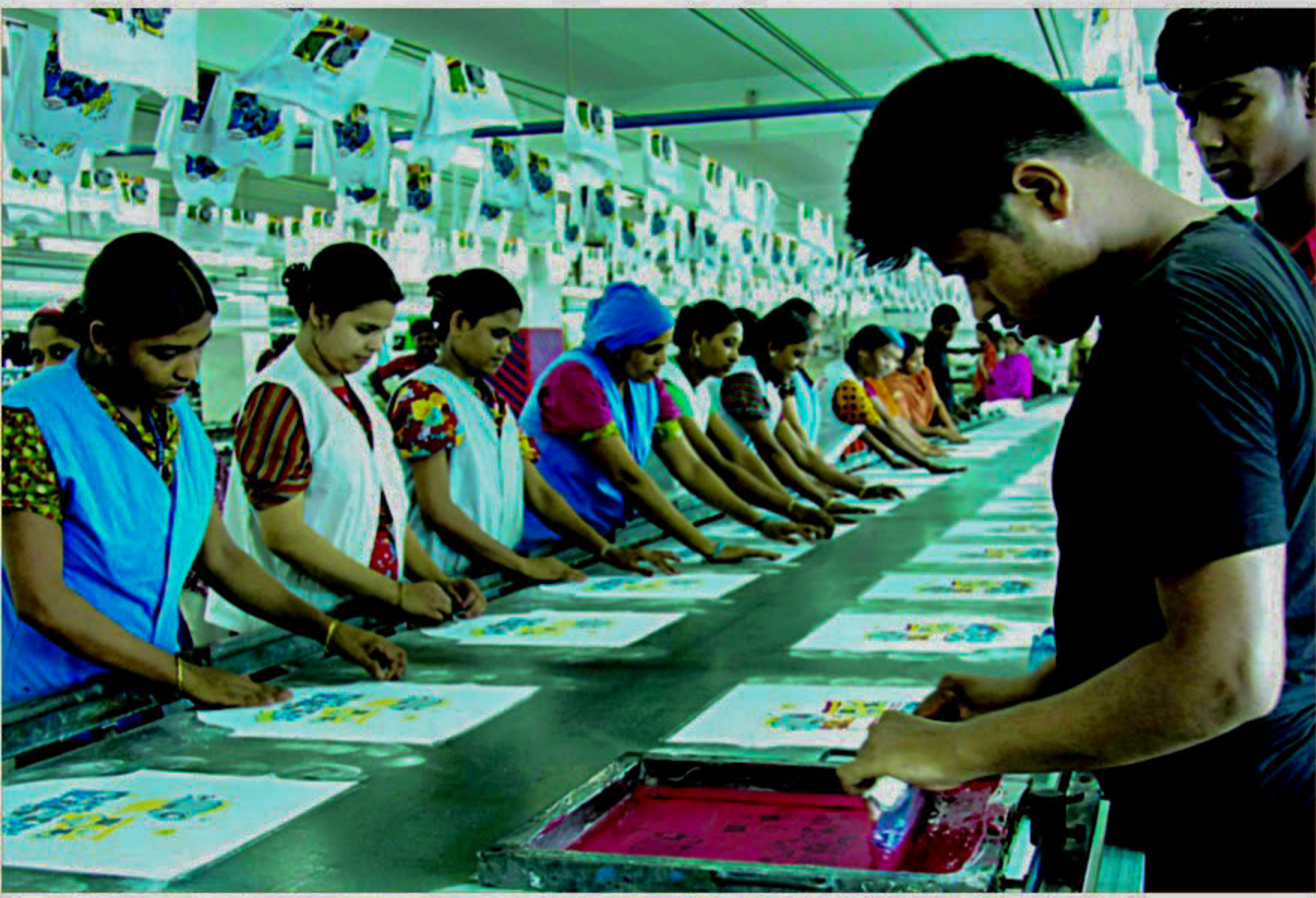
Medical or surgical instruments and apparatus

Carpets and other textile floor coverings

Preparations of cereals, flour, starch or milk

Edible preparations of meat and fish

"If the US gives a duty-free and quota-free access to its market, Bangladesh will be the biggest beneficiary, as other members of the LDC bloc are not so strong in the garments segment like Bangladesh"



Diversify trade with the US

Vice-chairman of Policy Research Institute advises exporters to increase trade volume

REFAYET ULLAH MIRDHA

THE US should allow a duty-free, quota-free facility to the least developed countries in addition to giving the facility to the developed countries like the EU-27, Japan and Canada.

Trade facilitation is stronger than aid, said Dr Sadiq Ahmed, vice-chairman of Policy Research Institute (PRI), in an exclusive interview with The Daily Star yesterday.

He said the developed countries should facilitate trade rather than disbursing aid to the least developed countries (LDCs).

The average duty for the entry of goods from the LDCs to the US is more than 15 percent, which is too high for sustainable export growth.

The US has the right to fix higher duties to protect their own industries, but it is too high for some

countries.

He said Bangladesh has been trying to get a duty-free facility to the US for several years now, but it was not allowed by the US government. However, Bangladesh should move along with the other LDCs to pass the bill, he added.

The US can either permit the duty-free access or bring the slab down to at least 10 percent for trade facilitation for the LDCs, said Ahmed, who served as World Bank director for nearly three decades in Washington.

The US is currently the single largest importer of Bangladeshi garment items -- 26 percent of total RMG exported last year.

He said Bangladesh should also not always pursue getting privileges in trade, but diversify its products from the ready-made garment (RMG) products.

"Bangladesh should not spend all

its energy in lobbying a duty-free and quota-free access to the US market."

"We should rather try to increase our export to the US market. Trade surplus with the US in fiscal 2010-11 was six billion dollars, which includes \$4.5 billion in RMG export and \$1.5 billion as remittance," he added.

"We must try to increase the figure to 10 billion by diversifying the exportable products," he said.

Suggesting export diversification, Ahmed said Bangladesh can allow foreign direct investment (FDI) in high-end garment and textile products as the country is mainly strong in the basic garment segment.

Moreover, Bangladesh can manufacture spare parts and technical gadgets for bigger companies, he said.

For example, world famous com-



Dr Sadiq Ahmed

puter DELL and APPLE have manufacturing plants in China, the largest apparel supplying country.

To attract more FDI, Bangladesh needs to improve the power situation and infrastructure.

The government should also ease policies, lower the tariff structure and the tax and customs systems to attract greater FDI in the country. The private sector also has a role to play for more FDI, he said.

"Bangladesh should fight to create an investment friendly environment. Trade facilitation is necessary to create trade."

If the government does not sign the Trade and Investment Framework Agreement (TIFA) with the US, it should improve other sectors, like reducing child labour, giving proper benefits to the workers, removing trade barriers and improving the infrastructures, he added.

"All these efforts may create an investment friendly environment, where FDI inflow might increase," he said.

reefat@thedailystar.net