

Market Access Issues: EU-Bangladesh Trade Regime

A Case Study on Market Access - Myths and Realities

Dr. A.K. Enamul HAQUE

Professor
Department of Economics
East West University

Azreen KARIM

Lecturer
Department of Economics
East West University

Wahid ABDALLAH

Lecturer
Department of Economics
North South University

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Abstract

'Market Access' in trade negotiations refers to the set of tariff and Non-tariff barriers (NTBs) that can be used to restrict flow of goods and services from one country to another. This research aims at identifying the effective barriers for the **small and medium sized enterprises (SMEs)** in four selected industries and it evaluates the relative strength of these measures to increase or decrease the flow of goods between Bangladesh and the EU. It is assumed that this would provide an indication for future rounds of negotiation to help trade expansion.

Export sectors being the major revenue generating sectors for a developing economy like Bangladesh; industry for leather and leather goods, knitwear, pharmaceuticals and the shrimp processing industry had considered to be the lead earning sectors. Among the 25 independent states of the European Community (EC), five (5) of them had been identified as the major importers of Bangladeshi products. Accessing the market in the **European Union (EU)** is thought to be suffering from the presence of many non-tariff barriers. However, since 2001 EU has initiated Everything But Arms (EBA) policy for some 49 LDCs including Bangladesh; Bangladeshi exporters found new opportunities to export their products at a relative ease.

The primary objective of the research was to understand the issues related to market access from a micro or enterprise level study. For Bangladesh the study has analyzed four industries: the leather and leather goods industry, the knitwear industry, the pharmaceutical industry and the shrimp processing industry. Two types of enterprises were covered in the field survey - small and medium sized enterprises.

Four categories of barriers had been studied in this research. They are Type I - government participation in trade and restrictive practices; Type II - technical barriers to trade or TBT; Type III - specific limitations; and Type IV - import charges. The study shows that exporters in these sectors are facing at least three types of the barriers while exporting to EU. Market access for them is a major issue. Of these, technical regulations, standards, certification arrangement, rules of origin, and labeling, marking and packaging are the major barriers. Consequently, future trade negotiations explicitly deal with these issues; otherwise it would be difficult for the SMEs to take advantage of a tariff and quota-free trade regime.

1

Introduction

- 1.1 Global interconnectedness and interdependence had proved to be the vigor of today's global economy and WTO embracing the pivotal organizational structure. Issues related to the Environment, Market Access, Trade-Related Aspects of Intellectual Property Rights (TRIPS), Trade-Related Investment Measures (TRIMs) and General Agreement on Trade in Services (GATS) are positioned in the highest percentile of the global agenda. The central concern for the developing nations with respect to market access includes tariff and non-tariff barriers to trade. However, as the incidences of tariff restrictions have come down significantly over the past decade and many developed countries have allowed imports from developing countries without tariffs, market access issues generally include non-tariff barriers like standards, quota, certification, regulation related to movement of goods and services and many others. This research aims at examining the market access issues between Bangladesh and the EU with respect to four selected industries in Bangladesh.
- 1.2 The term '**Market Access**' in trade negotiations refers to the set of tariff and Non-tariff barriers (NTBs) that can be used to restrict the flow of goods and services from one country to another. The vital issue of Market Access could be analyzed from the following perspectives: a) Anti-Dumping Measures b) Competition Issues c) Countervailing Measures d) Direct Foreign Investment Limitations e) Discriminating Export Licensing f) Enforcement problems on IPRs g) Export prohibitions and other quantitative restrictions h) Export Subsidies i) Export Taxes j) GATS specific measures k) Government procurement l) Internal Taxation m) Legislation on Appellations of Origin and Geographic Indications n) Legislation on Copyright and Related Rights o) Legislation on Patents (including Plant Varieties) p) Other IPR Related Problems q) Other Non-Tariff Measures r) Other Tariffs and Duties s) Quantitative Restrictions and Related Measures t) Registration, Documentation, Customs Procedures u) Safeguard Measures v) Sanitary and Phyto-Sanitary Measures w) Standards and other Technical Requirements x) Subsidies and y) Tariff Levels / Tariff Quotas.
- 1.3 Paragraph 16 of the Doha Ministerial Declaration (DMD)¹ sets out the mandate for negotiations on **Market Access for Non-agricultural products**. The objective of the negotiations is to reduce or as appropriate eliminate tariffs, including the reduction (or

¹ From the website of the World Trade Organization,
http://www.wto.org/english/thewto_e/minist_e/min01_e/mindecl_e.htm.

elimination) of tariff peaks (refers to tariffs on particular products that are significantly higher than the typical tariff that the country in question levies on the full range of imports²), high tariffs, tariff escalation (refers to the tendency of tariffs and other import barriers to be higher on finished goods sold to consumers than on intermediate manufactured goods sold to industry (inputs))³, as well as Non-Tariff barriers (NTBs). The product coverage of the negotiations is comprehensive; Ministers agreed that no-agricultural product should be excluded from it *a priori*. Furthermore, the reduction or elimination of tariffs and NTBs should target in particular products of export interests to developing countries, whose special needs and interests are to be taken fully into account in the negotiations. This, among others, means that no full reciprocity is expected from these WTO Members when undertaking reduction commitments. The mandate also refers to Paragraph 50 of the DMD, which states that ‘the negotiations... shall fully take into account the principle of Special and Differential Treatment for the developing and least-developed countries as embodied in GATT/WTO provisions. In addition, the mandate calls for the establishment of negotiating modalities and specifies the appropriate studies and capacity-building measures will be included in it to assist the effective participation of the least developed countries in the negotiations⁴.

- 1.4 Special and Differential Treatment (S&D) has been instrumental for the developing countries to gain market access in the developed countries for their exportable. S&D were based on the principle of enhanced market access through a) preferential access to the markets in developed countries, using MFN principle, RTAs, and b) the right of the importing countries to impose trade restrictions based on the BOP problems, supporting domestic industries. Since the 1980s measures like Voluntary Export Restraints (VERs), Bilateral Arrangements, Custom Unions, MFAs and others began to gain grounds in the field of international movement of goods and services.
- 1.5 Export sectors being the major revenue generating sectors for a developing economy like Bangladesh; industry for leather and leather goods, knitwear, pharmaceuticals and the shrimp processing industry had considered to be the lead earning sectors.

² www.mft.govt.nz/support/tplu/tradematters/glossary.html

³ highered.mcgraw-hill.com/sites/0072487488/student_view0/glossary.html

⁴ http://www.wto.org/english/thewto_e/minist_e/min01_e/mindecl_e.htm.

Among the 25 independent states of the European Community (EC), five (5) of them had been identified as the major importers⁵ of the above mentioned sector oriented commodities⁶ from Bangladesh. Table 1 shows the amount of total exports from Bangladesh to these selected five (5) EU countries.

Table 1: Country wise Export to the EU Countries from Bangladesh

Countries	Year 1996-1997 (Value in million dollars)	Year 2003-2004 (Value in million dollars)
United Kingdom	417.70	898.65
Germany	369.18	1298.57
France	272.88	553.50
Italy	207.10	316.28
Spain	58.74	263.67

Source: Bangladesh Export Promotion Bureau

- 1.6 Market Access into a big market as the European Union (EU) had been facing technical barriers emanating from tariff and non-tariff regulations of the importing countries. However, since 2001 EU has initiated Everything But Arms (EBA) policy for some 49 LDCs including Bangladesh; Bangladeshi exporters found new opportunities to export their products at a relative ease. It should be noted that LDCs are not exempt from NTBs like standards, certification and other regulations which are permitted under several WTO agreements. While a set of the NTBs, for example, Sanitary and Phytosanitary Measures (SPS) are well accepted in the field of international trade; conforming to such standards by exporters from LDCs was a major challenge. Many exporters, particularly the Small and Medium-Sized Enterprises (SMEs), find it difficult to follow as either the initial investment is too high for them or it requires a better skilled labor force to be able to understand and follow the rules to produce their products. As a result, the SMEs might not be able to compete with their larger counterparts.
- 1.7 This research aims at identifying the effective barriers for the SMEs in the selected industries and it evaluates the relative strength of these measures to increase or decrease the flow of goods between the developing and developed countries. This would provide a clue for future rounds of negotiation to develop a sound principle to deal with the market access problems for exporters from developing and the least developed countries.

