

THE EU-EBA INITIATIVE: MARKET ACCESS IMPLICATIONS AND POTENTIAL BENEFITS FOR BANGLADESH

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LIST OF ACRONYMS

| | |
|-------|---|
| AC | African, Caribbean countries |
| ACP | African, Caribbean and Pacific countries |
| ADD | Anti Dumping Duty |
| AGOA | African Growth Opportunity Act |
| AMCL | Agricultural Marketing Co. Ltd. |
| AoA | Agreement on Agriculture |
| APEDA | Agricultural and Processed Food Products Export Development Authority |
| ASEAN | Association of South East Asian Nations |
| ATDP | Agro-based Technology Development Project |
| BADC | Bangladesh Agricultural Development Corporation |
| BARI | Bangladesh Agricultural Research Institute |
| BDXDP | Bangladesh Export Diversification Project |
| BSE | Bovine Spongiform Encephalopathy |
| BSTI | Bangladesh Standard Testing Institute |
| CAP | Common Agricultural Policy |
| CBI | Caribbean Basin Initiative |
| CBTPA | Caribbean Basin Trade Partnership Act |
| CCP | Critical Control Point |
| CET | Constant Elasticity of Transformation |
| CGE | Computable General Equilibrium |
| CPD | Centre for Policy Dialogue |
| DCs | Developing Countries |
| DME | Developed Market Economy |
| DSM | Dispute Settlement Mechanism |
| EBA | Everything but Arms |
| EC | European Commission |
| ECC | EC Custom Code |
| ECU | European Currency Unit |
| EEF | Entrepreneurs' Equity Fund |
| EU | European Union |
| F&V | Fruit and Vegetables |
| FTA | Free Trade Agreement |
| GATT | General Agreement on Tariffs and Trade |
| GEF | General Equilibrium Framework |
| GMO | Genetically Modified Organisms |
| GSP | Generalized System of Preference |
| GTAP | Global Trade Analysis Procedure |
| H/H | House Hold |
| HACCP | Hazard Analysis Critical Control Point |
| HS | Harmonized System |
| HSC | Harmonized System of Coding |
| HYV | High Yielding Variety |
| IF | Integrated Framework |
| IFOAM | International Federation of Organic Agriculture Movements |

| | |
|--------|---|
| IOAS | International Organic Accreditation Service |
| ISO | International Organization for Standardization |
| ITC | International Trade Centre |
| JITAP | Joint Integrated Technical Assistance Programme |
| LDCs | Least Developed Countries |
| MFA | Multi-Fiber Arrangement |
| MFN | Most Favoured Nation |
| MGF | Matching Grants Facilities |
| MHLW | Ministry of Health, Labor, and Welfare |
| MLVs | Maximum Limit Values |
| MOFA | Ministry of Food and Agriculture |
| MOFA | Ministry of Foreign Affairs |
| MT | Metric Ton |
| NAFTA | North American Free Trade Area |
| NGMA | Negotiating Group on Market Access |
| NGOs | Non-Government Organization |
| OCT | Ontario College of Teachers |
| OECD | Organisation of Economic Cooperation and Development |
| PT | Preferential Treatment |
| PTA | Preferential Tariff Arrangement |
| QRs | Quantitative Restrictions |
| RC | Regional Cumulation |
| RCO | Registered Certification Organization |
| RFCO | Registered Foreign Certification Organization |
| RMG | Ready Made Garments |
| RoO | Rules of Origin |
| ROW | Rest of the World |
| RTA | Regional Trade Arrangement |
| S&DT | Special and Differential Treatment |
| SAARC | South Asian Association for Regional Cooperation |
| SAFTA | South Asian Free Trade Area |
| SAPTA | SAARC Preferential Trading Arrangement |
| SMEs | Small and Medium Enterprises |
| SPSMs | Sanitary and Phyto-Sanitary Measures |
| STABEX | Stabilization of Export Earnings for Agricultural Commodities |
| SYSMIN | System for Safeguarding and Developing Mineral products |
| TBT | Technical Barriers to Trade |
| TRQ | Tariff Rate Quota |
| UNCTAD | United Nation Conference on Trade and Development |
| UR | Uruguay Round |
| USTDA | United States Trade and Development Act |
| VAT | Value Added Tax |
| WTO | World Trade Organization |

THE EU-EBA INITIATIVE: MARKET ACCESS IMPLICATIONS AND POTENTIAL BENEFITS FOR BANGLADESH

SECTION 1 INTRODUCTION

It is now generally widely recognised that in the 1990s Bangladesh has made a crucial transition from a predominantly aid-dependent country into a trading country. Bangladesh's current annual export of goods and services is about six times higher than the aid that is annually received. To compare, this was about one and half times in the early 1990s. No wonder why trade related issues and initiatives command such heightened attention in the context of the globalising economy of Bangladesh.

Bangladesh at present enjoys preferential market access facility under 29 GSP schemes run by various developed market economies (DMEs). When the GATT talks were initiated in 1947 it was recognised at the very outset that the developing countries were in need of special and targeted market access facilities in order to enhance their competitive strength in the global market and that there was a need to bridge the developmental gaps with DMEs. Special and differential treatment (S&DT) provisions in the GATT were a recognition of this felt need. Subsequently, a major tool of this special treatment of the LDCs and developing countries which evolved outside the ambit of GATT's institutional structure, but was very much informed by the philosophy of GATT's S&D treatment of the developing countries, was the GSP schemes offered on bilateral basis by the various DMEs and the EU (as a community of countries). Empirical evidences suggest that the current share of preferential trade under generalised preferential treatment (GST) is around 3 percent of global trade¹ [Bora B. et al., 2002].

Since its independence in 1971 when it was recognised as belonging to the group of LDCs², Bangladesh has been enjoying preferential treatment under the various GSP schemes. Although subject to Rules of Origin of varying degrees of stringency, these GSP schemes offered two major benefits: (a) preferential market access in the form of reduced (or zero) tariff for particular products, and (b) greater market access in the form of enhanced quota or quota/ceiling free entry of particular products into domestic markets of developed countries. As is known, these preferential market access schemes are necessarily subject to various rules of origin (RoO) which are specific to individual GSP schemes, and often also vary between products within a single GSP Scheme. Bangladesh has been a beneficiary of the GSP scheme run by the EU since her independence.

In the recent past Bangladesh has become the beneficiary of the duty-free, quota-free market access for all products except arms to the EU market under the EU's *Everything but Arms Initiative* for the LDCs. The initiative has subsequently come to be popularly known as the *EU-EBA initiative*. The scheme, geared towards the LDCs, was important initiative as far Bangladesh was concerned. Although Bangladesh was a beneficiary of the GSP Scheme, which was offered earlier by the EU countries, the novelty of the new initiative was that these included a large number of new products which were outside the ambit of the previously in place GSP Scheme.

¹ This share has been gradually coming down over the last decade as a result of "preference erosion" following the completion of the UR negotiations and the expansion of the preferential trade within regional trading blocs.

² In contrast to the present number of 49 at the time the number of LDCs was 25.

The objective of the present study, in the above context is five fold: (a) to analyse the new scheme and identify its departure from earlier scheme; (b) to identify products of Bangladesh's export interest which have come under the purview of the new scheme; (c) to analyse the market access opportunities of the newly included products in the markets of the EU; (d) to review the rules of origin SPS-TBT and other related regulations which may potentially constrain Bangladesh's market access of the identified products in the EU market, and (e) to review the current supply side capacity in view of the opportunities and suggest measures towards capacity building in relevant areas.

The following sections present the results of the analysis carried out to examine the abovementioned points of enquiry. The findings of the study are presented in the following seven sections. Section 2 analyses the departure of the EU-EBA initiative from the earlier EU-GSP Scheme; Section 3 analyses the potential impacts of the EU-EBA initiative on Bangladesh's export performance; Section 4 attempts to judge Bangladesh's export potentials in terms of price level and competitiveness; Section 5 identifies some of the potential items for export, and analyses Bangladesh's supply capacity to exploit export opportunities in those items; Section 6 describes the rules of origin and SBS-TBT requirements for exporting products to the EU; Section 7 analyses the capacity building and technical assistance issues, and Section 8 concludes.

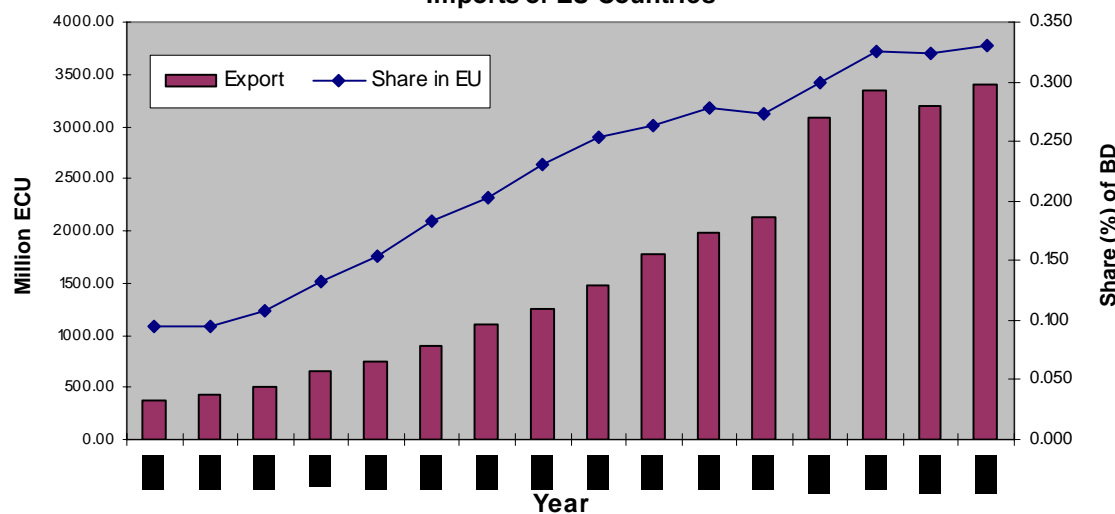
SECTION 2 BANGLADESH'S PREFERENTIAL MARKET ACCESS IN THE EU: THE OLD AND THE NEWLY INTRODUCED EU-EBA

Bangladesh and the EC GSP Schemes

The EU-GSP Scheme merits special attention mainly on account of the fact that the EU has become the single most important destination for Bangladesh's exports. This importance was also because of the wide range of coverage under the EC-GSP Scheme³. Over the past years the EC-GSP Scheme played an important role in the growing prominence of EU market for Bangladesh's exports. Bangladesh's exports to the 25 member countries of the expanded EU currently stand at US\$3298.6 million (FY2003) (see Figure 1), which was about half (50.4%) of Bangladesh's global export \$6548.4 million over the corresponding year. This explains why preferential access to the EU market is of such crucial importance to Bangladesh. Major export destinations in the EU include Germany (\$819.9 million or 24.9% of Bangladesh's total exports to the EU), UK (\$771.1 million or 23.6%), France (\$417.9 million or 12.7%), Italy, Belgium and the Netherlands (\$260.0 – \$290.0 million, at about 8.4% each).

³ The European Union maintains both non-reciprocal and reciprocal trade arrangements that extend preferential treatments to the members of such arrangements. Two important non-reciprocal preferential trade arrangements are: Generalised System of Preferences (GSP) and ACP Scheme. The reciprocal trade arrangements include various free trade agreements (FTAs) and the non-reciprocal preferential trade arrangements is the EC-GSP Scheme.

Figure 1: EU's Imports from Bangladesh and Bangladesh's Share in Total Imports of EU Countries



The EC GSP Scheme, introduced in 1971, has gone through considerable evolution over the past years since its inception. The first EC-GSP scheme covered an initial span of 10 years (1971-81) and was subsequently renewed for a second decade (1981-91). This was extended for another four years, till 1995. A new GSP scheme was put in place in 1995 for another 4 years at the end of which the scheme was further revised in 1999. This revised scheme was revised once again with expanded coverage for the LDCs in 2000, to be effective from January 2001. It is this initiative which subsequently came to be known as the 'Everything but Arms' (EBA) initiative of the EU.

The EC GSP Scheme which was in place before the EBA included products that were divided into four groups according to their sensitivity. The sensitivity was determined by the production situation relative to similar product within the EU. The EU GSP scheme granted preference for a given product in the form of percentage reduction of the MFN duty rates. An exception was made for the LDCs and some other countries⁴, whereby the treatment offered was more relaxed compared to the general rules, with the offered reduction on products attaining levels as high as 100%. However, the EC GSP scheme which was in place prior to the EU-EBA initiative, had two safeguard clauses that were applicable to industrial as well as agricultural products. The *first safeguard clause* provides that MFN duties on a particular product may be reintroduced at any point of time, at the request of a member state or on Commission's own initiative, if a product originating in one of the countries or territories listed in annex III of the GSP Scheme (normal developing countries) is imported on terms which cause or threaten to cause serious difficulty to a community producer of like or directly competing products (Article 14, para 1, of the regulations). The *second safeguard clause* was in the form of a graduation scheme under which the benefit of the scheme was phased out for specific sectors or countries that have reached a degree of competitiveness where they were considered to have competitive strength even in the context of denial of GSP treatment.

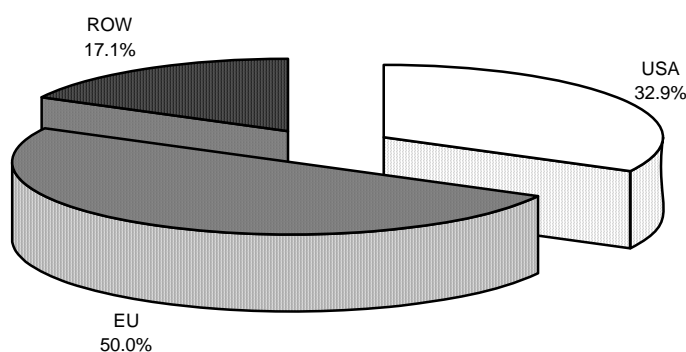
The product coverage of the EU GSP was the broadest amongst the GSP schemes offered by DMEs. At HS8 level more than 9000 products were covered under the EU GSP

⁴ Countries negatively affected by drug production.

scheme. Since 1995 the EU also took an initiative to eliminate all quantitative restrictions (QRs) on imports from the LDCs.

The newly introduced EBA initiative is informed by a number of departures. The importance of the initiative is reemphasised by the fact that the EU market is the single most important destination in terms of value of exports from Bangladesh and also the LDCs as a group. In 1999 it absorbed 37 percent of total LDC export [UNCTAD, 2002]. Among the 49 LDCs, 15 are predominantly dependent on this market, since more than 50 percent of their respective export is directed to this market. Thirty-nine LDCs have benefited from preferential market access under the ACP initiative of EU, while 9 LDCs were beneficiaries under the EC-GSP scheme. Bangladesh is the most important beneficiary amongst these beneficiary countries. As evident in Figure 2, in FY2003 Bangladesh's export to EU was to the tune of \$3275.6 mln, accounting for 50.0% of the total exports from the country (48% in FY2001).

Figure 2: Bangladesh's Export Share by Destination in FY2003



Source: CPD-TPA Database.

The EU-GSP Scheme previously in place provided Bangladesh zero-tariff access to the EC market for most of her manufactured exports, subject to conformity with EC Rules of Origin (RoO). A large number of products belonging to HS 1-25 were already covered under the EC-GSP Scheme. Bangladeshi exports were also allowed quota-free entry into the EU market for allowable products for which quotas were in place in the EU market. However, the existing EC preferential regime still excluded about 10 per cent of the 10,500 tariff lines at HS 8 digit level which were included in the Community's tariff schedule. Out of the 10500 tariff lines which are traded, 944 tariff lines were excluded from the EC GSP Scheme prior to the introduction of the EBA initiative, accounting for about 1% of total exports from the LDCs.

It is to be noted that amongst the developed countries and regions, EU offers the highest range of preferential access to LDCs and developing countries. A total of 142 DCs and LDCs are currently enjoying preferential market access under the EU-GSP schemes. 77 ACP countries also enjoy preferential market access in EU. However, the *realised* preferential treatment enjoyed by the LDCs was substantially lower for most of these countries because of their inability to comply with the EC-RoO discipline.

The idea about a more LDC-friendly preferential market access initiative was first mooted at the time of the Singapore Ministerial of the WTO in 1999. At this ministerial the developed countries committed themselves to work towards improved market access for products from the LDCs. In June 2000, the EU expressed its willingness to grant duty-free access for essentially all products from all the LDCs by 2005 at the latest. The intention was further crystallised by subsequently formal announcement of the EU whereby EU granted duty-free and quota-free access for all goods originating in the LDCs, except arms, to be effective from January 1, 2001. The proposal read as the following: “The Commission proposes to remove all tariffs and quotas on all imports from LDCs other than those classified as armaments (those falling in Chapter 93 of the Harmonised System of Trade Classification). This will be achieved by amending the current Generalised System of Preferences (GSP). It will come into effect for most products from 1 January 2001, except for sugar, rice and bananas - for which the removal of restrictions will be undertaken in three annual tranches, leading to their subsequent full elimination by 1 January, 2009.” The EU-EBA came into force in March, 2001 and was adopted as an amendment to the previously in place EC GSP scheme.

As mentioned, the EU-EBA provides quota-free access to the EU market. The concept of ‘quota’ as practised by the EU needs to be clarified to understand the actual worth of quota-free access. Since the Uruguay Round, the quota on agricultural goods has been eliminated in the EU as elsewhere. What regulates imports of farm products in the EU is what is commonly known as *tariff rate quotas* (TRQ). As distinct from *quota* which puts a ceiling on imports, a TRQ is a system where a particular tariff rate is imposed on import of a farm product from abroad, up to a certain quantitative limit, beyond which imports are also allowed, up to unlimited levels, but at higher tariff rates. At present there are about 87 TRQs on farm products in the EU⁵.

Thus quota-free access under EU is likely to provide a significant advantage mainly because it will eliminate the higher tariffs beyond the quotas. It is interesting to note here that third countries have been able to use only 67% of the TRQs each year which would mean that it is not the TRQs themselves but the higher tariffs on farm goods in the EU which has acted as a deterrent to potential exporters.

Departures in the New Market Access Initiatives by the EU

EU-EBA Initiative: What is New in It?

As was mentioned, EU is the pre-eminent trading partner of Bangladesh, accounting for about 50 per cent of her total exports in FY2003; in contrast, the share of the USA was about 32.9 per cent, during the matched period.⁶ Thus, any initiative to facilitate market access in the EU was bound to be of interest to Bangladesh.

There are several important points of departure as far as the EU-EBA initiative is concerned. Firstly, through the EU-EBA EU has ensured WTO compatibility of its preferential market scheme. Previously, through the *Lome Convention*, a group of countries belonging to the African continent and also the Caribbean and Pacific region

⁵ These 87 TRQs are managed by the European Commission, on the basis of (a) first come first served basis (20 TRQs) (b) licences (44 TRQs) and (c) historic imports (22 TRQs).

⁶ To compare, for LDCs as a group, EU accounted for 50% of all exports which was equivalent to 15.5 bln. euro in 1998; share of USA was 36%, Japan 6% and Canada 2%.

was accorded highly preferential and favourable terms of access to the EU market. Under the *Lome* initiative virtually all exports from the ACP countries entered the European Union free of any tariff or quota restrictions – roughly 94 percent of total ACP exports enter the EU market without restrictions (100 percent in case of industrial products and 80 percent for agricultural products). There was significant discrepancy in terms of preferential treatment between the *Lome* initiative which covered most of the LDCs, and the rest 9 LDCs which were covered under the EC GSP Scheme. The EU-EBA virtually eliminated this discrepancy, and the attendant discrimination amongst the LDCs. On the other hand, the EU also ensured WTO compatibility of the EU-EBA by not extending it to the non-LDC ACP countries. This has ensured that the EU provides same treatment to all the LDCs, a major demand of Bangladesh and many other LDCs with respect to market access in DMEs.⁷

Secondly, unlike the previously in place EU-GSP Scheme which was subject to renewal and revision, the EBA has no time limit. This has removed the uncertainties under the earlier GSP Scheme and has added an element of certainty and security in terms of market access to the EU. The EC will review the functioning of the EU-EBA in 2005, when amendments will be introduced, if necessary. Thirdly, EU-EBA also allows for diagonal cumulation of origin between individual LDCs and regional grouping such as SAARC and ASEAN as well as the EU. Through this provision the EU has allowed the LDCs to acquire flexibility in ensuring compliance with the RoO under the EU GSP Scheme. However, one important aspect of the erstwhile EC-GSP Scheme has been retained in the EU-EBA. Rules of origin under the EU-EBA initiative has been kept essentially unchanged. This is an important aspect which is going to play a critical role in terms of accessing the benefits of the initiative by many of the LDCs. *Fourthly*, as is known, in June 2000 the EU signed an agreement in *Cotonou* with African, Caribbean and Pacific (ACP) countries, with the consequent result that "essentially all" products from the ACP countries would henceforth enjoy free access to the EU markets. As a matter of fact, Bangladesh was the most important LDC player which was left out of this important initiative.⁸ The EU-EBA can be seen as a *corrective measure* in this context to provide ACP parity to non-ACP LDCs. *Fifthly*, it is hoped that EU-EBA will put *moral pressure* on the USA to extend US TDA2000 parity facilities to LDCs such as Bangladesh that were not been included under the initiative. *Sixthly*, the EU-EBA comes at a period of enlargement of the membership with concomitant expansion of the community's market size. *Seventhly*, the ongoing negotiations on Agreement on Agriculture (AoA) is likely to lead to substantial reduction in export credit and domestic support within the EU. This is expected to bring-in important changes in the domestic price of agri-products, in general pushing up the price level within the community. This may lead to enhancement of the imports of agri-products to the EU, and consequently, more export opportunities under the EBA⁹. *Eighthly*, the EU-EBA initiative favouring the agricultural sector comes at a period when LDCs, which are predominantly dependent on export of apparels, are preparing to brace themselves for the post-MFA regime. As such the initiative provides an opportunity to the LDCs to reduce their vulnerabilities in the global export market and encourage these countries to go for export diversification and

⁷ This is of interest in the context of US TDA2000 which excluded 15 LDCs in the Asia-Pacific region from receiving preferential treatment in the US market under the initiative.

