

MEETING THE CHALLENGES OF GRADUATION FROM
LDC STATUS IN 2026

**FBCCI - HANDBOOK
ON
SUSTAINABLE DEVELOPMENT
2021 - 2026 & BEYOND**

**The Federation of
Bangladesh Chambers of Commerce & Industry**

16 December, 2021

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ON

**SUSTAINABLE DEVELOPMENT
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**The Federation of Bangladesh Chambers
of Commerce & Industry (FBCCI)**

Acknowledgement

The FBCCI-HANDBOOK ON SUSTAINABLE DEVELOPMENT 2021-2026 & BEYOND has been prepared by FBCCI on the basis of records of years of activities and interactions with the private sector, Government Bodies, Regional and Global Institutions and Business Organizations at home and abroad on different aspects of comprehensive trade and economic policy issues including on WTO Negotiations.

FBCCI is particularly happy and proud for being entrusted by the Ministry of Commerce to prepare the submission of Bangladesh for the 1st Ministerial Conference of WTO held in Singapore in 1996.

The submission of Bangladesh on duty free quota free market access for LDCs, technical and financial assistance for capacity development of LDCs as prescribed in respective WTO Agreements and rejection of proposal on labour standards and four Singapore issues were adopted in the Singapore Ministerial Declaration. FBCCI has also been privileged to be always associated with Government in the formulation of trade and economic, power & infrastructure development policies of Bangladesh from the date of its inception in 1973.

Highly appreciating the constitution of the National Committee, headed by the Principal Secretary of the Hon'ble Prime Minister, for meeting the challenges of Bangladesh's graduation from LDC status in 2026. And

Acknowledging the immense opportunity extended to FBCCI, the apex stakeholder, as a member of the National Committee and the sub-committees for sharing the concerns and suggestions of the private sector;

FBCCI deems it extremely expedient to compliment the official outcome documents with the corresponding thematic advocacy agenda in the form of a Handbook prepared in partnership and series of consultations with Chambers, Associations, stakeholders and experts from public and private sector. FBCCI is extremely grateful to all respected and valued contributors from the Chambers, Associations, stakeholders, experts from public and private sector who made the formulation of this Handbook possible.

Md. Jashim Uddin

President, FBCCI

all, 254 large industrial units were nationalised in the jute, textile, sugar, iron and steel, engineering and shipbuilding, fertilizer, pharmaceutical and chemical, oil, gas and mineral, paper and paper products, and forest industries.

In pre-liberation Bangladesh, there were 12 local commercial banks, which had 1,175 branches throughout East Pakistan, and a few insurance companies. All these were nationalised. So, the share of the state in the ownership of all industrial assets in Bangladesh went up from 34 per cent in 1970 to 92 per cent in 1972 while the private sector's share in the assets came down from 66 per cent to 8.0 per cent. In order to manage and control the nationalised enterprises, ten corporations were set up. To meet the financial needs in different sectors, Bangladesh Krishi Bank (Bangladesh Agricultural Bank), Bangladesh House Building Finance Corporation, Bangladesh Shilpa Bank (Industrial Bank), and Bangladesh Shilpa Rin Sangstha were set up under state ownership.

Trading Corporation of Bangladesh (TCB) was established for controlling the import business. The Jute Marketing Corporation, the Jute Stabilisation Corporation and the Jute Export Corporation were also set up.

Bangabandhu also initiated land reforms, that included exemption of family holdings land up to 25 bighas (one bigha equivalent to 33 decimals) from payment of land revenue and imposition of a ceiling of 100 bighas per family on agricultural land in Bangladesh. All char lands (lands situated on the banks of a river or sea, like island) were to be taken over and placed at the disposal of the state.

Ceilings on private investment: The nationalisation decision of March 26, 1972 was supplemented by imposition of ceilings on or limits to private investment. In July 1972, therefore, the state fixed a ceiling of Tk 2.50 million on private investment which could grow up to Tk 3.50 million through reinvestment of profits.

With imposition of the ceiling, those units that survived as private enterprises were mostly small-scale and cottage industries. There remained in the private sector only 27 enterprises with fixed assets of about Tk 1.0 million, while in the rural areas, there were 330,400 small industrial enterprises with assets under Tk 500,000.

In 1971, there were 20 private industrial enterprises owned by foreign companies; 16 of them were pharmaceutical companies, while the other 04 were Lever Brothers, Bangladesh Tobacco Company, Bangladesh Oxygen, and Pakistan Fibers (Jute). The imposition of ceiling on private investment also limited operations of foreign private enterprises in Bangladesh.

Socialism or Mixed Economy: There were serious differences in the government leaders over introduction of pure socialism or a mixed economy. One section was opposed to any aid from the "imperialist nations" and wanted to introduce a strictly socialist strategy of economic transformation while another section wanted to introduce a mixed economy.

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Preamble

Recognizing that, “Graduation is only the first milestone towards the path of sustainable and inclusive development rather than the winning post of entering into the domain of the developing country status;

Emphasising that for meeting the dual challenges of adverse global impact of prolonged chain of Covid 19 pandemic and the graduation out of the list of LDCs in 2026 Bangladesh has no other option but to expedite:

- *Sustainable and competitive regional and global market access in goods and services;*
- *Facilitation of investment and trade finance for sustainable inclusive development;*
- *Ensure a sustainable, predictable, effective and investment, business & revenue friendly Tax & Tariff regime;*
- *Sustainable Export Development, Subsidies and Incentives; and*
- *Reform and streamlining of supply and demand-side policy regimes.*

Highly appreciating the constitution of the National Committee, headed by the Principal Secretary of the Hon'ble Prime Minister, for meeting the challenges of Bangladesh's graduation from LDC status in 2026. And

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FBCCI is therefore pleased to publish this Handbook as hereafter.

Dedicated to the Memory
of
Father of the Nation
Bangabandhu Sheikh Mujibur Rahman

**Bangabandhu the Architect of
Economic Foundation of Sonar Bangla**

Bangabandhu the Architect of Economic Foundation of Sonar Bangla

Under the dedicated leadership of Bangabandhu Sheikh Mujibur Rahman, the people of Bangladesh fought valiantly and won the liberation war in 1971 making Bangladesh a sovereign and independent state on December 16, 1971.

Thereafter Bangladesh had to face greater challenges of building a viable economy and a stable social and political order out of a war-ravaged country.

BACKDROP: The newly independent country was set against the backdrop of a lot of ‘rampage and rape of the Bangladesh economy’ by the occupation forces. The infrastructures had been totally destroyed. Millions of refugees streamed into the cities with hopes of help. International assistance was coming slowly, mainly for political reasons. The destroyed and disrupted infrastructures - transport and communication links both at home and for incoming and outgoing cargo – further aggravated the situation.

In January 1972 Time magazine reported: “In the aftermath of the Pakistani army’s rampage last March, a special team of inspectors from the World Bank observed that some cities looked ‘like the morning after a nuclear attack.’ Since then, the destruction has only been magnified.In the last days of the war, West Pakistani-owned businesses-which included nearly every commercial enterprise in the country-remitted virtually all their funds to the West.”

Time Magazine on 25 August 1975, ten days after his tragic death, also wrote: “ Mujib returned to the most tumultuous welcome Dacca had ever seen-and a staggering array of problems in probably the poorest (and most densely populated) country on earth. There were virtually no civil servants and little industry. Ports were clogged, railroads destroyed, the educated elite savaged. Worse, what had not been destroyed in war was soon destroyed by a devastating drought in 1973 and floods last year that inundated three-quarters of the country.”

Soon after liberation, the war-ravaged country was engulfed in economic crisis, floods and famine. One of major reasons of the crisis was the global inflation which hit the world in 1972. Widespread smuggling of relief goods, foodstuffs and jute aggravated the crisis. The smuggling operations particularly hit the jute export and jute industry in Bangladesh, which earned 85.0 per cent of the country’s total foreign exchange at that time.

The floods in July and August 1974, according to an estimate of the Planning Commission, caused damage to more than 1.0 million tons of food-grains and hampered jute exports worth US\$10 million to \$15 million, crippling the economy.

1974 famine & US: Desperate to earn some foreign exchange, Bangladesh entered a trade deal with Cuba in violation of the embargo declared by the USA which, thus forfeited US development aid at a

time when a famine was imminent in 1974. The US President would have had the power to waive the restrictions (as he had done in the case of Egypt), which he did not do in order to teach Bangladesh a lesson. That aggravated the 1974 famine.

Nevertheless, to overcome the situation, Bangabandhu Sheikh Mujibur Rahman visited the US, Iraq, Egypt and Kuwait. During July, August, September and October 1974 Bangabandhu sent senior ministers and officials to hold series of meetings with various international agencies and leaders of developed and Middle East countries to apprise them of the economic crisis in Bangladesh.

As a result, by November, Bangladesh received about US\$400 million in cash and kind as emergency assistance and about US\$145 million as loans from various countries and international organisations.

An Aid to Bangladesh Consortium, consisting of nine international organisations and 17 noncommunist countries including Japan, Iran and the United Arab Emirates (UAE), was formed in Paris in October 1974. The non-Arab members alone of the aid consortium pledged US\$600 million aid to Bangladesh along with massive aid from Petro-dollar rich Arab countries.

In September-October, 1974 the government of Bangladesh signed contracts with seven foreign oil companies, including three American companies, for offshore oil explorations and earned a total of \$30 million as signature bonus. With these foreign grants, aid and various other forms of assistance, Bangladesh was set to get boosted for rebuilding of its war-torn economy.

The visit of Bangabandhu to the US on the occasion of addressing the UN General Assembly was a historic breakthrough in relations between the US and Bangladesh. On June 10, 1974 the Security Council adopted a resolution recommending to the General Assembly the admission of Bangladesh as a member of the world body. On September 18, Bangladesh was formally admitted by the General Assembly. On September 25, Bangabandhu as the Prime Minister of Bangladesh addressed the General Assembly in Bengali.

Despite strong reservation against Bangladesh, Dr. Henry Kissinger, during his 19 hours visit to the country on October 30-31, 1974, described Sheikh Mujibur Rahman as a “man of vast conceptions” and stated that “without him Bangladesh would not have existed.”

Economic reconstruction: The planning commission was set up in February 1972 with Mr. Nurul Islam as deputy chairman including Mr. Rehman Sobhan and Mr. Muzaffar Ahmad as its members to formulate development strategy for Bangladesh. The commission suggested socialist model of state-sponsored industrialisation. It also recommended nationalisation of all enterprises in jute, textiles, and sugar industries with fixed assets of over Tk 1.5 million.

Following the recommendation, the policy statement was announced on March 26, 1972 that all large industries and other financial institutions (such as banks and insurance and shipping companies) with assets of over Tk 1.5 million should be nationalised and would henceforth be managed by the state. In

At the beginning, Bangabandhu as the Prime Minister tried to maintain a balance between the two groups. In the middle of 1974 when the economic situation reached crisis proportions and massive foreign aid was required, Bangabandhu “tilted the balance” towards a more liberal mixed economy.

On July 16, 1974, a new investment policy was announced which raised the ceiling on domestic private investment to Tk 80 million and permitted foreign investment in Bangladesh without any ceiling at all.

The new policy also announced a moratorium on nationalisation of private industries for a period of 15 years and added that in the event of nationalisation of any industry after that period, compensation would be paid on a fair and equitable basis. The new investment policy also announced a tax holiday for seven years and other incentives for private investors.

Trade policy regime: Due to socialistic guidelines of economic development, the country adopted a restrictive import regime during the period of Bangabandhu. Moreover, a war-ravaged country with almost zero industrial base had little to export and the struggling small and medium domestic industries needed protection. In the initial years, the country’s exports comprised mostly raw jute and a few jute good items.

These accounted for about nine-tenths of the total export revenue of US\$377 million during the fiscal year 1972-73. Shortage of foreign currency due to almost zero export, no foreign investment and little foreign aid necessary for rehabilitation compelled Bangabandhu and his aides to maintain import control through licenses and permits.

The only commodities permitted for imports were essential for domestic consumption and production. The main tools of the import policy during the period were the foreign exchange allocation system and Import Policy Orders (IPOs). Under IPOs, it was specified whether items could be imported, were prohibited or required special authorisation. The import-to-GDP ratio stood around 7.0 per cent during the 1972-75 period.

The World Economic Survey, 1975, released by the United Nations in 1976, highlighted some important trade policy adopted by Bangladesh in 1974-75. It mentioned that in June 1974 Bangladesh export of jute was affected due to a bilateral agreement limiting jute exports from Bangladesh in exchange for European Economic Community (EEC) tariff reductions.

It indicated that from the very beginning the Bangabandhu government was somehow aware of the long-term benefit of tariff-free market access to the developed countries.

In 1975, Bangladesh also joined Asian Clearing Union (ACU) as its sixth member. The UN report said: “The Asian Clearing Union, in which Bangladesh, India, Iran, Nepal, Pakistan and Sri Lanka participate, promotes the use of local currencies in regional trade and, through the use of an Asian Monetary Unit, denominated in SDR, provides the means for multilateral settlement.”

During the period, Bangladesh became a founder member of World Trade Organisation (WTO). The WTO formally stated its journey in 1995 as a successor of General Agreement on Tariffs and Trade (GATT). It was the government of Bangabandhu which prudently decided to join GATT with effect from December 16, 1971.

Being a member of GATT helped the country to be a founder member of WTO without very demanding and grueling process of negotiations for accession.

Bangladesh also became a party to some important global conventions, treaties and agreements on international trade arena. In August 5, 1975, the country signed different Universal Copyright Convention (of 6 September 1952). Earlier it also joined Convention on International Civil Aviation in January 21, 1973.

The first regional trade agreement (RTA), signed by Bangladesh was the Bangkok Agreement (now Asia-Pacific Trade Agreement or APTA). The country joined the deal on July 31, 1975.

The UN's World Economic Survey, 1975 highlighted the Bangkok Agreement. It said: "In 1975 an agreement along similar lines was reached in Bangkok, extending trade concessions among seven countries -Bangladesh, India, Laos, the Philippines, the Republic of Korea, Sri Lanka and Thailand - by means of a schedule of reduction in tariff and non-tariff barriers relating to about 160 items of various categories, current trade in which amounts to about \$50 million."

Within only three years, seven months and five days (from January 10, 1972 to August 15, 1975) Bangabandhu laid the Economic Foundation of Sonar Bangla by establishing the framework and institutions expediting incrementally growing and thriving economy to transform the country to a welfare state.

Let us recall and express our highest appreciation for the remarkable achievements of Bangabandhu, especially his efforts of laying the most well-designed and solid foundation for salvation of people and development of war-ravaged economy. All these were to propel Bangladesh's incremental growth as a developed welfare state so lovingly coined 'Sonar Bangla' by Bangabandhu Sheikh Mujibur Rahman.

Compiled by FBCCI.



**Meeting the Challenges of Graduation
from LDC status in 2026.**

**FBCCI Submission
on
Internal Resource Mobilization
& Tariff Rationalisation**

Meeting the Challenges of Graduation from LDC status in 2026

FBCCI Submission on Internal Resource Mobilization & Tariff Rationalisation

About Import Tariff: The Multilateral Frameworks of World Trade Organization (WTO) and World Custom Organization (WCO) govern the National Customs Laws throughout the world.

Customs Duty [Ref; WTO]: A customs duty is a tax levied at the border on imported goods. There are different technical methods of assessing customs duties:

- *ad valorem (percentage of import value),*
- *specific (based on weight or volume of goods),*
- *mixed (ad valorem or specific whichever is higher/lower),*
- *compound (ad valorem and specific) or*
- *on another basis (e.g. according to percentage content of a product component).*

Tariffs are prescribed through the First Schedule of the Customs Act 1969: Customs tariff (including RD) is applicable only for imported goods, but other duties and taxes are equally applicable for domestic goods and imported goods.

Taxes are prescribed through the Third Schedule of the VAT and SD Act 2012 for imposition of VAT and Supplementary duty (SD) at import stage. The import of goods taxable under the VAT & SD Act, 2012 (i.e., goods not specified as tax-exempted in the First Schedule of the VAT and SD Act 2012) is also subject to imposition of VAT.

Value Added Tax : The value-added tax is an indirect tax that is collected on the proportion of value added to goods and services occurring in all processes, ranging from procurement—production—distribution and supply for consumption. It is also collected on the value of goods and services imported into the country (by reverse charging) from the importer.

There is no International VAT framework with any obligation or commitment to comply with since the inception of the Value Added Tax in 1954 in France. The common three principles of VAT practiced worldwide are:

1. *At import stage, where vat is imposed on duty paid value of imported goods and services;*
2. *In subsequent chain of transactions VAT is imposed on the value-added portion of the transaction price as under:*
 - *Value-added tax payable refers to the amount of value-added tax on output (output tax) minus the value-added tax on input (input tax); or*
 - *The tax amount calculated on the added portion of the sale value of supply of goods and services liable to value-added tax;*

The implication of graduation on tariff rationalization: WTO rules contain no explicit provisions regarding the graduation of LDCs. However, in line with the principle of non-reciprocity granted under Article XXXVI (8) of the General Agreement on Tariffs and Trade (GATT upon graduation, Bangladesh would be treated as a developing country member subject to the respective period of ISM extensions as they apply.

Bangladesh as the graduating LDCs would continue to enjoy this flexibility related to tariff bindings granted at the time of joining the organization during the Uruguay Round with the tariff schedule notification of an average bound tariff level of 154% and a binding coverage of only 17%, with the remaining 83% unbound tariffs will be applicable until any new obligations under WTO NAMA and Agricultural Negotiations are prescribed.

Challenges: Tariffs rates of products are different for different importers distorting trade, causing complexities and proliferation of revenue leakage. Tariff benefit granted under exclusively S.R.Os are enjoyed only by few listed sectors denying the similar benefits to other sectors.

CMSMEs and other industries sectors who procure inputs from open market are finding it difficult to be competitive because of much higher incidence of duties on their inputs in addition to complex, recurring, overlapping high incidence of VAT and Income Tax throughout the chain of business process.

If essential elements of productive capacities and trade flows are not developed before graduation, it is highly likely that the road to sustainable development after graduation will be rough and full of pitfalls. Bangladesh would inevitably need improved efficiencies in domestic supply chains and production networks to offset such disadvantages and generate competitiveness.

The possible advantages of tariff rationalization: Rationalization of tax and tariff to facilitate investment friendly production chain will expedite integration of Bangladesh business most effectively with the global value chain and also strengthen a rational, transparent and efficient business and revenue policy and trade facilitation system of Bangladesh. It will also facilitate trade through overall improvement of business environment.

Most importantly, a sustainable, predictable and rationalized tax and tariff regime will uphold the twin interest of the cost efficient business process and the consumers through reducing the cost of doing business, competitive price of consumer goods triggering flow of increased revenue from growing trade.