⁵ The importing countries have been selected based upon the amount of volume imported.

⁶ France, Germany, Italy, Spain and the United Kingdom are the major importers of the four leading export sectors of the Bangladesh economy according to 20 leading companies (according to a random survey of 5 companies from each sector).

2

Study Background

2.1 Export sector of Bangladesh has undergone structural changes in the last ten years with a significant shift from jute-centered exports to ready-made garments and knitwear. The balance of trade with EU, over the years, remained hugely in favor of Bangladesh (3.3 billion euro in 2004) (www.eudelbangladesh.org)⁷. The main items that Bangladesh exports to the EU are readymade garments (90%), frozen food (6%), leather, jute and tea.⁸ The main imports from the EU consist of machinery and mechanical appliances (55%) and chemical products (14%)⁹. In 2004, the EU import from Bangladesh was 4.2 billion euros, and exports to Bangladesh amounted to 892 million euros.¹⁰ The EU is the biggest export destination of Bangladeshi products (56%).¹¹ Bangladesh has executed a growing trade surplus with the EU in the last decade.¹² Figure 1 shows us the trend of EU trade with Bangladesh from the Year 1996 to 2002.

Figure 1: EU Trade with Bangladesh



Source: <http://www.eudelbangladesh.org/en/trade/index.htm>

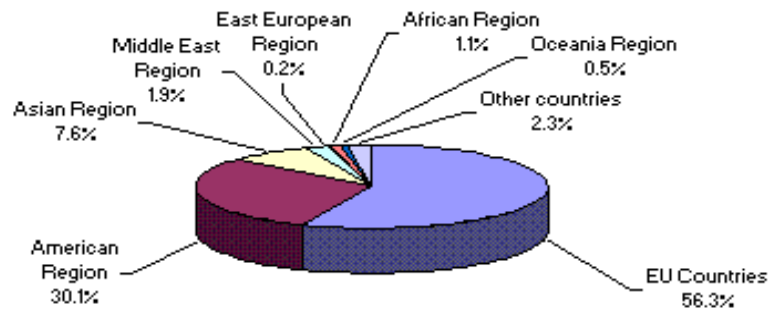
⁷ Website of the European Commission Delegation to Bangladesh
⁸ From the website of European Commission Delegation to Bangladesh, www.eudelbangladesh.org
⁹ From the website of European Commission Delegation to Bangladesh, www.eudelbangladesh.org
¹⁰ From the website of European Commission Delegation to Bangladesh, www.eudelbangladesh.org
¹¹ From the website of European Commission Delegation to Bangladesh, www.eudelbangladesh.org
¹² From the website of European Commission Delegation to Bangladesh, www.eudelbangladesh.org.

- 2.2 According to the EU Trade Commission Report, 'Total legal imports have generally grown at a lesser pace than Bangladesh's exports over the last decade...imports come to a large extent from Asia and therefore, the country has enjoyed a growing trade surplus with the EU.' In recent years, Bangladesh has re-oriented its trade policy towards a higher degree of openness, and various reforms have been started, including reduction of tariffs, removal of quantitative restrictions (quota) and simplification of import procedures (e.g. import licensing, certificates). Bangladesh's exports towards the EU are intimately linked to the Community's Generalized System of Preferences (GSP) scheme. Bangladesh, as a member of the LDC, retains under the GSP scheme holding the total suspension of import duties and quotas on eligible products originating from Bangladesh. The Everything But Arms (EBA) initiative approved by the EU in 2001 further opens the EU market to Bangladesh by granting duty-free access to essentially all products from the least developed countries. As a SAARC nation, Bangladesh also enjoys the benefit of regional accumulation of the Rules of Origin. Industrial configuration in Bangladesh are found to be vulnerable in embracing the sensitive provisions of the above accompanying the decisive issue of market access specifically towards the European Union.
- 2.3 The SMEs in Bangladesh at present provides over 87% of our total industrial employment and is responsible for the creation of over 33% of the industrial value added goods (Dhaka Chambers of Commerce and Industries, June 2004). SMEs in developing countries are found susceptible to the NTBs and for them gaining access to markets in the developed nations have been undoubtedly critical. This study would, therefore, focus on the SMEs to determine the practical problems of market access for the Bangladeshi exporters towards the European Union.

Research Problem

- 2.4 Industry for Leather and Leather goods, Knitwear, Pharmaceuticals and the Shrimp Processing Industry has been categorized as the major export industries in recent years. Figure 2 shows that, in terms of direction of exports, in 2003-2004, 30.1 % export went to USA, 56.3 % exports went to the EU countries and the rest to other countries of the world.

Figure 2: Exports from Bangladesh by Region, 2003-2004



Source : <http://www.epb.gov.bd>

- 2.5 In this study, we would focus on the four major export industries in EU i.e. the Industry for Leather and Leather goods, Knitwear, Pharmaceuticals and the Shrimp Processing Industry to understand the market access issue at length. The objective of the study is to use micro or firm level information to determine the practical barriers to trade for the SME producers in Bangladesh.
- 2.6 For the purpose of this study, the NTBs have been segmented into four (4)¹³ broad categories. Each of the groups are meant to represent a class of barriers and the study would investigate which one of them are relatively more or less important for exporting goods and services to the EU market.
- i) **Type I: Government Participation in trade and restrictive practices** (state aid, countervailing duties, state trading enterprises, government monopoly practices), customs and administrative entry procedures (anti-dumping duties, customs valuation, classification, formalities, rules of origin)
 - ii) **Type II: Technical Barriers to Trade or TBT** (technical regulations, standards, testing, certification arrangement)
 - iii) **Type III: Specific Limitations** (quantitative restrictions, import licensing, embargoes, exchange control, discriminatory sourcing, export restraints, measures to

¹³ Gallezot, Jacques, Real Access to the EUs agricultural market, 24 July 2003, Jacques Gallezot is Director of Research at INRA and Associate researcher at CEPII, UMR d'Economie Publique, INRA – INAPG, 16 Rue Claude Bernard, 75005 (gallezot@inapg.inra.fr).

regulate domestic prices, requirements concerning marking, labeling and packaging)

iv) Type IV: Import Charges (prior import deposits, surcharges, port taxes, statistical taxes, border tax adjustments, safeguard measures).

2.7 Trends in exports and imports between the EU and Bangladesh show that the pace of growth in exports to EU is much faster than that of imports from EU. This shows that over the past three years Bangladeshi producers are slowly gaining access in EU markets, whereas our imports are being diverted out of EU to other Asian countries such as China and India. This study would ultimately rank the market access issues for the SME exporters from Bangladesh to suggest policy changes for future rounds of negotiation to provide a better prospect for expanding trade from least developed to the developed nations.

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3

Methodological Approach

- 3.1 Both Primary and Secondary data has been collected and used for the research purpose. **In-Depth Interview**¹⁴ of the company executives of 20 companies (5 from each sector of the selected four industries - leather and leather goods, pharmaceuticals, knitwear and shrimp processing industries) has been conducted from December 2004 to May 2005. Industry operators of the small¹⁵ and medium¹⁶ sized enterprises are being interviewed in the industry for leather and leather goods, shrimp processing industry and in the industry for pharmaceuticals. Only industry operators of the small sized enterprises are being interviewed in the industry for knitwear as we are unable to find respondents in the medium sized enterprises in this industry. Top executives of the selected firms were interviewed by our research team on several occasions to understand their viewpoints and the barriers that were either barring their access to the EU markets or hampering their exports to the selected EU countries. Research team went back and forth to collate the information received for each of these interviews before arriving at a general consensus on the barriers to market access for each industry.
- 3.2 Furthermore, internet based search on issues relating to WTO Agreements and provisions, information about selected EU countries (France, Italy, Germany, UK and Spain) were conducted to find documentations on them. In addition, various published documents, journals, government reports, articles and data banks have widely been scrutinized.
- 3.3 This study has followed the **Delphi Approach** to ultimately identify the possible effective barriers hampering the smooth market access of the Bangladeshi export commodities to the EU market. Our main task is to identify the relative strength of the practical barriers and constructing the basis for developing negotiating modalities by assessing their applicability on the Small and Medium Sized Enterprises in the selected four (4) export industries of Bangladesh.

¹⁴ Questionnaire for the in-depth interview has been attached in the Appendix.