⁸ The 9 non-ACP LDCs are: Bangladesh, Yemen, Afghanistan, Maldives, Nepal, Bhutan, Myanmar, Laos and Cambodia.

⁹ To be true, the AoA also envisages reduction in tariff rates and tariff peaks for agri-commodities, which on the other hand may lead to an erosion of the preferential margin under the EBA.

Ninthly, this is of significant importance to Bangladesh and other LDCs, EU-EBA initiative, as articulated by Mr. Pascal Lamy, is to be complemented by targeted trade related capacity building initiatives.

It needs to be emphasised here that the EBA is compatible with WTO rules since it is line with paragraph 2 (d) of the Enabling Clause of 1979 which permits special and differential treatment for the LDCs, in the context of any general or specific measures favouring the developing countries. However, it needs to be taken into consideration that EBA is not bound in the WTO. One distinctive feature of the EBA is that, whereas the GSP Schemes are subject to periodic renewal, the EBA, although in effect an extension of the EC-GSP Scheme, is not subject to a time limitation. A review of the EBA is, however, due in 2005 in which time necessary amendments may be brought into the EBA scheme.¹⁰

There are some limitations in the EU-EBA in its present form. The *first* limitation which relates to institutional arrangement is that unlike the *Cotonou Convention*, finalised in 2000 (as a successor to the *Lome Convention*), it is non-contractual and therefore may be withdrawn if the EU so decides. Thus, EBA continues to remain unilateral concession by the EU rather than an international agreement and as such, as distinct from internationally agreed market access agreements, it can be withdrawn at the initiative of the EBA at any point of time. The *second* limitation is that the EU-EBA is subject to a new safeguard clause, which allows the EC to withdraw the preference following ‘massive increase in imports ... in relation to ... usual levels of production and export capacity of LDCs’. This clause is a one-loaded - it allows for withdrawal of the market access facility and, what is of some concern, also leaves room for interpretative ambiguities with respect to “export capacity of LDC’s”. Although this safeguard appears to have been put in place to discourage reexport of products by the LDCs from third countries, it leaves a possibly for dispute to arise between the EU and the LDCs. The *third* limitation relates to the safeguard measures with respect to banana, rice and sugar which will be phased out between 2006 and 2009 (2006 for banana and 2009 for rice and sugar). The *fourth* limitation is that the rules of origin which informed the EC-GSP scheme has remained unchanged under the EBA initiative. This, as has been subsequently discussed, has in the past, severely constrained the use of this preferential facility, particularly for manufacturing products such as apparels for which LDCs have found it difficult to comply with the EC-GSP RoO.

As was pointed out earlier, out of the total 10,500 tariff lines at HS 8 digit level, the previous EC-GSP Scheme covered exports from LDCs under 9556 tariff lines. Major product categories which were left out, under the remaining 944 tariff lines, concerned mainly the agricultural products. The new EU-EBA initiative included another 919 tariff lines which is about 97 % of the remaining 944 tariff lines. Thus, through the EU-EBA initiative the EU has covered virtually all other products, excepting 25 categories which included trade in arms goods.

These products, as was the case for the products originating from the LDCs under the earlier GSP Scheme, were offered market access at zero-tariff, without imposition of any market entry quota.

¹⁰ The recent initiative of the EU to float a *Green Paper* with a view to revisit, *inter alia*, its RoO is an attempt to do this.

It is to be kept in mind that the EU is the world's largest importer of agricultural goods. As table 2.1 shows, EU's import of agricultural products in 2001 was about \$37.8 bln with the bulk of this import comes from developing countries. WTO statistics show that export of farm products from the developing countries is on the increase – in 1998 their combined export was \$167 bln, growing by 72% over the preceding five years (EU, 2003). EU's share in exports of farm products from LDCs is the highest amongst the OECD countries. EU import of farm products is larger than the combined farm product import of US, Japan, Canada, Australia and New Zealand.

TABLE 2.1: COMPARISON OF AGRICULTURAL IMPORTS BY DEVELOPED COUNTRIES IN 2001

| Countries | 2001 imports | Rank |
|-----------|--------------|------|
| EU | 37761 | 1 |
| US | 22412 | 2 |
| Japan | 12365 | 3 |
| Canada | 2304 | 4 |
| Australia | 945 | 5 |

Source: EC (2003).

EU accounts for 85% of African export of farm product and 45% of that of Latin America. This would mean that if Bangladesh is to succeed in penetrating the EU market by taking advantage of the EU-EBA, she will need to compete with a large number of developing countries which had been traditional exporters of products to the EU. As farm subsidies in the OECD countries come down with the progress of current negotiations, both at the multilateral and at the bilateral levels, the EU-EBA may also potentially open up opportunities for both old and new products to enter the EU market.

Percentage of total agricultural tariff lines in EU which is subject to tariff peaks is about 10% covering such farm products as meat and meat products, dairy products and sugar. EU agri-tariff structure also suffered from tariff escalation in agro-processed goods, which severely constrained LDC effort to exploit the advantages of industrialisation through agro-processing. As far as the LDCs are concerned, the EBA is also expected to remove the obstacles of tariff peak and tariff escalation through zero-tariff access for farm goods, which potentially opens up market opportunities for Bangladesh's farm products.

Although unchanged RoO do put constraints to the use of the aforesaid market access initiative, inclusion of new products, such as farm products under the EU-EBA offers potentially large scope for export diversification in the EU market. Bangladesh has heightened interest in exporting agricultural goods, and it has considerable supply side capacities and also the potential ability to address the attendant tasks to realise the potential benefits.

Since the new initiative does not envisage any change in the RoO, from a static perspective these are not likely to have any significant impact on the exports of *existing products* which have been enjoying preferential market access under the GSP Schemes which were in place previously. However, the new initiative does bring in elements of predictability and security to preferential treatment and hence may potentially have positive supply side impact on products which have been enjoying preferential access under the erstwhile GSP Schemes of the EU.

As regards the new products it is a matter of research and analysis to find out what exactly would be the impact in terms of export opportunities, what are the current supply side situation in Bangladesh, and what additional measures would be required to access the potential market opportunities originating from the EU-EBA initiative.

The relevant issues will be dealt with the greater detail in subsequent sections.

SECTION 3 IMPACT OF EU-EBA FOR BANGLADESH'S EXPORT SECTOR

Implications of the EU-EBA for Bangladesh's Existing Export Products

It was mentioned earlier that 919 new tariff lines at 8 digit level have come under the purview of the EU-EBA. These are shown in table-3.1 below.

TABLE 3.1: EU-EBA: NEW TARIFF LINES INCLUDED UNDER THE INITIATIVE OF LIBERALISATION

| HS 2 Code | Description | Number of liberalized products (8 digit level) | Per cent of liberalized tariff lines |
|-----------|--------------------------------------|--|--------------------------------------|
| 02 | Meal and meal products | 173 | 18.82 |
| 04 | Dairy products | 166 | 18.06 |
| 22 | Beverage, spirits and vinegar | 103 | 11.21 |
| 11 | Milled products | 77 | 8.38 |
| 20 | Preparation of vegetables and fruits | 74 | 8.05 |
| 10 | Cereals | 48 | 5.22 |
| 17 | Sugars and sugar confectionery | 45 | 4.90 |
| 19 | Preparation of cereals | 38 | 4.13 |
| 01 | Live animals | 30 | 3.26 |
| 23 | Residues & waste from food industry | 30 | 3.26 |
| 16 | Prep of meat, fish or crustaceans | 28 | 3.05 |
| 08 | Fruits | 25 | 2.72 |
| 07 | Vegetables | 19 | 2.07 |
| 18 | Cocoa and cocoa preparations | 19 | 2.07 |
| 21 | Miscellaneous edible preparations | 12 | 1.31 |
| 15 | Fats and oils | 10 | 1.09 |
| 38 | Miscellaneous chemical products | 8 | 0.87 |
| 35 | Albumines and enzymes | 6 | 0.65 |
| 29 | Organic chemicals | 5 | 0.54 |
| 12 | Oil seeds | 3 | 0.33 |
| Total | | 919 | 100.00 |

Source: <http://www.europa.eu.int/comm/trade/pdf/ebaproductlist.pdf>

70% of the tariff lines in this list belong to meat and meat products (HS 02:173 items or 18.8% of tariff lines), dairy products (HS 04:166 items or 18.1% of newly liberalised tariff lines), beverage, spirits and vinegar (HS 22:103 or 11.2%), milled products (HS 77 or 11:8.4%), preparation of vegetables and fruits (HS 20:74 or 8.1%) and cereals (HS 10:48 or 5.2%). Number of tariff lines included for fruits and vegetables are 25 and 19 respectively.

From immediate and short-term perspective, the EBA is likely to impact on Bangladesh's export of products which were newly included under the EBA initiative and on which there was previously import duties in the EU. If Bangladesh has the required supply side capacities at present she will be able to take advantage of this market access initiative in near future. From long term perspective, newly included products which are not currently exported may become potentially exportable items.

The possible impact of the EU on a global scale can be evinced from EU's own findings. In 1997 EU imported 2939 items from the LDCs (exported by at least one LDC). Of these 502 items were exported from LDCs with a value of at least €0.5 million or more. Of those only 11 did not enjoy duty and quota free access at the time of introduction of EBA in 2001. These are the items which will be immediately impacted by the EBA (Stevens, S. and Kennan, J. 2001). These include the following items: (a) beef, (b) cheese, (c) maize, (d) bananas, (e) rice, and (f) sugar. Of these, banana, rice and sugar are included in the list of *delayed implementation* of the EU-EBA.

Table-3.2 provides information on the pre-EBA trade restrictions on these items and shows both the MFN and preferential rates.

TABLE 3.2: CURRENT EXPORTS OF LDCs TO THE EU THAT WILL BE AFFECTED BY THE EU-EBA

| CN_1997 | Description | Current import restrictions (1999 ^a) | | |
|----------|--|--|---|------------------------------------|
| | | Non-ACP LLDCs | ACP LLDCs | MFN |
| 02023090 | frozen bovine boned meat | 9.8%+€332.6/100kg | 0%+€332.6/100kg; Protocol K0%+€28.8/100kg | 14%+€332.6/100kg |
| 04069021 | cheddar (excl. grated or powdered and for processing) | No preference | K€63.9/100kg | €182.8/100kg (K€13.75 to 21/100kg) |
| 07099060 | fresh or chilled sweetcorn | No preference | €10.1/100kg | €10.3/100kg |
| 08030019 | bananas, fresh (excl. plantains) | No preference | €508/1000kg (K0) | €708/1000kg (K€75/1000kg) |
| 10059000 | maize (excl. seed) | No preference | €75.19/T ^b | €94/T ^b |
| 10062017 | long grain husked-brown-rice, length/width ratio >= 3, parboiled | Bangladesh K€109.82/1000kg; No preference | P€75.57/1000kg | €228.31/1000kg (K€88/1000kg) |
| 10063098 | wholly milled long grain rice, length/width ratio >= 3, (excl. parboiled) | No preference | P€160.51/1000kg | €494/1000kg (K0) |
| 17011110 | raw cane sugar, for refining (excl. added flavouring or colouring) | No preference | K0; Protocol 0 | €35.3/100kg |
| 17011190 | raw cane sugar (excl. for refining and added flavouring or colouring) | No preference | K0; Protocol 0 | €43.7/100kg |
| 17019910 | white sugar, containing in dry state >=99.5% sucrose (excl. flavoured or coloured) | No preference | K0; Protocol 0 (for 1 item out of 2) | €43.7/100kg |
| 17031000 | cane molasses resulting from the extraction or refining of sugar | No preference | K0 | €0.37/100kg |

Note:

(a) 'K' denotes rates within quota; 'P' denotes ceiling.

Sources: Stevens, S and Kennan, J (2001).

As can be seen from table-3.2, the non-ACP LDCs will be more benefited compared to the ACP LDCs since the pre-EUEBA regime (the status quo) was less favourable to these LDCs relative to the ACP countries. For 8 out of the 11 tariff lines cited in table-3.2 non-ACP LDCs do not enjoy any preference over standard tariff rates payable to all non-beneficiary countries i.e., the MFN rate¹¹. For two items in table-3.2, long grained husked-brow rice (10062017) and wholly milled long grained rice (tariff line 10063098), one LDC which is Bangladesh, is given a limited preferential treatment.¹²

Structure of global imports to the EU shows that for items identified in table-3.2, it is the ACP countries which are the important exporters, not the non-ACP LDCs. Stevens and

¹¹ Most Favoured Nations (MFN) Rates allude to the WTO principle of *favour one, favour all* which implies tariff rates applicable to non-preferential exporters to the EU.

¹² ACP LDCs also stand to gain since the current preferences enjoyed by these countries are less than what is being proposed under the EU-EBA initiative.

Kennan (2001) reports that in 1997 EU imports of these items was worth €5 million, whilst for non-ACP LDCs it was a more €61 thousand. It is to be noted with due importance that Bangladesh is one of the only three countries which is included in that list. Thus, Bangladesh exported rice, sugar and molasses, Myanmar exports rice and sugar and Cambodia exported some amount of rice. Accordingly, for Bangladesh two of the export items in the list, rice and sugar, are under delayed implementation.

Impact of EU-EBA: Results from A Static GEF Exercise

In order to capture the impact of the initiatives of the EU on the existing exports from Bangladesh, we have studied the potential implications of the initiatives within a general equilibrium framework (GEF). If preferential trade liberalisation involves a large number of sectors and/or beneficiary countries, then relying on a collection of partial sectoral analyses may lead to a distorted view of the global impact of preferential trade arrangements, which cannot be obtained as the sum of the sectoral impacts. Partial equilibrium models neglect offsetting effects following liberalisation and working through inter-sectoral shifts, factor price adjustment and exchange rate changes. Thus, in the analysis of the impact of the EBA we have adopted a GE framework. This type of overall non-reciprocal market opening initiative impacts on both relative price of goods (and, as a result, terms of trade) as well as relative price of factors, which are better captured under a GEF.

The effects of EBA can be assessed quantitatively either *ex-ante* or *ex-post*. Since the GTAP database had information for 2000, an *ex-ante* exercise was carried out to capture the impact of the EBA. Assuming that a reliable theoretical model for the economies under study is available, the objective of the study was to determine the values for the main endogenous variables (trade flows, consumption, production) associated with “new”, different values of policy variables (tariffs), assumed to be exogenous.

Export supply of each country is obtained, at equilibrium, from the difference between domestic consumption and production. Production, in turn, is obtained from a given stock of production factors. In such a framework, the export supply of each good turns out to be highly elastic, and consequently, terms of trade effects are very strong.

A general equilibrium setting is preferable when the policy experiment to be modelled affects simultaneously many countries and many sectors and is likely to have relevant repercussions on the terms of trade, factor prices and income. The new initiative by the EU very much fits into these settings. However, results are still sensitive to the elasticities used. In particular, in almost all CGE models it is assumed that there is a constant elasticity of substitution between exports of different origin. This assumption is dictated by a requirement in calibration, but has strong implications for the estimates of trade creation and trade diversion. By the Armington assumption, each country is assumed to be the only supplier of its own export type, e.g. to enjoy monopoly power on world markets, irrespective of its size. This may lead to overestimation of terms of trade effects.

In assessing the impact of EU-EBA, it has to be kept in mind that these impacts will also be influenced by other market access initiatives such as AGOA, CBI and ACP. The analysis and simulation exercise was carried out on the basis of GTAP (version 5). Beneficiary countries were considered under three groups: Bangladesh, AC-LDCs, other

LDCs. Donor countries were EU, Japan, USA. India, Mexico, China and ROW were taken as third countries.

The original 57 sectors present in GTAP5 were grouped into 10 aggregated sectors (table-3.3). This aggregation facilitated to capture the implications of EU-EBA initiative for major groups of exports.

TABLE 3.3: PRODUCT AGGREGATION FOR SIMULATION ANALYSIS

| | |
|----|------------------------|
| 1 | Apparel |
| 2 | Textiles |
| 3 | Leather |
| 4 | Other manufactures |
| 5 | Fish |
| 6 | Vegetables |
| 7 | Sugar |
| 8 | Other Food Products |
| 9 | Other Primary Products |
| 10 | Services |

Source: Grouped on the basis of GTAP Database.

Policy Simulations to Capture Static Impact

The following simulations were carried out to estimate the impact of the initiatives by the EU. These simulations consider three possible scenarios:

Simulation 1: Elimination of all tariff and non-tariff barriers (except sugar and service sectors)¹³ for exports from LDCs in the EU with the Rules of Origin restrictions for Bangladesh in the apparel and textile sector being in place. This simulation was done with an aim to understand the implications of only the EBA initiative for Bangladesh, isolating all other dynamics in world trade.

Simulation 2: Elimination of all tariff and non-tariff barriers (except service sector) for exports from LDC in the EU. This simulation also includes elimination of all tariff and quota barriers for the ACP countries that is accorded under EBA. There is no Rules of Origin restrictions.

Simulation 3: Elimination of all tariff and quota barriers (except sugar and service sectors) for exports from LDCs with Rules of Origin Restrictions for Bangladesh being in place for apparel and textiles in the EU, for ACP countries in the EU, for countries under USTDA 2000 Act in the US and for Mexico in the US and Canada.

Each of the simulations looked into the impact of the policy on each countries welfare, sectoral trade and production patterns, balance of trade and gross national output. Welfare changes were further decomposed into their *allocative efficiency* and *terms of trade* components.

¹³ There is no tariff on import of service goods to the EU. GTAP includes sugar as a separate product category, unlike rice and banana which are not separately categorised.

EU-EBA Initiative and Potential Gains for Bangladesh Based on the Simulation Exercise

In order to capture the gains from EU-EBA, a number of simulation exercises were carried out based on the GTAP data. Two simulations were carried out for capturing the implications of the EU-EBA initiative. Simulation 1 considers elimination of all tariff and quota barriers (except sugar and service sectors) against the LDCs in the EU. Rules of Origin restrictions for Bangladesh in the apparel and textiles sector remain unchanged. In simulation 2, elimination of all tariff and quota barriers (except service sector) for the LDCs in the EU was modelled. The Rules of Origin restrictions were removed. This simulation also includes elimination of all tariff and non-tariff barriers for ACP countries. In Simulation 3, parameters of simulations and impact of NAFTA has been captured.

Implications on Aggregate Export by Region

Table-3.4 validates our earlier observations as regards limited impact of EBA on Bangladesh's (or for that matter any of the LDC's) export growth. However, it should be once more reiterated here that this is a static scenario. According to the simulation exercise, the EU-EBA initiative is expected to benefit the export of ACP LDCs by 0.4% and the other LDCs by 0.1% only. The absolute benefit to Bangladesh in terms of export was found to be only USD 52.7 million or about 1 percent of the 1997 export value.