Two Fundamental Objectives of Tariff Rationalization:

First: To facilitate investment friendly production chain for expediting integration of Bangladesh business most effectively with the global value chain by undertaking an ongoing action plan to gradually reduce and rationalize the tariff and tax regime with a view to increasing competitiveness upholding the inclusive interest of productive sectors and the consumers in general.

Second: To identify the necessary steps to strengthen domestic resource mobilization for sustainable and inclusive socio-economic development.

Urgent Tariff Rationalization Measures to be implemented by April 2022:

General Reform Agenda:

1. a) To reform Customs ACT, 1969, Value Added Tax ACT, 2012 and Income Tax Ordinance and regulations and procedures on the basis of applicable WTO Agreements WCO obligations and global best practices in partnership and consultation with the stakeholders;

b) Bangladesh need to integrate with the 140 members of the OECD/G20 Inclusive Framework on Taxation. As of 8 October 2021, 140 countries and jurisdictions have joined the Two-Pillar Solution to reform international taxation rules and ensure that multinational enterprises pay a fair share of tax wherever they operate. **(Annex OECD-G20 Framework)**

Pillar One – Re-allocation of taxing rights: Pillar One will ensure a fairer distribution of profits and taxing rights among countries with respect to the largest MNEs, including digital companies. It would re-allocate some taxing rights over MNEs from their home countries to the markets where they have business activities and earn profits, regardless of whether firms there have a physical presence there. Under Pillar One, taxing rights on more than USD 125 billion of profit are expected to be reallocated to market jurisdictions each year.

Pillar Two – Global anti-base erosion mechanism: Pillar Two seeks to put a floor on competition over corporate income tax, through the introduction of a global minimum corporate tax rate that countries can use to protect their tax bases. The global minimum corporate income tax under Pillar Two - with a minimum rate of 15% - is estimated to generate around USD 150 billion in additional global tax revenues annually. Additional benefits will also arise from the Stabilisation of the international tax system and the increased tax certainty for taxpayers and tax administrations.

c) Paying tax official in addition to regular pay scale a commission as incentive for the collection of evaded taxes most often leads to extortion by the threat to over-report liable taxes. This practice destroys the credibility of the tax system and should be abolished.

2. To implement, among others, the provision of Article 2 of the WTO Trade Facilitation Agreement:

To consult with the stakeholders before formulation and enforcement of new or amended trade related laws and regulations of application related to the clearance of goods and services including in transit by extending opportunities and an appropriate time period to traders and other interested parties to comment on the proposed introduction or amendment of the respective laws and regulations before the provisions of the amendment to be made through the finance Bill or SROs are put into effect;

3. Separation of NBR Tax collection and Policy Divisions: The NBR Order issued in 2008 and reaffirmed in the 2009 Budget regarding separation of **tax collection** and policy division of NBR should be implemented by setting up a separate Trade Facilitation Division (TFD) headed by the senior most Member of NBR. **The functions of the TFD may include, among others, the following:-**

- *Rationalisation of all taxes and tariffs from time to time and prepare tax and tariff related budget proposals for consideration of the Government;*

- *Risk management, audit , inspection and investigation;*
- *Export facilitation and duty draw back on export products including all its inputs whether imported or locally procured.*
- *Management of ADR and other dispute settlement measures*
- *Administering Bangladesh Single window being established for trade and tariff facilitation;*
- *Undertake legal reforms of tax and tariff laws and regulations;*
- *Administering international trade remedy measures*
- *Any other functions assigned by the Government from time to time.*

4. Revenue Mobilisation: 1). It is estimated that at the present level of our economy the number of individual taxpayers outside tax net might be more than 60% of eligible taxpayers. Level of VAT registration is no better.

2) The licensed Sectoral Associations, Chamber, Bangladesh Bar Council & different Bar Association, has data base of their members and lawyers, Institute of Chartered Accountants has list of practicing chartered accountants, Bangladesh Medical & Dental Council as well as Bangladesh Medical Association have the list of member medical practitioners.

3). Specific Measures for Revenue Mobilisation:

a) Set up joint tax offices at Upojela level to widen the Income tax and VAT net and adjust tax rates simplify procedure, remove inconsistencies to reduce cost of doing business to generate optimum revenue compliance;

b) Entrust respective licensing and regulatory government agencies, operating Banks, respective tax authority, Chambers and Sectoral Associations the responsibility to ensure collectively 100% Income tax and VAT registration of all eligible entities. ***All licensed professional bodies and the line public authority should ensure and monitor that all professionals in their respective jurisdictions are compulsorily dully tax registered; and***

c) Submission of duly authenticated copies of Income tax and VAT registration certificates along with latest income tax payment certificates (tax returns pending dispute settlement will not be treated as default) should be made compulsory for any business engagement with any public or private corporate bodies in line with the binding obligation of each business enterprise under the Trade organization Ordinance, 1961 and Rules thereunder.

5. General Tariff Facilitation:

a) Almost all manufacturing sector in Bangladesh are now linked with export chain as finished products as well as backward linkage of various items of exports. Therefore policy bias to promote only 80% export production units should be discarded ***by expediting policy cohesion on manufacturing for export and domestic markets by integrating them to global supply & value chain with sectoral cluster based bonded warehouses and similar fiscal facilities;*** and

b) To set up online single window customs clearance, payments of duty along with duty draw back on exports and deemed exports including all refunds on AIT, AT, VDS as and when applicable.

Rationalization of Customs Duty Structure:

1) To adopt following MFN Customs Duty Structure :

- i. basic raw materials, inputs and essential commodities 1-3%;
- ii. Capital machinery and spares 1%
- iii. Intermediate inputs 7-10%; Provided that effective rate of tariff protection of industrial inputs produced in Bangladesh shall not be above 30%.
- iv. Finished products consumed without any change 25% + RD+ SD
- v. Specific Duty on some selected sensitive products. [Vehicles, Iron & Steel, Gold, Fuel oil, Power and Energy, Raw Cotton ++];

Provided that Bangladesh should harmonize customs duty (CD), regulatory duty (RD) supplementary duty (SD) and other border taxes with the National Treatment Provision of WTO and other reciprocal mutual obligations with trading partners on the basis of time bound mutual schedules of commitments as may be agreed upon.

2) Customs procedures relating to, among others, customs valuation, clarifications on classifications H S Code, prevention of under invoicing and mis-declaration, and clearance measures for traded products should be rationalized and simplified by harmonizing with the WTO Agreement on Customs valuation and the provisions of WCO to reduce the cost, time and harassment of doing business;

Rationalization of Income Tax: Major Complexities : Income Tax law and procedures are too complex. Section 35 of the Income Tax Ordinance states that accounts are to be maintained according to the International Financial Reporting Standard(IFRS).

On the other hand tax is imposed on 0.50%/0.25% of turn over ignoring the accounts. This is against the international standard and sending mixed signal to taxpayers and investors. Where accounts are maintained according to IFRS, tax should be imposed on a business only on net profit

Tax deduction at source has been imposed on larger & larger areas of transaction without any study before setting the rate of tax deduction at source. The rate of tax deduction are many and arbitrary. This has resulted increase in cost of doing business.

The process of ascertainment of Gross Profit practiced by tax department is highly discrete and unrealistic. Which compels the taxpayers to understate/hide actual sale/receipt. This also has impact on the base for VAT. The practice of GP based tax assessment should be discontinued.

The method of approval of the assessment orders by the Additional Commissioner/Joint Commissioner and then again by the Commissioner is creating unnecessary steps, harassment and cost escalation. This needs to be discontinued. **Rationalization and simplification of tax law is also likely to contribute simplified cost effective business process expediting voluntary tax compliance.**

To rationalize & simplify income tax regime for reducing cost of doing business and generate more revenue compliance the following measures should be adopted:

1. The present applicable tax base rate for companies is highest among (a) tax payable on applicable rate on accounting profit; (b) tax deducted or collected at source; and (c) a fixed percentage of gross receipt/sale. This is a basic deviation from the principle of tax on income. **Accounting profit should be the only basis to apply tax rate where the tax deducted or collected at source and on gross receipt/sale should be adjustable;**
2. VAT registered Manufacturing units should be exempted from paying AIT and present rates of tax deductions ranging from 0.5% to 30% imposed without taking into account the profit element in the transaction, should be fixed from 0.5% to maximum 3%.
3. ITES (IT Enabled services) enjoys tax exemption under Para 33 of Part A of Sixth Schedule. But receipt of such income from abroad attracts tax-deduction under section 52Q where no waiver provision is available. Similar problems may occur for non-resident enterprises having no PE. **Tax-deduction under section 52Q on receipt of payment from abroad of IT Enabled services should be abolished;**
4. Deduction at source for inland L/C u/s 52U, tax deduction on distributors commission u/s 53E and legal restriction on refund of tax deducted or collected at source u/s 82C (5) should be abolished;
5. To apply sector specific scale of Gross Profit through undertaking sector wise periodical joint cost audits by NBR experts and chartered cost auditors.
6. Permission should be granted for a reduction of 100% from the taxable income for the investment of any industry for controlling pollution or reducing GHG emission.
7. Rules and procedures for filing of tax-returns, assessment, risk management & audit, and dispute settlement measures should be reviewed and reformed for facilitating smooth and transparent revenue regime promoting sustainable compliance.

Reform and Rationalization of VAT Regime: General Reform Measures should include, among others the following:-

- Increase VAT network by entrusting the Local VAT offices and the respective Business Associations to work together to ensure 100% VAT registration of eligible entities.
- Simplify applicable VAT process taking into account the respective scale and business process, VAT Payment and Returns, Audit process, dispute settlement including ADR process to make the VAT Regime Compliance and Revenue friendly;
- VAT registered Manufacturing units should be exempted from payment of AT;
- Discontinue double taxation through TDS and VDS which are finally adjusted;

- VDS should only be carried against all purchase from outside the country;
- Set up single window for duty draw back on exports and deemed exports including all refunds on AIT, AT, VDS as and when applicable.
- The arbitrary and extra-legal practice (in the field level) of compelling firms to show a minimum 33%-35% value addition with a view to avoiding 'reduction of AT collected at import stage has to be immediately abolished.

Specific Measures: To remove anomalies and trade distortions caused by SROs prescribing different reduced rates of VAT favouring only some specified sectors, by incorporating in the VAT Act the following specific provisions:-

- Enterprises with higher scale of business turnover over a threshold level should be graduated automatically to be enlisted as LTU;
- 15% VAT on the transaction price of goods and services with input VAT credit from the output VAT;
- 3% VAT (15 % VAT at 20% value addition) on the transaction price of processed goods not taking input VAT credit;
- 6% VAT (15 % VAT at 40% value addition) on services (including, health services, hotels and resorts not listed as LTU) not taking input VAT credit;
- Specific Tariff based VAT for Real Estate, Iron and Steel sector etc not taking input VAT credit
- 0.5% VAT on the transaction price at wholesalers and retailers stage of goods not taking input VAT credit (which are already loaded with 15% incremental VAT from the previous stages of value chains)
- 15%, 3%, 6% and 0.5% VAT paid as input VAT shall be creditable in the subsequent business processes from the output VAT.

Expected Benefits: Consumers will be encouraged to pay VAT from the respective outlets at much lower rate ranging from 0.5% to 3% which is currently aggregates above 20%+ ;

- Simplified, compliance & revenue friendly VAT Regime resulting in incremental widening of VAT net and growth of revenue.
- Credit chain will be established throughout the business process
- Reducing incidence of VAT on MSMEs will hardly affect the revenue target rather it will encourage and promote MSMEs to be tax compliant and generate more revenue at the same time uphold the interest of the consumers and the productive sectors.
- MSMEs (90% of our economy) taxpayers who are not in a position to obtain VAT credit to be paid on sales price, wholesalers and retailers will be highly encouraged to adopt and comply with the respective VAT regime.

Mid Term Measures to be implemented by 2026

1. Bangladesh should take up a proactive action plan with the trading partners for respective Customs Cooperation Agreement to facilitate mutual trade as envisaged in the WTO Trade Facilitation Agreement and WCO protocols and annexes including gradual harmonization of customs documentation and clearance procedure for transit and trans-shipment of goods across the borders.
2. Bangladesh should streamline update and harmonize its trade facilitation regulatory regime including Mutual tax treaties, Dispute settlement measures, Access to public procurement practices etc with its trading partners upholding the global principles of MFN and National Treatment.
3. To enable CMSMEs to compete with global e-commerce by setting up necessary infrastructures including common bonded warehouses and distribution networks to bring the goods and services nearest to the consumers at home and abroad.

Long Term Measures to be implemented by 2026 and beyond

1. The existing ratio of direct and indirect tax in Bangladesh is around 35:65 which should be reversed to uphold the interest of the consumers and the productive sectors.
2. Industries based only on high effective rate of protection should discontinued by phasing them out to normal tariff with maximum 30% effective rate of tariff protection.

Implementation of the Tariff Rationalization Scheme : The Urgent Measures to be implemented by April 2022, Mid Term Measures to be implemented by 2026 and Long Term Measures to be implemented by 2026 and beyond may be implemented by one or more Standing Committees headed by the Line Ministry and including other related Ministries and Agencies according to the Rules of Business and private sector stakeholders including FBCCI.



**Meeting the Challenges of Graduation
from LDC status in 2026.**

**FBCCI submission
on
Global Market Access 2021-2026
&
Beyond.**

Meeting the Challenges of Graduation from LDC status in 2026.

FBCCI submission on Global Market Access 2021-2026 & Beyond.

LDC graduation and implications for WTO rules: At the end of the Uruguay Round, WTO members agreed to 17 Agreements under the Marrakesh Agreement Establishing the WTO. The most recent multilateral agreement, the Agreement on Trade Facilitation, was added to the WTO rulebook in 2017.

WTO LDC members benefit from special and differential treatment (S&D) provisions in WTO Agreements and Decisions, which take into account their particular needs and interests. These S&D provisions can be classified into five types:

- 1. Provisions aimed at increasing the trade opportunities of LDCs**
- 2. Provisions under which WTO members should safeguard the interests of LDCs**
- 3. Flexibility of commitments, action, and use of policy instruments**
- 4. Transitional time periods**
- 5. Technical assistance**

The LDCs were also exempt from undertaking reduction commitments under three pillars as specified in Article 15.2 of the Agreement on Agriculture namely market access, domestic support and export competition.

S&D provisions for LDCs are contained in other Agreements and Understandings for increasing their trade capacity and safeguarding their interests include:-

1. Agreement on the Application of Sanitary and Phytosanitary Measures (SPS),
2. Agreement on Technical Barriers to Trade (TBT),
3. Agreement on Import Licensing Procedures,
4. Understanding on Rules and Procedures Governing the Settlement of Disputes,
5. Trade Policy Review Mechanism,
6. Understanding on the Balance-of-Payments Provisions of the GATT 1994, and
7. Subsidies and Countervailing Agreement.

The SCM Agreement prohibits the use of export subsidies for non-agricultural products. But pursuant to Article 27.2 and Annex VII(a), LDC members are exempt from the prohibition of export subsidies. In addition to the LDCs, developing country members that are listed in Annex VII(b) are also exempt from this prohibition until their GNI per capita reaches US\$1,000 in constant 1990 dollars. After graduation, countries are no longer permitted to provide export subsidies for non-agricultural products.

**GNI per capita of graduating LDC members of WTO, at constant 1990 dollars,
1990 and 2015–2017 of Graduating LDCs**

WTO member		WTO member		WTO member
Bangladesh	210	533	561	587
Nepal	180	352	350	372
Lao PDR	200	644	681	710
Solomon Islands	590	954	938	947
Vanuatu	1,100	1,153	1,189	1,215

However, Bangladesh’s nominal GNI per capita is expected to cross the \$1000 **(at constant 1990 dollars)** threshold by 2026-2029 period as such Bangladesh will not benefit from the SCM exemptions after graduation.

Terms after graduation

- At present, WTO rules contain no explicit provisions regarding the graduation of LDCs. Upon graduation, LDCs would normally be required to align their participation as for other developing country members.
- Bangladesh, Myanmar and other LDC members will continue to enjoy the flexibility related to tariff bindings that they were allowed while joining the organization at the end of the Uruguay Round.
- Bangladesh, which is an original member, offered fewer concessions. It has an average bound tariff level of 154% and a binding coverage of only 17%, which implies that the remaining 83% of its tariffs are unbound.
- As in the case of goods, graduation does not affect existing services commitments. Graduated LDCs will not be required to change their schedule of commitments under the GATS. They will be able to maintain the existing flexibility in terms of the policy space derived from their LDC status.
- Graduation is unlikely to cause significant impact on graduating LDCs services and service suppliers. The graduating LDCs account for 0.22% of world services exports, with a 31% share in LDC exports;
- The LDC Services Waiver and decisions relating to its operationalization – the assessment of notifications made by 50 WTO members pursuant to the LDC Services Waiver reveals that a large majority of measures notified reflect members’ applied MFN regime with little preference margin for LDCs;
- SCM Agreement contains no provision regarding LDC graduation, graduating LDCs will no longer be able to continue to provide export subsidies for non-agricultural products after they leave the LDC category. Only two graduating LDC members — Bangladesh and Nepal — would be affected by the loss of this LDC flexibility.
- LDCs and NFIDCs listed in G/AG/5/Rev.10 can provide certain export subsidies **(i.e. to reduce the costs of marketing exports, costs of international transport and freight as well as internal**

transport and freight charges) until 2030, whereas other developing countries will have to end these subsidies by 2023.

Impact on graduating LDCs:

- The implications of graduation in the context of Agreement on Agriculture is rather limited. On AoA Bangladesh would continue to participate in the WTO with the original flexibility they received during the establishment of their bound duties. However, as a graduated LDC Bangladesh must adhere to increased obligations regarding notification requirements in the area of domestic support.
- Graduated LDCs would not be covered by the decisions related to TRIPS waivers and decisions on Articles 66.1, 66.2, 63.2, Transition period concerning patent protection for pharmaceutical products and 70.9 which expressly provide for the transition period to end earlier in the event of such members ceasing to be LDCs, though general WTO processes would allow graduated LDC members to seek a waiver of certain obligations.
- *Graduated LDCs will remain entitled to use the system of special compulsory licensing to access medicines produced abroad. However, they would have to notify the intention to use the system and in their notifications concerning needed pharmaceuticals they would need to address the existence of insufficient or no manufacturing capacity.*
- The graduating LDCs will lose access to dedicated technical assistance and capacity building programmes, like the EIF, the Investment Support Programme for LDCs, the UN Technology Bank for Least Developed Countries and the LDC Fund under the UN Framework Convention on Climate Change
- Article 24 of the WTO Dispute Settlement Understanding (DSU) . require Members to exercise “due restraint” when launching disputes against LDCs and they must exercise “due restraint” in asking for compensation or suspending concessions or other obligations when the responding party is an LDC. Bangladesh would no longer be covered by these requirements after graduation. Under Article 24.2, LDCs can request the Director-General of the WTO or the Chairman of the Dispute Settlement Body to provide their good offices, conciliation and mediation services for settling disputes.
- The International Development Law Organization’s Investment Support Programme for LDCs provides on-demand legal and professional assistance to LDC governments and eligible state-owned or private sector entities for investment related negotiations and dispute settlement. *Graduated LDCs will have access to the Investment Support Programme for LDCs for up to five years after graduation.*

Smooth Transition Strategies (STS):

Recognizing LDC Graduation as an important milestone of the development progress, the UN General Assembly has also called on WTO members to consider extending to a graduated country the existing S&D provisions and exemptions available to LDCs for a period appropriate to the development situation. The UN General Assembly has invited the graduating LDCs to prepare smooth transition strategies and to outline the steps and support needed to help them remain on a sustained path of growth and development.