¹⁵ Small sized enterprises refer to firms with 50 or less full-time employees and with capital investment between Taka 300,000 and Taka 10 million.

¹⁶ Medium sized enterprises refer to firms with capital investment between Taka 10 million and Taka 100 million and between 50-99 full-time employees.

3.4 We used the following steps to arrive at our concluding observations. **First**, as revealed from the **in-depth interview** results, we tried to identify the effective barriers of each industry against the selected types. **Second**, rationalization and categorization of the effective barriers had been done using the Delphi approach to identify the affected groups (whether small and medium sized enterprises are affected or not). **At the end**, the ranking of the barriers were made based upon the industry responses for each of the four industries.

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4

Industry Analysis

Leather and Leather Goods Export towards EU market

- 4.1 Industry for hides and skins in Bangladesh is mostly export-oriented and the country is capable of producing 180 million square feet of leather annually (<http://www.epb.gov.bd/leather.htm>).¹⁷ Several types of finished leather goods are exported from Bangladesh that includes travel goods, suitcases, briefcases, fashion accessories, shoe-upper, bag, suitcase, belt, wallet, jacket, ready-made garments, footwear and much more. In the year 2001-02, Bangladesh exported 346 million taka worth of raw hides and skins, leather fur skins, travel goods, handbags and similar items (Statistical Yearbook of Bangladesh, Bangladesh Bureau of Statistics, 2002).
- 4.2 According to the Export Promotion Bureau (EPB), export of leather and leather goods (including footwear) earned US\$228 million for Bangladesh in the fiscal year 1997-98.¹⁸ Table 2 shows the export earnings of leather and leather manufactures from the year 2001-2002 to the year 2003-2004 from Bangladesh towards the EU.

Table 2: Export Earnings to EU in the Leather Industry

Country	Year 2001-2002 (Taka million)	Year 2002-2003 (Taka in million)	Year 2003-2004 (Taka in million)
Germany	107	264	468
United Kingdom	152	192	280
France	278	423	412
Italy	2,958	2,173	2,558
Spain	725	411	531

Source: Annual Export Receipts, Statistics Department, Bangladesh Bank, 2003-2004.

In the year 2003-2004, Bangladesh exported leather and leather goods amounting of 46.8 crore taka to Germany (compared to 264 million taka and 107 million taka in the year 2002-2003 and 2001-2002 respectively), 280 million taka to the United Kingdom (compared to 192 million taka and 152 million taka in the year 2002-2003 and 2001-2002 respectively), 412 million taka to France (compared to 423 million taka and 278 million taka in the year 2002-2003 and 2001-2002 respectively), 2,558 million taka to Italy (compared to 2,173 million

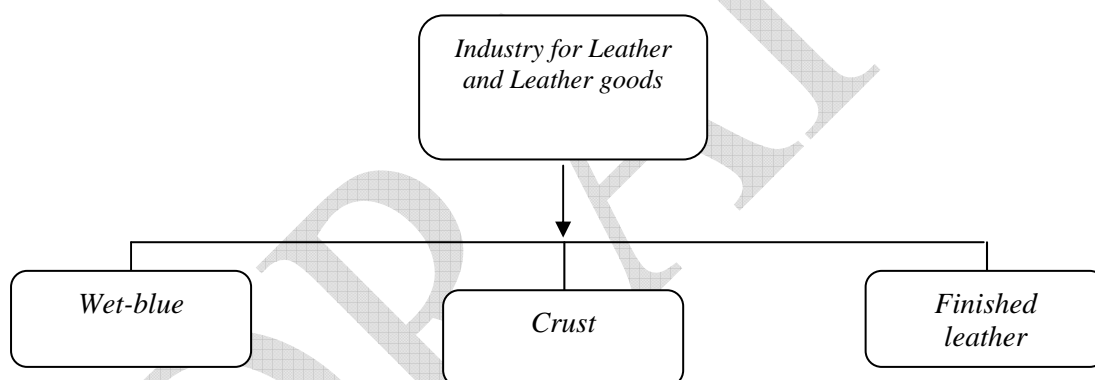
¹⁷ Website of Bangladesh Export Promotion Bureau, <http://www.epb.gov.bd>

¹⁸ From the website of Bangladesh Export Promotion Bureau, <http://www.epb.gov.bd/leather.htm>

taka and 2,958 million taka in the year 2002-2003 and 2001-2002 respectively) and 531 million taka worth of to Spain (compared to 411 million taka and 725 million taka in the year 2002-2003 and 2001-2002 respectively).

- 4.3 Over 50 manufacturers are producing various leather items such as travel goods, suitcases, briefcases and fashion accessories, along with belts, wallets, hand bags, case holders etc for overseas export¹⁹. There are 15 large scale modern shoe factories engaged in the production of high quality footwear with 2500 smaller footwear units spread all over the country market. These units are producing for the domestic market.²⁰
- 4.4 Bangladesh Leather Industry carries a wide range of export items starting from raw items as wet-blue²¹, crust leading to exciting finished items including ready-made garments. Three (3) major varieties have been identified in converting raw leather into finished products which could be shown as follows:

Figure 3: Major Varieties of Processing in the Leather Industry



- 4.5 The basic conversion of the leather industry is from wet-blue to crust and from crust to finished leather. In turning the raw hides into wet-blue; soaking (to dip into liquid for a period of time), liming (to handle under a process with lime), tanning (to have a sunburn) and in turning from wet-blue to crust, procedures as splitting (to rip apart), shaving, re-tanning (to have a sunburn again), vacuum, drying, trimming (to remove the excess and making it smooth) are the major steps that have been followed. The final processing is from crust to finished products. The primary procedures here are: buffing (to polish or shine), coating (to cover by a thin layer), spraying, plating (to coat or cover), selection, measuring and packing.

¹⁹ From the website of Bangladesh Export Promotion Bureau, <http://www.epb.gov.bd/leather.htm>

²⁰ From the website of Bangladesh Export Promotion Bureau, <http://www.epb.gov.bd/leather.htm>

²¹ Wet-blue is the first primary item among the leather exportable (in-depth interview results).

Barriers towards Market Access

- 4.6 Of the four types of barriers listed above (see Section 2) we have analyzed the leather industry in terms of its scale of operation (for example, small and medium sized enterprises) against these types. Among the Type I barriers; customs valuation, formalities and the rules of origin are found to be the most significant barriers towards market access for the leather and leather goods industry. Among the Type II barriers; technical regulations, standards and certification arrangement problems are the major problem for the industry. Of the Type III barriers; labeling rules, packaging and marking requirements are the major problems towards market access. We did not find existence of the Type IV barriers in this industry in our sample.
- 4.7 The in-depth interview results show that the leather industry has been facing market access barriers of the four types listed before. Of the Type I barriers; customs and administrative entry problems as shipping related problems (known as barriers related to formalities) had been identified as significant barriers. Lack of adequate knowledge and appropriate training regarding use of shipping marks and putting hazardous materials shipping labels creates misunderstanding with the respective authorities of the importing countries which hampers smooth market access drastically and sometimes rejection of consignments. Another major problem among the Type I barriers is regarding inspection certification (known as barriers related to formalities). Delays and improper surveillance of the inspection authorities in the exporting country in providing certification and other relevant documents that are complex and costly act as strong barriers towards EU market access. Poor customs valuation procedures are also found to create significant obstacles towards EU export. Due to poor customs valuation procedures in the exporting country, exporters are often unsure about duty amount which affects the overall profitability. Moreover, as an LDC, Bangladesh is enjoying the GSP and EBA facilities but due to non-availability of chemicals (often recommended by the importing nations) in the domestic market it is difficult for local producers to comply with the requirements of the importing nations immediately. This ultimately acts as a barrier towards EU market access.
- 4.8 The most important impediment is in terms of the Type II barriers i.e. environmental friendly chemical usage (e.g. preservative chemical) certification (known as barrier related to certification arrangement). According to one of the prominent leather industry operators of Bangladesh, the leather product has to be AZO free certified on health grounds due to its risk of cancer hazard (strictly prohibited in Germany; one of the major importers in EU). Many SMEs are not clear about the procedure of getting such certification, and if they do, it is

costly for them. Our analysis shows that standards set by the importing nations are another major barrier in the industry for leather and leather goods. Containers are sometimes found to get rejected on the basis of not meeting the standards set in terms of usage of particular chemicals (often recommended by the importers) in which the costs has been estimated to be US\$3000 per 20 ft container (in-depth interview results).