TABLE 3.4: EU-EBA: IMPACT ON AGGREGATE EXPORT BY REGION

| Region | Pre | | | Post | | | | | | |
|-------------------|--------------------------|--------------------------|------------|------------|----------------------------------|---------|---------|-------------------|-------|-------|
| | Absolute Amount, Mln USD | Absolute Amount, Mln USD | | | Change, Absolute Amount, Mln USD | | | Percentage Change | | |
| | | Sim 1 | Sim 2 | Sim 3 | Sim 1 | Sim 2 | Sim 3 | Sim 1 | Sim 2 | Sim 3 |
| Bangladesh | 5418.90 | 5471.55 | 5521.19 | 5471.13 | 52.66 | 102.29 | 52.23 | 0.970 | 1.888 | 0.964 |
| India | 47344.97 | 47354.40 | 47367.01 | 47361.37 | 9.43 | 22.04 | 16.40 | 0.020 | 0.047 | 0.035 |
| China | 241436.02 | 241459.25 | 241511.53 | 241506.98 | 23.23 | 75.52 | 70.97 | 0.010 | 0.031 | 0.029 |
| Mexico | 115311.61 | 115313.23 | 115329.78 | 115425.48 | 1.63 | 18.17 | 113.88 | 0.000 | 0.016 | 0.099 |
| ACP-LDC | 52687.43 | 52900.65 | 52999.49 | 52904.77 | 213.22 | 312.05 | 217.33 | 0.400 | 0.592 | 0.412 |
| Other ACP | 84702.09 | 84713.90 | 85159.77 | 85474.09 | 11.81 | 457.68 | 772.01 | 0.010 | 0.540 | 0.911 |
| USA | 872641.06 | 872639.25 | 872752.25 | 873727.69 | -1.81 | 111.19 | 1086.63 | 0.000 | 0.013 | 0.125 |
| Japan | 506277.91 | 506316.19 | 506418.59 | 506411.22 | 38.28 | 140.69 | 133.31 | 0.010 | 0.028 | 0.026 |
| EU | 2454885.50 | 2455778.50 | 2457577.00 | 2457150.50 | 893.00 | 2691.50 | 2265.00 | 0.040 | 0.110 | 0.092 |
| Rest of the World | 2028595.25 | 2028714.38 | 2028920.13 | 2028875.13 | 119.13 | 324.88 | 279.88 | 0.010 | 0.016 | 0.014 |

Source: Results of CPD CGE Exercise Based on GTAP Database.

It is interesting to note here that if the EU rules of origin restrictions for the apparel sector of Bangladesh are removed as binding constraints in the model, Bangladesh will stand to gain more significantly – the incremental gains would be about US\$102.3 (or 1.88 percent of export in the base period) which is twice the level of benefit with RoO restrictions.

It is clear from the results in table-3.4 that the benefits to the ACP LDCs and ACP non-LDCs are higher. This is perhaps because share of farm products from these countries is

relatively more compared to Bangladesh. The cumulative benefit for the ACP countries (ACP LDCs plus Non-ACP LDCs) is expected to be increased by USD 769.7 million, with a growth of more than 0.50 per cent (Simulation-1). From table-3.4 it is obvious that the combination of EU-EBA and EU-ACP initiatives would not cause any loss to the donor countries.

Simulation 3 combines the implications of the EU-EBA initiative and EU-ACP initiative with RoO for Bangladesh in the apparel and textile sector being unchanged. The results from simulation-3 shows that Bangladesh's benefits remain unchanged, as is the case with ACP-LDCs. As would be expected under this scenario, the ACP countries, which include a number of agri-exporting DCs, stand to benefit relatively more. This exercise indicates that the EU-EBA initiative was a corrective measure to ensure parity between ACP LDCs and Non-ACP LDCs and that within the ACP countries, ACP non-LDCs have benefited more than ACP-LDCs.

Implications for Bangladesh's Sectoral Exports

The impact of EU-EBA on the various sectors is shown in table-3.5. As for the sectoral composition of the benefits from the EU-EBA, as is shown by simulation 1 Bangladesh is expected to be benefited to a limited extent through increase in exports of agricultural goods. This was somewhat expected. As was pointed out, export of Bangladesh's agricultural goods to the EU which was newly inducted by EBA is not significant. As a result the impact would not be highly significant. Export of vegetable products is expected to grow by 9.3 per cent as a result of the EU-EBA initiative. Export of other foods is also expected to grow by 6.5 per cent from the base period. Exports of industrial products show nominal growth. Apparel sector shows a slight downturn (-0.38 per cent) which is compensated by the growth of the textile sector (by 5.2 per cent). The downturn in apparel sector can be explained by the shifting of price preference to ACP-LDC region.

In simulation 2, rules of origin restriction is assumed to be eliminated, with extension of preferential treatment to EU-ACP countries. As expected, Bangladesh under these circumstances has some potential to enhance its exports in apparel and textiles with the impact on other goods being minimal.

TABLE 3.5: EU-EBA: IMPACT ON BANGLADESH'S EXPORT TO EU

| Product | Pre (Mln \$) | Post | | | | | |
|---------------------|-----------------|----------|-------|----------|-------|----------|-------|
| | | Sim1 | | Sim2 | | Sim3 | |
| | | Absolute | % | Absolute | % | Absolute | % |
| Apparel | 2509.45 | -9.60 | -0.38 | 76.87 | 3.06 | -10.63 | -0.42 |
| Textiles | 1010.8 | 52.49 | 5.19 | 40.43 | 4.00 | 52.76 | 5.22 |
| Leather | 233.98 | 1.77 | 0.76 | -1.08 | -0.46 | 1.79 | 0.77 |
| Fish | 22.14 | -0.39 | -1.75 | -0.67 | -3.02 | -0.38 | -1.71 |
| Vegetables | 5.72 | 0.53 | 9.33 | 0.47 | 8.20 | 0.53 | 9.29 |
| Sugar | 0.25 | 0.00 | -1.67 | 0.05 | 18.46 | 0.00 | -1.62 |
| Other Food | 379.07 | 24.74 | 6.53 | 19.45 | 5.13 | 24.69 | 6.51 |
| Other Primary | 91.55 | -1.61 | -1.76 | -2.69 | -2.94 | -1.52 | -1.66 |
| Other Manufacturing | 368.57 | 0.90 | 0.24 | -3.26 | -0.88 | 0.91 | 0.25 |
| Services | 797.36 | -16.21 | -2.03 | -27.09 | -3.40 | -15.95 | -2.00 |
| Total | 5418.89 | 52.62 | 0.97 | 102.48 | 1.89 | 52.20 | 0.96 |

Source: Results from simulation exercise.

Table-3.5 shows the structure of change in export possibilities of the various sectors under the three scenarios. As table-3.5 shows, the expected gain in export under scenario-1 is \$52.6 million whilst under scenario-2 it is \$102.5. Under scenario-2 which envisages derestriction of trade in sugar and flexible RoO (or increased ability to comply with RoO), the incremental export is expected to be \$102.5. There are also possibility of some increase in exports of sugar and vegetables and other food items as a result of EU-EBA.

TABLE 3.6: EXPECTED CHANGE IN THE VARIOUS ECONOMIC INDICATORS AS A RESULT OF THE EU-EBA

| | (in percentage) | | |
|--------------------------|-----------------|--------------|--------------|
| | Simulation-1 | Simulation-2 | Simulation-3 |
| Change in Export | 0.97 | 1.89 | 0.96 |
| Change in GDP | 0.09 | 0.18 | 0.09 |
| Change in Terms of Trade | 1.66 | 2.81 | 1.63 |
| Change in H/H income | 2.31 | 3.93 | 2.27 |

Source: Results from simulation exercise.

Table-3.6 shows some positive changes with respect to such economic indicators as terms of trade, household income level and in the level of GDP as a result of the EU-EBA. This is evident that the results are most robust in scenario 2; the changes in exports, GDP, terms of trade, and household income will be 1.89 percent, 0.18 percent, 2.81 percent, and 3.93 percent respectively. Thus the benefits of the EBA initiative, in terms of incremental export, are expected to have positive impact, albeit not very significant, on other macro and income variables.

Identifying the Newly-inducted Products in the EBA

Simulation exercises of the type presented above are good as far as they go; however, as is known they don't go much far. The simulations deal with aggregate level behaviours and under considerable restrictions imposed on the various parameters. For a better understanding as regards the potential impact of the EU-EBA initiative, such exercises need to be complemented by more indepth analysis at sectoral and product levels.

In order to identify the existing products exported by Bangladesh, which did not enjoy preferential market access under the previously existing EC-GSP scheme, but enjoyed preferential market access under the newly introduced EU-EBA, the following exercise was carried out.

Firstly, the list of 919 new tariff lines (at 8 digit level) which came under the purview of EU-EBA were identified and studied. Following this, the list of Bangladesh's exports to the EU at 8 digit was identified from the Eurostat data set. A mapping exercise was then carried out to identify the exportable items of Bangladesh at 8 digit level which matched the newly inducted 919 items in the EBA list. All 35 items were identified which Bangladesh has exported to the EU at one time or another between 1990 and 2002. HS code and product type of these items is given in Annex Table-1. Information on volume and value of export of these items, their unit prices and EU's global import of these products are presented in Annex Table-2. In 2001, when EBA was introduced, Bangladesh exported 13 items in the list (out of the aforesaid total of 35) of the new items in the EBA. The total value of these items was not very significant. As we shall subsequently see in the next chapter (table 4.1) that the total export of these items was

only €1.0 thousand in 2001. However, if we keep in mind that pre-EBA export by non-ACP LDCs of these items was a mere €361 thousand, (Stevens S, Kennan, J, 2001) the figure does not seem altogether insignificant, being equivalent to about 25% of export by non-ACP LDCs.

Thus, a natural point of query would be, what is the short-term impact on Bangladesh's export of these newly introduced items. This is likely to depend on (a) the tariff and specific rates of duties on these items, (b) elasticity of demand in the EU, and (c) competitive pressure from other suppliers.

As table-3.7 shows, in the EU market it is either ad-valorem duties or specific taxes or both that are operative on these particular items.

TABLE 3.7: PRE-EBA (2001) EU DUTIES ON SELECTED NEWLY INCLUDED ITEMS OF BD'S INTEREST

| Items | Tariff Rate | |
|---|-------------|-----------------|
| | Ad valorem | Fixed (ECU/Ton) |
| Fresh or chilled asparagus (07092000) | 10.20% | |
| Medium rain husked-brown-rice (10062013) | | 264 |
| Long grain husked-brown-rice (10062098) | | 264 |
| Wholly milled medium grain rice (10063094) | | 416 |
| Dried, prepared pasta (19023010) | 6.40% | 246 |
| Rice, pre-cooked or otherwise prepared Or roasting (19049010) | 8.30% | 460 |
| Biscuits (19059045) | 9% | |
| Juice of passion fruit or guavas (0098032) | 21% | 129 |
| Juice of mangoes, mangos teens, papaws, tamarinds, cashew apples, lychees, jackfruit, sapodillo (20098033) | 33.60% | 206 |

Source: Compiled on the basis of Data from Trade Map.

An attempt was made to estimate the immediate gains from the zero-tariff, quota-free access for the identified items. This was done by taking cognisance of the pre-EBA tariff rates and TRQs on the identified products and by computing the effective gains from zero-tariff market access under the EU-EBA. The results of this exercise is presented in Annex Table-3 and table-3.7. Table-3.7 provides information on some selected major newly included items which were exported in 2001. Tariff rates on these items varied from 6.4% to 33.6%; in most cases these items had specific duties as well. Market access under the EU-EBA which allows zero-duty access to Bangladesh's exports of these items is expected to provide added advantage to Bangladesh's export of these products.

As our estimates presented in table-3.8 shows that in terms of direct impact, the effective gain for Bangladesh on an export of €78.2 thousand (on the 13 identified items) in 2001 would be about €7.3 thousand.

**TABLE 3.8: BANGLADESH'S EXPORT TO THE EU IN 2001
AND EFFECTIVE GAINS UNDER THE EU-EBA INITIATIVE**

| HS8 | Value in 1000 ECU | Volume in Ton | Unit Price 1000 ECU/Ton | Tariff Rate | | LDC-GSP PREF TREAT | Effective Tariff | | Effective Gain (2001) | |
|----------------|----------------------|------------------|-------------------------------|-------------|--------------------|--------------------------|------------------|----------------|-----------------------|-----------|
| | 2001 | 2001 | 2001 | Ad val | Fixed (ECU/Ton) | | Ad val | Fixed (ECU) | Ad val | Fixed ECU |
| 19059090 | 18.31 | 13.2 | 1.39 | 9% | | 100% | 0% | 0 | 0.00% | 0.00 |
| 07092000 | 16.79 | 7.1 | 2.36 | 10.20% | | 100% | 0% | 0 | 0.00% | 0.00 |
| 19059045 | 14.66 | 10.6 | 1.38 | 9% | | 100% | 0% | 0 | 0.00% | 0.00 |
| 17029099 | 9.81 | 20 | 0.49 | | 3.4 | 15% | 0% | 3.4 | 0.00% | 68.00 |
| 19049010 | 9.48 | 8.4 | 1.13 | 8.30% | 460 | 100% | 0% | 460 | 0.00% | 3864.00 |
| 19041030 | 5.02 | 5.6 | 0.90 | 5.10% | 460 | 100% | 0% | 460 | 0.00% | 2576.00 |
| 19023010 | 4.14 | 3.4 | 1.22 | 6.40% | 246 | 100% | 0% | 246 | 0.00% | 836.40 |
| Total (7) | 78.21 | 68.3 | 1.14 | | | | | | 0.00% | 7344.4 |
| Total of 13 HS | 91.01 | 84.8 | | | | | | | 0.00% | 11000.3 |

Source: Computed from Eurostat data and based on Annex Table-3.

Table-3.8 shows the 7 most important items in the list of 13 items included in the EU-EBA list, their export and the import duties. As may be seen from the table, MFN rates on these items include both the ad-valorem as well as specific taxes. As can be seen from Annex-Table 3, for LDCs the ad-valorem tax on most of the newly included items were waived even before the EU-EBA. In the list presented in table-3.8 there were ad-valorem taxes on 3 items whilst 3 had both specific duties and ad-valorem taxes. As an LDC Bangladesh previously had zero-duty access to the EU market. Now both quota and specific duties have been withdrawn on these items which have come under the purview of the EU-EBA (except rice, sugar and banana). Table-3.8 shows that if the 2001 export of Bangladesh to EU is considered, the incremental gain for Bangladesh's export would be around €1 thousand on a export of €91.01 thousand from the 13 HS lines exported in 2001. Our estimates also show that in 2002 Bangladesh exported 18 items from this list to the EU. The benefit, according to our estimates presented in the Annex Table 3, was about €51.4 thousand by way of tariff reduction.

SECTION 4 BANGLADESH'S EXPORT POTENTIALS IN VIEW OF THE EU-EBA: PRICE LEVEL AND COMPETITIVENESS

Bangladesh's Export of Newly Included Products in the EBA List

The reference point for the information in table- 4.1 is the list of the 919 tariff lines newly included under the EU-EBA. It shows the number of items, volume and value of exportables from Bangladesh in various years which were included in this list. In the course of the present study, the list of newly included items were also matched with Bangladesh's list of exported items over the recent years to identify export items in the EBA list which Bangladesh has exported at some point of time in the 1990s.

TABLE 4.1: NUMBER, VALUE AND VOLUME OF BANGLADESH'S EXPORT ITEMS NEWLY INCLUDED IN EU-EBA LIST

| | | Items Exported by Bangladesh | | | | | |
|--|-----------------|------------------------------|------|------|------|------|-------|
| | | 1990 | 1995 | 1999 | 2000 | 2001 | 2002 |
| New Tariff lines in EU-EBA: 919 at 8 digit level | Number | 2 | 9 | 7 | 14 | 13 | 18 |
| | Value in 1000 € | 60 | 37 | 27 | 43 | 91 | 386 |
| | Volume in tons | 1001.0 | 29.0 | 27.0 | 46.0 | 85.0 | 657.6 |

Source: Computed from Eurostat Database.

As information in table-4.1 shows, in all 35 products at HS 8 digit level were exported by Bangladesh to the EU which were included in the list of enhanced market access under the EU-EBA. It can be justifiably argued that these products can be considered as having potential incremental export possibilities in the context of the EU-EBA.

TABLE 4.2: BANGLADESH'S EXPORTS OF TOP 7 PRODUCTS IN 2001 WHICH WERE NEWLY INCLUDED UNDER THE EU-EBA

| HS8 | Bangladesh | | |
|--|-----------------|---------------|-----------------------|
| | Value in 1000 € | Volume in Ton | Unit Price 1000 €/Ton |
| Pizzas, quiches and other unsweetened bakers' wares (19059090) | 18.31 | 13.2 | 1.39 |
| Fresh or chilled asparagus (07092000) | 16.79 | 7.1 | 2.36 |
| Biscuits (19059045) | 14.66 | 10.6 | 1.38 |
| Sugar, including invert sugar, solid and sugar syrups (17029099) | 9.81 | 20 | 0.49 |
| Rice, pre-cooked or otherwise prepared (19049010) | 9.48 | 8.4 | 1.13 |
| Prepared foods (19041030) | 5.02 | 5.6 | 0.9 |
| Dried, prepared pasta (19023010) | 4.14 | 3.4 | 1.22 |
| Total for Top 7 | 78.21 | 68.3 | |
| Total for 13 items exported in 2001 | 91.0 | 84.8 | |

Source: Estimated from Eurostat 2002.

Table-4.2 shows Bangladesh's exports of 7 top newly included items with their unit price in 2001. As can be seen these items included baker's wares, asparagus, biscuits, sugar, pasta and rice. If the information in this table is juxtaposed with that of table-4.3 it would be found that Bangladesh is an insignificant player in the EU market as far as these items are concerned. For example in 2001 Bangladesh exported sugar (17029099) worth €9.8 thousand (20 tons) whilst EU's import globally was worth €65.5 million (99.5 thousand

tons); extra – EU import of this item was worth €3.5 mln whilst intra – EU import was €2.1 million (94.7 thousand tons).

TABLE 4.3: IMPORT BY EU OF BANGLADESH'S NEWLY INCLUDED ITEMS IN 2001

| HS8 | Import from BD | | Import from Extra EU | | Import from Intra EU | | Global import from EU | |
|----------|--------------------|------------------|----------------------|------------------|----------------------|------------------|-----------------------|------------------|
| | Value in 1000 € | Volume in Ton | Value in 1000 € | Volume in Ton | Value in 1000 € | Volume in Ton | Value in 1000 € | Volume in Ton |
| 19059090 | 18.31 | 13.2 | 57883 | 20919 | 1098729 | 499815 | 1156612 | 520734 |
| 07092000 | 16.79 | 7.1 | 49064 | 14517 | 191638 | 65397 | 240702 | 79914 |
| 19059045 | 14.66 | 10.6 | 16727 | 6791 | 146183 | 58461 | 162910 | 65252 |
| 17029099 | 9.81 | 20 | 3465 | 4782 | 62079 | 94729 | 65544 | 99511 |
| 19049010 | 9.48 | 8.4 | 3281 | 1442 | 73183 | 59200 | 76464 | 60642 |
| 19041030 | 5.02 | 5.6 | 2699 | 943 | 207875 | 82062 | 210574 | 83005 |
| 19023010 | 4.14 | 3.4 | 61949 | 37212 | 65067 | 49634 | 127016 | 86846 |
| Total | 78.21 | 68.3 | 195068 | 86606 | 1844754 | 909298 | 2039822 | 995904 |

Source: Estimated from Eurostat 2002.

A similar pattern can be discerned for pre-cooked rice (19049010). Bangladesh exported only €0.4 thousand worth of rice in 2001 (8.4 tons). EU's global import in 2001 was €76.4 million (60.6 thousand tons), with intra-EU imports being €73.1 million (59.2 thousand tons). Thus for the few items which Bangladesh has exported in 2001, the potential for expansion is quite substantive. However, these two items (sugar and rice were set for delayed inclusion).

One way of looking at the potential for exports of traditional items to the EU market is to look at the price factor. Table-4.4 provides information on relative price in the EU of the top 7 newly included items under the EU-EBA.

TABLE 4.4: AVERAGE PRICE OF BD'S NEWLY INCLUDED ITEMS IN 2001 IN THE EU MARKET

| HS8 | Import from BD | | Import from Extra EU | | Import from Intra EU | | Global Import from EU | |
|----------|--------------------|-----------------------------|----------------------|--------------------------|----------------------|--------------------------|-----------------------|-----------------------------|
| | Value in 1000 € | Unit Price 1000 €/Ton | Value in 1000 € | Unit Price 1000 €/Ton | Value in 1000 € | Unit Price 1000 €/Ton | Value in 1000 € | Unit Price 1000 €/Ton |
| 19059090 | 18.31 | 1.39 | 57883 | 2.77 | 1098729 | 2.2 | 1156612 | 2.22 |
| 07092000 | 16.79 | 2.36 | 49064 | 3.38 | 191638 | 2.93 | 240702 | 3.01 |
| 19059045 | 14.66 | 1.38 | 16727 | 2.46 | 146183 | 2.5 | 162910 | 2.50 |
| 17029099 | 9.81 | 0.49 | 3465 | 0.72 | 62079 | 0.66 | 65544 | 0.66 |
| 19049010 | 9.48 | 1.13 | 3281 | 2.28 | 73183 | 1.24 | 76464 | 1.26 |
| 19041030 | 5.02 | 0.9 | 2699 | 2.86 | 207875 | 2.53 | 210574 | 2.54 |
| 19023010 | 4.14 | 1.22 | 61949 | 1.66 | 65067 | 1.31 | 127016 | 1.46 |
| Total | 78.21 | - | 195068 | - | 1844754 | - | 2039822 | - |

Source: Estimated on the basis of analysis of Eurostat Data.