Options for Waivers for Graduating LDCs

A graduating LDC, like any other WTO member, can request a waiver from certain obligations in the WTO, should they envisage difficulties in complying with any WTO rules and disciplines. The granting of the waiver, as well as its terms and conditions, would need to be agreed to by WTO members.

Article IX of the Marrakesh Agreement Establishing the WTO sets specific rules for granting waivers in the event that a member faces difficulty in remaining compliant with the WTO rules. A waiver decision must indicate the exceptional circumstances, the terms and conditions for granting such a waiver, and the end date. If a waiver is granted for a period of more than one year, it should be reviewed annually until its specified end date. Waivers can be reviewed, modified or terminated.

With respect to waivers involving LDCs, the Hong Kong Ministerial Declaration provides for special consideration. *For instance, members have been asked to give positive consideration to waiver requests from LDCs and to take a decision within 60 days of submission.* This represents a certain degree of special treatment for LDCs over and above other members.

Regular work of the WTO bodies and the WTO monitoring function Another option available for graduating LDC members is to maximize the use of the regular WTO Committee work. A graduating LDC member might consider raising, in the relevant WTO Committee, a graduation-related challenge faced in the implementation of a particular provision. Some of the WTO Agreements already include a framework to address some of these challenges

Major Challenges of Global Market Access :

Bangladesh will have to face the challenging task of exporting on MFN tariff after graduation out of the list of LDCs in 2026, as unilateral GSP schemes, 85% of our export destinations will be terminated except for EU which will be extended for three more years under the present terms.

Graduation will create challenge to Bangladesh as most of clothing sector is not in India's tariff liberalization schedule for non-LDC members of SAFTA. Thus, Bangladesh will have to export to India under the applied rate of duties. ***Bangladesh should negotiate for the extension of LDC treatment under APTA and specially SAFTA in the light of Article 12 of SAFTA which provides for a "Special Provision for Maldives" by granting LDC terms of trade even after graduation.***

Graduation will also mean losing LDC preferences in Asia Pacific Trade Agreement (APTA) markets such as China and Republic of Korea to certain extent as the items on which preferences will be available will be reduced, the margin of preference will also be reduced, and Bangladesh will have to comply with a higher value addition (45% instead of 35% for LDCs).

Under APTA fourth round negotiations, Sri Lanka, a non-LDC, was allowed greater flexibility (to commit lower levels of commitment in tariff liberalization) than other non-LDC members. China still maintains LDC ISM measures in favour of Samoa which was graduated out from the UN list of LDCs in 2014.

Bangladesh should also ask for similar concessions.

Against predicted export shocks due loss of trade preferences Bangladesh, to protect its long term trade interests, should immediately begin negotiations with trading partners for extension of ISM, hermonaization of trade rules and deepening post GSP mutual trade relations through FTAs on reciprocal terms of respective tariff schedules.

WAY FORWARD: Extension of ISM:

UN Front: In the light of paragraphs 16, 17 and 18 of the UN General Assembly Resolution adopted on 21 December 2012 on smooth transition for countries graduating from the list of least developed countries (A/RES/67/221) Bangladesh may urge UN Committee for Development Policy (CDP) to extend the timeline for continuation of ISMs for [five-nine years] from the time of graduation from the LDC category taking into account the respective implementation of STS for each graduating LDC and phasing out the ISM in next three years after that; and

WTO MC12: Unilateral Trade Preferences in favour of LDCs: In the light of paragraphs 16, 17 and 18 of the UN General Assembly Resolution adopted on 21 December 2012 on smooth transition for countries graduating from the list of least developed countries (A/RES/67/221), the support measures available under WTO and unilaterally extended by its members to least developed countries shall continue for a period of five years and will be phased out during next three years after the entry into force of a decision of the UN General Assembly to exclude the Member from the least developed country category in order to ensure that graduation does not cause abrupt disruption in the LDCs trade in goods and services.

Bangladesh Agenda for Extension of Terms of GSPs and Preferential Agreements: In the light of paragraphs 16, 17 and 18 of the UN General Assembly Resolution adopted on 21 December 2012 on smooth transition for countries graduating from the list of least developed countries (A/RES/67/221), the support measures extended to Bangladesh under GSP Schemes and in other Preferential Agreements shall continue for a period of 3-5 years and will be phased out during next three years after the entry into force of a decision of the UN General Assembly to graduate out Bangladesh from the least developed country category in order to ensure that graduation does not cause abrupt disruption in trade in goods and services of Bangladesh.

FTA the Gateway for Market Access:

Bangladesh will have to face the challenging task of exporting on MFN tariff after graduation out of the list of LDCs in 2026, as unilateral GSP schemes, 85% of our export destinations will be terminated except for EU which will be extended for three more years under the present terms.

Taking into account the trends and practices of our competing exporting countries like India, Pakistan, Sri-Lanka, Vietnam, Cambodia, China, Korea, Malaysia, Philippines, Indonesia and others Bangladesh has no other option but to ensure predictable and sustainable destinations of its exports in goods and services within the period 2021-2026 by entering into comprehensive free trade agreements in goods and

services instead of GSPs and PTA on goods trade only, with the following six regional blocks covering more than 90% of global market:-

- 1) RCEP (ASEAN);
- 2) Russia-CIS (EAEU) block;
- 3) United States;
- 4) European Union+Post-Brexit UK and Canada;
- 5) African Continental Free Trade Agreement (AfCFTA);
- 6) MERCOSUR (Southern Common Market).

The Regional Comprehensive Economic Partnership (RCEP) is composed of 15 signatories: Australia, Brunei, Cambodia, China, Indonesia, Japan, Laos, Malaysia, Myanmar, New Zealand, the Philippines, Singapore Vietnam, South Korea, and Thailand. RCEP members include the 10 countries of ASEAN and their regional trade partners – China, Australia, New Zealand, Korea, and Japan. RCEP has a combined GDP to the tune of \$26.2 trillion, or 30 per cent of world GDP, engages 2.2 billion people, and accounts for about 28 per cent of global trade.

The RCEP Agreement was signed during the fourth RCEP Leaders' Summit held on 15 November 2020. The pact takes effect 60 days after six ASEAN signatories and three non-ASEAN signatories complete ratification or equivalent procedures. According to the Australian trade ministry's website (November 8, 2021), the countries that have ratified their RCEP participation are: Brunei, Cambodia, Laos, Singapore, Thailand, Vietnam, Australia, New Zealand, Japan and China. It is expected to be in force with effect from January 2022. **Anyone including Bangladesh may join RCEP 18 months after it comes into force**

Bangladesh-Eurasian Economic Union (EAEU) FTA : An FTA with Russia and CIS through with Eurasian Economic Union (EAEU) will open our 3rd export front apart from US and EU and boost our exports to these resource full growing countries significantly. Russia, the world's fifth largest economy by purchasing power parity (global import US\$ 424.83 billion in 2018, is too big and important to ignore and ranked ninth by population, is a hugely significant market in global terms with gate way to other EAEU states comprising Armenia, Belarus, Kazakhstan, Kyrgyzstan.

The Governing Supreme Council of EAEU is also looking to include the CIS member states of Azerbaijan, Moldova, Tajikistan, and Uzbekistan as well as other countries beyond Eurasia's borders. To date, the EAEU has signed Free Trade Agreements with Vietnam, Singapore, Serbia, and Iran. FTA with EAEU negotiations are currently ongoing with India, Pakistan, China, Mongolia, Korea, Cambodia. Thailand, Indonesia, Egypt, Tunisia, Morocco, Argentina, Chili, and Ecuador.

Vietnam's exports to EAEU since 2017 rose sharply by 36.5% to \$5.9 billion from \$4.3 billion in the previous year and they are on the way to achieve their target of US\$10-12 billion bilateral trade by 2020, and US\$30 billion by 2030. Therefore, expanding Bangladesh's new Export markets in Russia and other CIS Countries under a free trade agreement, like India and Vietnam, is of absolute necessity.

BD-US FTA: Reciprocal Terms of Trade Relations: Non-reciprocal trade deals like GSP and multilateral, regional arrangements have been excluded from the US trade agenda and accordingly the US has withdrawn from TPP preferring only to make bilateral reciprocal trade deals.

The TPP withdrawal Memorandum signed by the US President on January 23, 2017 states among other things, *“Additionally, in order to ensure these outcomes, it is the intention of my Administration to deal directly with individual countries on a one-on-one (or bilateral) basis in negotiating future trade deals.”*

Bangladesh should therefore, without wasting time on GSP or WTO, immediately take up a pro-active initiative in establishing a bilateral free trade arrangement with United States of America following the example of Kenya, Vietnam, India and others and also with Canada.

The terms of BFTA in goods, services and investment with US should be without prejudice to the rights and obligations under the WTO Agreements and respective international rights and obligations as agreed in Bangladesh-US TICFA.

It should be noted that on the issue of Labour standards Bangladesh is in compliance with ILO, WTO and TICFA requirements and on the other hand by imposing trade restrictive measures against Bangladesh by excluding it from GSP on the issue of Labour Standards USA itself is violating the ILO, WTO and TICFA requirements. **Details are explained in paragraph relating to Labour Standards.**

BD-EU FTA or GSP Schemes : Options for Bangladesh: Bangladesh, which is expected to be graduated out of the list of LDCs by 2018-2021-2026 period may, however, continue to be eligible for DFQFMA in EU Countries under the EU EBA scheme till 2029. There three possible options for Bangladesh for the post 2029 market access strategy in EU are not at all useful for Bangladesh:

1. The 'Standard GSP scheme grants only duty reductions (not duty free) for maximum 66% of all EU tariff lines. Under the terms of WTO this unilateral GSP scheme can be withdrawn any time.
2. The GSP+ scheme (may terminate in 2023) with only 66% product coverage imposes a 27+ additional bundle of NTBs based on compliance of non-trade 27 core international conventions, beyond the scope of WTO Agreements, inconsistent, with Clause 2 (b) & 3 (c) of the Enabling Clause and Paragraphs 148, 164, 167 and 182 of the Appellate Body decisions on India-EU-GSP Dispute: WT/DS246.
3. *The nature and terms of the new EU GSP scheme 2024-2034 are not less stringent on product coverage, lower product graduating threshold and extended monitoring of compliance measures outside the scope of WTO.*

Thus, all the 'Standard GSP' ; GSP + and the proposed new schemes are neither meaningful in respect of product coverage and margin of preference nor a worthwhile and sustainable option for Bangladesh. Bangladesh like Vietnam and others should enter into FTA with EU.

BD Post-Brexit UK FTA: India Canada, China, Mexico, Singapore, South Korea Australia, New Zealand and ASEAN among the countries are negotiating free trade agreement with the Post-Brexit UK. Bangladesh should also take a strong pro-active role in establishing a bilateral free trade arrangement with UK and initiate to form Commonwealth free trade area to bring together a community of countries representing one fourth of the countries of the UN.

Bangladesh and African Continental Free Trade Agreement (AfCFTA): Trade under the African Continental Free Trade Area (AfCFTA) commenced with effect from January 2021. As of 5 February 2021, 36 countries have deposited their instruments of ratification., 36 countries have ratified the AfCFTA agreement. In terms of numbers of participating countries, AfCFTA will be the world's largest free trade area since the formation of the World Trade Organization.

The population of Africa is projected to reach 2.5 billion by 2050, at which point it will comprise 26 per cent of what is projected to be the world's working age population, with an economy that is estimated to grow twice as rapidly as that of the developed world. **At present AfCFTA covers a market of 1.2 billion people and a gross domestic product (GDP) of \$2.5 trillion, across all 55 member States of the African Union.**

APEC: The Asia-Pacific Economic Cooperation is a regional economic forum established in 1989. APEC's 21 member economies are Australia; Brunei Darussalam; Canada; Chile; People's Republic of China; Hong Kong, China; Indonesia; Japan; Republic of Korea; Malaysia; Mexico; New Zealand; Papua New Guinea; Peru; The Philippines; The Russian Federation; Singapore; Chinese Taipei; Thailand; United States of America; Viet Nam.

APEC ensures that goods, services, investment and people move easily across borders. Members facilitate this trade through faster customs procedures at borders; more favorable business climates behind the border; and aligning regulations and standards across the region.

Mercosur (Southern Common Market) is a South American trade bloc established by the Treaty of Asunción in 1991 and Protocol of Ouro Preto in 1994. Its full members are Argentina, Brazil, Paraguay and Uruguay. Venezuela is a full member but has been suspended since December 1, 2016. Associate countries are Bolivia, Chile, Colombia, Ecuador, Guyana, Peru and Suriname. Observer countries are New Zealand and Mexico.

These Regional Blocks may be approached to extend the market access to all products and services Modes 1, 3 and 4 against our unilateral liberalized service sectors and investment regime offering to them our SAFTA terms of trade in goods and services.

Global Connectivity: To streamline most economic and speedy global connectivity by ensuring frequent flights, ships and land routes transit facilities across the route to Russia-EAEU-CIS Countries Bangladesh should immediately become party to the UNECE-TIR (Transports Internationaux Routiers) Convention 1975 without having to undertake any additional obligations other than its commitment under WTO obligations.

India-EU-Iran-China-Russia-EAEU-CIS countries along with others are already parties to the TIR Convention, overseen by UNECE, to facilitate multimodal journey conducted by truck, containers transported by rail, river, or sea with the same customs privileges.

Accession to TIR Convention would create TIR corridors, linking Iran-Russia-CIS countries-Central and South Asia as well as China with Bangladesh. With ever-growing world trade and the forthcoming introduction of an electronic TIR system (so-called "eTIR-system"), it is expected that the TIR system will continue to remain the only truly global customs transit system.

Agenda for Bangladesh: Harmonization Mutual Trade Regulations & Facilitation Measures

Establishment of mutual Institutional Cooperation: Bangladesh should take up joint action plan for harmonization of mutual trade rules, regulatory measures and streamline bilateral institutional cooperation in the respective fields including the Central Banks, Customs Authority, Quality and Standards Body and others;

Technical Regulations and Standards: Bangladesh should actively engage with the trading partners to ensure harmonization of TBT and SPS measures and signing of MRA to streamline flow of traded goods and services so that Certificates on Technical Regulations & Standards issued by the respective accredited national bodies are accepted on basis of MRA mutually agreed upon;

Reciprocal Participation in Public Procurements: Bangladesh has kept open its Public Procurements for foreign participation on MFN basis in turn Bangladesh should ask for reciprocal treatment from the trading partner countries;

Mutual Trade Facilitation: Bangladesh should take up a proactive joint action plan with the trading partners for respective Customs Cooperation Agreement to facilitate mutual trade as envisaged in the WTO Trade Facilitation Agreement and WCO protocols and annexes including gradual harmonization of customs documentation and clearance procedure.

Integration of CMSMEs with Global Value Chain: To boost the process of integration of CMSMEs with the global market and compete with global e-commerce, Bangladesh, Like China, India and Vietnam and others, may strive to set up warehouses and distribution network in destination markets for easy and regular delivery of products to the wholesalers, retailers and consumers.

Broad Terms for FTA: Bangladesh already has a unilateral very liberal services, public procurement and investment policy regime open on MFN basis under its domestic regulations. Bangladesh should therefore take the credit and claim on reciprocal basis duty free market access in goods and Mode 1, Mode 3 and 4 accesses in Services sector from its mutual trading partners.

The basic terms of BFTA with Bangladesh should be without prejudice to the respective rights and obligations under the WTO Agreements e.g. BD-US TICFA and BD-EU trade agreement.

Terms of Tariff: Bangladesh should harmonize customs duty (CD), regulatory duty (RD) supplementary duty (SD) and other border taxes with the National Treatment Provision of WTO and other reciprocal mutual obligations with trading partners on the basis of time bound mutual schedules of commitments as may be agreed upon. The Free Trade Agreement should be based on our liberalization commitments under SAFTA in goods and services. This will facilitate trade creation by neutralizing the prevailing trade diversion with hardly any adverse impact on revenue.

Services Trade under SAFTA and TISA: Bangladesh should open its service sector on MFN basis to maximize promotion of the services trade at home and abroad particularly when our services regime is already open on MFN basis under our domestic laws and regulations and also under SAFTA Services Agreement. Bangladesh should also be a member of TISA and JSI on domestic regulations in services.

Import licensing: The FTA partners shall adopt and notify non-restrictive, automatic and transparent import licensing procedures.

IPR: The FTA shall recognize that effective protection and enforcement of intellectual property rights encourage technological innovation, transfer of technology and investment under the respective terms and obligations of the WTO Agreements;

Environment concerns: The FTA trade regime should affirm respective commitments made in the Doha Declaration that expansion of trade and investment and the promotion of sustainable development and protection of the environment can and will be mutually supportive.

Labor standards: The FTA should affirm ILO core labor standards as adopted in the WTO Singapore Ministerial (Paragraph 4) and Doha Declaration (Paragraph 8) and recognize the importance of providing adequate and effective protection and enforcement of worker rights in accordance with each Participant's obligations and domestic labour laws.

WTO Singapore Ministerial Declaration: *Paragraph 4 “We renew our commitment to the observance of internationally recognized core labour standards. The International Labour Organization (ILO) is the competent body to set and deal with these standards, and we affirm our support for its work in promoting them. We believe that economic growth and development fostered by increased trade and further trade liberalization contribute to the promotion of these standards.*

We reject the use of labour standards for protectionist purposes, and agree that the comparative advantage of countries, particularly low-wage developing countries, must in no way be put into question. In this regard, we note that the WTO and ILO Secretariats will continue their existing collaboration.”