- 4.9 Of the Type III barriers; packaging, marking and labeling related problems have found to create strong obstacles towards EU export. Due to inadequate training and lack of skilled labor force, our SME exporters cannot properly meet the packaging, labeling and marking requirements required by the respective importers that act as a barrier towards market access. In addition, affixing these requirements imposes additional costs to the exporters. Table 3 identifies the practical barriers in the industry for leather and leather goods against the four types of barriers (see Section 2).

Table 3: Export Barriers to EU for the Leather industry

Types of Barriers	Lists of items within each type	Barriers found in the leather industry
Type I: Government participation in trade and restrictive practices, customs and administrative entry procedures	<ul style="list-style-type: none"> ▪ state aid ▪ countervailing duties ▪ state trading enterprises ▪ government monopoly practices ▪ anti-dumping duties ▪ customs valuation ▪ classification ▪ formalities ▪ rules of origin 	<ul style="list-style-type: none"> ▪ customs valuation ▪ formalities
Type II: Technical Barriers to Trade or TBT	<ul style="list-style-type: none"> ▪ technical regulations ▪ standards ▪ testing ▪ certification arrangement 	<ul style="list-style-type: none"> ▪ technical regulations ▪ standards ▪ certification arrangement
Type III: Specific Limitations	<ul style="list-style-type: none"> ▪ quantitative restrictions ▪ import licensing ▪ embargoes ▪ exchange control ▪ discriminatory sourcing ▪ export restraints ▪ measures to regulate domestic prices ▪ export taxes ▪ requirements concerning marking, labeling and packaging 	<ul style="list-style-type: none"> ▪ requirements regarding marking, labeling and packaging
Type IV: Import Charges	<ul style="list-style-type: none"> ▪ prior import deposits ▪ surcharges ▪ port taxes ▪ statistical taxes ▪ border tax adjustments ▪ safeguard measures 	<ul style="list-style-type: none"> ▪ Not Found

Source: In-Depth interview results

4.10 Following the in-depth interview results with identifying the practical barriers from the four (4) types listed above, the industry for leather and leather goods has identified Type I barriers as customs valuation, formalities and rules of origin, Type II barriers as technical regulations, standards and certification arrangement and Type III barriers as requirements regarding labeling, marking and packaging. Type IV barriers are not found to exist according to the

industry responses. As indicated earlier, the industrial configuration has been comprised of small and medium sized enterprises. By using the number of responses from the in-depth interviews, Table 4 identifies the affected groups in the leather industry against the four Types of barriers.

Table 4: The Affected Groups against the Types of Barriers in the Leather industry

Types of Barriers	% of the Industry Responses	Types of Affected Groups
Type I: Government participation in trade and restrictive practices, customs and administrative entry procedures	40%	Both Small and Medium sized enterprises
Type II: Technical Barriers to Trade or TBT	80%	Both Small and Medium sized enterprises
Type III: Specific Limitations	60%	Both Small and Medium sized enterprises
Type IV: Import Charges	0%	Not found

Source: In-Depth interview results

4.11 From our analysis, it has become evident that the industry respondents in the industry for leather and leather goods have identified the practical barriers under the four types and the major affected groups are found to be **both small and medium sized enterprises**. The interview results further shows that 40% of the industry responses went for the Type I barriers, 80% went for the Type II barriers and the rest 60% went for the Type III barriers. We did not find existence of the Type IV barriers in this industry according to the industry responses. The industry responses further indicate that each exporter has faced more than one type of barriers while exporting to EU.

Knitwear Export towards EU market

4.12 Bangladesh export sector had mostly been dominated by ready-made garments. According to the Export Promotion Bureau (EPB), knitwear exports had increased to 31.26% in 1997-98²². Knitwear export was 42661.75 million taka in 1997-98 which had increased from 32501.13 million taka in 1996-97.²³ Table 5 exhibits the export earnings of knitwear manufactures from the year 2001-2002 to the year 2003-2004 from Bangladesh towards the EU.

Table 5: Export Earnings to EU in the Knitwear Industry

Country	Year 2001-2002 (Taka in Crore)	Year 2002-2003 (Taka in Crore)	Year 2003-2004 (Taka in Crore)
Germany	2898.0	3483.1	5679.7
United Kingdom	2018.3	2361.4	3114.8
France	1699.8	1734.4	2384.2
Italy	951.9	917.3	1231.4
Spain	448.9	607.3	1069.7

Source: Annual Export Receipts, Statistics Department, Bangladesh Bank, 2003-2004.

In the year 2003-2004, Bangladesh exported knitwear manufactures worth of 5679.7 crore taka to Germany (compared to 3483.1 crore taka and 2898.0 crore taka in the year 2002-2003 and 2001-2002 respectively), 3114.8 crore taka to the United Kingdom (compared to 2361.4 crore taka and 2018.3 crore taka in the year 2002-2003 and 2001-2002 respectively), 2384.2 crore taka to France (compared to 1734.4 crore taka and 1699.8 crore taka in the year 2002-2003 and 2001-2002 respectively), 1231.4 crore taka to Italy (compared to 917.3 crore taka and 951.9 crore taka in the year 2002-2003 and 2001-2002 respectively) and 1069.7 crore taka worth of to Spain (compared to 607.3 crore taka and 448.9 crore taka in the year 2002-2003 and 2001-2002 respectively).

Barriers towards Market Access

4.13 Of the four types of barriers listed before (see Section 2), the industry has identified Type I barriers as customs valuation, rules of origin and formalities as significant barriers towards market access in the industry for knitwear. Of the Type II barriers; certification arrangement, standards and testing are found to be the major problems in the industry. We did not find existence of Type III and Type IV barriers in the industry for knitwear according to the in-depth interview results.

4.14 Our analysis demonstrates that the knitwear industry has been facing market access barriers

²² From the website of Bangladesh Export Promotion Bureau, <http://www.epb.gov.bd>

²³ From the website of Bangladesh Export Promotion Bureau, <http://www.epb.gov.bd>

of the four (4) types listed before. Of the Type I barriers, customs and administrative entry procedures as customs valuation are found to create problems towards market access in EU. The exporters are frequently unaware of the rules and practices to ascertain the value of the products for customs purposes that required explicitness to enable the exporters to estimate this value. In the knitwear industry, most of the raw materials (fabrics) are imported basically from China and India. Making substantial delay has become a regular phenomenon in getting customs clearance (known as barrier related to formalities) regarding raw materials and others; which many a times poses tremendous threat to fulfill a particular contract in due timeframe. It should, however, be noted that this is a problem at the Bangladeshi ports of entry. Traditionally, the shipment which the exporters are supposed to get in 5-7 days, they frequently received those in 20-22 days which drastically hampers the smooth production process and ultimately poses a tremendous threat towards market access. For a small or medium sized enterprise, this becomes a major barrier. In addition, due to insufficient production capacity of raw materials, conforming to the strict rules of origin (Type I) also acts as a major barrier towards EU market access.

- 4.15 Most of the times the importers do have their own preferences (known as barriers related to standards (Type II) in the usage of imported fabrics. The importers specify their own preferences in the usage of fabrics which increases the costs of production. Such type of preference or conditionality to use specific fabrics leads to reduction of profits and therefore becomes an indirect barrier for small and medium sized enterprises.
- 4.16 One of the most striking perils in the knitwear industry has been the cancellation of different consignments under various standards and testing which falls under the Type II barriers. After a particular consignment had been rejected, the exporters' tries to rechannel the delivered goods to other places with significant losses. Finding another buyer for those ordered goods with the regular price has been extremely difficult and the exporters had to endure major losses.
- 4.17 Our research also came up with few other reasons behind order cancellations and consignment rejections. One of the reasons according to the findings is the failure of timely delivery of the goods. Meeting the deadline often becomes difficult due to unavailability of the raw materials in the market, failure of the small firms²⁴ to make timely delivery of the goods and sometimes delays in customs clearance for the raw materials imported for the

²⁴ Depending on the size of the consignments exporters sometime sub-contract the work to other small firms.

industry.

