

## CPD-ICRIER Study on

# Making SAFTA Effective: An Approach to Prune Sensitive Lists in South Asia (A Bangladesh Perspective)

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by

***Dr Khondaker Golam Moazzem***

Senior Research Fellow, CPD

and

***Kishore Kumer Basak***

Research Associate, CPD

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**CENTRE FOR POLICY DIALOGUE (CPD)**

B A N G L A D E S H

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*a c i v i l s o c i e t y t h i n k - t a n k*

***Professor Mustafizur Rahman***

Executive Director, Centre for Policy Dialogue (CPD), Bangladesh

***Dr Mustafa Abid Khan***

Joint Chief, Bangladesh Tariff Commission

***Mr A Matin Chowdhury***

Former Chairman, Bangladesh Textiles Mills Association (BTMA)

***Mr Abdur Razzaque***

President, Bangladesh Engineering Industry Owners' Association (BEIOA)

***Mr Monsur Ahmed***

Secretary, Bangladesh Textiles Mills Association (BTMA)

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## 2. *An Overview of Sensitive Lists of Bangladesh for Non-LDCs and LDCs*

- Two sensitive lists of Bangladesh
  - LDCs: 1233 products and non-LDCs: 1241 products
  - Comprises 25% of products under HS classification at 6 digit level
- Highest number of products in the sensitive list is related to textiles (384 products; 48% of products under that category) (Table 1)
  - Machinery and electrical products (142 products; 18%)
  - Metals (118 products; 21% )
- Arguments behind putting the products in the sensitive list
  - Support to import substituting, labour-intensive industries and SMEs
  - Support to agricultural activities and agro-based industries
  - Revenue earnings from import duties and supplementary duties

**Table 1: List of Sensitive Products of Bangladesh: For Non-LDCs and LDCs (HS 2007)**

| Section | Description  | Number of Products under HS2007 (at 6 digit level) Classification | For Non-LDCs       |  | For LDCs           |  |
|---------|--|---|--------------------|--|--------------------|--|
|         |  |   | Number of Products | Per cent of total products under HS 6 digit classification | Number of Products | Per cent of total products under HS 6 digit classification |
| I       | Live animals; animal products                                  | 228   | 30                 | 13%  | 30                 | 13%  |
| II      | Vegetable products   | 256   | 45                 | 18%  | 45                 | 18%  |
| III     | Animal or vegetable fats and oils                              | 45  | 6                  | 13%  | 6                  | 13%  |
| IV      | Prepared foodstuffs, beverages, spirits and vinegar, tobacco   | 193   | 74                 | 38%  | 74                 | 38%  |
| V       | Mineral products   | 148   | 16                 | 11%  | 15                 | 10%  |
| VI      | Products of chemical or allied industries                      | 789   | 75                 | 10%  | 75                 | 10%  |
| VII     | Plastics, rubber and articles thereof                          | 211   | 67                 | 32%  | 67                 | 32%  |
| VIII    | Raw hides and skins, leather, and articles                     | 69  | 13                 | 19%  | 13                 | 19%  |
| IX      | Wood and articles of wood; articles                            | 93  | 7                  | 8%   | 5                  | 5%   |
| X       | Pulp of wood or of other fibrous cellulosic material           | 144   | 58                 | 40%  | 58                 | 40%  |
| XI      | Textiles and textile articles                                  | 801   | 384                | 48%  | 379                | 47%  |
| XII     | Footwear, headgear, umbrellas, articles                        | 49  | 13                 | 27%  | 13                 | 27%  |
| XIII    | Articles of stone, plaster, cement                             | 143   | 28                 | 20%  | 29                 | 20%  |
| XIV     | Natural or cultured pearls, precious or semi-precious stones,  | 53  | 1                  | 2%   | 1                  | 2%   |
| XV      | Base metals and articles of base metal                         | 568   | 118                | 21%  | 117                | 21%  |
| XVI     | Machinery and mechanical appliances; electrical equipment;     | 769   | 142                | 18%  | 142                | 18%  |
| XVII    | Vehicles, aircraft, vessels and associated transport equipment | 131   | 57                 | 44%  | 57                 | 44%  |
| XVIII   | Optical, cinematographic, measuring, checking, precision       | 217   | 35                 | 16%  | 35                 | 16%  |
| XIX     | Arms and ammunition; parts and accessories thereof             | 20  | 0                  | 0%   | 0                  | 0%   |
| XX      | Miscellaneous manufactured articles                            | 118   | 72                 | 61%  | 72                 | 61%  |
| XXI     | Works of art and collectors' pieces                            | 7   | 0                  | 0%   | 0                  | 0%   |
|         | Total  | 5052  | 1241               | 25%  | 1233               | 24%  |