WTO Doha Ministerial Declaration: *Paragraph “8. We reaffirm our declaration made at the Singapore Ministerial Conference regarding internationally recognized core labour standards. We take note of work under way in the International Labour Organization (ILO) on the social dimension of globalization.”*

According to the US Congressional Research Service Report (Link: www.crs.gov RL33663) on Generalized System of Preferences (GSP) for Members and Committees of Congress submitted on January 09, 2013:

US Report : *“Although the GSP is a unilateral and non-reciprocal tariff preference, any changes to the program would need to be considered in light of the requirements of the WTO Enabling Clause, as it has been interpreted by the WTO Appellate Body”.*

US Report : *“Among other things, the Clause further provides, at 3(c), that any differential and more favorable treatment provided under the Clause “shall in the case of such treatment accorded by developed contracting parties to developing countries be designed and, if necessary, modified, to respond positively to the development, financial and trade needs of developing countries.”*

US Congressman Sander Levin (while visiting Bangladesh): *“The US understands that the GSP facility should be responded in a positive way, and not in negative way”*

EU GSP Regulation 2012 Preamble: *4. It is to comply with World Trade Organisation (WTO) requirements, in particular with the Decision on Differential and More Favourable Treatment, Reciprocity and Fuller Participation of Developing Countries (the ‘Enabling Clause’), adopted under the General Agreement on Tariffs and Trade (GATT) in 1979, under which WTO Members may accord differential and more favourable treatment to developing countries. GTP GSP+ and EBA for LDCs.*

Dr Supachai Panitchpakdi, secretary-general for United Nations Conference on Trade and Development (UNCTAD) : *“The decisions of the United States and the European Union to demand implementation of controversial labor standards in Bangladesh following an industrial tragedy that killed more than 1,100 people in April pose a serious threat to the rule-based global trading system.” “Labor rights and standards are something very sensitive to all developing and least developed countries at the World Trade Organization, and when countries try to impose labor standards they are just distracting from the WTO's authority,” “If trade majors want to impose labor rights,” said Panitchpakdi, “they should bring the issue to the WTO.” It is unfair to punish countries outside of WTO by threatening denial of market access, he said.*

“They have been doing this with Cambodia and now Bangladesh.” Instead of labor rights, the industrialized countries “must look at the business practices of their retail and wholesale industry because the problem with global value chains is the way they are exploiting the sweat shops in poor countries which are providing cheap labor.”

Market Access Strategy:

1. To streamline and ensure highest level of co-ordination in all trade related negotiations in Geneva and elsewhere a National FTA Committee (NFTAC) headed by the Secretary Ministry of Commerce and consisting of line ministries and agencies including NBR, private sector to formulate Country/Region specific draft FTAs templates highlighting the Strategic options of Bangladesh.

2. The following **specialized national committees (SNCs)** should be constituted in the WTO Cell of the Ministry of Commerce in partnership with the line ministries, agencies and the private sector with proactive TORs.

- i. WTO, global Market Access, FTAs & RTAs.
- ii. Trade in Services and Investment.
- iii. Tax and Tariff.
- iv. Trade Facilitation.
- vi Trade Rules, NTBs, Technical Barriers to Trade, Sanitary & Phytosanitary Measures
- vii. TRIPS,
- vii) Digital trade & E-Commerce
- viii. Environment and Compliance Issues

3. TOR of the SNCs:

Designated agencies, related ministries, agencies, BTTC, BFTI BIDA and private sector bodies shall provide all institutional and logistical support and services to carry forward the following activities of the respective SNCs:-

- 1) Each National Committee shall establish a computerized database documentation unit and collect, store, study, analyse and disseminate its assigned subject related information, documents, reports, communications and notifications submitted to WTO and other International Institutions and become the National information source for the government, enterprises and the stakeholders as the subject wise Reference Centre.
- 2) Each SNC will submit to NFTAC the draft concept papers on issues which it considers important and on issues assigned to them by the NFTAC from time to time. National Trade Policy Papers should be formulated by these SNCs in consultations with the experts and the stakeholders, among others, by open-ended E-Communication soliciting feedback and inputs.
- 3) The SNC will place draft concept papers in seminars to be organized in collaboration with FBCCI for soliciting stakeholders opinion and comments and submit the final draft report with appropriate recommendations. The final draft report thus obtained may be adopted as the National Trade Policy Papers as may be approved by the NFTAC.
- 4) Upon approval of the Cabinet the National FTA Committee along with the private sector experts would engage in respective negotiations on the basis of strategic policy and options outlined in the negotiating template.
- 5) Ministry of Commerce, NFTAC, SNC, BTTC, BFTI, NBR, BB, EPB and WTO Cell will form panel of experts with recognized expertise on national, regional and international trade from the private sector stakeholders and officials from the line Ministries and Agencies to serve as their respective back up units.

6) All posts of commercial councilors should be filled by officials with officially recognized expertise on national, regional and international trade. The services of the trained personnel should always be preferred and ensured in the field of his expertise.

7) The expertise and skill gained through training and on the job experience must not be lost by routine transfers **notwithstanding the provisions of the Rules of Business.**

4. Capacity Development for Trade Diplomacy:

a) **To undertake compulsory regular primary courses** on acquiring knowledge and expertise on tariff structures, HS classification, list of products and services in sensitive list and mutual economic and domestic priorities of our trading partners for all trade related officers in different line Ministries and Agencies.

b) **To undertake regular strategic orientation courses for officers** who will take part in trade negotiations to develop, within the scope of mutual and global rights and obligations, comprehensive understanding and expertise of mutual interest in the subject of negotiations, case studies of like, similar and comparable negotiated deals in respect of terms of trade and schedules of commitments.

5. Strategic Target Mapping: Taking into account the trends and practices of our competing exporting countries Bangladesh has to ensure predictable and sustainable destinations of its exports in goods and services within the period 2021-2026 by entering into comprehensive free trade agreements in goods and services instead of GSPs and PTA on goods trade only, with six regional blocks covering more than 90% of global market:-

1) RCEP (ASEAN); 2) Russia-CIS (EAEU) block; 3) United States; 4) European Union+Post-Brexit UK; 5) African Continental Free Trade Agreement (AfCFTA); 6) MERCOSUR (Southern Common Market).

To prepare the Handbook of our strategic courses and options for Bangladesh, within the scope of mutual and rights and obligations under WTO, taking into account the respective case studies of like, similar and comparable negotiated deals in respect of terms of trade and schedules of commitments, for negotiations with respective target region/country as indicated below:

- *RCEP (ASEAN): Vietnam, Lao PDR & Myanmar RCEP and ASEAN FTA and schedules of commitments;*
- *Russia-CIS (EAEU) block: Vietnam-EAEU and India-EAEU FTA and schedules of commitments;*
- *United States Kenya-USA mutually agreed FTA negotiating template;*
- *European Union & Post-Brexit UK: Vietnam-EU FTA and schedules of commitments;*
- *AfCFTA and MERCOSUR Free Trade Agreements and schedules of commitments.*

6. Branding through Global IPR Registration: Bangladesh is not yet a party to any of the two Global IPR Protection Systems. Sri-Lanka, Vietnam and twelve LDCs including Bhutan are already parties to

Madrid Agreement on Trademarks. Sri-Lanka, Vietnam and four LDCs are already parties to the Hague Agreement on Industrial Designs.

Membership of these Global IPR Protection Systems will substantially promote global IPR protection of Bangladesh products through central filing (single application with one set of fees) and central management of international registrations with the opportunity to file applications as the applicants from LDC at 10% of the prescribed basic fee. It will also generate most profitable source of revenue against global IPR registrations for the contracting member states from international registration and renewal of fees and charges.

The Hague and Madrid Systems also offers our businesses/industry owners early brand presence abroad, as it provides rapid international reputation and generate goodwill for trademarks. Indeed, becoming a party to these IPR systems is an essential component of any successful branding strategy.

Agro and food products, article of apparel and clothing. home textiles, leather products, footwear, pharmaceutical products, plastic and plastic goods, ceramics and table wear, electric and electronic goods, fish and frozen fish, furniture products, jute products, jewelry, ship-building, ICT and software are among the most promising and priority products of Bangladesh for global IPR Registration.

We strongly urge the Government of Bangladesh to be a party to the Madrid Agreement on Trademarks and the Hague Agreement on Industrial Design as soon as possible to expedite and enhance IPR value added market share of Bangladesh products in domestic and foreign markets through international IPR Registration without having to undertake any additional international obligations other than that it has already undertaken.

7. a) Sectoral Accredited Certification Bodies preferably on PPP basis should be established to expedite global recognition of our certificates on standards and quality of products, services, educational and professional qualifications ; and b) Setting up common testing laboratories in each economic zone and clusters assigned to specific sectors.

8. Sustainable Supply Side Capacity Development : Exposure to a more competitive environment will require Bangladesh to strengthen its efforts to lower trade costs and build supply side capacity, in order to become more competitive in international markets.

9. Administrative reforms for whole-of government approach to sustainable transition. Preparing and executing transition strategies require cooperation and coordination between various ministries and departments within the national governance framework, especially given that the multidimensionality of both LDC graduation and implementation of the SDGs require such a unified approach to planning and implementation.



**Meeting the Challenges of Graduation
from LDC status in 2026.**

**FBCCI Submission
on
Investment Measures
for Sustainable Inclusive Development**

Meeting the Challenges of Graduation from LDC status in 2026.

FBCCI Submission on Investment Measures for Sustainable Inclusive Development

Introduction: Reducing cost of doing business and at the same time ensuring steady and streamlined flow of trade finance is absolutely imperative for Bangladesh to enable its business to meet the growing twin challenges of Bangladesh's graduation from LDC status in 2026 and supporting trade finance during the COVID-19 crisis.

Bangladesh's trade costs are mostly owing to if red tape, cumbersome administrative and legal procedures, lack of infrastructure support leading to inefficiencies in domestic supply chain and trade logistics. Bangladesh would inevitably need improved efficiencies in domestic supply chains and production networks to offset such disadvantages and generate external competitiveness.

Investment Facilitation: Investment promotion is effective only with a congenial investment environment. Without an appropriate business climate for investment, promotional efforts might actually make foreign investment less likely and can even be counterproductive.

It is extremely difficult to convince an investor to come back if he was disillusioned during his very first investment process. The disappointed investor is also likely to be vocal about his disenchantment and, so, discourage other potential investors.

Investors are highly allergic to unpredictable regulatory framework, lack of transparency, judicial complexities & inefficiencies, lengthy and discrete administrative procedures, lack of structural reforms, and unresolved property ownership issues weigh heavily upon the investment climate.

The most essential and foremost pre-requisites of congenial investment environment are, among others, the following:-

- One-stop services to simplify regulations and mandate a rapid response to investor requests from each relevant ministry;
- Easing business registration requirements
- Quality of available human capital;
- Streamlined administrative procedures to quicken and to reduce the cost of establishing a new investment ensuring post-investment facilitation in most professional way;
- Business friendly laws, regulations and administrative policy environment ensuring most cost effective ease of doing business;
- Investment financing with low transaction costs;
- Cost effective Power, energy, ICT and multimodal transport and communication Infrastructure;
- Appropriate mechanisms for enforcing legal rights, obligations and settlement of disputes.

Sustainable Investment Measures: Business friendly liberal trade and investment regimes combined with an active competition policy generally provide a fertile environment for the transfer of technology which in turn propels the economy keeping pace with time.

To conduct administrative reforms for whole-of government approach for preparing and executing comprehensive strategies in close cooperation and coordination among various ministries and departments in partnership with the private sector.

To reform and streamline our supply and demand-side policies and regulatory regimes for simplification, removal of red-tape, unnecessary costs and time to facilitate a business and environment friendly policy regime in a sustainable and predictable manner.

To adopt appropriate rules of business for line ministries and agencies for respective sectoral trade facilitation responsibilities. Setting up: single window service, online exchange of docs, sectoral help and service desks, Skill & HRD, transfer of technology etc.

Registration & Certification process: To establish single window system with prudent SoP of the respective line agencies and the sponsoring and promotional sectoral bodies for reducing the cost of doing business by simplifying the existing costly and cumbersome at least 30 different registration and certification requirements and processes under a binding Mutual Memorandum of Understanding (BMMoU).

Tax Registration should be the license for investments instead of Trade License issued by the local government bodies.

To expedite setting up sector-specific industrial parks/clusters that will provide necessary support infrastructure, utility services and required logistic backup along with fiscal and financial incentives package. To equip industrial parks/clusters for the specific sectors and CMSMEs that will provide **at breakeven price** along with fiscal and financial incentives package, necessary support infrastructure, including:

- i) ensuring proper infrastructure;
- ii) common facilities centres for sector specific CMSME producers;
- iii) providing special uninterrupted utility services;
- iv) arrangements for waste disposal; and
- v) ensuring obligations on compliance

Following the global trend, Bangladesh needs to develop a multimodal transport network to reduce tome and real cost of transport and integrate itself with the regional and global transport network to derive the benefits of growing regional and international trade.

To expedite cost effective and commercially viable power sector business structure to ensure uninterrupted and incremental power supply at most economic and competitive rates in order to minimize

labour and raw material waste. The industry should have the facility of getting priority power connection and gas supply.

To rationalize tax and tariff regimes to integrate Bangladesh business most effectively with the global value chain and also strengthen a rational, transparent and efficient revenue policy and trade facilitation system.

To adopt cost-effective compliance friendly regulations to facilitate business to adopt appropriate measures for sound disposal of wastes and environment-friendly recycling with necessary technical and financial assistance package. Bangladesh does not have a proper waste disposal system causing serious threat to environment and health. Outdated and traditional technologies make waste management and recycling process unclean, hazardous and inefficient.

To expedite appropriate cost-effective and compliance friendly waste disposal practices and establish effective recycling chain with necessary technical and financial assistance package is an integral part of economic governance.

To set up Sectoral Internationally Accredited Standard Certification Bodies preferably on PPP basis to facilitate marketing of products in local and global markets and also set up common testing laboratories in each economic zone and cluster assigned to specific sector. Technical and Financial support for obtaining accredited quality certificates for exported and imported goods and services.

MSMEs and most of other industrial sectors lack capacity in meeting international quality & standards. Internationally accredited standard certification bodies on most of our products do not exist in Bangladesh. It is impossible to engage in global trade without accredited certification of Export products.

Priority Sectors for FDI:

Blue economy: Coastal and Deep-Sea mining; LPG and Fuel Plants; Marine Fisheries and Fish Processing; Logistics Infrastructure and Shipping including Multimodal Trans-Shipments; Coastal Tourism;

High-tech value added leather products, Jute & Plastics Industry; Man-made Fibre Industry; Clean Energy & Power from Fossil Fuel; Harnessing Sub-Himalayan Regional Renewable Energy Resources.

Facilitating investment abroad to promote export and facilitating prudent imports by establishing warehouses, marketing outlets & distribution network and after Sales Service Centers in target markets.

Trade Finance Measures: Trade Finance, an integral part of commercial activity, has significant influence on trade promotion, commercial transaction and financial inclusion. Reducing the cost of doing business and ensuring steady and smooth flow of trade finance are absolutely imperative for Bangladesh in enabling its businesses environment facing the upcoming challenges of financial markets, particularly at the trajectory of its journey to graduation from the LDC (Least developed countries) status in 2026 and supporting trade finance during the COVID-19 crisis.

The trade finance facility should ensure, among others, to provide working capital, using the underlying products or services being imported/exported/transacted as security/collateral, to be more competitive to both suppliers and customers, by reducing payment gaps in trade cycle by facilitating beneficial supply chain relationships and growth.

It is important to note that trade finance focuses more on the trade than the underlying borrower. Therefore, small businesses can use trade finance to trade significantly larger volumes of goods or services and work with stronger end customers.

Cottage, Micro, Small and medium-sized enterprises (CMSMEs) : CMSMEs are the backbone of the national economy in Bangladesh. CMSMEs are particularly suitable for the densely populated countries like Bangladesh where these sectors can provide huge employment opportunity with much lower investment.

The contribution of CMSME sector to the GDP of Bangladesh is 25 percent. Creating employment, increasing income, achieving economic growth and alleviating poverty and social progress are major coverings from CMSME`s.

There are 6 lakh economic institutions in the country (cottage - 8.52%, micro - 1.33%, small - 10.99%, medium - 0.09%, Large - 0.08%). About 99% of the total economic institutions of the country belong to the CMSME sector. The MSME sector (including cottage industries) employs about 2.1 crore people directly and indirectly. All these organizations provide 60-70% industrial employment.

Major problems of Trade Financing for CMSMEs SMEs are:

- Higher interest rate and lack of long-term loans
- Creditworthiness of the SMEs as the importer/exporter
- Comparatively high rate of interest (in case of trade finance/credit)
- Higher rate in case of add-confirmation (by the international banks)
- Inadequate trade financing products/funds by the local banks targeting CMSMEs
- Lack of innovative/SME friendly trade financing products by the local banks
- Higher cost of discounting, KYC and transaction costs by the CMSMEs
- Capacity gap of banks to address special needs of CMSMEs

Acknowledging the critical importance of trade finance for inclusive and sustainable development FBCCI submits following strategic proposals to ensure access to trade finance for all:-

1. Creation of a grant and low interest credit facility for Trade financing for all including CSMEs through Govt budget allocation, financing by the donour agencies and funds made available by the concerned grant and loan disbursing banks.

2. More than 70% of manufacturing sector in Bangladesh in terms of manufacturing value added is now export oriented. Therefore there should be policy cohesion on manufacturing for export as well as imports for domestic markets, for example ensuring Trade (Export-Import) financing for all including CSMEs including other fiscal and monetary policy supports.
3. To provide low-cost loans without collaterals, to be underwritten in lieu of collateral by Bangladesh Bank and international donor agencies, to CMSMEs duly authenticated by the respective association/designated support agency.
4. The Bank client relationship should not be meant to be the unilateral discretion of respective Banks. The term Bank client relationship should be clearly defined on the basis of preset criteria to evaluate the prospects of financing in a particular unit as per Govt Policies and Regulations.
5. Technical competence of the borrower, operational flexibility, and economic viability of the project, rather than the security which the borrower can offer, should be considered in evaluating a credit scheduling proposal.

Trade finance should also include the following:-

1. To provide financial assistance to build in house capacity in terms of human resource skill development, technological upgrading, product design market intelligence and export marketing.
2. Establishment of Technology Development/Upgradation Fund for promoting diversified and quality exports specially for CMSME sectors of Bangladesh. The fund allocation should be raised to Tk. 10,000 crore for the modernization and technological development for the CMSME export oriented industrial and Agro ventures and integration of SMEs in global digital trade and e-commerce;
3. To set up sectoral Accredited Standard Certification Bodies preferably on PPP basis to facilitate marketing of products in local and global markets and also set up common testing laboratories in each economic zone and cluster assigned to specific sectors.
4. To extend Technical and Financial support for obtaining accredited quality certificates for exported and imported goods and services. and also, for obtaining global registration of IPR for our products and services.
5. Facilitating investment abroad to promote export and facilitating prudent imports by establishing warehouses, marketing outlets & distribution network and after Sales Service Centers in target markets.
6. To effectively establish and activate network of Factoring Services and ICC Incoterms 2020 for facilitating cost effective ease of mutual import and export transactions at home and abroad.
7. Bangladesh Bank should harmonize and rationalize various service fees charged by the individual banks in imports export transactions.