As can be seen from table-4.4 Bangladesh has substantive price advantage in the EU market of the identified products. For example for sugar (HS tariff line: 17029099) Bangladesh's average price was €0.49 thousand per ton while the corresponding price for extra-EU import was €0.72 thousand ton and for intra-EU import, it was €0.66 per ton with the average global figure being €0.66 thousand per ton. For rice (HS Tariff line: 19049010) Bangladesh's price was €1.13 thousand per ton, whilst the extra-EU import price was €2.28 thousand per ton, and the global import price was €1.26 thousand per ton. Since zero-tariff access under the EU-EBA is likely to provide further price advantage on these products, competitive edge of these are likely to go up in the EU in the context of the EBA. Thus it is logical to provide support to those products (a list of which is given in Annex Table 2), which Bangladesh have exported in the past.

New Items with Export Potentials in the EU Market: Post-EBA Export

In this sub-section we have identified a number of items which were exported in 2001, and analysed their export potentials mainly on the basis of their market size and global price competitiveness. It is interesting to note that following the EU-EBA, in 2002 Bangladesh has exported €60.2 thousand worth of the products which have been newly included in the EU-EBA list. If we compare it with the export figures of 2001 which was €70.2 thousand, this is a substantive jump by any standard. Table-4.5 shows a detailed picture of the structure of this incremental gains. It is interesting to note that exports of some of the items such as wholly milled medium grain rice (Tariff line 10063094) has shown sharp increase in 2002.

**TABLE 4.5: IMPORT BY EU OF BD'S NEWLY INCLUDED ITEMS IN 2002
(TOP 10 IN 2002)**

| Items | BD Exp Value in 1000 € in 2001 | BD Export in 2002 to EU | | | Extra EU Export in 2002 to EU | | |
|---|--------------------------------|-------------------------|---------------|-----------------------|-------------------------------|---------------|-----------------------|
| | | Value in 1000 € | Volume in Ton | Unit Price 1000 €/Ton | Value in 1000 € | Volume in Ton | Unit Price 1000 €/Ton |
| Wholly milled medium grain rice (10063094) | 1.09 | 138.04 | 302.2 | 0.46 | 3961 | 5475 | 0.72 |
| Garlic, fresh or chilled (07032000) | | 78.41 | 150.2 | 0.52 | 52407 | 46922 | 1.12 |
| Biscuits (19059045) | 14.66 | 42.72 | 37.4 | 1.14 | 20165 | 7902 | 2.55 |
| Pizzas, quiches and other unsweetened bakers' wares (19059090) | 18.31 | 18.83 | 14.1 | 1.34 | 61833 | 25819 | 2.39 |
| Beet molasses resulting from the extraction or refining of sugar (17039000) | | 18.2 | 29.8 | 0.61 | 57928 | 553668 | 0.10 |
| Sugar, including invert sugar, solid and sugar syrups (17029099) | 9.81 | 17.06 | 35.5 | 0.48 | 2650 | 3691 | 0.72 |
| Fresh or chilled asparagus (07092000) | 16.79 | 13.8 | 6.4 | 2.16 | 58646 | 17845 | 3.29 |
| Rice, pre-cooked or otherwise prepared (19049010) | 9.48 | 12.07 | 12.5 | 0.97 | 3305 | 1720 | 1.92 |
| Medium grain husked-brown-rice (10062013) | | 10.72 | 17.8 | 0.60 | 130 | 144 | 0.91 |
| Long grain husked-brown-rice (10062098) | | 10.28 | 22 | 0.47 | 207074 | 486378 | 0.43 |
| Total | 70.14 | 360.13 | 627.90 | | 468099 | 1149564 | |

Source: Estimated on the basis of Eurostat Data Base.

From the insignificant level of €1.09 thousand in 2001 it has gone up to €138.04 thousand in 2002. Bangladesh also appears to enjoy a price advantage in the EU market – average unit price per ton was found to be €0.46 thousand in 2002 compared to €0.72 thousand for imports of the same item from extra-EU import. The data also shows that, a new item, garlic (tariff line 07032000) has been added to the 2002 list of exports from Bangladesh. This item was not exported from Bangladesh in the past. Export of biscuits (tariff line 19059045) has also picked up, registering an export of €42.7 thousand in 2002 compared to €4.7 thousand in 2001.

Sugar items appear to hold good export prospects in the EU market. Export of beet molasses was €18.2 thousand in 2002. Indeed in 1995 €20 thousand worth of this item was exported by Bangladesh to the EU. Export of sugar products (tariff line 17029099) also went up from €9.81 thousand in 2001 to €17.06 in 2002. The average price for Bangladesh was €0.48 thousand per ton compared to an extra-EU average of €0.72 thousand per ton. It can be seen from the table that the 18 items which were exported in

2002 had a market of €468 million in EU. Bangladesh's share in this was only about 0.08% of extra-EU import. If we take into account the factor of intra-EU import, the market size of these items will rise to €2045.6 million.

Export Potential and Export Capacity: Competition and Competitors

Having identified some of the newly included items under the EU-EBA, the next questions that needs to be answered is: which are Bangladesh's major competitors in the EU? As can be seen from the table-4.6 and table-4.7 such countries include both developed and developing countries and also the LDCs; they include countries from within EU and from South Asia.

In recent years Bangladesh was able to increase export of sugar and sugar products (HS 17029099) to the EU. Sugar holds considerable promise, particularly in view of the zero-tariff, quota-free access by 2009. Bangladesh enjoys some advantage in terms of price as is evidenced by table 4.6. The EU, for the first time, is now keen to expose its sugar producers to the forces of the market. Till now sugar producers in Europe and some of its former colonies were protected from fluctuations in world prices. Price of white sugar European producers receive €700/ton, which is about three times higher than the global price (€250/ton). Recently, Bangladesh has indicated that it plans to sell 9000 tons of sugar to EU (mainly France) under the quota available for the LDCs. Proposals submitted by the LDCs to the EU include (a) postponement of the process of tariff liberalisation for sugar till 2016 (instead of 2009), (b) granting of a second quota of 466 thousand tons with a 15% annual growth and (c) continuation of the present remunerative price for sugar. If accepted, Bangladesh will have an additional quota of between 25-40 thousand tons for export of white sugar to the EU in 2004-05.¹⁴

TABLE 4.6: IMPORT OF SUGAR, SOLID AND SUGAR SYRUP (HS 17029099) BY EU IN 2000

| | Value (1000 €) | Volume (Ton) | Unit (1000 €/Ton) |
|-------------------|----------------|--------------|-------------------|
| <i>Bangladesh</i> | 6 | 15 | 0.40 |
| Belgium | 15959 | 26460 | 0.60 |
| Netherlands | 10973 | 12784 | 0.86 |
| Spain | 1548 | 4129 | 0.37 |
| South Africa | 649 | 1471 | 0.44 |
| Thailand | 98 | 91 | 1.08 |
| China | 55 | 77 | 0.71 |
| Pakistan | 23 | 20 | 1.15 |
| Sri Lanka | 18 | 15 | 1.20 |
| Malaysia | 16 | 10 | 1.60 |
| India | 8 | 10 | 0.80 |
| INTRA-EUR | 53575 | 87778 | 0.61 |
| EXTRA-EUR | 2994 | 5063 | 0.59 |
| Total World | 56569 | 92841 | 0.61 |

Source: Eurostat 2003 Data.

For example, in the export of biscuits (HS 17029099), Bangladesh's competitors in the EU are Belgium, Netherlands, as well as China, Thailand and Pakistan. Although Bangladesh does enjoy some price advantage (€0.4 thousand per ton for Bangladesh against a world average of €0.60 per ton), there appears to be a premium for high quality products within the same HS line (table-4.6).

¹⁴ This would however, require substantial enhancement of the capacity utilization of the country's existing 17 sugar mills.

TABLE 4.7: IMPORT OF PRE-COOKED RICE (HS 19049010) BY EU IN 2000

| | Value (1000 EU) | Volume (Ton) | Unit (1000ECU/Ton) |
|-------------|-----------------|--------------|--------------------|
| Bangladesh | 2 | 2 | 1.00 |
| Belgium | 17525 | 10929 | 1.60 |
| Italy | 9470 | 7283 | 1.30 |
| Turkey | 476 | 275 | 1.73 |
| Thailand | 155 | 90 | 1.72 |
| China | 47 | 39 | 1.21 |
| India | 6 | 8 | 0.75 |
| Vietnam | 5 | 2 | 2.50 |
| Sri Lanka | 5 | 7 | 0.71 |
| INTRA-EUR | 55292 | 43848 | 1.26 |
| EXTRA-EUR | 2703 | 1552 | 1.74 |
| Total World | 57995 | 45400 | 1.28 |

Source: Eurostat 2003 Data.

For pre-cooked rice (HS line 19049010), the major competitors are Belgium, Italy, Turkey, Thailand and China. Although average prices of China and Thailand were higher than Bangladesh, their export was significantly higher (table-4.7). The issue of quality, fragrance, packaging and brand name play a crucial role here.

In the case of rice (wholly milled rice: HS 10063094) exports increased from 1 ton to 302.2 tons, which was quite a significant jump. However, Bangladesh's export to EU is insignificant compared to EU's global import of this tariff line as is shown in table-4.8.

TABLE 4.8: IMPORT OF WHOLLY MILLED RICE (HS 10063094) BY EU IN 2000

| Country | Value 1000 € | Volume Ton | Unite 1000 €/Ton |
|-------------|---------------|------------|------------------|
| Bangladesh* | 1.09 (138.04) | 1 (302.20) | 1.09 (0.46) |
| Italy | 8767 | 16935 | 0.52 |
| India | 9 | 11 | 0.82 |
| Pakistan | 9 | 19 | 0.47 |
| China | 61 | 104 | 0.59 |
| Thailand | 62 | 102 | 0.61 |
| Sri Lanka | 7 | 11 | 0.64 |
| Japan | 59 | 38 | 1.55 |
| Australia | 485 | 1011 | 0.48 |
| USA | 4318 | 4561 | 0.95 |
| Spain | 1758 | 3572 | 0.49 |
| INTRA-EUR | 18461 | 28816 | 0.64 |
| EXTRA-EUR | 5115 | 6044 | 0.85 |
| Total World | 23576 | 34860 | 0.68 |

Source: Derived from Eurostat Database.

* Figures for BD are for 2001 and 2002 (in parentheses) since there was no exports from BD in earlier years

As table-4.8 shows, in 2000 EU imported 34,860 tons of this item (Bangladesh's share is less than 1%). Average price level in 2002, at €0.46/ton also appear to be competitive when compared with an intra-EU average of 0.64, extra-EU average of €0.85/ton, and a global average of €0.68/ton. It is also to be noted that as subsidies come down, there is a possibility that both EU and US price levels will go up; this is likely to hold true for other agro-based items as well. It is to be noted, however, that some of the regional countries such as Sri Lanka (€0.64/ton), Thailand (€0.61/ton), Pakistan (€0.47/ton) and China (€0.59/ton) appear to have similar price levels as Bangladesh, providing some idea about the possible competitive pressure from regional countries.

TABLE 4.9: IMPORT OF GARLIC (HS 07032000) BY EU IN 2000

| Country | Value 1000 € | Volume Ton | Unite 1000 €/Ton |
|--------------------|--------------|--------------|------------------|
| Bangladesh* | 78.41 | 150.2 | 0.52 |
| India | 538 | 855 | 0.63 |
| Thailand | 147 | 199 | 0.74 |
| Myanmar | 306 | 673 | 0.45 |
| China | 8580 | 13018 | 0.66 |
| Egypt | 1836 | 2049 | 0.90 |
| Argentina | 11557 | 11798 | 0.98 |
| Mexico | 508 | 379 | 1.34 |
| Estonia | 46 | 29 | 1.59 |
| INTRA-EUR | 102303 | 81641 | 1.25 |
| EXTRA-EUR | 30062 | 34979 | 0.86 |
| Total World | 132365 | 116620 | 1.14 |

Source: Derived from Eurostat Database.

*Import from Bangladesh in 2002 since there was no export from BD in earlier Years

In case of garlic, as table-4.9 shows, Bangladesh entered into the EU market only after the EBA was introduced, exporting 150.2 tons worth €78.41 thousand. Here also, Bangladesh prices are lower compared to intra-EU, extra-EU and global average prices. Some of the regional countries such as Myanmar (€0.45/ton), Thailand (€0.74/ton), India (€0.63/ton), China (€0.66/ton) are likely to be Bangladesh's major competitors here.

TABLE 4.10: IMPORT OF BEET MOLASSES (HS 17039000) BY EU IN 2000

| Country | Value 1000 € | Volume Ton | Unite 1000 €/Ton |
|--------------------|-----------------|-----------------|--------------------|
| Bangladesh* | 5 (18.2) | 8 (29.8) | 0.63 (0.61) |
| India | 551 | 4960 | 0.11 |
| China | 10 | 20 | 0.50 |
| Poland | 18675 | 157971 | 0.12 |
| Egypt | 3308 | 39934 | 0.08 |
| Syria | 1202 | 18472 | 0.07 |
| Latvia | 964 | 10255 | 0.09 |
| Morocco | 5999 | 82348 | 0.07 |
| Lithuania | 3896 | 52213 | 0.07 |
| Spain | 404 | 8343 | 0.05 |
| INTRA-EUR | 37727 | 496691 | 0.08 |
| EXTRA-EUR | 39392 | 429169 | 0.09 |
| Total World | 77119 | 925860 | 0.08 |

Source: Derived from Eurostat Database.

*Figures in parentheses are for exports from BD in 2002

It is interesting to note that in terms of export of products such as beet molasses, as the data in table-4.10 shows, average price of Bangladeshi product was found to be way higher compared to most of the countries. It is to be reiterated that even within the same product group at 8-digit level tariff line, there may be substantive difference in the quality and characteristic features of the product, leaving scope for specialisation along particular segment of the demand curve.

TABLE 4.11: TARIFF RATES ON IMPORT OF POULTRY PRODUCTS AND EGG ITEMS IN THE EU IN 2000

| Items | Tariff | | | Global import | |
|---|--------|-----------------|-----------------|---------------|----------------------|
| | Ad Val | Fixed | Value in 1000 € | Volume in Ton | Unit Price 1000€/Ton |
| Fresh or chilled, plucked and gutted fowls of species gallus domesticus, with heads and feet, called '83 % (02071110) | | 262 €/T | 15109 | 15693 | 0.96 |
| Fresh or chilled, plucked and drawn fowls of species gallus domesticus, without heads and feet but with necks, (02071130) | | 299 €/T | 22861 | 11282 | 2.03 |
| Frozen fowls of species gallus domesticus, plucked and drawn, without heads, feet, necks, hearts, livers (02071290) | | 325 €/T | 75969 | 61511 | 1.24 |
| Fresh or chilled unboned breasts and cuts thereof of fowls of the species gallus domesticus (02071350) | | 602 €/T | 227635 | 76867 | 2.96 |
| Frozen halves or quarters of fowls of the species gallus domesticus (02071420) | | 358 €/T | 18475 | 20434 | 0.90 |
| Turkey or goose eggs for hatching (04070011) | | 150 €/1000 pces | 41245 | 3116 | 13.24 |
| Poultry eggs for hatching (04070019) | | 35 €/1000 pces | 71838 | 24132 | 2.98 |
| Poultry eggs, in shell, fresh, preserved or cooked (04070030) | | 304 €/T | 452230 | 492153 | 0.92 |

Source: Based on Eurostat Data and Annex Table-4.

Yet another item where Bangladesh has substantive supply side capacities is poultry products and eggs. Table-4.11 and table-4.12 provide evidence on tariffs on these product and the respective market size. Though Bangladesh has not exported these products to the EU in the past, these are also items where price comparisons appear to indicate Bangladesh's export potential in the EU. However, here also compliance with health-hygiene standards are likely to play a major role in terms of accessing the EU market.

TABLE 4.12: IMPORT OF POULTRY PRODUCTS AND EGG ITEMS BY THE EU IN 2000

| HS 8 | Intra EU | | | Extra EU | | | World | | |
|----------|-----------------|---------------|----------------------|-----------------|---------------|----------------------|-----------------|---------------|----------------------|
| | Value in 1000 € | Volume in Ton | Unit Price 1000€/Ton | Value in 1000 € | Volume in Ton | Unit Price 1000€/Ton | Value in 1000 € | Volume in Ton | Unit Price 1000€/Ton |
| 02071110 | 15108 | 15692 | 0.96 | 1 | 1 | 1.00 | 15109 | 15693 | 0.96 |
| 02071130 | 22812 | 11244 | 2.03 | 49 | 38 | 1.29 | 22861 | 11282 | 2.03 |
| 02071290 | 70148 | 55866 | 1.26 | 5821 | 5645 | 1.03 | 75969 | 61511 | 1.24 |
| 02071350 | 214645 | 71369 | 3.01 | 12990 | 5498 | 2.36 | 227635 | 76867 | 2.96 |
| 02071420 | 18415 | 20360 | 0.90 | 60 | 74 | 0.81 | 18475 | 20434 | 0.90 |
| 04070011 | 23579 | 1509 | 15.63 | 17666 | 1607 | 10.99 | 41245 | 3116 | 13.24 |
| 04070019 | 63839 | 23084 | 2.77 | 7999 | 1048 | 7.63 | 71838 | 24132 | 2.98 |
| 04070030 | 443168 | 480544 | 0.92 | 9062 | 11609 | 0.78 | 452230 | 492153 | 0.92 |

Source: Based on Eurostat Data and Annex Table-5.

The above analysis indicate that once the current restrictions are withdrawn under the EBA initiative Bangladesh may begin to enjoy competitive advantage in exports of rice and sugar in the EU market. The rate of specific duty for rice during pre-EBA was €64.0/ton for husked rice, and €16/ton for milled rice. The rate has now been revised downward as per EC regulation No. 1384/2002 to be effective as on July 31, 2002.

The present rates for the newly included rice varieties are given in table-4.13.

TABLE 4.13: REVISED IMPORT DUTIES ON RICE AND BROKEN RICE

| CN code | Duties (€/ton) |
|------------|----------------|
| | Bangladesh |
| 1006 10 23 | 101.16 |
| 1006 20 13 | 127.66 |
| 1006 20 17 | 127.66 |
| 1006 20 98 | 127.66 |
| 1006 30 61 | 193.09 |
| 1006 30 67 | 193.09 |
| 1006 30 92 | 193.09 |
| 1006 30 94 | 193.09 |
| 1006 30 96 | 193.09 |

Source: Based on Annex Table 6.

TABLE 4.14: REVISED DUTIES CURRENTLY APPLICABLE TO IMPORTS OF WHITE SUGAR, RAW SUGAR AND PRODUCTS

| CN code | (EUR) | |
|----------------|--|--|
| | Amount of representative prices per 1000 kg net of product concerned | Amount of additional duty per 1000 kg net of product concerned |
| 1701 99 10 (1) | 242.4 | 85.9 |
| 1701 99 90 (2) | 242.7 | 85.9 |
| 1702 90 99 (3) | 2.4 | 4.0 |

(1) For the standard quality as defined in Article 1 of amended Council Regulation (EEC) No 431/68 (OJ L 89, 10.4.1968, p. 3).

(2) For the standard quality as defined in Article 1 of Council Regulation (EEC) No 793/72 (OJ L 94, 21.4.1972, p. 1).

(3) By 1 % sucrose content.

Annex Table 7 and table-4.14 provide information on the newly fixed rates by the EU on various categories of sugar which is currently applicable in the EU. The three categories shown in table-4.14 are the ones which Bangladesh has exported to the EU in the past.

As was mentioned earlier, following the introduction of the EBA Bangladesh's export of garlic and rice and molasses posted some increase compared to the pre-EBA situation.

Rice appears to be an important item which has potential for export expansion in the EU. Bangladesh has exported a number of rice varieties at HS 8 digit level in the EU in the past. As was pointed out earlier, in 2002 Bangladesh exported 302.2 tons of rice worth €138.04 thousand. As was mentioned, rice is one of the three items for which implementation of zero-tariff, zero-quota facility has been deferred till January 2009. The tariffs applicable currently for the LDCs on rice will be by reduced as per the schedule depicted in table-4.15.

TABLE 4.15: SCHEDULE FOR TARIFF REDUCTION FOR LDC EXPORTS OF RICE

| Date | Extent of reduction |
|---------------|---------------------|
| Sept. 1, 2006 | 20% |
| Sept. 1, 2007 | 50% |
| Sept. 1, 2008 | 80% |
| Sept. 1, 2009 | 100% |

Source: EC Resolution, 2002.

Meanwhile the quota on imports of rice from LDCs will be expanded from the level of 2002-03 according to the following schedule shown in table-4.16.