## 2. An Overview of Sensitive Lists of Bangladesh for Non-LDCs and LDCs

- Bangladesh's total import comprises large share of products that are under SAFTA sensitive lists
  - US\$10.1 billion which is accounted for 58.8% of total import (in 2007)
  - Only 14.4% of this import (US\$1.46 billion) was sourced from South Asia
- Extra-regional sources are considered to be more important over intra-regional sources in case of import of sensitive products
- Import of all products from South Asia has registered two-digit level growth between 2005 and 2007
  - Implications of SAFTA are yet to be noticed significantly

**Table 2: Bangladesh's Total Import and Import of Sensitive Products: A Comparison**

| Import of Products           | Sources                   | Import million US\$ |           |           |
|------------------------------|---------------------------|---------------------|-----------|-----------|
|                              |                           | 2005                | 2006      | 2007      |
| Total Import                 | Global                    | 12,630.08           | 15,688.52 | 17,294.36 |
|                              | South Asia                | 1,542.51            | 2,049.36  | 2,535.78  |
|                              | South Asia as % of Global | 12%                 | 13%       | 15%       |
| Import of Sensitive Products | Global                    | 7,102.47            | 8,914.16  | 10,164.23 |
|                              | South Asia                | 863.59              | 965.65    | 1,466.23  |
|                              | South Asia as % of Global | 12%                 | 11%       | 14.4%     |

- Analysis on pruning the sensitive products requires two specific considerations
  - ✓ Export competitiveness and export capacity of regional exporters
  - ✓ Domestic issues particularly related to revenue generation through import and supporting domestic industries
- Analysis has been carried out in two stages.
  - ✓ In the first stage, issues related to exporters' competitiveness and capacity has been examined in terms of their comparative advantages, trade potentials, volume of trade and price competitiveness.
  - ✓ In the second stage, domestic issues have been examined.
- In case of revenue generation it is assumed that products which have substantial contribution in revenue generation are likely to be kept in the sensitive lists.
- In case of supporting domestic industries it is assumed that non-finished products would be kept out of the list considering their positive contribution to domestic industry
- The identified products have been discussed with stakeholders
- Based on the above analyses, the study proposed two sets of products for pruning from the two lists: Non-LDCs and LDCs

#### *4. Analysis of Sensitive Products of Bangladesh*

- South Asian countries have initially identified sensitive products on the basis of the classification of HS2002.
  - ✓ A total of 1254 products were included in Bangladesh's sensitive list for non-LDCs, while 1249 products were included for LDCs
- This list was revised later on the basis of HS2007.
  - ✓ Number of products was slightly reduced when considering the classification of HS2007
- Bangladesh's import of sensitive products from South Asia is still low
  - ✓ Although volume and share of import of these products has been increasing
- The region is one of the major sources of import for some categories of products such as food stuffs (34% of total import) and transportation equipments (35%).
  - ✓ In some categories, even 75% to 100% of total import
- In general, South Asian countries are not the main source of import for sensitive products.
  - ✓ Thus pruning the list may cause trade diversion effect to some extent.



#### *4. Analysis of Sensitive Products of Bangladesh*

- India is the single most important source for
  - Over 90% of import of sensitive products imported from South Asia
  - Over 75% to 100% import of different categories of sensitive products
- Pruning of sensitive products would have considerable implications in case of trade with India.