Implementation of Monetary Policy (MP):

MP: Pre-shipment credit refinancing scheme @ IR (BB to banks): 2% and IR (banks to customer): 5.0%: Allocation 50 bTK ; 5.44% disbursement 2.72 bTK. Performance of Banks is very poor despite 3% lucrative margin. Defaulting Banks should be asked to clarify. *Each bank should be given mandatory targets for disbursement. Focus of this scheme should be on CMSME exporters.*

MP: Credit Guarantee Scheme (CGS) for CMSMEs (Against 274 applications): Allocation 20 bTK; disbursement 0.29b TK: Credit Guarantee Scheme (CGS) for CMSMEs only against 274 applicants demonstrate lack of interest to reach the target group. Defaulting Banks should be asked to clarify. *Allocation should be increased to 50 bTK and each bank should be given mandatory targets for disbursement. Focus of this scheme should be on rural firms and CMSMEs.*

The BB fund allocation should be raised to Tk. 20,000 crore for the modernization and technological development for the following priority sectors:-To promote new entrepreneurs and encourage self-employment opportunities to around 20 lac new entrants per annum in the employment market the ‘Start-up Fund’ by BB and the scheduled banks should be raised to minimum 20,000 crore to be operationalized by the BB in partnership with the respective stakeholder line agencies and private sector including FBCCI.

Equitable Investment Facilitations Measures: To rationalize, streamline and harmonize our trade and investment facilitation regulatory regime upholding the global principles of MFN and National Treatment for both FDI and local investments the incentives for all investments should be harmonized with the Common Investment Facilitations Measures to provide all sectoral local and foreign investments without discrimination provided that incase of direct tax measures the global best practice of application of normal tax rates shall prevail as under:-

SL	Present Fiscal Incentives	Proposed Measure
1	The private power companies shall be exempt from corporate income tax for a period of 15 years.	Normal Direct Tax (Global Best Practice)
2	The companies will be allowed to import plant and equipment and spare parts up to a maximum of ten percent (10%) of the original value of total plant and equipment within a period of twelve (12) years of Commercial Operation without payment of customs duties, VAT (Value Added Tax) and any other surcharges as well as import permit fee except for indigenously produced equipment manufactured according to international standards.	Indirect taxes should be harmonized with General Investment Facilitations Measures provided to all sectoral local and foreign investments without discrimination.
3	Repatriation of equity along with dividends will be allowed freely.	Repatriation of equity along with dividends will be allowed as are provided to all sectoral foreign investments without discrimination.

4	1) Exemption from income tax in Bangladesh for foreign lenders to such companies. 2) Exemption of income tax for upto three years for the expatriate personnel employed under the approved industry.	Normal Direct Tax (Global Best Practice)
5	The companies will be exempted from the requirements of obtaining insurance/reinsurance only from the National Insurance Company, namely Sadharan Bima Corporation (SBC). Private power companies will be allowed to buy insurance of their choice as per requirements of the lenders and the utilities.	All requirements for Insurance Coverage should be harmonized with General Investment Facilitations Measures provided to all sectoral local and foreign investments without discrimination.
6	The Instruments and Deeds required to be registered under local regulations will be exempted from stamp duty payments.	The stamp duty payments against Instruments and Deeds required to be registered under local regulations will be as prescribed in the General Investment Facilitations Measures provided to all sectoral local and foreign investments without discrimination.
7	1. Tax exemption on royalties, technical know-how and technical assistance fees, and facilities for their repatriation. 2. Tax exemption on interest on foreign loans. 3. Tax exemption on capital gains from transfer of shares by the investing company.	Normal Direct Tax (Global Best Practice)
8	Avoidance of double taxation in case of foreign investors on the basis of bilateral agreements.	Pay Tax where earned (Global Best Practice)

Bangladesh need to integrate with the 140 members of the OECD/G20 Inclusive Framework on Taxation. As of 8 October 2021, 140 countries and jurisdictions have joined the **Two-Pillar Solution** to reform international taxation rules and ensure that multinational enterprises pay a fair share of tax wherever they operate. (Annex OECD-G20 Framework)

Pillar One – Re-allocation of taxing rights: Pillar One will ensure a fairer distribution of profits and taxing rights among countries with respect to the largest MNEs, including digital companies. It would re-allocate some taxing rights over MNEs from their home countries to the markets where they have business activities and earn profits, regardless of whether firms there have a physical presence there. Under Pillar One, taxing rights on more than USD 125 billion of profit are expected to be reallocated to market jurisdictions each year.

Pillar Two – Global anti-base erosion mechanism: Pillar Two seeks to put a floor on competition over corporate income tax, through the introduction of a global minimum corporate tax rate that countries can use to protect their tax bases. The global minimum corporate income tax under Pillar Two - with a minimum rate of 15% - is estimated to generate around USD 150 billion in additional global tax revenues annually. Additional benefits will also arise from the Stabilisation of the international tax system and the increased tax certainty for taxpayers and tax administrations.

To streamline cost effective import and export transactions of Bangladesh around the world the following measures should be adopted:-

1. Bangladesh in parallel with US SWIFT should also use alternative network of financial transactions like ECB and Russian SPFS and others on the basis of cost efficiency, risks of transactions and avoid sanctions.
2. The existing mutual banking relations mostly via costly third bank guarantee should be streamlined by opening direct correspondent accounts by using convenient and agreed-upon financial messaging System(s) between the transacting banks for the purpose of facilitation of bilateral settlements in mutually agreed currencies.
3. Bangladesh Bank should sign Currency SWAP Agreements with trading partners specially ECB, Bank of Russia, Bank of China and others on USD and EUR and other strategically selected currencies to facilitate efficient and cost effective mutual transactions offsetting the volatility of exchange rate fluctuations.

HRD and Skill Development: 1. A Standing Human Resource & Skill Development (HRSD) National Committee consisting of PMO, MoI and other line ministries, agencies, private sector stakeholders should be constituted along with Sectoral Subcommittees.

2. Line agencies in collaboration with Sectoral Associations and Chambers will carry out activities to facilitate business related required supports to its industry members such as knowledge on technology, skill an HR development, trade expansion, market penetration, efficient production process, research and innovation, entrepreneurship development etc.

3. All line ministries should constitute respective sector specific sub-committees on infrastructure and logistics consisting of agencies, private sector and other stakeholders to facilitate and oversee the following:-

- To establish sector specific facilitation centres to facilitate product development, standardization of production, innovation and market research. The project should be undertaken as a public private partnership (PPP) project.
- To expedite setting up sector specific industrial parks, clusters to provide inbuilt necessary support infrastructure, utility services and required logistic backup along with fiscal and financial incentives package.

- To set up warehousing facilities for sourcing, storage and supply of indigenous and imported raw materials to industries in sector specific clusters.
- To facilitate and expedite efficient and cost effective production management, widen and deepen complementarity in production programmes of large, medium and small industrial sectors through sub-contracting arrangements.
- To Conduct regular training courses for entrepreneurship development, mastering managerial and marketing as well as accounting techniques by the Sectoral Subcommittees in collaboration with related line institutions and private sector stakeholders.
- To provide industry and MSMEs with technical and financial and fiscal incentives to build in house capacity in terms of human resource skill development, technical or vocational training, technological upgrading, product design market intelligence and marketing. The industry should be entitled, for the purpose of the income tax to deduct the amount of expenses incurred by it for the long-term benefit provided to its workers and employees including training, housing, life insurance, health facilities, education and training.

4. Establishment of Technology Development and Upgradation Fund for promoting diversified and quality exports specially for all CMSME sectors of Bangladesh. The fund allocation should be raised to Tk. 10,000 crore for the modernization and technological development and integration of CSMEs in global digital trade and e-commerce.

5. Credit Linked Capital Subsidy Scheme for Technology up gradation should be taken up aiming at facilitating technology up gradation by providing upfront capital subsidy for induction of improved technologies approved under the scheme.

- Assistance up to 80% for setting up Sectoral Facilities and Tools Centers.
- Testing Centers: Assistance up to a 80% for setting up Sectoral Testing Centers

6. Technology Institutes, polytechnic institutes and selected Regional and other Engineering Colleges & Universities should serve as Technological Information, Design and Development Centers in their respective command areas.

7. SMEF/BSCIC/Small and Cottage Industries Training Institute (SCITI), Bangladesh Institute of Management (BIM), Bangladesh Industrial Technical Assistance Center (BITAC) and National Productivity Organization (NPO) where a lot of equipment, infrastructure and other resources are in place---should undertake regular schemes and courses to ensure sustainable integration of Bangladesh business and CSMEs in the global digital trade.

8. Institutional coordination should be established for development of investment among various Ministries of the government and the public institutions, having significant capacity for both product- and process-innovation of real value, (such as Atomic Energy Commission (AEC), Bangladesh Council of Scientific Investigation & Research (BCSIR), Leather Training Institute (LTI), the Textile colleges, the Ceramics Research Institute, the public universities, etc.).

9. To set up sectoral Accredited Standard Certification Laboratories preferably on PPP basis to facilitate marketing of products in local and global markets and also set up common testing laboratories in each economic zone and cluster assigned to specific sectors.

Enhancement of Productivity :

1. To undertake Sectoral HRD schemes for expediting sustainable flow of skilled workforce in Industries and MSMEs in particular;
2. To undertake running schemes to provide training to workers in technical Institutions and also by facilitating on the job Skills development programme particularly focusing, among others, on:-
 - a. Industry machines operation and maintenance;
 - b. Production Chain Engineering;
 - c. Product design;
 - d. Work safety & compliance issues;
 - e. Waste management; and
 - f. Standardization and quality control.
3. To undertake capacity development schemes of the Training Institute and the on the job training entities, among others, through:
 - a. Technical and financial assistance with supply of necessary equipments and other logistics;
 - b. Technology and know-how transfer;
 - c. Employment of Expert Master Trainers for workshop training as well as for Training the Trainers.

Research and Development:

1. To undertake research and capacity building schemes for enabling effective compliance with the mandates of multilateral trade systems and global market requirements with focus, among others, on the following:
 - i) global compliance issues;
 - ii) certification requirements for products and services;
 - iii) global business practices;
 - iv) Global registration of IPR.
2. To provide technical and financial support for obtaining accredited quality certificates for goods and services
3. To provide technical and financial support for obtaining global registration of IPR (Trademark, Patent & Design) for value added marketing of our products and services.
4. To adopt appropriate rules of business for Govt/Agency officials to carry out respective sectoral trade facilitation responsibilities.
5. A Technology Development Cell (TDC) should be set up in the SMEF/BSCIC, which would provide technology inputs to improve productivity and competitiveness of the products and services. The TDC would coordinate the activities of the Technology transfer, Process-cum-Product Development Centers (PPDCs) that must be established throughout the Country and would also interact with the other industrial research and development organizations to achieve its objectives.



**Meeting the Challenges of Graduation
from LDC status in 2026.**

**FBCCI Submission
on
Sustainable Export Development,
Subsidies and Incentives.**

Meeting the Challenges of Graduation from LDC status in 2026.

FBCCI Submission on Sustainable Export Development, Subsidies and Incentives.

Major Challenges of Export by 2026 and beyond: Bangladesh will have to face the challenging task of exporting on MFN tariff after graduation out of the list of LDCs in 2026, as unilateral GSP schemes, 85% of our export destinations will be terminated except for EU which will be extended for three more years under the present terms.

Against predicted export shocks due loss of trade preferences Bangladesh, to protect its long term trade interests, should immediately begin negotiations with trading partners for extension of ISM, hermonaization of trade rules and deepening post GSP mutual trade relations through FTAs on reciprocal terms of respective tariff schedules.

Export Subsidy and Incentives: WTOSCM Agreement contains no provision regarding LDC graduation, graduating LDCs will no longer be able to continue to provide export subsidies for non-agricultural products after they leave the LDC category. Only two graduating LDC members — Bangladesh and Nepal — would be affected by the loss of this LDC flexibility.

The SCM Agreement prohibits the use of export subsidies for non-agricultural products. But pursuant to Article 27.2 and Annex VII(a), LDC members are exempt from the prohibition of export subsidies. In addition to the LDCs, developing country members that are listed in Annex VII (b) are also exempt from this prohibition until their GNI per capita reaches US\$1,000 in constant 1990 dollars. **After graduation, countries are no longer permitted to provide export subsidies for non-agricultural products.**

GNI per capita of graduating LDC members of WTO, at constant 1990 dollars, 1990 and 2015–2017 of Graduating LDCs

WTO member		WTO member		WTO member
Bangladesh	210	533	561	587
Nepal	180	352	350	372
Lao PDR	200	644	681	710
Solomon Islands	590	954	938	947
Vanuatu	1,100	1,153	1,189	1,215

However, Bangladesh’s nominal GNI per capita is expected to cross the \$1000 (at constant 1990 dollars) thresholds by 2026-2029 period as such Bangladesh will not benefit from the SCM exemptions after graduation.

WTO & WCO Disciplines on Subsidy and SEZ: The World Customs Organization’s Revised Kyoto Convention codifies international standards for this practice. The Convention defines “free zone” as “a

part of the territory of a Contracting Party where any goods introduced are generally regarded, insofar as import duties and taxes are concerned, as being outside the customs territory.

The WCO's Specific Annex D, Chapter 2 state: *“Goods manufactured in a free zone are often exported. Since exports are generally exempt from duties and taxes, this facilitates and encourages the development of external trade. Domestic goods meant for export can also be admitted to free zones and become entitled to exemption from or repayment of internal duties and taxes.”*

GATT Article XVI and the SCM Agreement, footnote 1, exclude national measures that exempt exported products from duties and taxes from the definition of “subsidy”:*In accordance with the provisions of Article XVI of GATT 1994 (Note to Article XVI) and the provisions of Annexes I through III of this Agreement, the exemption of an exported product from duties or taxes borne by the like product when destined for domestic consumption, or the remission of such duties or taxes in amounts not in excess of those which have accrued, shall not be deemed to be a subsidy.*

The following Measures are excluded from the definition of “subsidy” in the WTO SCM Agreement:

1. Exemption of exported products from import duties;
2. Exemption of exported products from indirect taxes;
3. Exemption of goods consumed in the production process from import duties and indirect taxes when the end products are exported;
4. Exemption of production waste from import duties and indirect taxes when the waste is exported or discarded;
5. Exemption of goods stored in SEZs from duties and indirect taxes; and
6. Non-specific subsidies, including generally applicable tax rates imposed by national, regional and local government authorities.

WTO prohibited subsidies

1. A direct subsidy contingent on export performance;
2. Currency retention schemes involving a bonus on exports;
3. Preferential transport and freight charges for export shipments;
4. Provision of domestic products and services for exports at terms more favorable than those for domestic goods;
5. Exemption, remission or deferral of direct taxes or social welfare charges if contingent on exports;
6. Allowance of special direct tax deductions for exports above those granted on goods for domestic consumption;
7. Exemption or remission of indirect taxes on exports in excess of those on goods sold for domestic consumption;
8. Exemption, remission or deferral of prior stage cumulative taxes on goods or services used in the production of exported products in excess of products sold for domestic consumption (except for the exemption, remission or deferral of such taxes on "inputs consumed" in the production process);

9. Provision of export credit guarantees or insurance programs at premium rates inadequate to cover long-term costs;
10. Grants of export credits at rates below those which they pay for the funds, or at below market rates, or payment of all or part of the costs of obtaining credit; and
11. Subsidies contingent on the use of domestic over imported goods.

SEZ measures that are WTO consistent (green measures)

Measure	Explanation
Measures imposed by non-governmental organizations, including incentives to businesses locating in SEZs.	WTO disciplines do not apply to measures applied by private sector organizations, such as private SEZ operators, unless they are carrying out a governmental directive or the benefit is funded by government.
Exemption of exported products from import duties	The exemption of products exported to other countries from an SEZ from duties is not a “subsidy”. SCM Agreement, footnote 1
Exemption of exported products from indirect taxes	The exemption of a product exported to other countries from an SEZ from indirect taxes is not a “subsidy”. SCM Agreement, footnote 1. (Indirect taxes are sales, excise, turnover, value added, franchise, stamp, transfer, inventory and equipment taxes, border taxes, and all taxes other than direct taxes and import charges. SCM Agreement, footnote 58.)
Exemption of goods used in the production process from duties and indirect taxes when the end products are exported (as long as indirect tax exemption does not exceed that accorded to goods produced for domestic consumption).	The exemption of production goods incorporated in end products that are subsequently exported to other countries from duties and indirect taxes is based on SCM Agreement, footnote 1 and Annex 1(h).
Exemption of production waste from duties and indirect taxes when the waste is exported to other countries.	The exemption of production waste from duties and taxes when exported is based on SCM Agreement, footnote 1 and Annex 1(h). (Exported production waste is a “product”.) Production waste entered into the customs territory is subject to duty and taxes, depending on its value.
Exemption of goods stored in SEZs from duties and indirect taxes.	Zones outside the “customs territory” of the country where they are physically located are recognized by multilateral agreement (WCO Revised Kyoto Convention, Specific Annex D, chapter 2) and customary international law. Duties and indirect taxes are normally not applied in these “free areas”.

Non-specific subsidies, including generally applicable tax rates imposed by national, regional and local government authorities.	Subsidies are non-specific if they are based on objective criteria or conditions and eligibility is automatic. Nation-wide programs are non-specific. National programs limited to designated regions, or a limited number of enterprises are specific. However, generally applicable tax rates are non-specific,
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SEZ measures that are WTO illegal (red measures)

Measure	Explanation
Direct subsidy contingent on export performance (e.g., cash payments are given by government based upon export performance).	Prohibited by SCMA Article 3.1(a) and Annex I(a).
Currency retention schemes involving a bonus on exports (e.g., SEZ exporters are allowed to retain foreign currency based on export performance).	Prohibited by SCMA Article 3.1(a) and Annex I(b).
Internal transport and freight charges more favorable for export shipments than for domestic shipments (if mandated by government)	Prohibited by SCMA Article 3.1(a) and Annex I(c).
Provision by government of domestic products or services for use in production of exported goods on terms more favorable than for production of domestic goods (if the terms are more favorable than those commercially available on world markets) (e.g., a government provides electricity and other utilities for businesses in an SEZ at lower rates than for businesses outside the SEZ, and limits or prohibits imports from the SEZ for domestic consumption (i.e., consumption in the non-SEZ portion of the Member's territory) and/or imposes export requirements).	Prohibited by SCMA Article 3.1(a) and Annex I(d).
Full or partial exemption, remission or deferral of direct taxes or social welfare charges imposed on businesses if contingent on exports (e.g., a government provides tax incentives to businesses in an SEZ and prohibits or limits imports from the SEZ for domestic consumption and/or imposes export requirements).	Prohibited by SCMA Article 3.1(a) and Annex I(e).
Allowance of special direct tax deductions directly related to exports above those granted for domestic production (this applies Annex I(e) to tax deductions).	Prohibited by SCMA Article 3.1(a) and Annex I(f).
Exemption or remission of indirect taxes on exports in excess of those levied on goods sold for domestic consumption (e.g., the VAT rate on a good sold for domestic consumption is 20%, while the exporter receives a VAT rebate of 25% when it exports the same product).	Prohibited by SCMA Article 3.1(a) and Annex I(g).