4.18 Of the Type II barriers, certification arrangement is considered to be a major problem for the knitwear industry. Certification arrangement problem indicates to holding of chemical certificate conforming to health standards in selection of fabrics (mainly colored fabrics). Most of the times, the importers had their preferences regarding certification companies for making such certifications. This increases cost for the exporters and reduces their competitiveness. Table 6 summarizes the practical barriers in the industry for knitwear under the four types of barriers (see Section 2).

Table 6: Export Barriers to EU for the Knitwear industry

Types of Barriers	Lists of items within each type	Barriers found in the knitwear industry
Type I: Government participation in trade and restrictive practices, customs and administrative entry procedures	<ul style="list-style-type: none"> ▪ state aid ▪ countervailing duties ▪ state trading enterprises ▪ government monopoly practices ▪ anti-dumping duties ▪ customs valuation ▪ classification ▪ formalities ▪ rules of origin 	<ul style="list-style-type: none"> ▪ customs valuation ▪ rules of origin ▪ formalities
Type II: Technical Barriers to Trade or TBT	<ul style="list-style-type: none"> ▪ technical regulations ▪ standards ▪ testing ▪ certification arrangement 	<ul style="list-style-type: none"> ▪ certification arrangement ▪ standards ▪ testing
Type III: Specific Limitations	<ul style="list-style-type: none"> ▪ quantitative restrictions ▪ import licensing ▪ embargoes ▪ exchange control ▪ discriminatory sourcing ▪ export restraints measures to regulate domestic prices ▪ export taxes ▪ requirements concerning marking, labeling and packaging 	<ul style="list-style-type: none"> ▪ Not Found
Type IV: Import Charges	<ul style="list-style-type: none"> ▪ prior import deposits ▪ surcharges ▪ port taxes ▪ statistical taxes ▪ border tax adjustments ▪ safeguard measures 	<ul style="list-style-type: none"> ▪ Not found

Source: In-Depth interview results

4.19 Following the in-depth interview results in identifying the practical barriers under the four (4) types listed above, we conclude that only Type I barriers (customs valuation, rules of origin and formalities) and Type II barriers (testing, standards and certification arrangement) exists for the knitwear industry. None of the respondents has mentioned existence of Type III and Type IV barriers in this industry. Table 7 provides the summary of the responses based on our field interviews.

Table 7: The Affected Groups against the Types of Barriers in the Knitwear industry

Types of Barriers	% of the Industry Responses	Types of Affected Groups
Type I: Government involvement in trade and restrictive practices, customs and administrative entry procedures	80%	Small sized enterprises
Type II: Technical Barriers to Trade or TBT	60%	Small sized enterprises
Type III: Specific Limitations	0%	Not found
Type IV: Import Charges	0%	Not found

Source: In-Depth interview results

4.21 From our analysis, it has become apparent that the respondents in the knitwear industry have identified two types of barriers out of our four types listed above. The interview results further shows that 80% of the industry responses had experienced in Type I barriers and 60% faced Type II barriers. None had experienced Type III and Type IV barriers in this industry. The industry responses further indicates that each exporter has faced more than one types of barrier. Since all of the respondents are small-sized entrepreneurs, we conclude that **small sized enterprises** are the affected by two of the four types of barriers in knitwear export in the EU market.

Shrimp (Processed) Export towards EU market

4.21 Shrimp is the second most important source of export in the Bangladesh fish sector. Shrimp processing industry has acquired a highly competitive status due to its expanding global demand. There are 124 shrimp processing factories in Bangladesh, mostly in Khulna and Chittagong, and around 60 hatcheries basically located in Cox's Bazar (Haque, 2004). Table 8 shows the export earnings of shrimp from the year 2002-2003 to the year 2003-2004 from Bangladesh towards the five selected countries in EU.

Table 8: Export Earnings of Shrimp towards the EU

Country	Year 2002-2003 (Taka in thousand)	Year 2003-2004 (Taka in thousand)
Germany	1,431,004	1,328,233
United Kingdom	4,788,553	4,727,861
France	316,604	284,486
Italy	47,979	61,331
Spain	NA	8,545

Source: Annual Export Receipts, Statistics Department, Bangladesh Bank, 2003-2004.

In the year 2003-2004, Bangladesh exported shrimp worth of 1.3 billion taka to Germany (compared to 1.4 billion taka in the year 2002-2003), 4.7 billion taka to the United Kingdom (compared to 4.7 billion taka in the year 2002-2003), 284 million taka to France (compared to 316 million taka in the year 2002-2003), 61 million taka to Italy (compared to 48 million taka in the year 2002-2003) and 8 million taka worth of to Spain.

4.22 Bangladesh exports several items in shrimp category as frozen raw shrimp and different categories with value addition (value added shrimp) as in stick form, canned with special processing with bread crumb (breaded shrimp), shrimp without head and legs, shrimp with head and legs, heads and legs in separate form, shrimp with body shells and without body shells (in-depth interview results). All these varieties of the exportable hold unique international codes. The major importing countries of the EU had been acquiring shrimp items from Bangladesh at relatively lower price compare to other Asian counterparts. The interview results depicted that export price of shrimp (small size) has been \$2 per pound and average price of shrimps with heads is \$3/\$4 per pound. Shrimps without heads and without body shells are found to possess relatively high price because of high demand especially in canned form.

Barriers towards Market Access

- 4.23 Of the four types of barriers listed above (see Section 2) we have analyzed the shrimp processing industry against these types. Among the Type I barriers, rules of origin are found to be a barrier towards market access for the shrimp processing industry. Among the Type II barriers; technical regulations, standards and testing problems are the major problem for the industry. Of the Type III barriers; labeling rules, packaging and marking requirements are the major problems towards market access in this industry. We did not find existence of the Type IV barriers in this industry based upon the industry responses.
- 4.24 Similar to the above two industries (industry for leather and leather goods and industry for knitwear), due to insufficient production capacity of inputs such as raw shrimps at the farm level shrimp exporters could not take advantage of the rules of origin applied in EU. It was noted in other studies (Haque, 2004) that shrimp processing firms operate only at 13% level of capacity due to acute shortage of raw shrimps. For exporters, relaxing the rules of origin might help them to export more shrimps to EU and take the benefit of the EBA initiative. This means that if Bangladesh shrimp processors could import raw materials from neighboring countries (like India and Thailand) then with a change in the rules of origin it could have been possible for them to export more shrimps to EU. Of the Type II barriers, complying with the SPS and TBT provisions (barriers related to technical regulations) along with HACCP (Hazard Analysis and Critical Control Point) and criteria set by the Food and Veterinary office (FVO)²⁵ acts as a major barrier towards EU export market. Complying with these standards required adequate technical assistance and the small shrimp firms are still struggling in adopting the standards with low production capacity and very low yield. Training costs for HACCP compliance varies from 17,500 taka to 77,500 taka and operating costs for the same varies from 800,000 taka to 2,000,000 taka for majority of the firms (Haque, 2004). On an average a shrimp processing plant has invested US\$ 227,450.97 to upgrade its capacities to comply with the HACCP (Haque, 2004). Testing related problems are also found to prevail indicating to consignment rejection due to existence of unauthorized antibiotic (e.g. Nitrofurantoin) and exploitation of usage of existing levels of the authorized antibiotics in the form of overdose. Consignment rejection had found to be a regular phenomenon under applicability of the standards and SPS and TBT requirements. The average container size in the shrimp export industry has found to be of 20ft and 40 ft (international standard) and the average capacity power have been 14,000 pound and 40,000 pound respectively (in-depth interview results). Costs of per consignment rejection (40 ft

²⁵ FVO is based in Dublin, Ireland.

container) had been estimated to be around 1 million taka (US\$ 15,197.568)²⁶, according to the major industry operators (in-depth interview results).

4.25 Of the Type III barriers, meeting the packaging and labeling requirements has been identified as a significant problem towards market access. Packaging has to be tailored (based upon the importers' requirements) and perfectly sealed. Labeling and marking over each package and over the container are mostly required to be in English (language requirements) and sometimes required to be done according to the importing countries official languages.

4.26 Furthermore, due to lack of appropriate training and skills, our exporters many a times made technical errors in coming up with the correct approach in labeling and marking and placing the required information which causes withholding of consignments and sometimes consignment rejection leading to major financial losses. Table 7 lists the practical barriers in the shrimp processing industry against the four types of barriers.