## Import of Sensitive Products from South Asia, 2007 (in '000 US\$)

|       | World        | India       | Share | Pakistan   | Share | Sri Lanka | Share | Nepal | Share |
|-------|--------------|-------------|-------|------------|-------|-----------|-------|-------|-------|
| I     | 149,746.86   | 17,858.38   | 12%   | -          | 0%    | -         | 0%    | -     | 0%    |
| II    | 1,428,606.39 | 450,176.69  | 32%   | 16,116.16  | 1%    | 662.92    | 0%    | 0.03  | 0%    |
| III   | 1,537,865.06 | 7,653.40    | 0%    | -          | 0%    | 328.21    | 0%    | -     | 0%    |
| IV    | 390,609.94   | 130,096.38  | 33%   | 713.83     | 0%    | 80.47     | 0%    | -     | 0%    |
| V     | 2,174,801.03 | 192,508.02  | 9%    | 944.92     | 0%    | 490.25    | 0%    | -     | 0%    |
| VI    | 379,781.02   | 69,106.16   | 18%   | 3,048.88   | 1%    | 4,415.31  | 1%    | -     | 0%    |
| VII   | 689,155.38   | 91,302.39   | 13%   | 1,549.50   | 0%    | 270.30    | 0%    | -     | 0%    |
| VIII  | 6,140.95     | 157.63      | 3%    | 16.25      | 0%    | 38.96     | 1%    | -     | 0%    |
| IX    | 1,012.45     | 181.42      | 18%   | -          | 0%    | -         | 0%    | -     | 0%    |
| X     | 231,551.13   | 21,732.56   | 9%    | 614.87     | 0%    | 15.49     | 0%    | 0.06  | 0%    |
| XI    | 903,023.93   | 102,825.83  | 11%   | 71,735.46  | 8%    | 3,687.86  | 0%    | -     | 0%    |
| XII   | 42,178.63    | 1,510.78    | 4%    | 101.43     | 0%    | 24.69     | 0%    | -     | 0%    |
| XIII  | 35,954.72    | 5,824.18    | 16%   | 129.91     | 0%    | 102.49    | 0%    | 0.52  | 0%    |
| XIV   | 1,030.00     | 795.97      | 77%   | 7.69       | 1%    | 0.19      | 0%    | -     | 0%    |
| XV    | 408,153.39   | 43,281.51   | 11%   | 365.31     | 0%    | 16.72     | 0%    | -     | 0%    |
| XVI   | 1,293,998.29 | 74,716.15   | 6%    | 2,367.40   | 0%    | 51.93     | 0%    | -     | 0%    |
| XVII  | 387,971.27   | 133,421.32  | 34%   | 2,945.44   | 1%    | 78.66     | 0%    | -     | 0%    |
| XVIII | 31,019.84    | 2,157.68    | 7%    | 1.38       | 0%    | -         | 0%    | -     | 0%    |
| XX    | 71,631.82    | 9,334.27    | 13%   | 480.86     | 1%    | 187.33    | 0%    | -     | 0%    |
| Total | 10,164,232.1 | 1,354,640.7 | 13%   | 101,139.28 | 1%    | 10,451.76 | 0%    | 0.61  | 0%    |

- Export competitiveness of South Asian countries in case of sensitive products is found to be limited and is largely confined to India
- 402 products imported from India, 184 products from Pakistan, 131 products from Sri Lanka and only 10 products from as competitive
- The term 'competitive' needs to be cautiously applied in this case
  - ✓ Non-South Asian sources are likely to be 'more' competitive than South Asian sources in most of these products
- List of uncompetitive products (RCA less than 1) is also long both for non-LDC and LDC members

**Table: Number of Products with RCA>1**

| Section | Non-LDCs |          |           | LDC   |
|---------|----------|----------|-----------|-------|
|         | India    | Pakistan | Sri Lanka | Nepal |
| I       | 4        | 0        | 0         | 0     |
| II      | 24       | 7        | 1         | 2     |
| III     | 2        | 0        | 2         | 0     |
| IV      | 14       | 10       | 5         | 0     |
| V       | 7        | 4        | 1         | 0     |
| VI      | 39       | 14       | 16        | 0     |
| VII     | 31       | 8        | 13        | 0     |
| VIII    | 0        | 0        | 0         | 0     |
| IX      | 4        | 1        | 1         | 0     |
| X       | 32       | 5        | 3         | 2     |
| XI      | 120      | 68       | 37        | 2     |
| XII     | 2        | 1        | 0         | 0     |
| XIII    | 7        | 4        | 2         | 1     |
| XIV     | 0        | 0        | 0         | 0     |
| XIX     | 0        | 0        | 0         | 0     |
| XV      | 24       | 10       | 19        | 0     |
| XVI     | 42       | 28       | 15        | 1     |
| XVII    | 29       | 16       | 0         | 0     |
| XVIII   | 6        | 1        | 1         | 0     |
| XX      | 17       | 7        | 15        | 2     |
| XXI     | 0        | 0        | 0         | 0     |
| Total   | 402      | 184      | 131       | 10    |