<p>Exemption, remission or deferral of prior-stage cumulative indirect taxes on goods or services used in the production of exported products in excess of products sold for domestic consumption (e.g., exemption from sales tax on transport charges for an intermediate component used in an SEZ manufacturing process for a final product that is exported, where no such exemption is given on the transport of the same kind of component to a domestic manufacturer not located in the SEZ). Note: this provision is not applicable to products consumed in the production of exported products, consistent with Annex II</p>	<p>Prohibited by SCMA Article 3.1(a) and Annex I(h) and Annex II.</p>
<p>Provision by governments of export credit guarantee or insurance programs at premium rates inadequate to cover long-term costs</p>	<p>Prohibited by SCMA Article 3.1(a) and Annex I(j).</p>
<p>Government grants of export credits at rates below those which they pay for the funds, or at below market rates, or payment of all or part of the costs in obtaining credits. However, export credit practices in conformity with certain international agreements are exempt.</p>	<p>Prohibited by SCMA Article 3.1(a) and Annex I(k).</p>
<p>Legal provisions that allow output from the SEZs to be treated as “domestic production” based on local content or other criteria without application of national import duties and taxes when imported for domestic consumption.</p>	<p>Prohibited by SCMA Article 3.1(b). All exemptions have expired except for those negotiated in accessions. See Article 27.3.</p>
<p>Subsidy contingent on the use of domestic over imported goods.</p>	<p>Prohibited by SCMA Article 3.1(b) except for those negotiated for accessions. All exemptions have expired. See Article 27.3.</p>
<p>Certain countries are accorded preferential treatment by government directive. Example: Duty and sales tax exemptions on goods exported from SEZ are only granted if the goods are exported to certain Members.</p>	<p>Prohibited by GATT Article I, unless preference is justified pursuant to a regional trade agreement (GATT Article 24). There are no exemptions for developing countries</p>
<p>Domestic goods are given preference over foreign goods by government directive. Example: An SEZ is required by government to use domestic inputs when manufacturing goods for export.</p>	<p>Prohibited by GATT Article III. SCM Agreement, Article 3.1(b) prohibits subsidies contingent upon the use of domestic over imported goods. There are no exemptions</p>

<p>Fees or taxes on imports or exports exceed the cost of services provided by government. Example: A customs processing fee imposed by government in connection with SEZ operations exceeds the cost of the services rendered.</p>	<p>Prohibited by GATT Article VIII(1). Fees and charges must be limited to the approximate cost of services rendered. There are no exemptions for developing countries</p>
<p>Import and export laws and regulations that are not published and made publicly available by Internet or otherwise. Example: An SEZ operates without published regulations and procedures.</p>	<p>Prohibited by GATT Article X. There are no exemptions for developing countries.</p>
<p>Quotas and/or export or import licenses are used to restrict trade. Example: A government imposes a quota on the importation of electronic consumer products and requires import licenses as a condition of importation.</p>	<p>Prohibited by GATT Article XI unless subject to the three exceptions in Article XI and the exceptions in GATT XII (balance of payments), GATT XX (general exceptions) and GATT XXI (security exceptions), and the Agreement on Safeguards. Import licenses are subject to the provisions of the Agreement on Import Licenses. SDT treatment may be available in “exceptional circumstances” under GATT XXV and the Enabling Clause.</p>
<p>Government requires purchase or use of domestic products, whether specified in terms of volume, value of products or proportion of volume or value of local production.</p>	<p>Prohibited by TRIMs Annex 1(a). Also prohibited by GATT Article III</p>
<p>Government limits enterprise’s purchases or use of imported products to an amount related to the volume or value of the local products that it exports.</p>	<p>Prohibited by TRIMs Annex 1(b). Also prohibited by GATT Article III.</p>
<p>Government quantitative restrictions for which no exemption is applicable that restrict imports used in local production based upon the value of the local production that it exports.</p>	<p>Prohibited by TRIMs Annex 2(a) and GATT Article XI.</p>
<p>Government restrictions of imports by restriction access to foreign exchange to an amount related to foreign exchange inflows attributable to the enterprise.</p>	<p>Prohibited by TRIMs Annex 2(b) and GATT Article XI.</p>
<p>Government restrictions on exports by an enterprise based upon the volume or value of its local production.</p>	<p>Prohibited by TRIMs Annex 2(c) and GATT Article XI.</p>

WTO DSB Report WT/DS541/R : 31 October 2019 ruled the following measures as illegal:-

1. the Export Oriented Units (EOU) Scheme and Sector-Specific Schemes, including the Electronics Hardware Technology Parks (EHTP) Scheme and the Bio-Technology Parks (BTP) Scheme (the EOU/EHTP/BTP Schemes);
2. the Merchandise Exports from India Scheme (MEIS);
3. the Export Promotion Capital Goods (EPCG) Scheme;
4. the Special Economic Zones (SEZ) Scheme; and
5. the Duty-Free Imports for Exporters Scheme (DFIS).

Sustainable Export Facilitation: Harmonization of Mutual Trade Regulations & Facilitation Measures:

Establishment of Mutual Institutional Cooperation: Bangladesh should take up joint action plan for harmonization of mutual trade rules, regulatory measures and streamline bilateral institutional cooperation in the respective fields including the Central Banks, Customs Authority, Quality and Standards Body and others;

Harmonization of TBT and SPS Measures: Bangladesh should actively engage with the trading partners to ensure harmonization of TBT and SPS measures and signing of MRA to streamline flow of traded goods and services so that Certificates on Technical Regulations & Standards issued by the respective accredited national bodies are accepted on basis of MRA mutually agreed upon.

Mutual Trade Facilitation: Bangladesh should take up a proactive joint action plan with the trading partners for respective Customs Cooperation Agreement to facilitate mutual trade as envisaged in the WTO Trade Facilitation Agreement and WCO protocols and annexes including gradual harmonization of customs documentation and clearance procedure.

Sectoral Accredited Certification Bodies preferably on PPP basis should be established to expedite global recognition of our certificates on standards and quality of products, services, educational and professional qualifications ; and Setting up common testing laboratories in each economic zone and clusters assigned to specific sectors.

Integration of CMSMEs with Global Value Chain: To boost the process of integration of CMSMEs with the global market and compete with global e-commerce, Bangladesh, Like China, India and Vietnam and others, should take up PPP pilot projects to set up warehouses and distribution network in destination markets for easy and regular delivery of products to the wholesalers, retailers and consumers.

Domestic Measures: To achieve our trade and economic development agenda Vision 2021-2041, SDG-2030 goals and mitigate the challenges of graduation out of the UN list of LDCs it is imperative for Bangladesh to reform and streamline its supply and demand-side trade and economic policies and business friendly regulatory regimes along with hard and soft Infrastructure.

The following global practices for export promotion, compatible with the WTO agreements and practiced worldwide, should also be followed by Bangladesh. The next Budget should provide necessary financial allocation and appropriate regulatory procedures for the purpose.

Integrated Import and Export Policy: The existing Import and Export policy regimes 2015-June 30, 2018 are required to be updated to meet the challenges of time and should be formulated as an **integrated import and export** regulations under section 3 (1) of the Imports and Exports (Control) Act, 1950 to provide for simplification, reduction and removal of red-tape and discrimination, unnecessary costs and time to facilitate a business-friendly legally-binding policy regime for import and export in a sustainable and predictable manner (not for 3-5Years).

Major Strategies of the new Export Policy, among others, should be Incremental growth of exports beyond \$ 100 billion by 2026 by expediting and implementing appropriate administrative support and facilitation measures as may be specified in the Export Policy Order;

Formation of Services Export Promotion Council (SEPC) for promoting and overseeing the sustainable expansion of exports in Services Sectors. Diversification of export markets under an appropriate and effective foreign trade policy to ensure predictable and sustainable destinations of our export products in goods and services.

Policy Cohesion for Exports: More and more manufacturing sectors in Bangladesh are now linked with export chain as finished products as well as backward linkage of various items of exports. Therefore policy bias to promote only 80% export production units should be discarded by expediting policy cohesion on manufacturing for export and domestic markets by integrating them to global supply & value chain with sectoral cluster based bonded warehouses and other fiscal facilities like:-

- Tax Registration should be the license for investments instead of Trade License issued by the local government bodies.
- Facilitating investment abroad to establish warehouses, distribution network and after Sales Service Centres in target markets.
- Technical and Financial support for participation in International Exhibitions and market promotion.
- Central Bonded Warehouse facilities for CMSMEs and rural entrepreneurs at home and abroad.
- Withdrawal of indirect taxes from the utility bills (Electricity, Gas, water and digital services) of the productive sectors.
- Withdrawal of all duty, VAT and SD if any from all export products and services including all inputs thereof whether imported or locally produced.
- VAT registered Manufacturing units should be exempted from payment of AT;
- Discontinue double taxation through TDS and VDS which are finally adjusted;
- Technical and Financial support for obtaining accredited certificates for exported and imported goods and services.
- Technical and Financial support for obtaining global registration of IPR for our products and services.

Reduction of time and cost of doing business in the productive sectors for expediting exports by rationalizing Tax and Tariff measures: Single Window: To set up online single window customs clearance, payments of duty along with duty draw back on exports and deemed exports including all refunds on AIT, AT, VDS as and when applicable.

1. Each duty draw back applicant during the process of carrying out procurement, production, export and payments of revenues of each export product has obtained authenticated documents issued by the respective NBR agencies, Bangladesh Bank and respective financial institutions.

All these Agencies should coordinate mutually by signing a MOU to exchange respective documents with the related agencies by networking in digital block-chain and or by jpg/PDF document sharing sparing the cost and time for undertaking unnecessary tasks of submitting documents back to the agency which must be verified again by the issuing agencies.

2. An application duly filed by an applicant with **assessed duty draw back particulars as applicable** before or after export shall be treated as valid from the date of filing unless found otherwise on examination by DEDO **under the risk management process**.

3. The respective product specific Input Output Co-efficient (Shohog) shall remain valid until re-set by the exporter or reviewed by DEDO for reasons given in writing and extending the right of a hearing to the exporter.

4. The authenticated list of respective inputs and machineries as contained in VAT Forms, Customs list of allocated bonded products and the comprehensive list of products authenticated by BIDA shall be treated, as applicable, as the list of inputs and machineries.

5. Drawbacks in general are not allowed to cases against which cash incentives are taken except some selected goods which are simultaneously allowed drawback and cash incentive. Discriminatory treatment in favour of some specific export products granting them tax exemptions and incentives simultaneously is frivolous application of law without legal validity. Tax exemptions and incentives on Exports are not mutually exclusive anywhere in the world. Tax exemptions on exports and incentives in various forms are simultaneously granted world-wide for facilitating competitive exports.

6. Tax-deduction under section 52Q of Income tax Ordinance on receipt of payment from abroad of IT Enabled exports of services should be abolished;

Registration & Certification process: To establish single window system with prudent SoP of the respective line agencies and the sponsoring and promotional sectoral bodies for reducing the cost of doing business by simplifying the existing costly and cumbersome at least 30 different registration and certification requirements and processes under a binding Mutual Memorandum of Understanding (BMMoU).

To streamline cost effective import and export transactions of Bangladesh around the world the following measures should be adopted:-

1. Bangladesh in parallel with US SWIFT should also use alternative network of financial transactions like ECB and Russian SPFS and others on the basis of cost efficiency, risks of transactions and avoid sanctions.
2. The existing mutual banking relations mostly via costly third bank guarantee should be streamlined by opening direct correspondent accounts by using convenient and agreed-upon financial messaging System(s) between the transacting banks for the purpose of facilitation of bilateral settlements in mutually agreed currencies.
3. Bangladesh Bank should sign Currency SWAP Agreements with trading partners specially ECB, Bank of Russia, Bank of China and others on USD and EUR and other strategically selected currencies to facilitate efficient and cost effective mutual transactions offsetting the volatility of exchange rate fluctuations.



Annexures

Annex 1

About IPR Labour and Product Standards

About Labour standard, Product Standard and Intellectual Property Rights

On Labour standards Bangladesh is in compliance with the provisions of TICFA Preamble:

“Recognizing the importance of improving the observance and promotion of workers’ rights to both countries’ economic welfare; respecting, promoting and realizing in each Party’s laws and practices the fundamental labour rights enumerated in the ILO Declaration on Fundamental Principles and Rights at Work and its Follow-Up (1998); and ensuring the effective enforcement by the Parties of their respective labour laws;”

“Noting that the Parties are Members of the WTO and affirming that this Agreement is without prejudice to the rights and obligations of these Parties under the agreements, Understanding, and other instruments related to or concluded under the auspices of the WTO;”

TICFA ARTICLE FIVE: “This Agreement shall be without prejudice to the law of either Party or to the rights and obligations and privileges of either Party under any other agreement.”

On Labour Standards Bangladesh has ratified core ILO conventions 29, 87, 98, 150, 105, 111, and 182 under which Bangladesh accords freedom of association of employed workers, effective recognition of employed workers' right to engage in collective bargaining, elimination of child labour and elimination of discrimination in respect of employment and occupation in accordance with its own regularly updated labour laws and its specific commitments under ILO.

In negotiations with US Bangladesh should strongly point out that it is a compliant country under the terms of ILO, WTO and TICFA and US should keep the issue of labour standards for imposition of trade-restrictive measures, outside the jurisdiction of mutual trade relations as mandated in the decisions on ILO core labour standards:

ILO core labour standards in WTO: Under the WTO Singapore and Doha Ministerial Declarations on ILO core labour standards there is no scope for members of WTO to restrict trade on grounds of state of compliance of core labour standards. The International Labour Organization (ILO) is the only designated competent body to set and deal with these standards.

Singapore Ministerial Declaration: Paragraph 4: “The International Labour Organization (ILO) is the competent body to set and deal with these standards” and “We reject the use of labour standards for protectionist purposes, and agree that the comparative advantage of countries, particularly low-wage developing countries, must in no way be put into question. In this regard, we note that the WTO and ILO Secretariats will continue their existing collaboration,”

DOHA Ministerial A DECLARATION: Paragraph 8. "We reaffirm our declaration made at the Singapore Ministerial Conference regarding internationally recognized core labour standards. We take note of work under way in the International Labour Organization (ILO) on the social dimension of globalization."

Dr Supachai Panitchpakdi, secretary-general for United Nations Conference on Trade and Development (UNCTAD) asserted that "The decisions of the United States and the European Union to demand implementation of controversial labour standards in Bangladesh following an industrial tragedy that killed more than 1,100 people in April pose a serious threat to the rule-based global trading system."

"Labour rights and standards are something very sensitive to all developing and least developed countries at the World Trade Organization, and when countries try to impose labor standards they are just distracting from the WTO's authority," "If trade majors want to impose labor rights," said Panitchpakdi, "they should bring the issue to the WTO." It is unfair to punish countries outside of WTO by threatening denial of market access, he said.

"They have been doing this with Cambodia and now Bangladesh." Instead of labor rights, the industrialized countries "must look at the business practices of their retail and wholesale industry because the problem with global value chains is the way they are exploiting the sweat shops in poor countries which are providing cheap labour."

Provisions of US and EU GSP regulations that are inconsistent with the WTO terms of GSP are not applicable and actionable to the extent of such inconsistency.

Product Standard: TICFA Preamble: "Taking into account the desirability of reducing non-tariff trade barriers in order to facilitate increased trade among the parties."

On Product Standards: Bangladesh has developed internationally "Accredited Quality Management and Certification" system and the quality of our export items are duly recognized in the global markets except in some occasional consignments of sensitive food items which is not very uncommon in global trade. On the other hand we have our offensive interest of asking US to reduce various, IPR, ILO, TBT, and SPS WTO plus non-tariff trade barriers in order to facilitate increased mutual trade as mandated in TICFA

On Intellectual Property Rights Bangladesh is in compliance with the Provisions of TICFA Preamble: "Recognizing the importance of providing adequate and effective protection and enforcement of intellectual property rights and adherence to intellectual property norms in accordance with the World Trade Organization (WTO) Agreement on Trade Related Aspects of Intellectual Property Rights, the Berne Convention on the Protection of Literary and the Artistic works and any other intellectual property rights related international agreements as applicable to the parties"

Bangladesh is an IPR compliant country: Bangladesh has incorporated the IP-related multilateral Conventions and Treaties the Paris Convention for the Protection of Industrial Property -; Berne Convention for Protection of Literarily and Artistic Works; Universal Copyright Convention -along with

relevant Treaties, conventions and protocols under WIPO and complied with the respective conventions and grant IPRs as per WTO TRIPS Agreement.

Accordingly Bangladesh as a party to WIPO Conventions Treaties and Protocols has already complied with the respective WIPO conventions and grant IPRs under its domestic regulations as per WTO TRIPS Article 3, 4 and 5.

On IPR Enforcement Bangladesh is also a compliant country under the terms of Article 41.5 of the TRIPS Agreement: “The enforcement cost shall be borne by private parties as IPR is private right in nature”.....“Nothing in this Part (Part III Enforcement of Intellectual Property Rights) creates any obligation with respect to the distribution of resources as between enforcement of intellectual property rights and the enforcement of law in general.”

On the other hand we have our offensive interest of asking US for incentives for transfer of technology, technical and financial cooperation under the terms and obligations of the Article 66.2 and 67 of the WTO TRIPS Agreements as stipulated under TICFA.

Bangladesh Intellectual Property Right (IPR) Registration: Global IPR Protection Systems would substantially promote global IPR registration of Bangladesh products and enhance its value added global trade without having to undertake any additional international obligations other than what it has already adopted in its own domestic regulations.

The international IPR registration systems enable the filing, with a single Office (the “receiving Office”), of a single application (the “international application”) in one language having effect in each of the countries party to the respective agreements which the applicant designates in the application. For applications filed from any LDCs the basic fee is reduced to 10% of the prescribed amount.

Agro and food products, article of apparel and clothing, home textiles, leather products, footwear, pharmaceutical products, plastic and plastic goods, ceramics and table wear, electric and electronic goods, fish and frozen fish, furniture products, jute products, jewelry, ships, boats and water transport products, IT and software are among the most promising and priority products of Bangladesh for global IPR Registration.

Sri-Lanka, Vietnam and thirty LDCs are already parties to Patent Cooperation Treaty. Sri-Lanka, Vietnam and twelve LDCs including Bhutan are already parties to Madrid Agreement on Trademarks. Sri-Lanka, Vietnam and four LDCs are already parties to the Hague Agreement on Industrial Designs.

Bangladesh should immediately join, without any further delay, the two major Global IPR Protection Systems other than Patent Cooperation Treaty (PCT) which Bangladesh has recently joined, Madrid Agreement on Trade Marks and the Hague Agreement on Industrial Design) which will substantially promote global IPR registration of Bangladesh products and enhance its value added global trade without having to undertake any additional international obligations other than what it has already undertaken and adopted in its own domestic regulations. Membership of these Global IPR Protection Systems will also generate most profitable source of revenue against global IPR registrations for the contracting member states from international registration and renewal of fees and charges.



