

Bangladesh needs a clear strategy for GSP+



RMG NOTES
February, Bangladesh received the endorsement of the United Nations Committee for Development Policy (UNCDP) regarding its final timeline for exiting the Least Developed Countries (LDCs) group. Bangladesh is now scheduled to leave the LDC category in 2026.

The EU (along with the huge UK) market currently accounts for about 62 percent of apparel exports and nearly 56 percent of all exports from Bangladesh.

As we leave the group, Bangladesh will miss out on the LDC-specific preferences and privileges afforded by its international development partners. The most specific and significant loss will be duty-free and quota-free (DFQF) market access for the country's export items.

This is a situation that all Bangladesh exporters will be watching most closely. The EU (along with the huge UK) market currently accounts for about 62 percent of apparel exports and nearly 56 percent of all exports from Bangladesh. Losing these huge trading benefits overnight represents a serious risk for Bangladesh's export competitiveness. Logically, addressing DFQF loss-related fallout—particularly in the EU market—must be a core pillar of Bangladesh's LDC graduation (transition) strategy.

In 2015, the EU initiated a preferential market scheme for (non-LDC) Low-Income Countries (LICs) and Low-Middle-Income Countries (LMICs), titled "Special Incentive Arrangement for Sustainable Development and Good Governance", commonly known as GSP+. Under this scheme, the EU offers zero duty market access up to 66 percent of tariff lines to the eligible countries, like Bangladesh.

Yet, curiously, out of a total of potentially eligible 71 LICs and LMICs, currently only eight enjoy benefits under GSP+, with Pakistan and Sri Lanka being the only countries from South Asia.

So, the question is: how is Bangladesh

getting ready to access the EU's GSP+ benefits? It becomes all the more critical given already rising concerns that Bangladesh would continue to enjoy the EBA (Everything But Arms)—the special arrangement for LDCs, providing them with duty-free, quota-free access for all products except arms and ammunition—till 2029. But, the reality is: the EU is advancing on a new GSP+ Policy by 2023, which may not make our EBA continuation automatic.

to the "import share criterion". This means, the exporting country's share in the EU's total import under the scheme should not be more than 7.4 percent. This limit has been imposed to curb the dominance of "large suppliers" among the beneficiary countries.

On that criterion, Bangladesh is indeed a major supplier of apparel and other products in the EU market, as the relevant figure is as high as 26 percent. Therefore, unless the allowed

demanding and has major implications for product competitiveness, surely we need to review the ongoing structural changes in our apparel and textile industry.

Beyond the difficult technical issues, there is another set of complex (and equally important) issues concerning the guidelines of "sustainable development" and "good governance". These conditions are collectively known as the "sustainability requirements". Social and environmental considerations are likely to become much larger.

We cannot sit pretty. We need to act, from now, to address the emerging scenario and possible consequences. Some of the key actions should include the following.

The government and all the industry trade bodies should collate and process credible data to argue the "vulnerability criteria" and "import share criteria", if we intend to pursue the GSP+ pathway.

The Bangladesh apparel sector has gradually strengthened its backward linkage industries. As much as 80 percent of our exportable knitwear are undergoing double transformation, while it is around 50 percent for woven garments. If Bangladesh opts to meet GSP+ eligibility, we must immediately draw up and progressively implement a "strategic business plan" in the textiles sector to cover the "shortfall" in the area of backward (as well as forward) linkage industries.

The RoO of GSP+ also offers alternative opportunities for meeting the requirements of double transformation. One option provides the exporting countries the opportunity to use "regional cumulation" of RoO of its products. One such provision allows imports from South Asian countries (including India) to account in the calculation of the double transformation. Although India is one of the two predominant suppliers of textiles and apparel-related inputs, Bangladesh till now has justifiably avoided this option in the interest

of developing our domestic textile industries. We need to decide to what extent we would wish to go for this and invoke this option that is potentially available for accessing GSP Plus.

The regional cumulation provision can also be executed by accounting for imports from countries with which the EU has Free Trade Agreements (FTA). Two Asian countries—Vietnam and South Korea, which have FTAs with the EU—are relevant for Bangladesh. The question we then need to look at is the extent to which Bangladesh's exports will remain price-competitive by using South Korean inputs. Meanwhile, sourcing from Vietnam will be quite complicated as they already have established themselves as a main competitor of Bangladesh in global apparel market.

The government and the industry stakeholders will also need to have a clear strategy on how our manufacturing industries would accomplish other related global commitments—to ensure clean energy, carbon neutrality, waste management, robust climate actions vis-à-vis the emerging EU Green Deal, Circular Economy frameworks, etc.