- Import of most of the sensitive products takes place at a small amount
  - ✓ over 85% to 100% of sensitive products imported at a share of less than 33% of their total import

**Table 8 List of Sensitive Products Imported from South Asia in terms of Share of Total Import in 2007 (<33%)**

| Section | Number of Products<br>in Sensitive list in<br>HS 2002 | India | Pakistan | Sri<br>Lanka | Nepal |
|---------|---|-------|----------|--------------|-------|
| I       | 25  | 23    | 25       | 25           | 25    |
| II      | 44  | 30    | 41       | 44           | 44    |
| III     | 6   | 5     | 6        | 5            | 6     |
| IV      | 74  | 65    | 71       | 74           | 74    |
| V       | 17  | 15    | 17       | 17           | 17    |
| VI      | 62  | 46    | 62       | 61           | 62    |
| VII     | 67  | 55    | 67       | 67           | 67    |
| VIII    | 13  | 11    | 13       | 13           | 13    |
| IX      | 7   | 7     | 7        | 7            | 7     |
| X       | 57  | 51    | 57       | 57           | 57    |
| XI      | 391   | 333   | 379      | 390          | 391   |
| XII     | 13  | 12    | 12       | 13           | 13    |
| XIII    | 26  | 19    | 26       | 26           | 26    |
| XIV     | 1   | 0     | 1        | 1            | 1     |
| XV      | 114   | 101   | 114      | 114          | 114   |
| XVI     | 160   | 146   | 159      | 160          | 160   |
| XVII    | 57  | 40    | 57       | 56           | 57    |
| XVIII   | 36  | 32    | 36       | 36           | 36    |
| XIX     | 0   | 0     | 0        | 0            | 0     |
| XX      | 84  | 76    | 83       | 84           | 84    |
| XXI     | 0   | 0     | 0        | 0            | 0     |
| Total   | 1254  | 1067  | 1233     | 1250         | 1254  |

- There are 48 products in case of import from India where RCA value is higher than 1 and import share is more than 66%
  - For Pakistan, it is 3 and for Sri Lanka, it is only 2
- There are a number of products which are found to be uncompetitive but are being imported at a substantial amount from South Asia, particularly from India.

- All non-LDCs bear trade potentials with Bangladesh at least to some extent. However, trade potentiality for LDCs (e.g. Nepal) is relatively low.
  - ✓ 384 products exported by India with trade potentiality over US\$1 million; the comparable number of products for Pakistan and Sri Lanka were 136 and 183 respectively.
  - ✓ Nepal has very few such products (18).
- Trade potentiality is relatively high for following products: textiles, machinery/electrical equipments, plastics/rubbers and metals

Table: List of sensitive products imported from South Asia in terms of import potentials (&gt;0)