TABLE 4.16: EXPANSION OF QUOTA ON EXPORT OF RICE FROM LDCs

| Year | LDC Quota (ton) |
|---------|-----------------|
| 2002-03 | 2895 |
| 2003-04 | 3329 |
| 2004-05 | 3828 |
| 2005-06 | 4402 |
| 2006-07 | 5062 |
| 2007-08 | 5821 |
| 2008-09 | 6694 |

Source: EC Resolution, 2002.

These quotas are ceiling below which export of rice to the EU from an LDC is allowed to enter duty free. The quotas are distributed *on a first come first served* basis. Above this quota, rice may be exported from an LDC on payment of tariffs applicable for the LDCs, which as was mentioned above, would be zero by September 1, 2009 when quotas are to reach 6694 tons.

As was mentioned earlier, in 2002 Bangladesh has exported 302.2 tons of rice to the EU. This was equivalent to about 10.2% of total quota for LDCs in the corresponding period. Although the share is not significantly large, it needs to be taken into cognisance that some of the other LDCs such as Vietnam, Laos and Cambodia are also major producers of rice. As such, if thanks to superior marketing channels other competing LDCs are able to favourably position themselves in the EU market, and exhaust the LDC quota before Bangladesh's exporters export to the EU, then exporters from Bangladesh will be able to export the EU subject to payment of the tariff applicable for the LDCs. Thus Bangladesh may (a) call for expansion of EU quota for LDCs at a faster pace than is envisaged in the current plan, or (b) call for single country quota for Bangladesh which will be able to accommodate Bangladesh's export potential to the EU. However, it is to be noted that only particular varieties of rice has export potentials in the EU market. Bangladesh has indeed exported some of these categories in the past. It is mainly *aromatic rice of the Jesmine* variety which have considerable market potential in the EU. These are varieties which are also exported by Thailand and also by India, which is the world's second largest exporter of rice.

SECTION 5 ITEMS WITH EXPORT POTENTIAL AND BANGLADESH'S PRODUCTION CAPACITY AND SUPPLY SIDE ISSUES

Export Opportunities and Production Capacity

To have an idea about Bangladesh's present supply side capacity in some of the identified exports, one can look at the global export of some of these product groups and compare these to exports to the EU.¹⁵ The information in table-5.1 and table-5.2 show that in the four categories at four digit level, Bangladesh currently has exports to both EU and outside of EU. Global export of such exports as rice (HS 1006), vegetables (HS 0709) agro-processed items (HS 1904) and baker's wares such as biscuits (HS 1905) whilst not significant, is higher than what is currently exported to the EU market.

TABLE 5.1: EXPORT FROM BANGLADESH TO WORLD OF SELECTED ITEMS IN 2001

| HS Code | Items | Value in 1000 € | Volume in Ton | Unit price 1000E/Ton |
|---------|---|-----------------|---------------|----------------------|
| 0709 | Other vegetables, fresh or chilled | 13085.07 | 10844.00 | 1.21 |
| 1006 | Rice | 192.02 | 304.00 | 0.63 |
| 1902 | Pasta, whether or not cooked or stuffed with meat or other substances or otherwise prepared, such as spaghetti, macaroni, noodles, lasagne, gnocchi, ravioli, cannelloni; couscous, whether or not prepared | 71.45 | 91.00 | 0.79 |
| 1904 | Prepared foods obtained by the swelling or roasting of cereals or cereal products, e.g. corn flakes; cereals, other than maize "corn", in grain form, pre-cooked or otherwise prepared | 104.49 | 157.00 | 0.67 |
| 1905 | Bread, pastry, cakes, biscuits and other bakers' wares, whether or not containing cocoa; communion wafers, empty cachets of a kind suitable for pharmaceutical use, sealing wafers, rice paper and similar products | 394.76 | 359.00 | 1.10 |

Source: Computed from Trade Map Data (standard conversion has been applied).

TABLE 5.2: EXPORT FROM BANGLADESH TO THE EU OF SELECTED ITEMS IN 2001

| HS Code | Items | Value in 1000 € | Volume in Ton | Unit price in 1000 EITon |
|---------|---|-----------------|---------------|--------------------------|
| 0709 | Other vegetables, fresh or chilled | 16.8 | 7.1 | 2.36 |
| 1006 | Rice | 3.7 | 5.0 | 0.74 |
| 1902 | Pasta, whether or not cooked or stuffed with meat or other substances or otherwise prepared, such as spaghetti, macaroni, noodles, lasagne, gnocchi, ravioli, cannelloni; couscous, whether or not prepared | 9.3 | 7.1 | 1.31 |
| 1904 | Prepared foods obtained by the swelling or roasting of cereals or cereal products, e.g. corn flakes; cereals, other than maize "corn", in grain form, pre-cooked or otherwise prepared | 14.5 | 14.0 | 1.04 |
| 1905 | Bread, pastry, cakes, biscuits and other bakers' wares, whether or not containing cocoa; communion wafers, empty cachets of a kind suitable for pharmaceutical use, sealing wafers, rice paper and similar products | 33.0 | 23.8 | 1.39 |

Source: Computed from Eurostat.

For example, in the category of rice (HS 1006), Bangladesh's global export in 2001 was 304 tons, while export to EU was only 5.0 ton. Interestingly, in 2002 export of this item to EU alone exceeded global export in 2001: 347.7 tons against 304.0 tons.

¹⁵ The data is available only at four digit level.

In case of vegetables, Bangladesh's export to the EU is quite insignificant, although Bangladesh's global exports are quite substantive, at 10.8 thousand tons. For bread, pastry and biscuits (HS 1905), exports to EU in 2001 was 23.8 tons compared to a global export of 359.0 tons in 2001. The matched figures for cornflakes and cereals (HS 1904) were 14.0 tons and 157.0 tons respectively.

Thus, it is possible that an export diversion of these items to the EU market may take place in absence of static supply side capacity constraint. Secondly, since there is a possibility of market diversification, investment in the export-oriented production of these items also appear to be economically feasible, leading to increase in the size of exports. Adequate information on current production capacity in these items is not available which limits the scope of analysis.

Thus, as our analysis above shows, the major newly included items of interest to Bangladesh are rice, vegetables, sugar, fruits and spices and condiments. As can be seen from table-5.1, in all these items Bangladesh does have substantive domestic capacities and also enjoy static comparative advantage.

It needs to be pointed out here that these are broad categories of products. Production of products with revealed export potentials in the EU will need to be seen at much disaggregated level. At present production data for these items are not available at disaggregated levels. However, information in table-5.3 provides some idea about Bangladesh's aggregate production of some of the identified items.

TABLE 5.3: PRODUCTION OF SELECTED CROPS IN BANGLADESH

| Crops | Production in 1000 M. Ton | Production in 1000 M. Ton |
|-----------------------------|---------------------------|---------------------------|
| | in 2001 | in 2002 |
| Rice | 25085 | 24300 |
| Other Cereals | 1708 | 1627 |
| Pulses | 366 | 341 |
| Spices | 397 | 418 |
| Sugar Crops | 7042 | 6780 |
| Fruits | 1611 | 1577 |
| Vegetables Total | 1588 | 1599 |
| of which: winter Vegetables | 1065 | 1063 |
| :summer vegetables | 523 | 536 |

Source: 1. BBS 2003.statistical Year Book of Bangladesh 2001, pg 134-137

2. BBS 2003. Statistical Bulletin Bangladesh, pg 54-55

As table-5.3 shows, Bangladesh has considerable supply side capacity in the identified product groups. As evidence suggests, most LDCs lack the required supply side capacities to access the potential market openings in these products. In terms of production of the broad groups of identified exports such as rice, sugar, vegetables, and also fruits, spices and pulses, supply side capacity of Bangladesh is significant. This is not to say that Bangladesh has already become a food surplus country – Bangladesh remains a net importer of many of the agro-products such as sugar, spices, fruits and in some years, rice. But the operative issues here are three: firstly, an already large existing capacity production leaves scope for further economies of scale through technology upgradation and modern cropping practices; secondly, it is common in a globalised economy to trade in specific varieties of goods within broad categories, to be both exported and imported depending on comparative advantage within the broad categories, and thirdly, existing

supply side capacities can potentially create an environment for speedy reorientation of production culture to access market access opportunities.

However, price advantage, quality, compliance with SPS-TBT requirements in the EU will play critical role if Bangladesh is to take the maximum advantage from the EU-EBA.

For example, varieties which has export potentials in the EU are the scented ones, production of which is currently limited in Bangladesh. As we have seen, wholly milled non-parboiled medium grain rice (HS 10063094) is an emerging product of export from Bangladesh. If Bangladesh is to penetrate the EU market the effort will need to be concentrated on increasing the supply capacity of this particular type of rice. If the marketing links could be established with the EU, there is a possibility that farmers will be encouraged to go for these particular varieties of rice. In some other cases, such as vegetables, fruits etc. adequate processing, canning, packaging and transportation facilities will need to be put in place if Bangladesh is to enter the EU market as a big time supplier. Sugar is yet another product. Compliance with SPS-TBT will be a critical factor in realising these potentials.

Agro-Processing Base and Export Potential

Actual realisation of export potential in the EU will also depend on the Bangladesh's domestic agro-processing capacity. As is seen from table-5.4, agro-based industries currently account for about 38.0% of total industrial capacity in the country (this estimate exclude jute textile which in the context of a broad approach would fall under the category of agro-based industries; in such case the corresponding share would go up to 50% of the industrial capacity). Food, beverages and tobacco are the most common categories of agro-based industries, accounting for half of the domestic capacity. Tea processing and blending is the second-most important sub-category followed by fish and sea food. The first two are traditional agro-based industries whilst the third one is a development of recent times.

TABLE 5.4: WEIGHT OF AGRO-BASED INDUSTRY IN BANGLADESH INDUSTRIAL SECTOR

| Industry | Weights (average in the 1990s) |
|-----------------------------|---------------------------------------|
| Food, Beverage and Tobacco | 22.14 |
| Fish & Sea Food | 1.81 |
| Hydrogenated Vegetable Oil | 0.44 |
| Flour Milling | 1.18 |
| Bakery | 0.96 |
| Sugar | 2.78 |
| Tea Processing and Blending | 7.87 |
| Jute | 14.07 |

Table-5.5 provides information about the structure of the agro-based industry in Bangladesh. The table reflects the positive developments in recent years in terms of creation of supply-side capacities in the agro-based industrial sector. This base can now serve as a launching pad for realisation of the potentials for accessing the benefits offered under the EU-EBA.

Studies carried out by ATDP (1999), relevant GOB agencies and experts provide some interesting information as regards the current capacities and potential opportunities for a

number of agro-processed products. These studies, some of the findings of which are briefly reported here, need to be now carefully looked at from the perspective of exploring the new opportunities emanating from the new market access initiatives. The following section identifies a number of agro-processing sectors in which Bangladesh has already demonstrated a certain degree of capacity. The section also presents a brief description of sectors in which the country has the potential capacity to build a competitive agro-industrial base. The section draws on existing published reference materials from ATDP and other sources. It also identifies areas where government's fiscal, financial incentives for the sector and technical assistance to the enterprise and entrepreneurs are likely to give rich dividends by way of enhancing market access opportunities.

TABLE 5.5: STRUCTURE OF AGRO-BASED INDUSTRY

| Industry | Sectors |
|--|---|
| Fruits and vegetables Cultivation and Processing | Fruits and vegetables Processing Fruits and vegetables Drying Fruit Juice Concentrate Processing French fries and Potato Chips |
| Poultry | Poultry Hatchery Chicken Meat Processing |
| Livestock | Beef and Mutton Processing |
| Fisheries and Fish Processing | Fish Canning Frozen chopped fish Commercial shrimp and crab culture |
| Dairy | Milk Packaging Milk based fruit drinks Cheese Butter Yogurt |
| Feed Processing Industry | Fish feed Poultry feed |
| Tea | Packet tea Tea Bag Canned tea |
| Others | Agro-waste processing Industry Seed Industry Commercial cultivation of flower |
| Backward Linkage | Packaging and Printing Industry Reproduction support for livestock and fisheries Fertiliser |
| Forward Linkage | B2B E-commerce for Agro-based products |

Source: ATDP (1999).

Fresh Fruit and Vegetable Processing

Although the varieties of fruit and vegetables grown in the country is quite diverse, processing of these fruits on an industrial basis is still limited both in terms of scale and quality.

ATDP and the Government agencies have been providing training and assisting in skills development in order to motivate farmers to go for better and more productive technologies and practices. This will need to be strengthened further. HYV seeds and

modern technology could stimulate productivity in a wide range of activities ranging from land preparation to harvesting. The resultant superior quality of fruits and vegetables could provide the required raw materials for the processing industry which could then target the European export market. Capitalising on the new knowledge, and through development of commercial farming, in recent years a number of agro-based processing units have come up in Bangladesh. Vegetable production has more than doubled over the recent years, though growth of fruit production has lagged behind. The market base is still narrow, product varieties are few and Bangladesh's insignificant exports mainly cater to the lower segment of the demand curve.

Various surveys provide evidence that new products such as mushroom, baby corn and jams and jellies have export potential in the markets of developed countries. The new opportunities of zero-tariff, quota-free market access to EU could provide a phillip to this sector.

It is to be recognised that development of the fruit and vegetable processing plant will also depend on the growth of such sectors as agro-processing machinery, equipment and support industries (glass, caps, cardboard, labels, spices and oils).

During peak harvesting season, and this is true for almost all varieties of crops, a large proportion of these valuable commodities are wasted due to microbial infestation, inefficient handling, transportation, lack of post-harvest handling technology, storage and marketing. The estimated post-harvest loss of these commodities is reported to be 20-25 percent and is sometimes as high as 40 percent for some of the more perishable products. Processing plants could significantly reduce such wastages (ATDP, 1999).

Fruits and Vegetables Drying

Entrepreneurs have expressed an interest in processing of fruits, mainly drying the fruit, and marketing these items both locally and globally. In the long run exporting dried fruit to markets in North America and Europe, once an economy of scale has been reached, may prove to be promising. One agribusiness which is engaged in fruit and vegetables (F&V) drying in Bangladesh, has identified a large and growing market for dried mushrooms in EU and is at present exploring opportunities to export in these markets (ATDP 1999).

One of the most serious constraints to expanding the dried F&V industry in Bangladesh is that the technology is relatively new for the entrepreneurs. Prospective entrepreneurs need training in the practices of fruit drying as well as in terms of developing the appropriate procedures necessary for the production of high quality dried F&V for the foreign markets.

According to European importers, imports of dried mango and papaya have especially robust growth opportunities because the markets are still relatively underdeveloped. The United Kingdom imports only about 100 metric tons of dried mango annually. The demand for dried coconut and banana products in recent years shows that dried fruit business could be a profitable venture. However, these markets are highly competitive. United Kingdom, France, Germany and the Netherlands are countries which have the largest demand in Europe for dried tropical fruits. The opening up of Eastern European

markets is also an important development since the region provides new market opportunities.

In recent times several fruit drying production units have come into operation. Agricultural Marketing Co. Ltd. [AMCL] started drying mushrooms in 1995 and constructed drying chambers using gas burners as a heat source in early 1996. Along with mushroom AMCL has started preparing dried mango, pineapple, papaya, banana and star fruit. The business is likely to have significant potential in the context of the new initiatives.

With extensive applications in the confectionery and candy industry, desiccated coconut is the most important dried tropical fruit item imported by the United States; this is also a major item imported by the EU. In the Asian region, Sri Lanka and the Philippines are the major exporters of these products.

Dried banana, usually sold as "chips" or round slices, can be dehydrated mechanically or sun dried, sugared or honey-coated for sweetness and preservation, and sometimes, deep fried to maintain shelf life. Over the past few years Bangladesh entrepreneurs has been able to successfully establish a number of such enterprises. However, maintaining high quality, a key factor for global market penetration, is crucial to market penetration in the countries of the EU.

The EU market for dried tropical fruits such as mango, pineapple, and papaya is divided between the health food industry and retail food markets. Health food stores demand fruit that does not have any additives, and is dried using natural processes. These products sell at a premium. Large retail stores in Europe provide marketing opportunities for dried fruit which is sugared and treated with sulphur to ensure freshness.

Suppliers of dried mango and papaya to the EU include such countries as Thailand, the Philippines, Sri Lanka, and Burkina Faso. Quality determines and differentiates the price level in the dehydrated mango market.

There is a promising future for the dried fruit business because of a growing health concern amongst people in the developed countries. Dried pineapple, mango, and banana offer consumers a fat-free alternative to other snacks. *Nutrition labelling*, which began about two years ago, has had a positive impact on the dried fruit market because consumers can readily understand how healthy the product is. There is thus a potential opportunity to expand the market for dried fruit products. However, the product must be supplied on time, supplies has to be ensured on a continuous basis and quality must be of high class.

Mango puree is available in Europe from a variety of sources, and is a popular ingredient in multi-fruit drinks as well as in ice cream. After pineapple juice, banana puree is the largest tropical juice import into Europe. Banana puree is used in drink blends as well as in baby food, pudding and other dessert products. A number of Bangladeshi entrepreneurs have come up in recent years with their own brands. A few of them are competing successfully with foreign brands in the local market. However, here also a critical issue from the perspective of market penetration in the EU will be maintenance of high quality.

Potatoes represent the third most important staple food in the world, next to wheat and rice. In relative terms, global average yield for potatoes is eight bags compared to one bag each in case of wheat and rice.

In Bangladesh, the production of potatoes has increased progressively to about 2.0 million MT in 2001-02. The cultivable land under potato has also increased significantly. At present, there is no mechanised plant in Bangladesh for producing good quality french fries and potato chips. At present, there is no enterprise in Bangladesh which produces french fries commercially. Only a few manufacturers are producing potato chips, but these are mostly crackers and extruded items mixed with other ingredients. Products in attractive packages from abroad are penetrating the domestic market. There is a good prospect for import substitution as well as export orientation in this sector provided hygiene and quality standards could be maintained.

Poultry and Poultry Meat Processing Industry

Poultry raising in Bangladesh have traditionally been a household based enterprise. In the last decade, thanks to government support and NGO microcredit programmes, poultry firms have been set up in many areas of the country which operate on commercial basis and have developed a certain degree of economies of scale. Fresh eggs and fresh chicken (both perishable items) are the output of the industry. Grain, corn (maize) and soyabean oil cake are the main input ingredients for this industry. Maize, oil cake, and sometimes fishmeals, are imported from India. According to Bangladesh Economic Survey 2003, the number of poultry in 2001-02 stood at 163.5 million. On the other hand, production of eggs in the corresponding period stood at 3.9 billion (GoB, 2003).

Given the growing number of middle class population in the country there is a large market for poultry and poultry products in the country, particularly in urban areas. Demand for high quality, fresh, processed broiler chicken is also on the rise. However, there are only a few chicken meat processing plants in the country which are capable of supplying the product on a large scale. Most chickens in Bangladesh are supplied as live birds. In Dhaka and Chittagong, some poultry farms have sales centers where dressed chickens are retailed. Most of the chicken population is of local variety. Though with the expansion of the poultry farms, this share may have gone down in recent years, poultry feed at village level are mostly self-prepared and 42 percent of total feed requirements are met from private dealers at commercial level.

Egg production in Bangladesh is somewhat advanced compared to poultry meat production. At present, there are a number of breeder and hatchery operations supplying live chicks to small farms and also to their own laying operations. However, any initiative to export poultry and poultry products will require a very high degree of quality control in production, processing, packaging and transportation stages.

HYV Seed

Recent studies indicate that productivity, particularly of HYV paddy, is stagnating. Major factors behind such decline in productivity are poor quality of seeds. Farmers store seeds as part of their commercial produce for the next season. Seed is a fundamental determinant of the productivity of a wide range of productive inputs, including fertiliser

and labour. A suitable formal system of seed production and distribution is a major vehicle for introducing improved genotypes into the farming system.

Although average annual seed replacement rate in Bangladesh is fairly low, at about six percent of total national seed requirement, there are significant differences across the crops. For wheat and vegetables, fairly high seed replacement rates are found 22 percent and 50 percent of total requirements, respectively. The highest seed replacement rates are found in maize (above 80%), jute (80%) and sunflowers (100%). However, in vegetables and jute, only a small percentage of total seed used (10% and 17%, respectively) is quality seed. The seed replacement rate in rice and potatoes is even lower, at 3.7 percent and 4.9 percent, respectively.

Available evidence suggests that most formal seed production in Bangladesh is still in the hands of the Bangladesh Agriculture Development Corporation (BADC) Seed Wing. BADC accounts for nearly 95% of total seed flow of certified/quality approved seed. However, involvement by private sector companies and NGOs has significantly increased in the recent years. Whilst most private companies are engaged in producing high value seed such as that of vegetables, hybrid maize and sunflower, NGOs are not restricted to these crops and have extended production and supply of seed to cereals, oilseeds and pulses. Seed produced by NGOs is multiplied from Foundation Seeds obtained from BADC or from certified/quality approved seeds. Hybrid seeds are mainly imported, as only a few hybrid vegetables have been released by Bangladesh Agricultural Research Institute (BARI). A considerable quantity of vegetable seeds is also imported. A number of NGOs are also producing and marketing seeds through their distribution networks, including seeds for cereals and pulses.