Last but not the least, Bangladesh can weigh the option of an FTA with the EU to have permanent duty-free access. Surely, a bilateral FTA with the EU would witness "trade-offs" on aspects/issues much more political than just tariff. It is a tedious, so-far-uncharted walk that requires difficult trade-offs between domestic industries/sectors. Given the rudimentary understanding and preparedness within our government and business on bilateral FTAs to date, I am not sure at which stage Bangladesh may opt for negotiating an FTA with the EU.

All of these can hardly wait for another rainy day. Time is ripe for the government and our business and industry to see eye to eye and begin talks, at least internally.

Mostafiz Uddin is the Managing Director of Denim Expert Limited. He is also the Founder and CEO of Bangladesh Denim Expo and Bangladesh Apparel Exchange (BAE).



STAR FILE PHOTO

Bangladesh must fulfil several requirements to access the already existing GSP+ scheme: a beneficiary country has to satisfy a vulnerability criterion. This means, an exporting country's value of the top seven major products should be more than 75 percent of its total GSP-covered exports. In other words, high product concentration is considered to be a sign of the exporting country's "vulnerable economy".

Currently, that figure for Bangladesh is around 96 percent of our total exports to the EU. So, Bangladesh is already eligible for the scheme, at least on one count.

The other eligibility condition relates

share is significantly increased or the denominator of the concerned variable is favourably changed, Bangladesh will not be eligible for GSP+. Of course, Bangladesh could try to negotiate replacement of the criterion with an altogether new one.

Under the existing EBA, LDCs are granted preferential "Rules of Origin" (RoO) permitting "single transformation". But, preference eligibility under the GSP+ scheme demands "double transformation" of the exported items. In other words, in post-graduation life, if we are to get DFQF market access, Bangladesh has to first convert fibres into fabrics and then fabrics to apparels. While this is quite

UN ROAD SAFETY WEEK

A 30kmh speed limit can save lives



THIS year's UN Road Safety Week (17-23 May) under the theme "Streets for Life" calls to implement a maximum vehicular speed of 30 kilometres per hour in streets used by a mix of pedestrians and vehicles around residential, school and hospital areas. A large body of research carried out in different countries found that 30kmh speed limits play decisive roles in reducing road crashes, saving lives and preventing damage. More than 80 cities across the world have experienced reduced numbers of fatal road crashes as well as less automotive air pollution and traffic congestion after this speed limit was enforced.

The political economy of speed limits has many curious facets. The conventional economics or business-centric approach for road communication wants both the roads and vehicles to be equipped with features allowing for speed in order to add pace to the economy and raise turnover. While such an approach requires the application of finer and often costly technologies, an accumulating body of evidence identifies speed as a major factor for road crash casualties, bringing long term impact on families and the

national economy as well, contrary to the expectation that speed will benefit the national economy.

Dhaka is among the cities with an alarming number of casualties from road crashes. In 2018, a fatal crash gave rise to a student movement after Abdul Karim Rajib and Dia Khanam Mim, both students of Shahid Ramij Uddin Cantonment College, died after being hit by a bus on Airport Road on July 29 that year. Students occupied the streets waging an unprecedented agitation, demanding an end to the issues plaguing the country's roads.

In Bangladesh, where thousands of lives are lost every year on the roads, the UN's call for speed management through the Stockholm Declaration (February 19-20, 2020) can play a crucial role if executed with commitment. The call is based on solid evidence, a summary of which is given here.

Low-speed streets save lives: In Tanzania, 30kmh has been shown to cut road injuries by as much as 26 percent and has now been expanded to 50 high-risk school areas. In Toronto, Canada, road crashes fell by 28 percent since speed limits were reduced from 40kmh to 30kmh in 2015. Colombian capital Bogota has introduced 30kmh zones in its speed management plan, reducing traffic fatalities by 32 percent. A study from London found that 20mph zones were associated with a 42 percent reduction in road casualties, while in Bristol the introduction of

20mph limits was associated with a 63 percent reduction in fatal injuries between 2008 and 2016.

The World Health Organisation concludes that an increase in average speed of one kilometre per hour results in a three percent higher risk of a crash and a four to five percent increase in fatalities. Studies find that when hit by a vehicle driven above 30kmh speed, pedestrians are at considerably greater risk of death, bringing even greater risk for the young and elderly.

People want lower speed where they live: Surveys from around the world consistently show that the majority of people agree that 30kmh is the correct speed limit for residential roads. Low-speed streets help reduce congestion and are widely popular. A recent global poll in 11 countries from the Child Health Initiative found that 74 percent of respondents supported speed restrictions on streets around schools.

There are also significant health benefits from slowing traffic, including less noise and a supportive shift to active lifestyles through walking and cycling. The social interactions that people have on the street are important for building collective wellbeing.