| Section | Number of Products in Sensitive list in HS 2002 | India | Pakistan | Sri Lanka | Nepal |
|---------|---|-------|----------|-----------|-------|
| I       | 25  | 25    | 23       | 24        | 4     |
| II      | 44  | 43    | 41       | 44        | 23    |
| III     | 6   | 5     | 6        | 6         | 2     |
| IV      | 74  | 73    | 72       | 73        | 41    |
| V       | 17  | 16    | 15       | 16        | 5     |
| VI      | 62  | 59    | 59       | 58        | 32    |
| VII     | 67  | 66    | 66       | 65        | 39    |
| VIII    | 13  | 13    | 13       | 13        | 13    |
| IX      | 7   | 7     | 7        | 7         | 5     |
| X       | 57  | 54    | 56       | 55        | 46    |
| XI      | 391   | 383   | 380      | 378       | 231   |
| XII     | 13  | 13    | 13       | 13        | 13    |
| XIII    | 26  | 25    | 26       | 26        | 14    |
| XIV     | 1   | 1     | 1        | 1         | 1     |
| XV      | 114   | 112   | 112      | 112       | 57    |
| XVI     | 160   | 158   | 152      | 158       | 86    |
| XVII    | 57  | 55    | 56       | 56        | 18    |
| XVIII   | 36  | 36    | 36       | 36        | 10    |
| XIX     | 0   | 0     | 0        | 0         | 0     |
| XX      | 84  | 84    | 84       | 83        | 65    |
| XXI     | 0   | 0     | 0        | 0         | 0     |
| Total   | 1254  | 1228  | 1218     | 1224      | 705   |

- Top 20 products imported from South Asia in 2007 were mostly sourced from India and unit prices of most of these products (12 out of 20 products) were lower than their nearest competing sources.
  - ✓ India is the largest sources of import for Bangladesh for 14 of these products.

**Table 12: List of Top 20 Products Imported from South Asia and Nearest Competing Sources**

| <i>HS Code</i> | <i>Country</i> | <i>Trade Value (\$ '000)</i> | <i>Unit value</i> | <i>Nearest Competitor</i> | <i>Unit value</i> |
|----------------|----------------|------------------------------|-------------------|---------------------------|-------------------|
| 100630         | India          | 372141.231                   | 0.29              | Pakistan                  | 0.35              |
| 271011         | India          | 153222.855                   | 0.27              | Kuwait                    | 0.24              |
| 170199         | India          | 85667.506                    | 0.35              | Brazil                    | 0.43              |
| 070310         | India          | 42059.284                    | 0.38              | China                     | 0.27              |
| 871120         | India          | 37983.11                     | 903.95            | China                     | 544.01            |
| 520521         | India          | 37519.711                    | 2.90              | Pakistan                  | 2.28              |
| 271320         | India          | 29401.691                    | 0.27              | Saudi Arabia              | 0.33              |
| 870422         | India          | 27803.742                    | 2815.57           | Japan                     | 5320.33           |
| 520942         | India          | 21781.792                    | 4.19              | China                     | 4.55              |
| 870600         | India          | 21422.082                    | 39966.57          | Japan                     | 98926.67          |
| 870390         | India          | 20692.137                    | 3919.71           | China                     | 3538.19           |
| 401120         | India          | 20593.46                     | 118.32            | China                     | 74.42             |
| 090420         | India          | 19666.993                    | 0.79              | Egypt                     | 0.69              |
| 170111         | India          | 19269.928                    | 0.32              | Brazil                    | 0.32              |
| 040210         | India          | 17218.911                    | 2.60              | USA                       | 2.88              |
| 520811         | Pakistan       | 16753.661                    | 2.75              | China                     | 4.57              |
| 520521         | Pakistan       | 15364.753                    | 2.28              | Pakistan                  | 2.28              |
| 390760         | India          | 14204.565                    | 1.00              | Taipei                    | 0.89              |
| 340211         | India          | 13550.858                    | 1.04              | Korea, Rep                | 1.17              |
| 390210         | India          | 12077.992                    | 0.69              | Saudi Arabia              | 0.76              |



## *4.5 Analysis of Revenue Generation through Import of Sensitive Products*

- A substantial amount of revenue generated from import duties, supplementary duties and other related duties on import of these products.
- During FY2009-10, total tax incidence of these products was Tk. 177.9 billion
  - ✓ Customs duties were accounted for 31.9%; supplementary duties were 14.3%
  - ✓ This is accounted for 89.7% of total tax incidence of overall import during FY2009-10 (CPD, 2010).
  - ✓ Different kinds of para-tariffs contribute to generate such a large volume of revenue.