Annex 2

About EU GSP Schemes

The current scheme shall apply until on 31 December 2023. Unless a new Regulation is adopted, the Standard GSP and the GSP+ arrangements will cease to apply on 1 January 2024. Imports from developing countries under Standard GSP and GSP+ would thus be charged with higher duties. However, imports from LDCs would still be covered by the EBA arrangement, which does not have an expiry date. The GSP consists of three arrangements:

1. Standard GSP: for low and lower-middle income countries, providing for a reduction or full removal of customs duties on two thirds of EU tariff lines.
2. GSP+: the special incentive arrangement for sustainable development and good governance, which reduces tariffs to 0% for broadly the same tariff lines as Standard GSP. It is granted to vulnerable low and lower-middle income countries that implement 27 international conventions related to human rights, labour rights, protection of the environment and good governance.
3. EBA (Everything But Arms): the special arrangement for least developed countries (LDCs), providing them with duty-free, quota-free access to the EU market for all products except arms and ammunition.

The current scheme shall apply until on 31 December 2023. Unless a new Regulation is adopted, the Standard GSP and the GSP+ arrangements will cease to apply on 1 January 2024. Imports from developing countries under Standard GSP and GSP+ would thus be charged with higher duties. However, imports from LDCs would still be covered by the EBA arrangement, which does not have an expiry date.

The proposal for a new GSP Regulation aims to renew the scheme for a further period of ten years 2024-34. They aim at specific and limited improvements, to ensure the continued relevance of the GSP's overall efficiency and effectiveness to respond to future challenges:

- (a) Facilitate access to the GSP+ arrangement to the growing number of LDCs graduating from the EBA status;*
- (b) Adjust product graduation thresholds to better focus preferences on less competitive products and countries;*
- (c) Reflect the evolving priorities such as those underpinning the European Green Deal by extending negative conditionality also to environmental and good governance conventions;*
- (d) Update the list of international conventions in a targeted and manageable way, while not jeopardizing the monitoring process;*
- (e) Make the preferences withdrawal process more responsive in urgent cases;*
- (f) Enhance the monitoring and implementation of GSP+ commitments, for instance through increased transparency and participation of relevant stakeholders, including through the recently created Single Entry Point (SEP) mechanism for noncompliance related complaints.*



Annex 3

About RCEP 2021

The Regional Comprehensive Economic Partnership (RCEP) is composed of 15 signatories: Australia, Brunei, Cambodia, China, Indonesia, Japan, Laos, Malaysia, Myanmar, New Zealand, the Philippines, Singapore, Vietnam, South Korea, and Thailand. RCEP members include the 10 countries of ASEAN and their regional trade partners – China, Australia, New Zealand, Korea, and Japan. The RCEP Agreement was signed by trade ministers from the ASEAN member states plus Australia, China, Japan, Korea, and New Zealand during the fourth RCEP Leaders' Summit held on 15 November 2020.

RCEP has a combined GDP to the tune of \$26.2 trillion, or 30 per cent of world GDP, engages 2.2 billion people, and accounts for about 28 per cent of global trade. The RCEP according to the Joint Leaders' Statement covers a market of approximately 2.2 billion people – almost 30% of the world's population – with a combined GDP of US\$26.2 trillion or about 30% of global GDP, and accounts for nearly 28% of total global trade.

The pact takes effect 60 days after six ASEAN signatories and three non-ASEAN signatories complete ratification or equivalent procedures. According to the Australian trade ministry's website November 8, 2021, the countries that have ratified their RCEP participation are: Brunei, Cambodia, Laos, Singapore, Thailand, Vietnam, Australia, New Zealand, Japan and China.

Negotiations among the parties began in 2012 and originally included India, which dropped out of the negotiations in 2019. The Agreement was signed on 15 November 2020. It will enter into force 60 days after ratification by at least six countries of the Association of Southeast Asian Nations (ASEAN) and three non-ASEAN countries.

Singapore ratified the RCEP agreement on April 9, 2021, China on April 15, 2021, Thailand on Feb 11, 2021 and Japan on June 25, 2021. RCEP will enter into force 60 days after the date on which at least three non-ASEAN signatories and six ASEAN signatories have completed their necessary domestic procedures and notified the Depository that they are ready. **Anyone can join RCEP 18 months after it comes into force but India, as one of the original negotiating partners, can join at any time once the deal comes into effect.**

RCEP is one of two so-called "mega-regional" trade agreements in East Asia. The other is the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which came into force in 2018, and currently counts eleven parties: Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam.

The main traded goods of RCEP economies are manufacturing goods. RCEP accounts for nearly half of world manufacturing output. Exports of manufactured goods and machinery and transport equipment dominate the exports from the region, as more than half of all exports from the region

fall in these categories. RCEP focuses heavily on cutting tariffs and increasing market access but is seen as less comprehensive than the TPP.

It also requires fewer political or economic concessions and has less emphasis on labour rights, environmental and intellectual property protections and dispute resolution mechanisms.

The region focuses particularly on the production of automotive and electronics: around half of global automotive and nearly 70 % of electronics world-wide are produced in the region. With major suppliers and producers of electronics like Samsung or Apple and automobile suppliers and factories in the region, many electronics and machinery components are sourced from these economies.

Once in effect, the deal will eliminate tariffs on as much as 90 per cent of goods traded between its signatories over the next 20 years. The deal will also standardise rules on investment and intellectual property to promote free Trade among its signatories.

RCEP provides some flexibility for less-developed members to implement the practical and legislative changes it requires. Cambodia and Laos, for example, have three to five years to upgrade customs procedures.

RCEP Preamble: TAKING ACCOUNT OF the different levels of development among the Parties, the need for appropriate forms of flexibility, including provision for special and differential treatment, especially for Cambodia, Lao PDR, Myanmar, and Viet Nam as appropriate, and additional flexibility for Least Developed Country Parties;

CONSIDERING the need to facilitate the increasing participation of Least Developed Country Parties in this Agreement so that they can more effectively implement their obligations under this Agreement and take advantage of the benefits from this Agreement, including expansion of their trade and investment opportunities and participation in regional and global supply chains;

The structure and content of the RCEP Agreement

The Agreement has a total of 20 chapters across 510 pages. Following chapter 1 (**Initial Provisions and General Definitions**), **chapter 2 (Trade in Goods)** includes obligations for trade in goods (national treatment clause, elimination of customs duties, duty-free temporary admissions, customs valuation, goods in transit, re-affirmation of World Trade Organization (WTO) commitments related to export competition and export subsidies in agricultural products, quantitative restrictions, import licensing.

It also describes the process how to deal with tariff differentials (different tariff preferences applied by parties); it foresees consultation on technical regulations and encourages to develop a work program on sector-specific issues. The parties agree to reduce or eliminate customs duties imposed by each member on originating goods by approximately 92 % over a period of 20 years. Some tariffs are abolished immediately, while others will be eliminated gradually according to schedules over 20 years. Overall, RCEP will improve market access, with tariffs and quotas eliminated in over 65 % of goods traded.

This will, however, not necessarily imply large tariff reductions for all parties as more favourable trade agreements already exist between some parties.

Chapter 3 (Rules of Origin, ROO) determines which goods are originating under RCEP and therefore can benefit from preferential tariff treatment. It has two sections. Section A sets out the requirement for qualifying from the originating status. Section B sets out specific procedures related to the proof of origin and other administrative procedures. The chapter has two annexes: (i) the Product-Specific Rules, which cover all tariff lines at the HS 6-digit level; and (ii) Minimum Information Requirements, listing the required information for a Certificate of Origin or a Declaration of Origin. It brings all origin rules originally stipulated under the ASEAN-Plus-one and other bilateral PTAs together. So overall, RCEP consolidates ROO, by making it easier for exporters to “cumulate” (more inputs) and rely on a single proof of origin.

Chapter 4 (Customs Procedures and Trade Facilitation) includes trade facilitation provisions, such as advance rulings, rules of origin, customs valuation; customs clearance of goods, risk management and post-clearance audits. The details of implementation of commitments are provided in an annex to the chapter which takes account of differentiated needs.

Chapter 5 (Sanitary and Phytosanitary Measures) relies significantly on established WTO law and practice as well as the work of the respective WTO Committee on SPS. Further emphasis is given to transparency, cooperation and capacity-building.

Chapter 6 (Standards, Technical Regulations, and Conformity Assessment Procedures) relies significantly on WTO law and practice, as well as the work of the WTO Committee on Technical Barriers to Trade (TBT). Following the example of Chapter 5, cooperation among parties is encouraged.

Chapter 7 (Trade Remedies) covers both safeguards as well as anti-dumping and countervailing duties. In both cases parties’ rights and obligations under WTO law are confirmed. In terms of safeguards a de minimis rule of 3 % is mentioned and in terms of anti-dumping the practice of zeroing is explicitly prohibited. The chapter further includes an annex on anti-dumping and countervailing duties proceedings to promote transparency and best practice.

Chapter 8 (Trade in Services) includes provisions on market access, national treatment, most-favoured nation treatment, and local presence. These are all subject to Parties’ Schedules of Specific Commitments or Schedules of Reservations and Non-Conforming Measures. Importantly, several parties¹⁹ scheduled their services commitments through a “negative list”²⁰ approach while the parties that have used a “positive list” for services commitments are required to transition to a negative list within six years of entry into force of the agreement. Overall, it provides commitments for trade in services that go beyond commitments in existing PTAs among the RCEP parties. It is foreseen that at least 65 % of services sectors

will be fully open with increased foreign shareholding in Professional Services, Telecommunications, Financial Services, Computer and Related Services, and Distribution and Logistics Services.

There are also three specific annexes on financial services, telecommunications services and professional services (including recognition of professional qualifications) with obligations and frameworks for increased cooperation.

Chapter 9 (Temporary Movement of Natural Persons) covers rules regarding temporary entry and temporary stay of natural persons related to trade, services and investment. It includes party-specific schedules that are found in the appendix.

Chapter 10 (Investment) covers the areas of investment protection. It does not, however, offer refinements compared to the parties existing investment agreements. Linked to the chapter are schedules of reservations and non-conforming measures following a negative list approach with standstill and ratchet mechanism. What is noteworthy is that parties did not agree on an investor-state dispute settlement (ISDS) mechanism which usually is part of most modern investment chapters. This is a notable difference with the EU's investment agreements, concluded in addition to the trade agreements with Singapore and Vietnam, which have set high investment protection standards and put in place ISDS mechanisms.

Chapter 11 (Intellectual Property, IP) covers many of the areas related to IP (Copyright, Trademarks, Geographical Indications, Patents, Industrial Design and Genetic Resources, Traditional Knowledge and Folklore, Domain Names). It is over 40 pages long building mostly on WTO law. It encourages members to accede to IP Conventions and re-affirms the flexibilities related to the WTO Doha Declaration on Trade-related Aspects of Intellectual Property Rights (TRIPS) Agreement and Public Health. In terms of geographical indications, all parties must adopt or maintain transparency obligations. The chapter is accompanied by a list of party-specific transition periods and a list of technical assistance requests.

Chapter 12 (Electronic Commerce) calls for a framework for future liberalization in e-commerce. It covers various topics that are usually part of an e-commerce chapter ranging from a commitment not to impose customs duties for electronic transmission to an obligation to protect personal information, but it is less ambitious than comparable agreements on issues such as data localization. Also, commitments do not apply to financial services and include exceptions for national security or other public policy reasons.

Chapter 13 (Competition). The chapter encourages parties to rely on competition law to address non-competitive behaviour. It also encourages information exchange and cooperation among regulatory agencies and support for capacity-building. There are additional transition periods listed in specific appendices for less advanced economies. The chapter also calls on parties to address consumer protection.

Chapter 14 (Small and Medium Enterprises, SMEs) recognizes the role of SMEs. It demands sharing RCEP-related information relevant to SMEs.

Chapter 15 (Economic and Technical Cooperation) provides a framework of cooperation, in particular by calling for an establishment of a work programme.

Chapter 16 (Government Procurement) sets out provisions regarding transparency and acknowledges the need for future cooperation. Government procurement was not part of the original mandate but was added later in the negotiations.

There are no substantial commitments at this stage in government procurement, however it is the first time that ASEAN as a whole, as well as a number of individual RCEP countries, incorporate rules on public procurement in a trade agreement.

Chapter 17 (General Provisions and Exceptions) covers transparency obligations with respect to each Party's laws and regulations. It also excludes investment screening from dispute settlement, includes general security, balance of payment and other exceptions (Article XX of GATT and Article XIV of GATS).

Chapter 18 (Institutional Provisions) provides information about arrangements regarding various bodies (meetings of RCEP ministers, RCEP joint committee) and 4 specific sub-Committees (Goods, Services and Investment, Sustainable Growth and Business environments).

Chapter 19 (Dispute Settlement) follows a standard approach with the possibility to convene a panel of experts to administrate an arbitration procedure. There is a strong expectation that panelists have previous experience in the WTO dispute settlement system. There are detailed rules about procedures, implementation and compliance. The chapter also foresees rights for 3rd parties. In cases involving least developed country parties, the complaining party has the obligation to exercise its rights with restraint allowing for special and differential treatment. Finally, chapters on Electronic Commerce and Competition are excluded from Dispute Settlement.

Chapter 20 (Final provisions) sets out, among other provisions, a general review mechanism (after five years) and procedures for accession (without geographical restrictions) with explicitly mentioning the possibility for India to joining without having to wait 18 months after RCEP's entry into force (Art. 20.9).

There are four market access annexes: First, there are country-specific tariff schedules and for some members, there are additional clarification for tariff differentials. Singapore's tariff schedules are noteworthy as the annex reads "Singapore shall eliminate the customs duties on all originating goods under this Agreement, as from the date of entry into force of this Agreement." Second, there are schedules of specific commitments for services for those members that follow a positive list approach. Third, schedules of reservations and non-conforming measures for services and investment are listed. The fourth annex consists of schedules of specific commitments on temporary movement of natural persons.

Although RCEP covers many trade topics, parties have decided not to include provisions related to the environment, labour, state-owned enterprises and government subsidies.



Annex 4

About Services Domestic Regulation (SDR) 2021

Services are the most dynamic and fastest growing sector of today's global economy. Services represent the fastest growing sector of the 21st century global economy, but its potential remains constrained by a variety of barriers, including limited transparency and predictability of regulations, and rather widespread procedural inefficiencies. Services currently account for more than 60% of world gross domestic product (GDP) and more than 50% of employment worldwide.

Services trade – through all four modes of supply – was estimated to be worth USD 13.3 trillion in 2017, accounting for some 43% of global trade (WTO, 2019a). However, services play a much more significant role: if one takes into account that services constitute more than 32% of value-added of manufacturing exports worldwide (WTO, 2019a), the contribution of services to international trade is larger than gross statistics suggest.

As the 2019 World Trade Report found, trade costs in the services sector are almost double those for trade in agriculture and manufacturing. International trade in services is about four times more costly than domestic trade. Regulatory differences, information and transaction costs, and governance aspects account for more than 40% of these costs (WTO, 2019a). OECD estimates suggest that the barriers recorded in the OECD Services Trade Restrictiveness Index (STRI) involve average trade costs between 50% and 250% of export values (Benz & Jaax, 2020). Among the obstacles, the lack of transparency of laws and regulations, and pervasive procedural inefficiencies figure prominently.

As the scope of services trade encompasses not only cross border trade, but also other modes of supply, and services are an important ingredient for trade and indeed economic performance overall, the negative impact of regulatory bottlenecks are likely to reverberate along the entire value chains.

Services Domestic Regulation (SDR) 2021: To enhance transparency, efficiency, and predictability of services trade regulatory systems Sixty-seven WTO members covering more than 90% of world services trade currently participating in this plurilateral process announced on 2 December, 2021 the successful conclusion of negotiations on Services Domestic Regulation (SDR) 2021 aimed at slashing administrative costs and creating a more transparent operating environment for service providers hoping to do business in foreign markets. This agreement also breaks new ground in that, for the first time in the WTO's history, members will commit to ensuring non-discrimination between men and women in their services regulations.

The disciplines on services domestic regulation (SDR disciplines) that the Joint Initiative has agreed build upon three core principles:

- (i) transparency, namely measures aimed at promoting prompt publication and availability of information relevant to service suppliers and their engagement in regulatory decision-making processes;
- (ii) legal certainty and predictability, namely measures aimed at ensuring regulatory and procedural guarantees to be followed by competent authorities when dealing with applications for authorization to supply services; and
- (iii) regulatory quality and facilitation, namely measures aimed at disseminating good regulatory practices to facilitate services suppliers' ability to trade.

The Services Domestic Regulation 2021 refers to the requirements, procedures, and applicable technical standards for qualification and licenses for service providers including businesses and individuals, such as architects, lawyers, and financial institutions etc. When rules such as licensing requirements are unclear and unpredictable, this can result in highly qualified service providers being unable to access foreign markets in a fair and non-discriminatory manner. The SDR 2021 Agreement aims to reduce this gap.

The new rules agreed cover increased levels of transparency by Licensing Authorities when advertising and evaluating licence applications from enterprises supplying foreign services in local markets of the parties to the agreement. The Agreement also contains new disciplines relating to licensing requirements and procedures, qualification requirements and technical standards affecting trade in services, thereby bringing greater clarity to market access requirements for our services exporters in a range of key markets.

Cutting red tape in regulatory frameworks can help create new services trade opportunities for suppliers of all sizes and women entrepreneurs. It can benefit particularly micro, small and medium-sized enterprises (MSMEs), which typically face limited resources to navigate complex and costly requirements and procedures.

The disciplines on services domestic regulation – in brief

Transparency

- Publish and make available information required to comply with requirements and procedures for authorization, including through electronic means;
- Establish appropriate mechanisms for responding to enquiries from service suppliers;
- Engage stakeholders by publishing proposed laws and regulations, providing opportunity for comments from interested persons, and considering comments received.

Legal certainty and predictability

- Establish indicative timeframes for processing applications;
- Process applications in a timely manner;
- Provide information on the status of applications;

- Allow applicants to correct minor deficiencies in incomplete applications and identify additional information required;
- Inform applicants of reasons for rejection of applications and allow resubmission;
- Allow authorization once granted to enter into effect without undue delay;
- Allow reasonable time between publication of laws and regulations and date of required compliance by service suppliers;
- Hold examinations at reasonably frequent intervals.