Seed production and distribution business is important from the viewpoint of return and is also as a strategic sector in view of patent and IPR issues under the AoA. Given the large market for seeds in Bangladesh, which is expected to grow significantly in the coming years, there is good investment opportunity in the marketing of high quality seeds in Bangladesh. Patenting of local varieties and quality improvement through breeding could be considered as an investment opportunity. This could serve as the building blocs for the supply side capacity to access the European market in the context of the EBA.

Bangladesh's agro-processing industry suffers from acute shortage of supply of quality printing and packaging materials. Because of lack of local printing and packaging capacity required for the agro-products, Bangladesh is not only in a disadvantageous position in the international market but also fails to effectively compete with imported agro-processed products in the local market. Quality foil printing, cap printing and vacuum packaging and bottle manufacturing will be in high demand with the growth of processing industry in the country. Investment in packaging and printing industry will lead to considerable import substitution in such areas as packaging and printing and also facilitate export of agro-products. These could go as inputs for export-oriented agro-processing industries. Here also government support and technical assistance can play an important role to promote export potentials of agro-processed goods.

SECTION 6 RULES OF ORIGIN AND SPS-TBT REQUIREMENTS FOR EXPORTING PRODUCTS TO THE EU MARKET

Rules of Origin and the EU-EBA

As was mentioned, the EU-EBA initiative has left the EC-GSP rules of origin unchanged. RoO lie at the core of the EC-GSP schemes. RoO criteria set the rules for determining how and when a product would be recognised as having originated in a country which is eligible as a beneficiary for the purpose of the EC-GSP Scheme. As stipulated by Article 67 of the EC Custom Code the criteria for determination of the GSP are as follows: “a product shall be considered as originating in a beneficiary country if it has been either wholly obtained or undergone sufficient working or processing in that country”.

The EC rules of origin, like other GSP schemes, comprise three elements:

- (a) Origin criteria;
- (b) Direct consignment conditions;
- (c) Documentary evidence.

Products wholly obtained: Article 68 of the ECCC lays down a list of products considered to be wholly obtained. Products fall into this category by virtue of the total absence of imported input in their production. The following are considered to be wholly obtained in a country: (a) Vegetable products harvested in beneficiary countries; (b) Live animals born and raised in beneficiary countries; (c) Products obtained by hunting or fishing conducted in beneficiary countries; (d) Products of sea fishing and other products taken from the sea by vessels of beneficiary countries;¹⁶ (e) Products produced exclusively from products specified in case of the above.

When imported inputs are used in the manufacturing process of a finished product, the ECCC requires that these non-originating materials be sufficiently worked or processed. In particular, article 69, paragraph 1, of the ECCC specifies what is considered sufficient working or processing as follows: “non-originating materials are considered to be sufficiently worked or processed when the product obtained is classified in a tariff heading (at the four-digit level) which is different from those in which all the non-originating materials used in its manufacture are classified.”¹⁷

For most articles of apparel and clothing accessories that are not knitted nor crocheted, classified in HS Chapter 62, the *Single List* requires manufacture from *yarn*

¹⁶ The terms “their vessels” and “their factory ships” only refer to vessels and factory ships which are registered or recorded in the beneficiary country or in a member State, which sail under the flag of a beneficiary country or of a member State or which are owned to the extent of at least 50 per cent by nationals of the beneficiary country or of a member State or by a company having its head office in the country or in one of the member States; of which the manager(s), chairman of the board and the majority of the members of such boards are nationals of that beneficiary country or of the member State and of which, in the case of companies, at least half the capital belongs to that beneficiary country or one of the member States or to public bodies or nationals of that beneficiary country or of the member States; of which the master and officers are nationals of the beneficiary country or one of the member States; and of which at least 75 per cent of the crew are nationals of the beneficiary country or of a member State (article 68, paragraph 2, of the ECCC).

¹⁷ A derogation from article 69 provides that the total value of the non-originating materials used in the manufacture of a given product shall not exceed 5 per cent of the ex-works price of the product, subject to certain conditions (article 71, paragraph 1, of the ECCC).

up. This means that the use of imported fabric would not confer origin. For certain products, the rule of the single list requires that the value of imported inputs may not exceed a given percentage of the value of the finished product.

TABLE 6.1: GSP UTILISATION RATE OF BANGLADESH'S AGRICULTURAL EXPORTS TO EU

| Year | Eligible (Million ECU) | Preferential (Million ECU) | Utilisation Rate (%) |
|------|---------------------------|-------------------------------|----------------------|
| 1998 | 87.83 | 64.57 | 73.5 |
| 1999 | 118.62 | 94.40 | 79.6 |
| 2000 | 183.66 | 141.74 | 77.2 |

Source: Eurostat (COMEXT) and European Commission Office, Dhaka.

As can be seen from table-6.1 the current GSP utilisation rate of Bangladesh for the agro-products is about 77.2% in 2000 which was significantly higher than apparels which stood at about 40% in the corresponding period¹⁸. Compliance with the EU GSP for agro-products, which follows value addition criteria, is not difficult since the local value addition is considerably high. However, the difference between exports eligible for GSP and the actual availability of the facility leaves room for a more closer look at this issue, as this may have implications in terms of availing the enhanced market access under the EU-EBA as well.

It is to be noted that the EU-EBA does not change the RoO. Had it been so it would have extremely important implications for Bangladesh's export of RMG in the EU. As is known, at present the EU RoO for GSP requires a two-stage conversion for the RMG. The impact of the RoO on Bangladesh's ability to access the GSP benefits (zero-tariff, zero-quota facility) is clearly visible from table-6.2 which shows that RoO has severely constrained access to this facility. At present only about 55% of the RMG export to EU is able to comply with this requirement. Any flexibility in the RoO would have important implications for accessing the EU market. The EU has, however, offered SAARC regional cumulation (RC) which together with EU-EBA could be export-enhancing. A study carried out for Ministry of Commerce (MinCom, 2001) shows that this would lead to an incremental apparel export of \$60.0 million by 2004 (0.7% of apparel exports) and of \$190.0 million by 2010 (1.4%).¹⁹ However, this issue has not been discussed here because the focus of the present paper is to study the implications of the EU-EBA in terms of the newly included export items in EU's enhanced list without significant changes in the RoO. It should, however, be kept in mind that regional cumulation facility is not product or sector specific and all exports under GSP comes under its purview including agricultural goods. Thus, it will be in Bangladesh's interest to also explore the possibility of importing products accorded zero-tariff, zero-quota access to the EU under the EU-EBA, from the SAARC regional countries and process those and export these processed products to the EU. Given (a) limited production of many of the newly included items in Bangladesh and consequently, (b) the absence of these items in the export basket,

¹⁸ The utilisation of GSP in 2002 stood at about 55%.

¹⁹ However, the rules of origin restrict the benefits of cumulation to a very small section of the RMG industry where the domestic value addition exceeds 50 percent. Even if this section of the industry were to take full advantage of cumulation and grow very rapidly, it will still remain a minor part of the RMG industry for several years. For details, please see Ministry of Commerce, 2001.

there is a case for exploring export potentials of these items in the EU market by taking advantage of the RC. For a start, the list of 35 items identified in Annex Table 2 could serve as a good basis for this.

TABLE 6.2: CHANGES IN THE EC RULES OF ORIGIN

| Year | 1996 | 1997 | 1998 | 1999 | 2001 |
|------------------------|---------|-------------|----------------------|---------|--------------------------------|
| | | | <i>Derogation to</i> | | (Regional Cumulation Proposed) |
| Woven-RMG | 2 Stage | EC Sanction | 2 Stage | 2 Stage | 2 Stage |
| Knit-RMG | 3 Stage | | 1 Stage | 2 Stage | 2 Stage |
| GSP utilisation of RMG | 41.2 | 19.9 | 31.2 | 39.9 | 45.0% |

Source: EC Secretariat.

Derogation could be a possible option (one stage for woven and two stage for knit as it currently stands). However, such an option can only be considered in conjunction with taking commensurate steps to safeguard interest of country's backward linkage textile industry. Another option could be to change the existing RoO in such a way as to allow the country to access zero-tariff under RC subject to a certain level of local value addition, perhaps 25-30 per cent. *Global cumulation* rather than *regional cumulation* has been suggested, with a percentage threshold for local value-addition. Another alternative option could be a *single-jump* requirement. Yet another suggestion was to harmonise the RoO on a global basis which is also set to face resistance both from some of the GSP donor as well as GSP recipient countries. The current *process criterion* is seen as a constraint in accessing the facilities which are now offered under EU-EBA in spite of the security of the preferential treatment offered under the EBA.²⁰ However, since no significant change in the RoO is envisaged, EU-EBA needs to be seen in light of what has actually been offered, rather than what might have been if it was otherwise.

Sanitary and Phytosanitary Measures

SPS measures are compatible with the WTO rules, and the UR Agreement also included negotiated agreements on SPS and related measures. The Agreement on Agriculture and SPS-TBT provisions in the WTO are in a way mutually reinforcing and supportive of each other. The EU maintains a rigorous system of control measures to ensure consumer protection and food safety. Sanitary (human and animal health) and phytosanitary (animal health) measures take care of whether the goods have undergone specific treatment or processing of product, whether use of pesticide residues or permitted use of particular additives in food are within maximum allowable threshold. As most of the new exports which have come under the ambit of the new initiatives is related to agri-products, the issue of compliance with SPS-TBT measures attains critical importance.

²⁰ Given the previously mentioned Green paper, it would be prudent for Bangladesh to conduct indepth study to formulate suggestions as regards possible changes in the EU RoO.

TABLE 6.3: BANGLADESH EXPORTS FACING NTMS IN THE EU

| NTM/SPS-TBT | EU |
|--|------|
| Bangladesh's exports facing NTM (%) | 91.1 |
| Exports facing single NTM (bln USD) | 0.14 |
| Bangladesh's Exports Facing Multiple NTM (bln USD) | 1.92 |
| Bangladesh's Exports Facing NTM incidences: | |
| AD | 10 |
| SPS-TBT | 265 |
| Total | 275 |

Source: Bhattacharya, B and Mukhopadhyaya, 2002.

As can be seen from table-6.3, almost all exports from Bangladesh to the EU market are subject to SPS and TBT measures. As reported in the TRAINS – UNCTAD data, out of 275 incidences faced by Bangladesh in EU in 1998 about 96.3% were on account of SPS-TBT measures.

A SPS-TBT measure could serve as a *very effective trade restrictive measure* and *very difficult to contest*. The EU countries are particularly sensitive to SPSM related issues which are most widely used in case of imports of agro-products, both primary and processed.

The EU has both *preventive* and *monitoring* measures to address hygiene and food safety standards for imports to the EU. *Hazard Analysis Critical Control Point* (HACCP) is a system used by the food industry in the EU which has been incorporated into respective legislative requirements by member countries in order to ensure that all food consumed is safe. HACCP is a systematic approach to hazard identification, assessment of risk and control.

EU countries are becoming increasingly selective in dealing with their foreign suppliers and are wanting a strict application of HACCP in the countries of origin of imported products. In some cases, additional hygienic requirements have been put in place for their suppliers regarding specific product(s). It should be borne in mind that with respect to certain regulations and standards the HACCP is more restrictive than the SPSMs.

There are seven principles incorporated into the HACCP system (Codex 1997):

Principle 1: *Assessment of hazards and assessment of risks associated with all stages and practices of product handling and processing including presence of biological, physical and chemical nature, antibiotics, additive substances which can adversely affect food safety.*

Principle 2: *Determination of the points/procedures/operational steps that can be controlled to eliminate the hazard(s) or minimize its likelihood of occurrence - Critical Control Point (CCP).*

Principle 3: *Establishment of critical limits.*

Principle 4: *Establishment of a monitoring system to demonstrate that the CCP is under control.*

Principle 5: *Establishment of a procedure for corrective action when the CCP is seen to be moving out of control.*

Principle 6: *Introduction of verification procedures to confirm the effectiveness of the HACCP system.*

Procedures for verification must be established to ensure that the HACCP system is working correctly. Monitoring and auditing methods, procedures and tests including random sampling and analysis can be used for this purpose.

Principle 7: *Establishment of documentation and records to demonstrate that the HACCP system is working effectively.*

If Bangladesh is to exploit the market opportunities through export of agro and food products, an *HACCP monitoring cell will need to be put in place to ensure compliance at the point of production*. This will require keeping records at the firm level as regards (a) ingredients, (b) product safety, (c) processing, (d) packaging, and (e) storage, distribution and marketing. *Technical assistance* may be sought to ensure capacity building in these areas.

General Principles and Requirements of EU Food Law

European Food Safety Authority is the watchdog that monitors imports from the perspective of food safety and laying down food safety procedures.

EU regulations on food provide the basis for ensuring a high level protection of human health and consumers' interest, taking into account the diversity in the supply of food. These regulations lay down the general principles governing food and feed in general, and food and feed safety in particular, at community and national levels.

EU Food law aims to establish a set of guidelines to establish the safe production and free movement of food and feed products. There are a number of components in the food law:

- (a) *Risk Analysis*. Food law is based on risk analysis to achieve the general objective of a high level of protection of human health and life. The risk assessment is based on available scientific evidence and is undertaken in an independent, objective and transparent manner;
- (b) *Precautionary Principle*. Though an assessment is done by scientific evidence, in case of uncertainty the EC conducts more comprehensive risk assessment to ensure total health protection;
- (c) *Protection of Consumers' Interests*. While Food law aims for the protection of consumers' rights, it also targets the prevention of; i) fraudulent or deceptive practices; ii) adulteration of food; and iii) any other practices which may mislead the consumer; and
- (d) *Food and Feed Imported into the Community*. Imports of food and feed must comply with local laws or conditions, and to standards set by any bilateral agreements between trading countries.

Food Safety Requirements include the following:

- Unsafe food, which is injurious to health and unfit for human consumption, will not be placed in the market.
- The particular food will be deemed as injurious to health if,
 - a. The food causes health disorders not only in the short/long term but also to future generations;
 - b. It has toxic effects; or
 - c. It is consumed by a group of consumers who were not originally the target group.
- Food will be considered unfit for humans if,
 - a. It is unacceptable for human consumption due to extraneous matter or through putrefaction, deterioration or decay;
 - b. It is a part of a consignment of food of the same class or description which has already been declared unsafe;
 - c. It fails to comply with specific Community provisions.

Since the potential export opportunities opened up by the EU-EBA relate mostly to agro and food items, compliance with these SPS-TBT Standards are likely to become important factors in realising those potentials. As such policy support in the areas identified both in the form of incentives as well as direct technical support will be crucial in the above context.

SECTION 7 CAPACITY BUILDING AND TECHNICAL ASSISTANCE NEEDS

Supply Side Constraints and TA Needs

Technical assistance needs to be addressed in order to access the opportunities offered under the EU-EBA initiative should command urgent attention both at policy and implementation levels. The discussion in the preceding sections has identified a number of constraints in some of the areas where export potentials exist in view of the EU-EBA preferential treatment. Specific actions will need to be designed to address these. Most of the required actions relate to macroeconomic policies, and efficacy of incentives and effectiveness of institutions in implementing those policies. It is not the objective of this study to address the whole gamut of supply side responses that would be required to enhance the export capacities to access the EU market under the newly introduced initiative. However, in view of the above, an attempt here has been made to articulate some of the major areas where capacity building support and technical assistance would be required to address in particular the SPS-TBT issues associated with the market access of the identified products.

Foregoing analysis allude to the need for assistance in the area of development of high quality seed for identified products, transfer of technology and technical know-how to raise productivity in agro-processing units, raising of awareness about SPS-TBT rules and regulations and compliance requirement at the enterprise level, support to upgrade fashion, for catering to packaging requirements for agro-products, for marketing of identified products, design and quality of apparels and leather products and ability to move upmarket, and targeted support for enhancing local knowledge on advanced technology required to produce the identified products. Common services for skill

development, affluent treatment facilities, process and product modification of the identified products will need to be put on place.

From global and regional experience, it appears that promotion and development of *clusters* could be a suitable strategic intervention both in terms of developing the required supply side capacities and also for best utilisation of the technical assistance programmes. The need for support services in terms of quality assurance, SPS-TBT compliance and marketing is also reinforced by the fact that most of the potential suppliers of the newly inducted products are likely to be small and medium enterprises. Promotion of clusters offers a good ground for product and process innovation and modification, technology upgradation and collective efficiency gains by way of addressing common challenges such as access to institutional credit, expert services, testing laboratory facilities, training facilities and quality related solutions. In some cases, development of national standards laws is essential in the medium term.

Public-private partnerships may be developed to address some of the attendant tasks. Vocational training institutions may be reorganised in a manner that particular institutions cater to the needs of capacity development for particular groups of products.

In the context of the ongoing process of regional trade cooperation, the opportunities of horizontal and vertical integration within the region by taking advantage of the market access provided to Bangladesh under the EU-EBA initiative should also be taken due cognisance of. The SAFTA agreement envisages technical assistance to the LDCs. Exploring the SAFTA track to attract technical assistance towards capacity building in areas that may stimulate export to the EU also needs to be considered.

Standards and certification accreditation requirements to address various TBT concerns will require technical support to be accorded to the producers. Towards this the capacity of standardisation and certification institutions will need to be further enhanced through technical support.

Compliance with rules of origin requirements and monitoring their compliance and administering the requisite certification procedures will also test the limits of the respective implementational agencies. This could be an important area of technical assistance. This is becoming all the more important in view of the competing demands arising out of Bangladesh's membership in various RTAs and the multiple GSP Schemes of which Bangladesh is a beneficiary.²¹ Technical Support to strengthen capacity for RoO certification could prove to be crucial in ensuring secured market access under the various preferential schemes. Export opportunities in agro-products is particularly associated with, and often constrained by ADD-TBT related measures. Capacity building in the area of ADD-TBT to tackle any contentious issues through the dispute settlement mechanism (DSM) of the WTO may prove to be important.

The EPB has identified a number of areas where further action is required to enhance export of agro-processed goods: (a) limited cargo space in aeroplanes; (b) slow response of the agro-sector to changing market demands (in production, marketing

²¹ The so-called 'spaghetti bowl' of rules of origin.

and distribution); (c) lack of *Cool Chain Transportation* services; (d) lack of improved packaging systems; (e) high rate of air freight; and (f) compliance with SPS-TBT requirements.

Successive export policies have come up with a number of policy initiatives to stimulate the export of agricultural goods from Bangladesh. Besides the general fiscal and financial incentives which are applicable for all exports, some of the incentives targeted to promote particularly agro-exports have been: (a) recognition of agro-products and agro-processing goods as one of three sectors accorded *highest priority* in export policy 2003-2006; (b) a cash compensation scheme for agricultural and agro-based exports at the rate of 25% (which has recently been raised to 30%); (c) support to the agro-processing sector under the EEF operated by the Bangladesh Bank with the help of commercial banks. (d) waiver of royalties from foreign airlines to facilitate agro-exports; (e) with the help of the Hortex Foundation, technical assistance has been provided to agro-products exporters to enhance their capacity in the field of production, grading, packaging, transportation and distribution; (f) facilitation of the participation of agro-exporters in various international trade fairs; (g) the interest rate for the export credit was fixed at 7%; (h) the facility of subsidised cargo-freight for export of fruits and vegetables.

Since the newly inducted products concern mostly small producers, it should be stressed that SMEs should be particularly targeted to realise the potential benefits of the market openings under the new EU-EBA initiative. The government has recently put in place an initiative to develop the SMEs sector. Special attention will need to be paid to connect the SMEs with the emerging market access opportunities emanating from the initiatives taken by the EU.

Active measures should be pursued to attract financial resources available under the WTO's IF and JITAP initiatives in order to mobilise the required funds for the development of the identified products under the new initiative. Modalities to facilitate access of funds from the MGF and EEF facilities, by taking cognisance of the special needs of the identified sectors, should be developed.²²

In order to promote diversification of the country's export base, a renewed effort needs to be taken to promote the export-oriented agro-processing sector of the country. In recent years Bangladesh's entrepreneurs have indeed been able to develop some capacities in the related areas. However, much needs to be done if this capacity is to be strengthened to maximise the potential benefits of the EBA Scheme. In recent years agro-exporters group and Associations have come with a number of suggestions to strengthen the supply side capacities and promote production and marketing of agro-products. Some of these are presented below:

- In order to promote product development, research, testing, quality control, microbiological and nutritional evaluation and training, a *Food Technology Research Institute* should be set up. The Central Food Technology Research

²²Policy support could include exemptions from leviable duties as is in practice in case of Indian exports of agri-products. For example, basic duty on Bangladesh's export to Nepal of agro-processed products to Nepal is 35% though similar Indian products receive 20% duty exemption.

Institute (CFTRI) in India could serve as an example of such institutional support.