²⁶ 1 US\$ = 65.80 BDT (Bangladeshi taka)

Table 9: Export Barriers to EU for the Shrimp processing industry

Types of Barriers	Lists of items within each type	Barriers found in the shrimp processing industry
Type I: Government participation in trade and restrictive practices, customs and administrative entry procedures	<ul style="list-style-type: none"> ▪ state aid ▪ countervailing duties ▪ state trading enterprises ▪ government monopoly practices ▪ anti-dumping duties ▪ customs valuation ▪ classification ▪ formalities ▪ rules of origin 	<ul style="list-style-type: none"> ▪ rules of origin
Type II: Technical Barriers to Trade or TBT	<ul style="list-style-type: none"> ▪ technical regulations ▪ standards ▪ testing ▪ certification arrangement 	<ul style="list-style-type: none"> ▪ technical regulations ▪ standards ▪ testing
Type III: Specific Limitations	<ul style="list-style-type: none"> ▪ quantitative restrictions ▪ import licensing ▪ embargoes ▪ exchange control ▪ discriminatory sourcing ▪ export restraints ▪ measures to regulate domestic prices ▪ export taxes ▪ requirements concerning marking, labeling and packaging 	<ul style="list-style-type: none"> ▪ requirements concerning marking, labeling and packaging
Type IV: Import Charges	<ul style="list-style-type: none"> ▪ prior import deposits ▪ surcharges ▪ port taxes ▪ statistical taxes ▪ border tax adjustments ▪ safeguard measures 	<ul style="list-style-type: none"> ▪ Not found

Source: In-Depth interview results

4.25 According to the in-depth interview results, we have analyzed the practical barriers under the four types listed above which have been hampering smooth market access in the shrimp processing industry towards EU. Of the Type I barriers, the industry had identified the strict rules of origin to be the major barrier. Of the Type II barriers; technical regulations, standards and testing related problems are considered to be the significant barriers in the industry.

Finally, of the Type III barriers; marking, labeling and packaging requirements has been creating obstacles towards EU market access. Table 10 shows us the affected groups in the shrimp processing industry based upon the industry responses.

Table 10: The Affected Groups against the Types of Barriers in the Shrimp processing industry

Types of Barriers	% of the Industry Responses	Types of Affected Groups
Type I: Government involvement in trade and restrictive practices, customs and administrative entry procedures	60%	Both Small and Medium sized enterprises
Type II: Technical Barriers to Trade or TBT	100%	Both Small and Medium sized enterprises
Type III: Specific Limitations	40%	Both Small and Medium sized enterprises
Type IV: Import Charges	0%	Not Found

Source: In-Depth interview results

4.26 The analysis above clearly depicts that both the **small and medium sized enterprises** are the major affected groups in the shrimp processing industry. Our results shows that 100% of the industry respondents considered the Type II barriers as major problems for the industry, 60% went for the Type I barriers and the 40% indicated to the Type III barriers as significant obstacles towards market access in EU. Again, judging from the industry responses further it is observed that each exporter has referred to at least two types of barriers while exporting to EU.

Pharmaceutical product export towards EU market

4.27 Access to basic health care is one of the key concerns of the WTO Member countries specifically for the millions of the developing nations worldwide where infrastructural deficiencies are a major encumbrance. Adequate secondary or tertiary health care is beyond the reach of most people in these countries. As drugs are highly sensitive safety related issue, regulations regarding registration, patents and innumerable administrative - both local and international entry barriers are prevalent in the export market arena in the industry for pharmaceuticals. As an LDC, Bangladesh has been enjoying the benefits of EUs GSP and EBA initiatives. Due to EBA initiative, Bangladesh has been granted duty-free access to the EU market without any quantitative restrictions, except to arms and munitions. However,

Bangladesh has not been able to take full advantage of this facility because of the strict rules of origin.

- 4.28 Bangladesh has been exporting pharmaceutical products to less regulated overseas markets as Srilanka, Myanmar, Nepal in the late 80s and more regulated markets as Russia, Ukraine, Georgia and Singapore in the early 90s. Success in export in these markets shows aptitude of the Bangladeshi pharmaceutical companies in meeting stringent regulatory requirements in compliance with the TRIPS Agreement. As an LDC, Bangladesh would be able to manufacture and export patented drugs until 2016. In addition, Bangladesh is the only LDC which possesses a very strong manufacturing base in pharmaceuticals.
- 4.29 In the year 2003-2004, Bangladesh exported pharmaceutical products worth of 556 million taka that has increased from 367 million taka in the year 2002-2003 (Annual Export Receipts, Statistics Department, Bangladesh Bank, 2003-04). Towards the European Union, in the year 2003-2004, Bangladesh exported pharmaceutical products worth of 14 million taka to France and 13 million taka worth of to Germany (Annual Export Receipts, Statistics Department, Bangladesh Bank, 2003-04). The EU is a highly regulated market for Bangladeshi pharmaceutical products requiring stern certifications. However, existing big pharmaceutical companies in Bangladesh have commenced manufacturing in world class plants as MDI (Metered Dose Inhaler) plant and are going for certification in the regulated markets. Beximco Pharmaceuticals Limited (BPL), one of the leading pharmaceutical companies in Bangladesh, has already invested US\$50 million on a new plant conforming to US FDA (Food and Drug Administration) standards. Given the changes in their investment pattern in the quality of plants, it is assumed that manufacturers in this industry are seriously working to get access to the EU market
- 4.30 There are broadly three types of pharmaceutical products produced in Bangladesh. These are a) products under compulsory license, b) Over-the-Counter (OTC) drugs, and c) Products under licensing agreement from an original manufacturer. Except for the first type of drugs, there is no restriction to export the products to anywhere in the world. However, the plants and the products must comply with the standards set by the importing countries. In many cases, it means that both the products and the plants are approved by the drug administration of the importing countries. Therefore, Bangladeshi pharmaceutical companies have got export potential in the global market. In the preceding paragraph it was shown that Bangladeshi producers are already exporting few products to EU. The following discussion is, however, based on conjectures made by the manufacturers based on their export attempts

and experiences in the EU countries.

Barriers towards Market Access

4.31 Of the Type I barriers, compliance with the strict rules of origin are considered as a significant problem in the industry for pharmaceuticals since the industry requires major imports of chemicals to function. European Union being a major driver of TRIPS and Public Health provisions are found to conform to the strict conditions of the agreement and of compulsory licensing (known as barriers related to technical regulations) which had been identified as Type II barrier by our industry respondents. They have been conformed to the TRIPS provisions by recognizing and strengthening protection of IPRs on pharmaceutical products and processes which had been causing problems for the developing nations. Implementation of the TRIPS agreement may lead to higher drug prices, low access and weakening of the local pharmaceutical industries. Certification arrangement, which is a Type II barrier, has been creating significant problem in the industry for pharmaceuticals because of extremely high cost and international standard requirements. In addition, product registration fees are found to be extremely high ranging from US\$10,000 to US\$40,000 (in-depth interview results) in importing countries. International standards as of compliance with CTD (Common Technical Document) of the EU, MHRA (Medicines and Healthcare products Regulatory Agency) of the UK have also been required. Since pharmaceutical products has been related to public safety and health issues, the international bodies as of the EU Authority are extremely sensitive in making any such decisions regarding the developing nations. Table 11 lists the practical barriers in the industry for pharmaceuticals under the four types of barriers (see Section 2).