Regulatory quality and facilitation

- Require applicants to approach only one competent authority to obtain authorization;
- Permit submission of applications at any time throughout the year, or at least, allow reasonable periods of time for submission;
- Accept electronic applications and authenticated copies of documents;
- Ensure that authorization fees are reasonable, transparent, and do not in themselves restrict the supply of service;
- Support professional bodies wishing to establish dialogues on issues relating to recognition of professional qualifications;
- Ensure that competent authorities reach their decisions in a manner independent from services suppliers;
- Consolidate relevant information on a single online dedicated portal;
- Develop technical standards through open and transparent processes;
- Base measures relating to authorization on objective and transparent criteria;
- Ensure that procedures are impartial, adequate and do not unjustifiably prevent fulfilment of authorization requirements;
- Ensure that authorization measures do not discriminate between men and women.

Participating members have agreed to incorporate the final set of disciplines into their respective GATS schedules as “additional commitments” pursuant to GATS Article XVIII. This provision allows WTO members to negotiate commitments regarding measures on qualifications, standards, or licensing matters. The new commitments made as part of this initiative will apply to service suppliers from any other WTO member, based on the so-called most favoured nation principle.

The disciplines will complement the existing specific commitments undertaken by participating members in their respective GATS schedules. The disciplines will not affect any existing rights and obligations under the GATS or any other WTO Agreements.

Research by the WTO and the Organisation for Economic Co-operation and Development (OECD) suggests that the reduction in trade costs from implementing the new disciplines could amount to USD 150 billion annually globally, with particularly important gains for financial, business, communications and transport services.

The SDR 2021 disciplines will become binding only on those WTO members who inscribe them into their GATS schedules. They will be applied on a “Most Favoured Nation” (MFN) basis, meaning that services suppliers from all WTO members will be able to equally benefit from them.

The disciplines will apply to sectors where participating countries have undertaken commitments in their WTO General Agreement on Trade in Services (GATS) “schedules of commitments”. Members can voluntarily expand the application of the disciplines to additional sectors.

Developing economies that subscribe to the disciplines can delay the application of specific provisions in sectors in which they face implementation difficulties for up to 7 years. The use of transitional periods would allow them to make any necessary adjustments to their domestic regulatory frameworks.

Least-developed countries (LDC) participating in the Initiative are not required to apply the disciplines until they graduate from LDC status and can designate the necessary transitional periods at that time.



Annex 5

THE IMPORT AND EXPORT (FACILITATION AND REGULATION) ACT, 2021

Imports and Exports (Control) Act, 1950.	THE IMPORT AND EXPORT (FACILITATION AND REGULATION) ACT, 2021
<p>Preamble: An Act to continue for a limited period powers to prohibit control imports and exports. (As amended up to the 26th May, 1962) Where as it is expedient to continue for a Limited period powers to prohibit, restrict or otherwise control import into and exports from Pakistan. It is here by enacted as follows:</p> <p>1. (I) This Act may be called the Imports and Exports (Control) Act, 1950.</p> <p>(2) It extends to all the Provinces and the Capital of the Federation and to every Acceding State to extent to which the central Legislature has power to make laws for the State as regards the control of imports and exports.</p> <p>(3) It shall come into force immediately, and shall remain in force for a period of (fifteen years)</p>	<p>Preamble: An Act to expedite facilitation and regulation of imports into and exports from Bangladesh and for matters connected therewith or incidental thereto. Whereas it is expedient to facilitate and regulate imports into and exports from Bangladesh and provide for matters connected therewith or incidental thereto. It is here by enacted as follows:</p> <p>1. (I) This Act shall be called the Imports and Exports (Facilitation and Regulation) Act, 2021.</p> <p>(2) It extends to the whole of Bangladesh</p> <p>(3) It shall come into force immediately.</p> <p>(4) (1) Anything contained in any other law, rule, regulation, notification or order, so far as they are not inconsistent with the provisions of this Act or rules or orders made there under, shall continue to be in force and shall be deemed to have been made under this Act.</p> <p>(2) The provisions of this Act shall be in addition to the provisions of any other law for the time being in force.</p>
<p>Definitions: 2. In this Act:</p> <p>(a) “Chief Controller” means the officer appointed by the Central Government to perform the duties of Chief Controller of Imports and Exports under this Act.</p> <p>(b) “Customs Collector” means a Customs-Collector as defined in the sea Customs Act 1878 or a Collector of Land customs appointed under the Land Custom Act, 1924 and;</p> <p>(c) “Import and Export” mean respectively bringing into and taking out by sea, land or air.</p>	<p>2. Definitions: 2. In this Act:</p> <p>(a) Director General” means the Director General appointed under section 3 means the officer appointed by the Government to perform the duties of Imports and Exports under this Act.</p> <p>(b) “Import and Export” mean respectively bringing into and taking out of Bangladesh by sea, land, air or electronic means.</p> <p>(c) State Trading Enterprises (STEs) means governmental enterprises, including distribution and marketing units, which deal with goods for export and or import on a commercial basis.</p>
<p>3. (1) The Central Government may by order published in the official Gazette and subject to such conditions and exceptions as may be</p>	<p>3. Powers to make provisions relating to imports and exports: (1) Appointment of Director General and his functions: (i) The Government may appoint</p>

made by or under the order, prohibit, restrict or otherwise control the import or export of goods of any specified description, or regulate generally all practices (including trade practice) and procedure connected with the import or export of such goods and such order may provide for applications for licences under this Act, the evidence to be attached to such applications, the grant, use, transfer sale or cancellation of such licences, and the form and manner in which and the periods within which appeals and applications for review or revision may be preferred and disposed of, and the charging of fees in respect of any such matter as may be provided in such order.

(2) No goods of the specified description shall be imported or exported except in accordance with the conditions of a licence to be issued by the chief Controller or any other officer authorized in this behalf by the central Government.

(3) All goods to which any order under subsection (1) applies shall be deemed to be goods of which the import or export has been prohibited or restricted under section 19 of the Sea Customs Act, 1878, and all the provisions of the Act shall have effect accordingly except that section 183 thereof shall have effect as if for the word "shall" therein the word "may" were substituted.

(4) Notwithstanding anything contained in the aforesaid Act the Central Government may, by order published in the official Gazette, prohibit, restrict or impose conditions on the clearance whether for home consumption or for shipment abroad of any imported goods or class of goods.

any person to be the Director General of Import and Export for the purposes of this Act.

(ii) The Director General shall advise the Government in the formulation of the *Import and Export Policy Order and Rules & Procedures there under* and shall be responsible for carrying out that Order.

(iii) The Government may, by Order published in the Official Gazette, direct that any power exercisable by it under this Act may also be exercised, in such cases and subject to such conditions, by the Director General or such other officer subordinate to the Director General, as may be specified in the Order.

(2) The Government may by order published in the official Gazette and subject to such conditions as may be made by or under the order, facilitate by providing financial, fiscal, tax and tariff and other incentives and regulate imports and exports procedure for imports into and exports from Bangladesh. All imports into and exports from Bangladesh shall, accordingly, be governed by the Order; Provided that

i) Government reserves the right to make any amendment to the Import and Export Policy Order by means of notification, in public interest; and

ii) The Government may make Imports and Exports Rules & Procedures, not inconsistent with this Act as it stands amended from time to time, for carrying out the purposes of the Import and Export Policy Order.

(3) The Government may, by order published in the Official Gazette, make provision for prohibiting, restricting or otherwise regulating, in all cases or in specified classes of cases and subject to such conditions as may be made by or under the Order for the following reasons that:

(i) the import or export needs to be restricted or prohibited in order to safeguard the state security, public interests or public morals,

(ii) the import or export needs to be restricted or prohibited in order to protect the human health or security, the animals and plants life or health or the environment,

	<p>(iii) the import or export needs to be restricted or prohibited in order to implement the measures relating to the importations and exportations of gold, silver and other listed sensitive products,</p> <p>(iv) the export needs to be restricted or prohibited in the case of domestic shortage in supply or the effective protection of exhaustible natural resources,</p> <p>(v) the import needs to be restricted in order to maintain the balance of international payment,</p> <p>(vi) the import or export needs to be restricted or prohibited as the international treaties or agreements to which the Bangladesh is a contracting party or a participating party so require.</p> <p>(4) The Government may, from time to time, formulate and announce, by notification in the Official Gazette, the Import and Export Policy Order and may also, in like manner, amend that Order: Provided that the Government may direct that, in respect of the Bangladesh Economic Zones and the Export Processing Zones, the Import and Export Policy Order shall apply to the goods, services and technology with such exceptions, modifications and adaptations, as may be specified by it by notification in the Official Gazette.</p> <p>(6) Governmental may grant exclusive or special privilege to any State Trading Enterprises (STEs) for import or export under such conditions as may be specified in the Order.</p> <p><i>(7) Anything contained in the rule, regulation, or order notified under this Act shall be in force and shall be deemed to have been made also in other laws, rules, regulations, or orders.</i></p>
<p>4. All orders made under section 3 of the Imports and Exports (Control) Act, 1947, and in force immediately before the commencement of this Act, shall so far as they are not inconsistent with the provisions of this Act, continue in force shall be deemed to have been made under this Act.</p>	<p>4. (1) All Orders made under the Imports and Exports (Control) Act, 1950 and in force immediately before the commencement of this Act shall, so far as they are not inconsistent with the provisions of this Act, continue to be in force and shall be deemed to have been made under this Act.</p>

<p>4A. No person shall sell, purchase or otherwise deal in any import licence other than an import licence issued under the Export Bonus Scheme.</p> <p>4B. Except with the previous permission in writing of the Chief Controller or any other officer authorized in this behalf by the Central Government, no person who imports goods against a licence issued to him in his capacity as industrial consumer shall sell or otherwise transfer such goods or use the goods for purpose other than the purpose or purposes for which the licence was issued.</p>	<p>(2) Compliance of Imports with Domestic Laws: Technical Standards & Specifications, Environmental Safety and Health norms applicable in Bangladesh shall apply equally both for domestic and imported products.</p>
<p>5. If any person contravene (any provision of this Act or) any order made or deemed to have been made under this Act or the rules made there under, or makes use of an import or export licence otherwise than in accordance with any condition in that behalf imposed under penalty</p>	<p>5. Contravention of this Act, rules, and orders —</p> <p>(1) No export or import shall be made by any person except in accordance with the provisions of this Act, the rules and orders made there under and the Import and Export Policy for the time being in force.</p> <p>2) Where any person makes or abets or attempts to make any export or import in contravention of any provision of this Act or any rules or orders made there under or Import and Export Policy Order, he shall, without prejudice to any other law, be liable to a penalty as may be prescribed in Rules made under this Act.</p> <p>3) No order imposing a penalty or of adjudication of confiscation shall be made unless the owner of the goods or conveyance, or other person concerned, has been given a notice in writing—(a) informing him of the grounds on which it is proposed to impose a penalty or to confiscate such goods or conveyance; and (b) to make a representation in writing within such reasonable time as may be specified in the notice against the imposition of penalty or confiscation mentioned therein, and, if he so desires, of being heard in the matter.</p> <p>4) No penalty imposed, or confiscation made under this Act shall prevent the imposition of any other punishment to which the person affected thereby is liable under any other law for the time being in force.</p>

	<p>5) Adjudicating Authority.—Any penalty may be imposed under this Act by the Chief Controller of Imports and Exports or, subject to such limits as may be specified, by such other officer as the Government may, by notification in the Official Gazette, authorise in this behalf.</p> <p>6) Appeal.—(1) Any person aggrieved by any decision or order made by the Adjudicating Authority under this Act may, within a period of forty-five days from the date on which the decision or order is served on such person, prefer, an appeal as prescribed in Rules made in this behalf: Provided that .</p> <p>(a) where the decision or order has been made by the Chief Controller of Imports and Exports, to the Secretary Ministry of Commerce Government of Bangladesh ;</p> <p>(b) where the decision or order has been made by an officer subordinate to the Chief Controller of Imports and Exports, to the Chief Controller of Imports and Exports or to any officer superior to the Adjudicating Authority authorised by the Chief Controller of Imports and Exports to hear the appeal.</p>
<p>6. No court shall take cognizance of any offence punishable under section 5 except upon complaint in writing made:</p> <p>(a) in the case of an offence which is punishable both under this Act or the rules made there under and also, whether by confiscation or otherwise, under the Sea Custom Act, 1878, by a Customs Collector or by an officer of Customs authorized in writing in this behalf by a Customs Collector or</p> <p>(b) in the case of any other offence, by the chief Controller or by an officer authorized by him in writing in this behalf; and no court inferior to that of a Magistrate of the first class shall try any such offence.</p>	<p>6. No court shall take cognizance of any offence punishable under this Act without the previous sanction of the Government or any officer authorised in this behalf by the Government by general or special order. No court below the Magistrate of the first class shall try any offence under this Act.</p>

<p>7. No order made or deemed to have been made under this Act shall be called in question in any court, and no suit prosecution or other legal proceeding shall lie against any person for anything in good faith done or intended to be done under this Act or any rules made there under or any order made or deemed to have been made there under.</p>	<p>7. No order made under this Act shall be called in question in any court, and no suit prosecution or other legal proceeding shall lie against any person for anything in good faith done or intended to be done under this Act or any rules made there under or any order made there under.</p>
<p>8. The Central Government may make rules not inconsistent with this Act for carrying out the purposes of this Act.</p>	<p>8. The Government may make Rules and Import and Export Policy Order not inconsistent with this Act for carrying out the purposes of this Act.</p>
<p>9. The Imports and Exports (Control) Act, 1947, and the Imports and Exports (Control) Ordinance, 1950, are here by repealed</p>	<p>9. The Imports and Exports (Control) Act, 1950 is here by repealed</p>



Annex 6

About UNECE-TIR Convention 1975

What is TIR? The TIR Conventions were adopted under the auspices of the United Nations Economic Commission for Europe (UNECE). As of December 2020, there are 77 parties to the Convention, including 76 states and the European Union.

TIR stands for “Transports Internationaux Routiers” which in English means International Road Transport. It is an international system allowing goods to travel across one or more borders with a minimum of Customs interference whilst in transit, providing at least part of the journey is carried out by road.

The TIR system operates in any country that is a Contracting Party to the TIR Convention 1975, provided the country has established the relevant contractual arrangements. Goods travelling under TIR are covered by a TIR Carnet and this means they may pass through these countries without paying Customs duties and taxes and without the need for unloading/reloading at frontiers.

The United Nations, on behalf of the Contracting Parties, has mandated the International Road Transport Union (IRU) to administer the TIR system and in particular the guarantee system. The TIR System has been facilitating and securing trade and international road transport for over 60 years, by allowing customs-sealed vehicles and freight containers to transit countries without border checks.

TIR System Actors

1. The International Road Transport Union (IRU): implements the TIR System under UN mandate.
2. IRU Member Associations: issue TIR Carnets, guarantee transport operations under TIR, grant access to the TIR System to transport operators in collaboration with national authorities.
3. TIR Carnet Holders: transport operators who perform TIR transport operations.
4. National Authorities: usually Customs administrations, grant access to the TIR System to IRU Member Associations and transport operators.
5. United Nations bodies: oversee the TIR System and multilateral transport legislation at global level.
6. The TIR transit system is founded on the following five main principles (the Pillars):
 7. the use of secure vehicles or containers,
 8. the international guarantee chain,
 9. the TIR carnet,
 10. the mutual recognition of customs controls, and
 11. controlled access to use the system.

Join the TIR System to:

1. Streamline border crossing procedure;
2. Have Customs formalities done at origin and destination rather than at each frontier;
3. Guarantee payment of Customs duties and taxes;
4. Expedite international trade and reduce costs;
5. Use free of charge, web-based, pre-declaration and risk management tools.

TIR Systems : The TIR Convention establishes an international customs transit system with maximum facility to move goods:

- in sealed vehicles or containers;
- from a customs office of departure in one country to a customs office of destination in another country;
- without requiring extensive and time-consuming border checks at intermediate borders;
- while, at the same time, providing customs authorities with the required security and guarantees.

The TIR system not only covers customs transit by road but a combination is possible with other modes of transport (e.g., rail, inland waterway, and even maritime transport), as long as at least one part of the total transport is made by road.

In light of the expected increase in world trade, further enlargement of its geographical scope and the forthcoming introduction of an electronic TIR system (so-called “eTIR-system”), it is expected that the TIR system will continue to remain the only truly global customs transit system.

The TIR Convention is maintained by the UNECE who, in co-operation with the TIR secretariat, also maintain a publication known as the TIR Handbook. The Handbook not only contains the text of the Convention but also a wealth of other useful information concerning the practical application of the Convention.

The International Road Transport Union (IRU) was founded in Geneva on 23 March 1948 to facilitate trade, international road transport and passenger mobility, and to support sustainable development worldwide. IRU upholds the interests of bus, coach, taxi and truck operators to ensure sustainable mobility of people and goods by road worldwide.

The IRU activities include:

1. partnership among all its active and associate members and with related organisations and industries to define, develop and promote policies of common interest;
2. monitoring all activities, legislation, policies and events that impact the road transport industry, responding to and cooperating with all actors involved;

3. strategic reflection on global challenges of energy, competition and social responsibility, drawing on the strengths and expertise of its members channeled through the IRU Commissions and Working Parties;
4. dialogue with intergovernmental bodies, international organisations and all other stakeholders concerned by the road transport industry, including the public at large;
5. cooperation with policy makers, legislators and opinion-makers, in order to contribute to informed and effective legislation, striking the right balance between the needs and interests of all;
6. public-private partnerships with relevant authorities to implement legal instruments such as the TIR Convention under UN mandate or concrete transnational projects such as the reopening of the Silk Road;
7. communication of the role and importance of the road transport industry, of its position on various issues and of reliable data and information;
8. provision of practical services and information, to road transport operators, such as the latest fuel prices, waiting times at borders, secure parking areas, professional training, legislative developments, legal assistance, etc.
9. training to promote professional competence in the sector, improve the quality of services it offers and ensure compliance of road transport training standards with international legislation, through the IRU Academy.

TIR procedures: Vehicle operators making use of the TIR procedure must first obtain an internationally harmonised customs document, referred to as a TIR carnet. TIR carnets are issued by national road transport associations. This customs document is valid internationally and as well as describing the goods, their shipper and their destination, represents a financial guarantee.

When a lorry arrives at a border customs post it need not pay import duties and taxes on goods at that time. Instead the payments are suspended. If the vehicle transits the country without delivering any goods, no taxes are due. If it fails to leave the country with all the goods, then the taxes are billed to the importer and the financial guarantee backstops the importer's obligation to pay the taxes.

TIR transits are carried out in bond, i.e. the lorry must be sealed as well as bearing the carnet. The security payment system is administered by the International Road Transport Union (IRU)

Join the TIR system is a two phase process.

First, governments of the interested countries must deposit the necessary instrument of accession to the TIR Convention with the United Nations in New York. If there is no objection during the 6 months that follow, countries then become Contracting Parties to the TIR Convention, and they are eligible to attend certain relevant meetings and to discuss the TIR system.

If a Contracting Party then wishes to use the TIR system on its territory then it must have fulfilled all the contractual arrangements that have to be established in relation to the Association, the national Customs authorities, the IRU, the Holders and the financial institutions. Only then can TIR transport operations take place on that Customs territory.





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