- Packaging is an important step in the value chain of export-oriented agro-processing. Towards capacity building in this area, a *Packaging Development Institute* needs to be set up to address the attendant felt needs. Alternately a VTI may be specially designated to service the needs.
- A separate wing may be set up within the EPB to particularly promote the interest of this sector (e.g. Agricultural Processed Food Products Wing). APEDA in India could serve as an example in this context. Such an agency could offer financial and technical assistance to the sector and steer capacity building in this sector.
- Product specific research institutions should be set up to promote export-oriented agro-products. These may include Research Centres for Mango, Spices and Pulses and development of Aromatic Rice varieties.

Discussion with major stakeholders indicates that Bangladesh's policymakers will need to focus their attention on a number of areas if the country is to reap the potential benefits of the window of opportunity opened by the EU-EBA. The CPD Task Forces on Export Sector set up under its Policy Brief initiatives also came up with a number of important suggestions in this regard. Some of the possible policy interventions could include the followings:

- *Provide credit, interest and tax support and other facilities/incentives to promote export-oriented agro-processing by taking cognisance of the specific characters of agro-based industries (e.g. relatively longer gestation period) in designing the supportive policies for this sector.*
- *For supporting preservation of horticulture products, imports of related equipment such as reaper vans and refrigerated-containers should be exempted from duty and VAT.*
- *To support food processing industries imports of preserving chemicals and technology should be exempted from tax, VAT and duty.*
- *Establishment of an "Exporting Firms Group" based on export markets should be encouraged and supported through credit, tax, VAT and duty exemption facilities, and technology transfer.*
- *Provide credit, tax, VAT and duty facilities for imports of technology to support standard packaging.*
- *Air cargo space for the export of agro-products should be increased and other facilities including offloading and cool room facilities in cargo sheds should be enhanced.*
- *Reduce export freight charges to regional levels.*
- *Support overseas market research for agro-exports through projects such as the Matching Grant Facility (MGF).*

- *Institutionalise and implement quality control measures. The BSTI should be equipped with appropriate technology and qualified manpower to support standardisation of export-oriented agro-industry products.*
- *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.*
- *Strengthen laboratory testing capacity and internationally recognised certificate issuance capacity.*
- *Harmonise fiscal and tariff structures; existing anomalies in duty structure, which levy a higher duty on raw materials, inputs and packaging as against processed imports and thus make locally produced agro products relatively uncompetitive, will have to be removed.*
- *Establish intermediate input industries, i.e packaging, bottling, printing, etc.*
- *Develop an effective infrastructure for the transportation of perishables.*
- *Provide bonded warehouse facilities to enable agro-industries to import their inputs.*
- *Establish a HYV seed research and multiplication institute.*
- *Establish an agricultural product development authority to offer one window assistance to local exporters and foreign importers of agro-based industries.*
- *Ensure adequate human resource development through the establishment of a food technology institute with modern facilities.*
- *The revised EU-GSP Scheme for 2006-2015 strongly articulates the need for capacity building through technical assistance to enable LDCs to realise the potential opportunities originating from the EC-GSP Scheme. In view of the above felt-needs, Bangladesh should prepare concrete proposals for technical assistance from the EU to address the relevant tasks.*
- *Make best use of the ongoing regional trading negotiations with a view to enhance opportunities of exporting agro-based and agro-processed goods to the EU.*
- *Analyse the outcomes of the ongoing negotiations in Geneva as regards the Agreement on Agriculture (AoA) in order to identify the market opportunities in the EU under the EBA in the context of further liberalisation of the markets for agri-goods products.*

Some of the areas where TA proposals could be developed to attract the required support could include the followings:

- Capacity building to deal with trade remedies including ADD and CVD cases.

- Capacity building at the enterprise level to ensure compliance with SPS-TBT standards.
- Training in SPS-TBT issues for the entrepreneurs.
- Support for promotion of marketing of the identified agri-products in the EU.

SECTION 8 CONCLUDING REMARKS

Commercially meaningful market access in the developed countries has been one of the major demands of LDCs in recent years. This demand has been reinforced in view of the increasing marginalisation of the LDCs in the global trading system and in the context of their lack of capacity to integrate into the process of globalisation from a position of strength. Indeed, market access issues have been very much on the agendas in both the GATT and the WTO, and the Doha Work Plan also included setting up of a *Negotiating Group on Market Access* (NGMA) to deal with the attendant relevant issues. However, bilateral and plurilateral initiatives in terms of providing enhanced market access to the LDCs continue to remain important particularly in view of the slow progress of negotiations in the WTO and in view of the failure of the Cancun Ministerial Meeting of the WTO.

The EU-EBA initiative is thus important for Bangladesh because it provides crucial market access opportunities to Bangladesh's increasingly trade-driven economy. This initiative has created potential export opportunities for the agricultural goods. However, as our analyses of new market opportunities, price relatives, domestic supply side capacities and potential competitors demonstrate, Bangladesh will need to do a lot of homework if the incremental *potential benefits* are to be translated into *realised benefits*.

Our analysis in the foregoing sections indicates that new market opportunities have emerged in the EU market in the export of garlic, rice, molasses, sugar products, vegetables and like products. Some of the market openings provide immediate export opportunities, whilst in some of the others (such as rice and sugar products) the benefits are staggered.

The analyses in the foregoing sections indicate that for each of the identified areas of potential market opportunities a number of steps will now need to be undertaken. These steps are both market specific and product specific. Accessing the markets for agricultural products in the EU is very much tuned to the issues of compliance with SPS-TBT issues; these sets of demands emanating from the market place will require targeted interventions at the policy level and also call for initiatives at the level of enterprises.

Whether the new initiative can be translated into commercially meaningful market access will hinge on initiatives both at the level of entrepreneurs and at the government level. In the preceding sections a number of areas have been identified where targeted technical assistance may help Bangladesh's entrepreneurs to enhance their capacities to access the offered market access opportunities.

In a fast changing global context opportunities and risks tend to go hand in hand. The opportunities are always *potential*, on the other hand the risks have a tendency to turn

out to be *real*. The market opportunities that have been discussed here come at a time of heightened competitive pressure in the global market, and in the face of erosion of preferential margins under the ongoing tariff liberalisation implemented by the developed countries. Whilst the EBA initiative is a welcome development from Bangladesh's perspective, what its actual worth on the ground will depend on the extent to which Bangladesh is able to address the supply side issues by successfully blending the required entrepreneurial initiatives, effective government interventions and targeted trade related technical assistance.

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ANNEXES

ANNEX TABLE 1: TITLES OF SELECTED TARIFF LINES

| HS8 | |
|----------|---|
| 07032000 | Garlic, fresh or chilled |
| 07092000 | Fresh or chilled asparagus |
| 07119030 | Sweetcorn provisionally preserved, but unsuitable in that state for immediate consumption |
| 10061023 | Medium grain rice in husk, parboiled |
| 10062013 | Medium grain husked-brown-rice, arboiled |
| 10062017 | Long grain husked-brown-rice, length/width ratio ≥ 3 , parboiled |
| 10062098 | Long grain husked-brown-rice, length/width ratio ≥ 3 (excl. parboiled) |
| 10063061 | Wholly milled round grain rice, parboiled |
| 10063067 | Wholly milled long grain rice, length/width ratio ≥ 3 , parboiled |
| 10063092 | Wholly milled round grain rice, (excl. parboiled) |
| 10063094 | Wholly milled medium grain rice, (excl. parboiled) |
| 10063096 | Wholly milled long grain rice, length/width >2 but <3 , (excl. parboiled) |
| 17019910 | White sugar, containing in dry state $\geq 99,5\%$ sucrose (excl. flavoured or coloured) |
| 17019990 | Cane or beet sugar and chemically pure sucrose, in solid form (excl. cane and beet sugar containing added |
| 17029099 | Sugar, including invert sugar, solid and sugar syrups not containing added flavouring or colouring matter |
| 17031000 | Cane molasses resulting from the extraction or refining of sugar |
| 17039000 | Beet molasses resulting from the extraction or refining of sugar |
| 19021910 | Uncooked pasta, not stuffed or otherwise prepared, not containing common wheat flour or meal or eggs |
| 19021990 | Uncooked pasta, not stuffed or otherwise prepared, containing common wheat flour or meal but no eggs |
| 19023010 | Dried, prepared pasta (excl. stuffed) |
| 19023090 | Pasta, cooked or otherwise prepared (excl. stuffed or dried pasta) |
| 19030000 | Tapioca and substitutes therefore prepared from starch, in the form of flakes, grains, pearls, siftings or similar forms |
| 19041030 | Prepared foods obtained by swelling or roasting cereals or cereal products based on rice |
| 19042095 | Prepared foods obtained from unroasted cereal flakes or from mixtures of unroasted cereal flakes and roasted |
| 19049010 | Rice, pre-cooked or otherwise prepared (excl. by swelling or roasting) |
| 19053059 | Sweet biscuits, whether or not containing cocoa, containing $< 8\%$ milkfats (excl. coated or covered with |
| 19053099 | Waffles and wafers, whether or not filled (excl. salted and with water content of $> 10\%$) |
| 19059045 | Biscuits (excl. sweet biscuits) |
| 19059055 | Extruded or expanded products, savoury or salted |
| 19059060 | Fruit tarts, currant bread, panettone, meringues, Christmas stollen, croissants and other bakers' wares |
| 19059090 | Pizzas, quiches and other unsweetened bakers' wares (excl. crispbread, gingerbread and the like, sweet biscuits, |
| 20098032 | Juice of passionfruit or guavas, of density $> 1,33$, of value ≤ 30 ecu per 100 kg, unfermented, (not containing added |
| 20098033 | Juice of mangoes, mangosteens, papaws 'papayas', Tamarinds, cashew apples, lychees, jackfruit, sapodillo |
| 22042179 | White wine of fresh grapes, in containers holding ≤ 2 l and of an actual alcoholic strength by volume of $\leq 13\%$ vol |
| 22042180 | Wine of fresh grapes, incl. wine and grape must with fermentation arrested or interrupted by the addition of |

Source: Harmonised System of Codes.

ANNEX TABLE 2: BANGLADESH'S EXPORT TO EU OF THE INCLUDED NEWLY ITEMS: VALUE, VOLUME AND UNIT PRICE

| HS8 | BD Export to EU [Value 1000 ECU] | | | | | | BD Export to EU [Volume Ton] | | | | | | BD Export to EU Unit Price 1000ECU/Ton | | | | | | EU Import from World: Total value 1000 ECU | | | | | | |
|----------|----------------------------------|------|------|------|-------|--------|------------------------------|------|------|------|-------|-------|--|------|------|------|------|------|--|--------|--------|---------|---------|------------|------------|
| | 1990 | 1995 | 1999 | 2000 | 2001 | 2002 | 1990 | 1995 | 1999 | 2000 | 2001 | 2002 | 1990 | 1995 | 1999 | 2000 | 2001 | 2002 | 1990 | 1995 | 1999 | 2000 | 2001 | 2002 | |
| 07032000 | | | | | | 78.41 | | | | | 150.2 | | | | | | | 0.52 | 35824 | 32421 | 41021 | 30062 | 42886 | 52407 | |
| 07092000 | | | | 3 | 16.79 | 13.8 | | | | 1 | 7.1 | 6.4 | | | | | 3.00 | 2.36 | 2.16 | 15277 | 18755 | 35863 | 41891 | 49064 | 58646 |
| 07119030 | | | 2 | | | | | | | 1 | | | | | | 2.00 | | | | 168 | 74 | 40 | 480 | 525 | 335 |
| 10061023 | | | | | | 1.08 | | | | | | 3.1 | | | | | | 0.35 | 3 | 29 | 9 | 11 | 23 | 20 | |
| 10062013 | | | | | | 10.72 | | | | | | 17.8 | | | | | | 0.60 | 66 | 47 | 28 | 50 | 93 | 130 | |
| 10062017 | | | | | 2.61 | | | | | | 4 | | | | | | 0.65 | | 66872 | 41697 | 63231 | 62537 | 59051 | 45637 | |
| 10062098 | | | | | | 10.28 | | | | | | 22 | | | | | | 0.47 | 86891 | 71940 | 215717 | 207004 | 232296 | 207074 | |
| 10063061 | | 1 | | | | | | | | | 2 | | | | | | 0.50 | | 22 | 20 | 52 | 77 | 107 | 53 | |
| 10063067 | | | | 3 | | | | | | | 3 | | | | | | | 1.00 | 1079 | 2707 | 25658 | 18713 | 19231 | 18644 | |
| 10063092 | | 1 | 1 | | | | | | | 2 | 1 | | | | | | 0.50 | 1.00 | | 696 | 849 | 1012 | 754 | 863 | 1082 |
| 10063094 | | | | | 1.09 | 138.04 | | | | | 1 | 302.2 | | | | | | 1.09 | 0.46 | 5161 | 7906 | 5033 | 5115 | 5095 | 3961 |
| 10063096 | | | | | | 1.14 | | | | | | 2.5 | | | | | | 0.46 | 2300 | 698 | 1482 | 2361 | 1919 | 1741 | |
| 17019910 | | 1 | | | 1.28 | | | | | | 1.2 | | | | | | | 1.07 | | 38864 | 43883 | 72534 | 66894 | 92841 | 208422 |
| 17019990 | | | | 4 | | | | | | | 1 | | | | | | | 4.00 | | 185 | 420 | 236 | 594 | 827 | 1679 |
| 17029099 | | | | 6 | 9.81 | 17.06 | | | | | 15 | 20 | 35.5 | | | | 0.40 | 0.49 | 0.48 | 12169 | | 4094 | 2994 | 3465 | 2650 |
| 17031000 | 58 | | | | | | 1000 | | | | | | | 0.06 | | | | | | 199314 | 238796 | 135592 | 169606 | 214745 | 194554 |
| 17039000 | | 20 | 14 | 5 | | 18.2 | | 16 | 14 | 8 | | 29.8 | | | 1.25 | 1.00 | 0.63 | | 0.61 | 32245 | 56740 | 42329 | 39392 | 46825 | 57928 |
| 19021910 | | | | | 1.72 | 0.85 | | | | | 1.4 | 1.2 | | | | | | 1.23 | 0.71 | 4399 | 5002 | 5285 | 6141 | 6041 | 6536 |
| 19021990 | | 3 | | 2 | 3.45 | 6.71 | | 3 | | 1 | 2.3 | 5 | | | 1.00 | | 2.00 | 1.50 | 1.34 | 2176 | 3632 | 5324 | 5974 | 7586 | 6494 |
| 19023010 | | 3 | | | 4.14 | | | 2 | | | 3.4 | | | | 1.50 | | | 1.22 | | 11273 | 29367 | 47201 | 60362 | 61949 | 64790 |
| 19023090 | | | | 2 | | | | | | 2 | | | | | | | 1.00 | | | 2059 | 5772 | 15894 | 17963 | 16889 | 13456 |
| 19030000 | | | | | | 4.57 | | | | | | 5.4 | | | | | | 0.85 | 1539 | 1668 | 1869 | 2201 | 2147 | 2208 | |
| 19041030 | | | 2 | 2 | 5.02 | 9.26 | | | 1 | 1 | 5.6 | 10.3 | | | | 2.00 | 2.00 | 0.90 | 0.90 | 837 | 544 | 893 | 2324 | 2699 | 1994 |
| 19042095 | | | | | | 1.13 | | | | | | 0.9 | | | | | | | 1.26 | | | 221 | 240 | 263 | 700 |
| 19049010 | | | | 2 | 9.48 | 12.07 | | | | 2 | 8.4 | 12.5 | | | | | 1.00 | 1.13 | 0.97 | 1982 | 1556 | 2877 | 2703 | 3281 | 3305 |
| 19053059 | | | 3 | 1 | | | | | | 2 | 1 | | | | | 1.50 | 1.00 | | | 10348 | 10890 | 20655 | 20052 | 26065 | |
| 19053099 | 2 | | | | | | | 1 | | | | | | 2.00 | | | | | | 12969 | 6106 | 7916 | 10169 | 9775 | |
| 19059045 | | | | 5 | 14.66 | 42.72 | | | | | 3 | 10.6 | 37.4 | | | | | | | 15432 | 22033 | 21576 | 16727 | | 20165 |
| 19059055 | | | | 2 | | | | | | | 1 | | | | | | 2.00 | | | 35434 | 29786 | 35397 | 40144 | | 47149 |
| 19059060 | | 5 | | | | | | 3 | 3 | | | | | | 1.67 | 0.00 | | | | 14507 | 18328 | 51425 | 53071 | 61415 | 52790 |
| 19059090 | | | | | 18.31 | 18.83 | | | | | 13.2 | 14.1 | | | | | | 1.39 | 1.34 | 14552 | 26052 | 31470 | 44371 | 57883 | 61833 |
| 20098032 | | | | | 2.65 | | | | | | 6.6 | | | | | | | 0.40 | | | 156 | 171 | 220 | 142 | 183 |
| 20098033 | | | | 6 | | 0.66 | | | | | 10 | 1.3 | | | | | 0.60 | | 0.51 | | 38 | 70 | 256 | 75 | 96 |
| 22042179 | | 2 | | 1 | | | | 1 | 1 | 0 | | | | | 2.00 | | | | | | 147737 | 346226 | 433748 | 497977 | 435651 |
| 22042180 | | 1 | 2 | 2 | | | | | | 1 | 0 | | | | | | | | | | 172172 | 482238 | 495466 | 615457 | 473257 |
| Total | 60 | 37 | 27 | 43 | 91.01 | 385.53 | 1001 | 29 | 27 | 46 | 84.8 | 657.6 | | | | | | | | 573777 | 996868 | 1715485 | 1860769 | 2196370.44 | 2045570.18 |

ANNEX TABLE 2 (CONTD.)

| HS8 | EU Import from World: Total Volume Ton | | | | | | EU Import from World: Unit Price 1000ECU/Ton | | | | | |
|----------|--|---------|---------|---------|-----------|-----------|--|------|------|------|------|--------|
| | 1990 | 1995 | 1999 | 2000 | 2001 | 2002 | 1990 | 1995 | 1999 | 2000 | 2001 | 2002 |
| 07032000 | 28362 | 37904 | 40177 | 34979 | 43039 | 46922 | 1.26 | 0.86 | 1.02 | 0.86 | 1.00 | 1.1169 |
| 07092000 | 5716 | 7855 | 12603 | 20449 | 14517 | 17845 | 2.67 | 2.39 | 2.85 | 2.05 | 3.38 | 3.2865 |
| 07119030 | 176 | 67 | 32 | 466 | 497 | 407 | 0.95 | 1.10 | 1.25 | 1.03 | 1.06 | 0.8232 |
| 10061023 | 4 | 70 | 19 | 20 | 23 | 36 | 0.75 | 0.41 | 0.47 | 0.55 | 1.01 | 0.5613 |
| 10062013 | 82 | 110 | 44 | 73 | 125 | 144 | 0.80 | 0.43 | 0.64 | 0.68 | 0.74 | 0.9059 |
| 10062017 | 222437 | 159895 | 164276 | 156459 | 166434 | 155691 | 0.30 | 0.26 | 0.38 | 0.40 | 0.35 | 0.2931 |
| 10062098 | 248871 | 180479 | 429417 | 413899 | 479886 | 486378 | 0.35 | 0.40 | 0.50 | 0.50 | 0.48 | 0.4257 |
| 10063061 | 18 | 26 | 73 | 110 | 198 | 79 | 1.22 | 0.77 | 0.71 | 0.70 | 0.54 | 0.6671 |
| 10063067 | 2123 | 5340 | 41741 | 30116 | 32493 | 36202 | 0.51 | 0.51 | 0.61 | 0.62 | 0.59 | 0.5150 |
| 10063092 | 2053 | 1379 | 1087 | 790 | 916 | 1347 | 0.34 | 0.62 | 0.93 | 0.95 | 0.94 | 0.8033 |
| 10063094 | 15708 | 25472 | 8059 | 6044 | 6301 | 5475 | 0.33 | 0.31 | 0.62 | 0.85 | 0.81 | 0.7235 |
| 10063096 | 5443 | 1223 | 2217 | 3235 | 3096 | 3427 | 0.42 | 0.57 | 0.67 | 0.73 | 0.62 | 0.5081 |
| 17019910 | 78374 | 86716 | 125343 | 114314 | 150241 | 346894 | 0.50 | 0.51 | 0.58 | 0.59 | 0.62 | 0.6008 |
| 17019990 | 210 | 587 | 144 | 554 | 429 | 1765 | 0.88 | 0.72 | 1.64 | 1.07 | 1.93 | 0.9510 |
| 17029099 | 3947 | | 3963 | 5063 | 4782 | 3691 | 3.08 | | 1.03 | 0.59 | 0.72 | 0.7179 |
| 17031000 | 2960884 | 3117176 | 2559373 | 2444956 | 2251962 | 2446628 | 0.07 | 0.08 | 0.05 | 0.07 | 0.10 | 0.0795 |
| 17039000 | 407745 | 621881 | 594571 | 429169 | 394056 | 553668 | 0.08 | 0.09 | 0.07 | 0.09 | 0.12 | 0.1046 |
| 19021910 | 5695 | 6914 | 6523 | 7079 | 7198 | 8261 | 0.77 | 0.72 | 0.81 | 0.87 | 0.84 | 0.7912 |
| 19021990 | 1819 | 3093 | 3555 | 4610 | 5579 | 5159 | 1.20 | 1.17 | 1.50 | 1.30 | 1.36 | 1.2587 |
| 19023010 | 7757 | 20816 | 30661 | 35357 | 37212 | 42307 | 1.45 | 1.41 | 1.54 | 1.71 | 1.66 | 1.5314 |
| 19023090 | 1539 | 3543 | | 10181 | 10290 | 9352 | 1.34 | 1.63 | | 1.76 | 1.64 | 1.4388 |
| 19030000 | 2594 | 2405 | 2460 | 2655 | 2597 | 2902 | 0.59 | 0.69 | 0.76 | 0.83 | 0.83 | 0.7607 |
| 19041030 | 281 | 223 | 409 | 815 | 943 | 680 | 2.98 | 2.44 | 2.18 | 2.85 | 2.86 | 2.9312 |
| 19042095 | | | 152 | 125 | 142 | 216 | | | 1.45 | 1.92 | 1.86 | 3.2490 |
| 19049010 | 2400 | 1291 | 2271 | 1552 | 1442 | 1720 | 0.83 | 1.21 | 1.27 | 1.74 | 2.28 | 1.9213 |
| 19053059 | 3068 | 4994 | 9299 | 8794 | 11556 | | 3.37 | 2.18 | 2.22 | 2.28 | 2.26 | |
| 19053099 | 6342 | 2617 | | 4186 | 4102 | | 2.04 | 2.33 | | 2.43 | 2.38 | |
| 19059045 | | 5237 | 6718 | 7116 | 6791 | 7902 | | 2.95 | 3.28 | 3.03 | 2.46 | 2.5520 |
| 19059055 | | 14501 | 12002 | 12246 | 15249 | 19147 | | 2.44 | 2.48 | 2.89 | 2.63 | 2.4624 |
| 19059060 | 5565 | 7554 | | 16809 | 22813 | 22434 | 2.61 | 2.43 | | 3.16 | 2.69 | 2.3531 |
| 19059090 | 8517 | 12608 | 14856 | 17829 | 20919 | 25819 | 1.71 | 2.07 | 2.12 | 2.49 | 2.77 | 2.3949 |
| 20098032 | | 90 | 58 | 124 | 62 | 70 | | 1.73 | 2.95 | 1.77 | 2.30 | 2.6291 |
| 20098033 | | 44 | 122 | 664 | 85 | 188 | | 0.86 | 0.57 | 0.39 | 0.88 | 0.5116 |
| 22042179 | | 82461 | 136900 | 158992 | 174116 | 175223 | | 1.79 | 2.53 | 2.73 | 2.86 | 2.4863 |
| 22042180 | | 104301 | 182555 | 193294 | 218320 | 177789 | | 1.65 | 2.64 | 2.56 | 2.82 | 2.6619 |
| Total | 4027730 | 4518872 | 4391680 | 4143124 | 4088407.6 | 4605765.6 | | | | | | |