Table 11: Export Barriers to EU for the Pharmaceutical industry

Types of Barriers	Lists of items within each type	Barriers found in the pharmaceutical industry
Type I: Government participation in trade and restrictive practices, customs and administrative entry procedures	<ul style="list-style-type: none"> ▪ state aid ▪ countervailing duties ▪ state trading enterprises ▪ government monopoly practices ▪ anti-dumping duties ▪ customs valuation ▪ classification ▪ formalities ▪ rules of origin 	<ul style="list-style-type: none"> ▪ rules of origin
Type II: Technical Barriers to Trade or TBT	<ul style="list-style-type: none"> ▪ technical regulations ▪ standards ▪ testing ▪ certification arrangement 	<ul style="list-style-type: none"> ▪ technical regulations ▪ certification arrangement ▪ standards
Type III: Specific Limitations	<ul style="list-style-type: none"> ▪ quantitative restrictions ▪ import licensing ▪ embargoes ▪ exchange control ▪ discriminatory sourcing ▪ export restraints measures to regulate domestic prices ▪ export taxes ▪ requirements concerning marking, labeling and packaging 	<ul style="list-style-type: none"> ▪ Not found
Type IV: Import Charges	<ul style="list-style-type: none"> ▪ prior import deposits ▪ surcharges ▪ port taxes ▪ statistical taxes ▪ border tax adjustments ▪ safeguard measures 	<ul style="list-style-type: none"> ▪ Not found

Source: In-Depth interview results

4.32 The in-depth interview therefore shows that, of the Type I barrier, compliance with the strict rules of origin has been considered as a strong problem for the pharmaceuticals industry. Of the Type II barriers, technical regulations (compulsory licensing), certification arrangement and standards are the major barriers towards market access at EU. According to the industry responses, we did not find existence of Type III and Type IV barriers in the industry for pharmaceuticals according to the industry responses. However, one should note that at the

moment export from pharmaceutical products to EU is very low and so their response is based on their experience in terms of exploring export markets in EU. Table 12 shows us the affected groups in the industry for pharmaceuticals based upon the industry responses.

Table 12: The Affected Groups against the Types of Barriers in the Pharmaceuticals Industry

Types of Barriers	% of the Industry Responses	Types of Affected Groups
Type I: Government involvement in trade and restrictive practices, customs and administrative entry procedures	80%	Both Small and Medium sized enterprises
Type II: Technical Barriers to Trade or TBT	100%	Both Small and Medium sized enterprises
Type III: Specific Limitations	0%	Not found
Type IV: Import Charges	0%	Not found

Source: In-Depth interview results

4.33 The interview results did come up with interesting policy directions. In the industry for pharmaceuticals, 80% of the industry respondents have responded for the Type I barriers as significant barrier and 100% of the industry respondents have identified the Type II barriers as major problems for the industry towards market access in EU. Type III and Type IV barriers are not found to exist in the pharmaceuticals industry based upon the industry responses. The affected groups are found to be **both small and medium sized enterprises** in the pharmaceuticals industry. Again, judging from the industry responses it indicates that each exporter (or potential exporter) is facing more than one type of barriers while exporting to EU or trying to export to EU.

Ranking the four Types of Barriers

4.34 As illustrated earlier, the existing trend in exports and imports between EU and Bangladesh shows that the pace of growth in exports to EU is much faster than that of imports from EU. Therefore, ranking the four types of barriers should definitely impart policy directions to indicate better prospects for expanding trade from least developed to the developed countries.

4.35 The in-depth interview results clearly came up with some interesting findings based upon the industry responses against the four types of barriers in the selected four major export industries (i.e. industry for leather and leather goods, industry for knitwear, industry for pharmaceuticals and the shrimp processing industry) towards EU export. Table 13 shows us the comparative ranking of the four types of barriers (see Section 2) in the selected four industries between the small and medium sized enterprises.

Table 13: Ranking of the Types of Barriers by the affected groups in the selected industries

Types of Barriers	Ranking by the Small sized enterprises in the selected industries				Ranking by the Medium sized enterprises in the selected industries		
	LI*	KI*	SPI*	PI*	LI*	SPI*	PI*
Type I: Government involvement in trade and restrictive practices, customs and administrative entry procedures	+	+++	++	++	+	++	++
Type II: Technical Barriers to Trade or TBT	+++	++	+++	+++	+++	+++	+++
Type III: Specific Limitations	++	0	+	0	++	+	0
Type IV: Import Charges	0	0	0	0	0	0	0

NOTE: + means the degree of barriers exists in each industry.

* LI = Leather industry, KI = Knitwear industry, SPI = Shrimp Processing industry, PI = Pharmaceuticals industry

Source: In-Depth interview results

4.35 Our analysis shows us that the Type I barriers (Government participation in trade and restrictive practices, customs and administrative entry procedures) are highly dominant (referred to as ‘+++’) in the knitwear industry for the small sized enterprises. Type I barriers

are found to be moderately dominant (referred to as ‘++’) in the shrimp processing industry and in the industry for pharmaceuticals both for the small and medium sized enterprises. In the industry for leather and leather goods, the Type I barriers are found to be less dominant (referred to as ‘+’) both for the SMEs.

4.36 The Type II barriers (Technical Barriers to Trade or TBT) are found to be highly dominant (referred to as ‘+++’) in the industry for leather and leather goods, shrimp processing industry and in the industry for pharmaceuticals both for the small and medium sized enterprises. Type II barriers are found to be moderately dominant (referred to as ‘++’) in the industry for knitwear for the small sized enterprises.

4.37 The Type III barriers (Specific Limitations) are moderately dominant (referred to as ‘++’) in the industry for leather and leather goods both for the SMEs. In the shrimp processing industry, Type III barriers are found to be less dominant (referred to as ‘+’) both for the small and medium sized enterprises. According to the in-depth interview results, Type III barriers are not found to exist in the industry for pharmaceuticals and in the knitwear industry. Type IV barriers are not found to exist in any of the four industries - industry for leather and leather goods, knitwear industry, shrimp processing industry and in the industry for pharmaceuticals based upon the industry responses.

5

Concluding observations

- 5.1 The primary objective of the research was to understand the issues related to **market access** from a micro or enterprise level study. For Bangladesh we have analyzed four industries: the leather and leather goods industry, the knitwear industry, the pharmaceutical industry and the shrimp processing industry. Two types of enterprises were covered in the field survey - small and medium sized enterprises. The small firms are the enterprises with capital investment between 300,000 taka and 10 million taka, and with less than 50 full-time employees working with them whereas medium enterprises have more than 50 but less than 99 employees with capital investment between 10-100 million taka. We were unable to find respondents in the medium-sized enterprises in the knitwear industry and so they were excluded from our analysis. Except for medium sized enterprises in the knitwear sector, both small and medium sized enterprises were covered in our study for leather, pharmaceutical and shrimp sectors.
- 5.2 As we understand that the market access issues are quite complex and involves several parties to resolve; this study used a simple classification method to understand the issues in it. They are: Type I or government participation in trade and restrictive practices; Type II or Technical Barriers to Trade; Type III or Specific limitations in trade, and Type IV or import charges. It is understood that under Everything But Arms initiative, the Type IV measures are being withdrawn on EU imports from Bangladesh. Other types of measures are increasingly being debated and negotiated to expand international trade.
- 5.3 The study finds that Type II measures (Technical Barriers to Trade) are the most important barriers towards trade expansion for the **small and medium sized enterprises** in Bangladesh. This implies that technical barriers to trade are the major stumbling block for these industries to venture into world trade. The range of measures in this category includes technical regulations, standards, testing and certification arrangements. Clearly, small and medium sized enterprises see these as a major barrier in their endeavor to access EU markets. Therefore, it shows that the small and medium sized enterprises are facing difficulties to comply with the standards. Haque (2004), in his study on Shrimp sector estimated the investment needed for shrimp processing plants in Bangladesh to comply with HACCP rules and regulations. This study further strengthens the argument and shows that for other sectors (major export items from Bangladesh) like knitwear, leather and leather goods,

pharmaceuticals and also for the shrimp exporters, this is an important barrier.