Thirty km per hour will not decrease journey times: Studies further show that higher speed does not much help reduce the journey time due to the time consumed at intersections and traffic signals. It is found that in most typical urban



PHOTO: SHEIKH MEHEDI MORSHED

In 2018, students occupied the streets and demanded an end to deaths in road accidents in what came to be known as the Road Safety Movement.

journeys, the time difference between driving at a maximum of 30kmh and 50kmh is minimal.

Low-speed streets are effective for any country in any context: Although many of the countries that have pioneered the effective road safety approaches are high income countries, low-speed streets are possible for any country to implement, irrespective of their level of development or number of vehicles. Thirty kilometres per hour zones have been successfully set in neighbourhoods in Africa, North America, Asia and Latin America.

Thirty km per hour increases vehicle emission but any impacts on pollution are low while the safety

benefits are significant: The relation between speed and emissions is complex, particularly at low speeds. It depends on many factors, including vehicle type, temperature and road layout. However, in low-speed streets, vehicles tend to move more smoothly, with fewer accelerations and decelerations, leading to lower pollution. A recent study of 20mph zones in London found no net negative impact, and an earlier study of a 30kmh zone from Belgium revealed the same findings.

Safer streets ensured through lower speed encourage a shift from vehicle use to walking and cycling. And fewer vehicles will mean a reduction in air pollution and CO2 emissions as

well as wider health benefits from increased physical activity.

A World Bank study in 2017 found seven km per hour as the average speed of vehicles in Dhaka—a drop from 21kmh a decade ago. Transport specialist Robert Gallahar found in his study in 2016, sponsored by BRAC and the Copenhagen Consensus Centre, that the public transport spending by the Bangladesh government under the revised Strategic Transport Plan (STP), including the metro rail, will only improve the traffic flow to 13.7 kmh. However, vehicles show a tendency to drive in high speed in the intervals between traffic congestions, often inviting fatal crashes. Similar tendencies of speed driving are seen in other cities, roads and highways also, ignoring the traffic signpost alerts about frequent pedestrian movement.

Implementing the UN mandated and tested 30kmh speed limit in Dhaka city warrants urgent consideration, particularly in the Transport Regulations currently under formulation by the Bangladesh government. Furthermore, this speed limit, if notified by the mayors of Dhaka North and Dhaka South City Corporations, and aided by adequate public awareness campaigns and enforced by the Dhaka Metropolitan Police, in all probability will be effective in reducing deaths, injuries and other damages from road crashes.

Najmul A Hussain is Director of the Road Safety Programme at BRAC.

QUOTABLE Quote

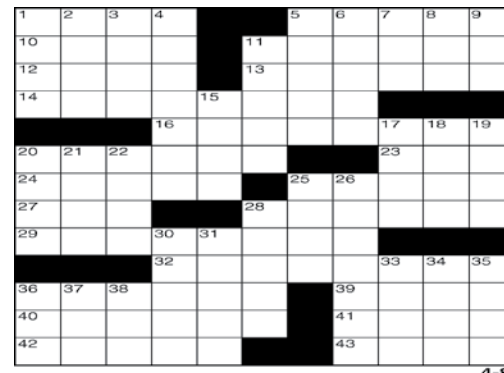


YUNUS EMRE
(1238-1328)
Turkish poet

A heart makes a good home for the friend.

CROSSWORD BY THOMAS JOSEPH

- ACROSS**
- 1 Christmas travelers
 - 5 Modify
 - 10 Woeful cry
 - 11 Mini burger
 - 12 Diatribe
 - 13 Disregard
 - 14 Many a Harpo Marx joke
 - 16 Container in an armored car
 - 20 Walks proudly
 - 23 Low digit
 - 24 Cat's quarry
 - 25 Devilfish
 - 27 Ornate vase
 - 28 Sore
 - 29 Jazz standard of 1917
- DOWN**
- 1 Earth neighbor
 - 2 Jai—
 - 3 Street group
 - 4 Panama, for one
 - 5 Pond growth
 - 6 Squalid
 - 7 Brouhaha
 - 8 For each
 - 9 Uno plus due
 - 11 Zodiac dozen
 - 15 Carryall
 - 17 Role for Craig
 - 18 Pot starter
 - 19 Bike part
 - 20 Obscene material
 - 21 Spelling on TV
 - 22 Ladder step
 - 25 Nasty
 - 26 Perfectly behaved
 - 28 Easy gaits
 - 30 Some swords
 - 31 German river
 - 33 Shore eroder
 - 34 Church reply
 - 35 Blame recipient
 - 36 Rage
 - 37 Hearty quaff
 - 38 Family



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BEETLE BAILEY



BY MORT WALKER



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