Source: Compiled and Computed from Eurostat 2003 Data.

ANNEX TABLE 3: TARIFF AND SPECIFIC DUTIES ON BANGLADESH'S NEWLY INCLUDED EXPORT ITEMS UNDER EU-EBA

| HS8 | Tariff Rate | | LDC-GSP PREF TREAT | Effective Tariff | | Effective Gain 1990 | | Effective Gain 1995 | | Effective Gain 1999 | | Effective Gain 2000 | | Effective Gain 2001 | | Effective Gain 2002 | |
|----------|-------------|--------------------|-----------------------|------------------|----------------|---------------------|-----------|---------------------|-----------|---------------------|-----------|---------------------|-----------|---------------------|-----------|---------------------|-----------|
| | Ad val | Fixed (ECU/Ton) | | Ad val | Fixed (ECU) | Ad valorem | Fixed ECU | Ad valorem | Fixed ECU | Ad valorem | Fixed ECU | Ad valorem | Fixed ECU | Ad valorem | Fixed ECU | Ad valorem | Fixed ECU |
| 07032000 | 9.60% | | 100% | 0% | 0 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 |
| 07092000 | 10.20% | | 100% | 0% | 0 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 |
| 07119030 | 5.10% | 94 | 100% | 0% | 94 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 94.00 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 |
| 10061023 | | 211 | 0% | 0% | 211 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 654.10 |
| 10062013 | | 264 | 0% | 0% | 264 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 4699.20 |
| 10062017 | | 264 | 0% | 0% | 264 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 1056.00 | 0.00% | 0.00 |
| 10062098 | | 264 | 0% | 0% | 264 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 5808.00 |
| 10063061 | | 416 | 0% | 0% | 416 | 0.00% | 0.00 | 0.00% | 832.00 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 |
| 10063067 | | 416 | 0% | 0% | 416 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 1248.00 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 |
| 10063092 | | 416 | 0% | 0% | 416 | 0.00% | 0.00 | 0.00% | 832.00 | 0.00% | 416.00 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 |
| 10063094 | | 416 | 0% | 0% | 416 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 416.00 | 0.00% | 125715.20 |
| 10063096 | | 416 | 0% | 0% | 416 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 1040.00 |
| 17019910 | | 419 | 0% | 0% | 419 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 502.80 | 0.00% | 0.00 |
| 17019990 | | 419 | 0% | 0% | 419 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 419.00 | 0.00% | 0.00 | 0.00% | 0.00 |
| 17029099 | | 4 | 15% | 0% | 3.4 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 51.00 | 0.00% | 68.00 | 0.00% | 120.70 |
| 17031000 | | 3.5 | 0% | 0% | 3.5 | 0.00% | 3500.00 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 |
| 17039000 | | 3.5 | 0% | 0% | 3.5 | 0.00% | 0.00 | 0.00% | 56.00 | 0.00% | 49.00 | 0.00% | 28.00 | 0.00% | 0.00 | 0.00% | 104.30 |
| 19021910 | 7.70% | 246 | 100% | 0% | 246 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 344.40 | 0.00% | 295.20 |
| 19021990 | 7.70% | 211 | 100% | 0% | 211 | 0.00% | 0.00 | 0.00% | 633.00 | 0.00% | 0.00 | 0.00% | 211.00 | 0.00% | 485.30 | 0.00% | 1055.00 |
| 19023010 | 6.40% | 246 | 100% | 0% | 246 | 0.00% | 0.00 | 0.00% | 492.00 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 836.40 | 0.00% | 0.00 |
| 19023090 | 6.40% | 97 | 100% | 0% | 97 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 194.00 | 0.00% | 0.00 | 0.00% | 0.00 |
| 19030000 | 6.40% | 151 | 100% | 0% | 151 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 815.40 |
| 19041030 | 5.10% | 460 | 100% | 0% | 460 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 460.00 | 0.00% | 460.00 | 0.00% | 2576.00 | 0.00% | 4738.00 |
| 19042095 | 5.10% | 460 | 100% | 0% | 460 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 414.00 |
| 19049010 | 8.30% | 460 | 100% | 0% | 460 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 920.00 | 0.00% | 3864.00 | 0.00% | 5750.00 |
| 19053059 | 9% | | 100% | 0% | 0 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 |
| 19053099 | 9% | | 100% | 0% | 0 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 |
| 19059045 | 9% | | 100% | 0% | 0 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 |
| 19059055 | 9% | | 100% | 0% | 0 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 |
| 19059060 | 9% | | 100% | 0% | 0 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 |
| 19059090 | 9% | | 100% | 0% | 0 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 |
| 20098032 | 21% | 129 | 100% | 0% | 129 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 851.40 | 0.00% | 0.00 |
| 20098033 | 33.60% | 206 | 100% | 0% | 206 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 2060.00 | 0.00% | 0.00 | 0.00% | 267.80 |
| 22042179 | | 13.1 ECU/hi | 0% | 0% | 13.1 ECU/hi | 0.00% | 0.00 | 0.00% | 13.10 | 0.00% | 13.10 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 |
| 22042180 | | 13.1 ECU/hi | 0% | 0% | 13.1 ECU/hi | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 13.10 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 |
| Total | | | | | | 0.00% | 3500 | 0.00% | 2858.1 | 0.00% | 2293.2 | 0.00% | 4343 | 0.00% | 11000.3 | 0.00% | 151476.9 |

Source: Computed from EUROSTAT 2003 Data.

ANNEX TABLE 4: POULTRY PRODUCTS AND EGG ITEMS IN THE EU-EBA AND MFN TARIFF

| HS | Item Name | Tariff Rate | |
|----------|---|-------------|----------------|
| | | Ad Val | Fixed |
| 02071110 | Fresh or chilled, plucked and gutted fowls of species gallus domesticus, with heads and feet | | 262 €T |
| 02071130 | Fresh or chilled, plucked and drawn fowls of species gallus domesticus, without heads and feet but with necks | | 299 €T |
| 02071190 | Fresh or chilled, plucked and drawn fowls of species gallus domesticus, without heads, feet, necks, hearts | | 325 €T |
| 02071210 | Frozen fowls of species gallus domesticus, plucked and drawn, without heads and feet but with necks, hearts | | 299 €T |
| 02071290 | Frozen fowls of species gallus domesticus, plucked and drawn, without heads, feet, necks, hearts, livers | | 325 €T |
| 02071310 | Fresh or chilled boneless cuts of fowls of the species gallus domesticus | | 1024 €T |
| 02071320 | Fresh or chilled halves and quarters of fowls of the species gallus domesticus | | 358 €T |
| 02071330 | Fresh or chilled whole wings, with or without tips, of fowls of the species gallus domesticus | | 269 €T |
| 02071340 | Fresh or chilled backs, necks, backs with necks attached, rumps and wing tips of fowls of the species gallus | | 187 €T |
| 02071350 | Fresh or chilled unboned breasts and cuts thereof of fowls of the species gallus domesticus | | 602 €T |
| 02071360 | Fresh or chilled unboned legs and cuts thereof of fowls of the species gallus domesticus | | 463 €T |
| 02071370 | Fresh or chilled unboned cuts of fowls of the species gallus domesticus | | 1008 €T |
| 02071391 | Fresh or chilled edible livers of fowls of the species gallus domesticus | 6.4% | |
| 02071399 | Fresh or chilled edible offal of fowls of the species gallus domesticus | | 187 €T |
| 02071410 | Frozen boneless cuts of fowls of the species gallus domesticus | | 1024 €T |
| 02071420 | Frozen halves or quarters of fowls of the species gallus domesticus | | 358 €T |
| 02071430 | Frozen whole wings, with or without tips, of fowls of the species gallus domesticus | | 269 €T |
| 02071440 | Frozen backs, necks, backs with necks attached, rumps and wing tips of fowls of the species gallus domesticus | | 187 €T |
| 02071450 | Frozen unboned breasts and cuts thereof of fowls of the species gallus domesticus | | 602 €T |
| 02071460 | Frozen unboned legs and cuts thereof of fowls of the species gallus domesticus | | 463 €T |
| 02071470 | Frozen unboned cuts of fowls of the species gallus domesticus | | 1008 €T |
| 02071499 | Frozen edible offal of fowls of the species gallus domesticus | | 187 €T |
| 04070011 | Turkey or goose eggs for hatching | | 105 €1000 pces |
| 04070019 | Poultry eggs for hatching | | 35 €1000 pces |
| 04070030 | Poultry eggs, in shell, fresh, preserved or cooked | | 304 €T |
| 04081180 | Egg yolks, dried, for human consumption, whether or not containing added sugar or other sweetening matter | | 1423 €T |
| 04081981 | Egg yolks, liquid, suitable for human consumption, whether or not containing added sugar or other sweetening matter | | 620 €T |
| 04081989 | Egg yolks (other than liquid), frozen or otherwise preserved, suitable for human consumption | | 663 €T |
| 04089180 | Dried birds' eggs, not in shell, whether or not containing added sugar or other sweetening matter | | 1374 €T |
| 04089980 | Birds' eggs, not in shell, fresh, cooked by steaming or by boiling in water, moulded, frozen or otherwise preserved | | 353 €T |
| 16023211 | Uncooked, prepared or preserved meat or meat offal of fowls of the species gallus domesticus containing $\geq 57\%$ | | 867 €T |
| 16023219 | Cooked, prepared or preserved meat or meat offal of fowls of the species gallus domesticus containing $\geq 57\%$ | 10.9% | |
| 16023230 | Prepared or preserved meat or meat offal of fowls of the species gallus domesticus containing $\geq 25\%$ but $< 57\%$ meat | 10.9% | |
| 16023290 | Prepared or preserved meat or meat offal of fowls of the species gallus domesticus | 10.9% | |

Source: Eurostat 2003 Data.

ANNEX TABLE 5: IMPORT OF POULTRY PRODUCTS AND EGG ITEMS IN 2000

| HS 8 | Intra EU | | | Extra EU | | | World | | |
|--|--------------------|------------------|-------------------------|--------------------|------------------|-------------------------|--------------------|------------------|-------------------------|
| | Value in 1000 € | Volume in Ton | Unit Price 1000€/Ton | Value in 1000 € | Volume in Ton | Unit Price 1000€/Ton | Value in 1000 € | Volume in Ton | Unit Price 1000€/Ton |
| Fresh or chilled, plucked and gutted fowls of species gallus domesticus, with heads and feet, called '83 % (02071110) | 15108 | 15692 | 0.96 | 1 | 1 | 1.00 | 15109 | 15693 | 0.96 |
| Fresh or chilled, plucked and drawn fowls of species gallus domesticus, without heads and feet but with necks, (02071130) | 22812 | 11244 | 2.03 | 49 | 38 | 1.29 | 22861 | 11282 | 2.03 |
| Frozen fowls of species gallus domesticus, plucked and drawn, without heads, feet, necks, hearts, livers (02071290) | 70148 | 55866 | 1.26 | 5821 | 5645 | 1.03 | 75969 | 61511 | 1.24 |
| Fresh or chilled unboned breasts and cuts thereof of fowls of the species gallus domesticus (02071350) | 214645 | 71369 | 3.01 | 12990 | 5498 | 2.36 | 227635 | 76867 | 2.96 |
| Frozen halves or quarters of fowls of the species gallus domesticus (02071420) | 18415 | 20360 | 0.90 | 60 | 74 | 0.81 | 18475 | 20434 | 0.90 |
| Turkey or goose eggs for hatching (04070011) | 23579 | 1509 | 15.63 | 17666 | 1607 | 10.99 | 41245 | 3116 | 13.24 |
| Poultry eggs for hatching (04070019) | 63839 | 23084 | 2.77 | 7999 | 1048 | 7.63 | 71838 | 24132 | 2.98 |
| Poultry eggs, in shell, fresh, preserved or cooked (04070030) | 443168 | 480544 | 0.92 | 9062 | 11609 | 0.78 | 452230 | 492153 | 0.92 |

Source: Based on Eurostat Data.

ANNEX TABLE 6: IMPORT DUTIES ON RICE AND BROKEN RICE

| CN code | Duties (5) | | | | |
|------------|---|---------------|----------------|--------------------------------|-----------|
| | Third countries (except ACP and Bangladesh) (3) | ACP (1)(2)(3) | Bangladesh (4) | Basmati India and Pakistan (6) | Egypt (8) |
| 1006 10 21 | (7) | 69,51 | 101,16 | | 158,25 |
| 1006 10 23 | (7) | 69,51 | 101,16 | | 158,25 |
| 1006 10 25 | (7) | 69,51 | 101,16 | | 158,25 |
| 1006 10 27 | (7) | 69,51 | 101,16 | | 158,25 |
| 1006 10 92 | (7) | 69,51 | 101,16 | | 158,25 |
| 1006 10 94 | (7) | 69,51 | 101,16 | | 158,25 |
| 1006 10 96 | (7) | 69,51 | 101,16 | | 158,25 |
| 1006 10 98 | (7) | 69,51 | 101,16 | | 158,25 |
| 1006 20 11 | 264,00 | 88,06 | 127,66 | | 198,00 |
| 1006 20 13 | 264,00 | 88,06 | 127,66 | | 198,00 |
| 1006 20 15 | 264,00 | 88,06 | 127,66 | | 198,00 |
| 1006 20 17 | 264,00 | 88,06 | 127,66 | 14,00 | 198,00 |
| 1006 20 92 | 264,00 | 88,06 | 127,66 | | 198,00 |
| 1006 20 94 | 264,00 | 88,06 | 127,66 | | 198,00 |
| 1006 20 96 | 264,00 | 88,06 | 127,66 | | 198,00 |
| 1006 20 98 | 264,00 | 88,06 | 127,66 | 14,00 | 198,00 |
| 1006 30 21 | (7) | 133,21 | 193,09 | | 312,00 |
| 1006 30 23 | (7) | 133,21 | 193,09 | | 312,00 |
| 1006 30 25 | (7) | 133,21 | 193,09 | | 312,00 |
| 1006 30 27 | (7) | 133,21 | 193,09 | | 312,00 |
| 1006 30 42 | (7) | 133,21 | 193,09 | | 312,00 |
| 1006 30 44 | (7) | 133,21 | 193,09 | | 312,00 |
| 1006 30 46 | (7) | 133,21 | 193,09 | | 312,00 |
| 1006 30 48 | (7) | 133,21 | 193,09 | | 312,00 |
| 1006 30 61 | (7) | 133,21 | 193,09 | | 312,00 |
| 1006 30 63 | (7) | 133,21 | 193,09 | | 312,00 |
| 1006 30 65 | (7) | 133,21 | 193,09 | | 312,00 |
| 1006 30 67 | (7) | 133,21 | 193,09 | | 312,00 |
| 1006 30 92 | (7) | 133,21 | 193,09 | | 312,00 |
| 1006 30 94 | (7) | 133,21 | 193,09 | | 312,00 |
| 1006 30 96 | (7) | 133,21 | 193,09 | | 312,00 |
| 1006 30 98 | (7) | 133,21 | 193,09 | | 312,00 |
| 1006 40 00 | (7) | 41,18 | (7) | | 96,00 |

- (1) The duty on imports of rice originating in the ACP States is applicable, under the arrangements laid down in Council Regulation (EC) No 1706/98 (OJ L 215, 1.8.1998, p. 12) and amended Commission Regulation (EC) No 2603/97 (OJ L 351, 23.12.1997, p. 22).
- (2) In accordance with Regulation (EC) No 1706/98, the duties are not applied to products originating in the African, Caribbean and Pacific States and imported directly into the overseas department of Réunion.
- (3) The import levy on rice entering the overseas department of Réunion is specified in Article 11(3) of Regulation (EC) No 3072/95.
- (4) The duty on imports of rice not including broken rice (CN code 1006 40 00), originating in Bangladesh is applicable under the arrangements laid down in Council Regulation (EEC) No 3491/90 (OJ L 337, 4.12.1990, p. 1) and amended Commission Regulation (EEC) No 862/91 (OJ L 88, 9.4.1991, p. 7).
- (5) No import duty applies to products originating in the OCT pursuant to Article 101(1) of amended Council Decision 91/482/EEC (OJ L 263, 19.9.1991, p. 1).
- (6) For husked rice of the Basmati variety originating in India and Pakistan, a reduction of EUR/t 250 applies (Article 4a of amended Regulation (EC) No 1503/96).
- (7) Duties fixed in the Common Customs Tariff.
- (8) The duty on imports of rice originating in and coming from Egypt is applicable under the arrangements laid down in Council Regulation (EC) No 2184/96 (OJ L 292, 15.11.1996, p. 1) and Commission Regulation (EC) No 196/97 (OJ L 31, 1.2.1997, p. 53).

Source: EC Resolution 2002.

**ANNEX TABLE 7: DUTIES APPLICABLE TO IMPORTS OF WHITE SUGAR,
RAW SUGAR AND PRODUCTS**

(EUR)

| CN code | Amount of representative prices per 1000 kg net of product concerned | Amount of additional duty per 1000 kg net of product concerned |
|----------------|--|--|
| 1701 11 10 (1) | 205.7 | 40.1 |
| 1701 11 90 (1) | 245.7 | 92.5 |
| 1701 12 10 (1) | 245.7 | 38.2 |
| 1701 12 90 (1) | 242.7 | 88.2 |
| 1701 91 00 (2) | 242.4 | 134.4 |
| 1701 99 10 (2) | 242.4 | 85.9 |
| 1701 99 90 (2) | 242.7 | 85.9 |
| 1702 90 99 (3) | 2.4 | 4.0 |

(1) For the standard quality as defined in Article 1 of amended Council Regulation (EEC) No 431/68 (OJ L 89, 10.4.1968, p. 3).

(2) For the standard quality as defined in Article 1 of Council Regulation (EEC) No 793/72 (OJ L 94, 21.4.1972, p. 1).

(3) By 1 % sucrose con