- 5.4 Exporters, in order to deal with Type II barriers, need to upgrade their plants, alter production system and also need to find arrangement where cross recognition of certification and testing procedures could be done. Unless these issues had been rightfully addressed in terms of capacity-building and technical assistance in the international export market scenario, this study shows that existing small and medium sized producers in LDCs (like Bangladesh) are likely to loose out in the race for markets.
- 5.5 Among the other types of barriers, Type I barrier is the second most important barrier in terms of market access. This type of barriers include government involvement in trade and restrictive practices (state aid, countervailing duties, state trading enterprises, government monopoly practices), customs and administrative entry procedures (anti-dumping duties, customs valuation, classification, formalities, rules of origin). It is found that for the small sized enterprises in the knitwear industry this is a major barrier. However, one should note that most of these barriers exist at the port of entry in Bangladesh where exporters import their raw materials on a back-to-back LC system (refers to 'Letter of Credit' to import that has been issued against a corresponding export order). Shrimp processing and Pharmaceutical industries also rated this type of barrier as their second most important set of barriers to secure exports to EU. This is for both small and medium sized enterprises in these two industries. For the knitwear industries it includes procedures under customs valuation at the home port for exporters (who import their raw materials from abroad). At the same time, delay in releasing imported raw materials from Bangladesh port of entry has also been cited as a barrier by exporters. Both small and medium sized enterprises in the knitwear industry found it difficult to overcome these problems at the home port. For the shrimp industries, it is found that the low domestic production capacity of shrimps at the farm level forces the processors to produce at a very low capacity of production and hence it becomes a barrier to increase their exports to EU. Consequently, a change in the definition of the rules of origin for shrimp products could help the small and medium-sized enterprises to take advantage of EBA initiatives to EU (meaning that processing firms could import shrimps from neighboring countries for processing and export). For the Pharmaceuticals industries, barriers in this type also include the definition of the rules of origin. Most of the producers import their chemicals for processing in Bangladesh. Therefore, strict adherence to the current rules of origin acts as a major barrier for them.
- 5.6 Type III barrier or specific limitations is cited by many as the third important barrier in

market access. For the leather industry, however, it is quoted as the second most important barrier. Barriers in this type includes quantitative restrictions, import licensing, embargoes, exchange control, discriminatory sourcing, export restraints, measures to regulate domestic prices, requirements concerning marking, labeling and packaging. Of them, however, the study found presence of requirements regarding marking, labeling and packaging as a barrier in the leather and leather goods, and in the shrimp processing industries. Pharmaceuticals and knitwear industries did not report presence of the Type III barriers. However, for the leather and leather goods industry it is the second most important barrier (both for small and medium sized enterprises).

- 5.7 Considering the above findings, this study finds that for the four major export items from Bangladesh, market access issue is still a major problem even when no tariff or quota restrictions are imposed. Market access issues for small and medium sized enterprises are of Type I and of Type II categories for all the products. However, Type II category is the most important barrier. To secure export markets, small and medium-sized enterprises find technical regulations, certification arrangements and standards as their major obstacles. WTO should explicitly deal with these issues to enable the SMEs to take advantage of a tariff and quota-free trade regimes.
- 5.8 Similarly, in the Type I category of barriers, domestic procedures in custom and administrative procedures, and the rules of origin is also the major problem in trade expansion. Therefore, WTO should deal with the rules of origin to help SMEs to enhance production. At the same time, the government of Bangladesh must also seriously consider changes in its custom and administrative procedures; mostly related to ‘formalities’ to facilitate exports from small and medium sized exporters. It should be noted here that customs and administrative procedural problems differs from industry to industry (e.g. in the industry for leather and leather goods the in-depth interview results demonstrated that shipping related problems were prevalent and had been categorized as of ‘formalities’ under Type I barrier). Customs and administrative problems prevail not only in the exporting country but also in the importing countries. The industry analysis of the four analyzed sectors above gave us the clear image in terms of policy to handle Type I barriers in the respective countries’ and departments. Furthermore, in terms of dealing with administrative and port problems measures should be enacted and implemented in building capacity to both exporters and the authorities so that the cost of handling shipments go down at the port. This is particularly required in Bangladeshi ports to facilitate export by SMEs.

5.9 In the Type III categories of barrier; labeling, marking and packaging requirements are found to be a problem for securing market access for small and medium sized enterprises in the leather and shrimp industries. The local government should seriously consider the capacity-building issues in these regard to handle this type of barrier since both of these industries have a track record of being major export industries of Bangladesh. If Bangladesh wants to diversify their exports (out of textile sector) then leather and shrimp products are the best available alternative export product. However, this study shows that exporters in this sector are facing at least three types of the barriers while exporting to EU. Market access for them is a major issue. Of them; technical regulations, standards, certification arrangements, rules of origin, and labeling, marking and packaging are the major barriers.

DRAFT

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Abbreviations

BOP	Balance of Payment
CTD	Common Technical Document
DDA	Doha Development Agenda
DMD	Doha Ministerial Declaration
EBA	Everything But Arms
EC	European Community
EU	European Union
FAO	Food and Agriculture Organization
FDA	Food and Drug Administration
FVO	Food and Veterinary Office
GATS	General Agreement on Trade in Services
GSP	Generalized System of Preferences
HACCP	Hazard Analysis and Critical Control Point
IPR	Intellectual Property Rights
LC	Letter of Credit
LDC	Least Developed Countries
MDI	Metered Dose Inhaler
MFA	Multi Fibre Arrangement
MFN	Most Favored Nation
MHRA	Medicines and Healthcare products Regulatory Agency
NTB	Non-Tariff Barriers
OTC	Over-the-Counter
RMG	Ready-Made Garments
RTA	Regional Trade Agreement
SAARC	South Asian Association for Regional Co-operation
S&D	Special and Differential Treatment
SME	Small and Medium-sized Enterprises
SPS	Sanitary and Phyto-sanitary Measures
TBT	Technical Barriers to Trade
TRIMs	Trade-Related Investment Measures
TRIPS	Trade-Related Aspects of Intellectual Property Rights
VER	Voluntary Export Restraints
WTO	World Trade Organization

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Appendix

**QUESTIONNAIRE FOR
MARKET ACCESS ISSUES: EC BANGLADESH TRADE
REGIME**

Name:
Designation:
Company:
Industry:
Initial Investment:
Additional Investments:
Number of Employees:

Export Information:

2. Which product/s do/es you export to export to EC?

(Enter product name, commercial name, Commodity code/s of the product/s)

Product name (As in EC Customs and Excise)	Commodity Code	Countries Exported to	Tariff rate faced

3. Which products are you willing to export? Why don't you do so? To which country/ies do you export or want to export these products? Why don't you do so?

Export History:

4. When did you start exporting? Please tell us detailed about the first time when you exported and later, its evolution over the years. Over the years, there has been remarkable change in the EC trade policies. How did these policies affect you and how did you react to the policy changes? Comment on your export performance now *(For export performance, learn number of orders per year, size of average order, Average Price of a single merchandise etc. For evolutions of export learn about changes in amount of export, changes in prices, sustainability of the firm).*

Name of the exportable	Number of orders per year	Size of Average Order	Price per Item

Problems of exporting:

5. What are the major problems are you facing in exporting to these EC countries? Start your comment from the point of efforts of getting an order, receiving it, through the production process, the shipment, facing the customs, entering the market and consumption by households. Does completion of one shipment affect the next, by affecting the reputation, for example?

(While the discussion, identify what are problems in Bangladesh, what are in the importing country..)

Individual Problems:

This part is on a detailed discussion on each if the problems faced by the exporters. While interviewing, a number of issues must be kept in mind. Those include, but not are limited to

- a. *Certificate*. For getting a license or certificate, ask how problematic is the process, the extent to which it affects the exporting process. How long it takes to get a certificate or license, etc. In case of inspection certificates, be more specific on different aspects, for example, how long it takes, the inspection procedure, any asymmetry in the procedure etc.
- b. *Product Specifications*. How effectively do the exporter meet the standards, the availability of expertise to meet the standards, cost of meeting the standards, Do they know whether which of these requirements are imposed by the importing government, In case of shrimp, how stringent is SPS measures, how is it enforced, Packaging and labeling information etc.
- c. *Reputation and good will*. How frequently do the exporter gets another order from the same importer (in percentage). In case of getting another order from the same exporter, how usual it is that the order is larger than before.
- d. *Risk Management*. How often does an order gets cancelled? Why does it get cancelled? Can it be rechanneled anywhere else? Why or why not?
- e. *Property Rights*. This is particularly important for Pharmaceutical Industry. A royalty fee may be involved and certificates may be required.

6. Let’s now talk about individual problems. Where and how does this problem occur? How does the problem affect you (Your profit, cost, reputation etc.)?

(Keep in mind to identify policy induced problems)

7. Have you done anything to cope with this?

8. If yes, what have you done to cope with this and how did it affect your profit/cost/goodwill or reputation both in short run and long run? What advantages does this have? Has this changed your export performance?

Action:

Effect in Cost or Profit:

Effect in Goodwill/Reputation:

9. If not, why haven't you coped with this? What in your opinion can be done to cope with this?

Policy Recommendations:

10. What do you think about the performance of the rest of the industry in exporting this product? What are the problems do the industry face as a whole? Do the other firms face the same kind of problems as you do? For what percentage is that the case?

11. What is the future of export of this product? Can it be improved?

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