## 4.6 Analysis of Different Categories of Products

- Tariff Commission of Bangladesh defined sensitive products according to four different categories
  - ✓ Majority of sensitive products are finished consumer goods (754), which accounted for more than 60 per cent of total sensitive products
  - ✓ Intermediate products: 327 products; 26.3 per cent
  - ✓ Capital machineries: 142; 11.4 per cent
  - ✓ A small number of basic raw materials (1.5 per cent).
  - ✓ The process for pruning is considered identification a set of products which are raw materials, intermediate products and capital machineries

## 5. Identification of Products that could be Pruned from the Sensitive List

- In the first stage export competitiveness and export capacity was examined for sensitive products.
  - ✓ Export competitiveness of South Asian countries for each of the sensitive products has been calculated on the basis of three year average value (2006-2008) of RCA.
  - ✓ On the basis of the value of average RCA sensitive products have been classified into two groups: a) products which have RCA higher than 1 and b) products which have RCA less than 1.
  - ✓ From the competitiveness point of view, products having RCA higher than one are considered as competitive, and have been taken into account for further analysis. However, products having RCA less than one are also considered for pruning.
  - ✓ The selected items ( $RCA > / < 1$ ) have been examined in terms of trade potentiality of exporting countries.
    - Although a high trade potentiality is expected to have possibility to be pruned, for practical purposes products which bear at least some positive trade potentials have been considered for pruning.

- In the second stage, initially identified products have been sorted out to four categories of goods.
  - ✓ Products which fall under the category of basic raw materials, intermediate goods, and capital machineries, have been considered for pruning
  - ✓ Since relatively less revenue generated products are to be preferred for pruning, a threshold level of Tk.2crore (US\$0.29 million) has been taken into consideration.
  - ✓ These short lists were later discussed in the FGDs with entrepreneurs of textiles and light engineering sectors.

- After completing the pruning process a total of 186 tariff lines are found to be suggested for pruning from Bangladesh's non-LDC list which are about 15 per cent of the total list.
  - ✓ For LDCs, another 11 products have been added.
- Highest number of products proposed for pruning is in the category of machineries and mechanical products (52 tariff lines) followed by base metal and metal products (31 tariff lines).
  - ✓ Other important categories of products suggested for pruning are: pulp of wood and related products (17) and plastics, rubber and related products (18).
- The 11 new items added in the list for LDCs include products related to vegetables, chemical products, plastic and rubbers, pulp of wood and other cellulosic materials, textiles and miscellaneous manufacturing products.

**Table 11: Number of Products Suggested for Pruning from Different Sectors**

| Section | For Non-LDCs   |                    |          | For LDCs       |                    |          |
|---------|----------------|--------------------|----------|----------------|--------------------|----------|
|         | Sensitive list | Suggested to prune | Per cent | Sensitive list | Suggested to prune | Per cent |
| I       | 30             | 1                  | 3%       | 30             | 1                  | 3%       |
| II      | 45             | 0                  | 0%       | 45             | 3                  | 7%       |
| III     | 6              | 5                  | 83%      | 6              | 5                  | 83%      |
| IV      | 74             | 1                  | 1%       | 74             | 1                  | 1%       |
| V       | 16             | 2                  | 13%      | 15             | 2                  | 13%      |
| VI      | 75             | 11                 | 15%      | 75             | 12                 | 16%      |
| VII     | 67             | 18                 | 27%      | 67             | 18                 | 27%      |
| VIII    | 13             | 0                  | 0%       | 13             | 0                  | 0%       |
| IX      | 7              | 4                  | 57%      | 5              | 4                  | 80%      |
| X       | 58             | 17                 | 29%      | 58             | 19                 | 33%      |
| XI      | 384            | 10                 | 3%       | 379            | 13                 | 3%       |
| XII     | 13             | 0                  | 0%       | 13             | 0                  | 0%       |
| XIII    | 28             | 14                 | 50%      | 29             | 14                 | 48%      |
| XIV     | 1              | 0                  | 0%       | 1              | 0                  | 0%       |
| XV      | 118            | 31                 | 26%      | 117            | 31                 | 26%      |
| XVI     | 142            | 52                 | 37%      | 142            | 52                 | 37%      |
| XVII    | 57             | 13                 | 23%      | 57             | 13                 | 23%      |
| XVIII   | 35             | 6                  | 17%      | 35             | 6                  | 17%      |
| XIX     | 0              | 0                  | -        | 0              | 0                  | -        |
| XX      | 72             | 1                  | 1%       | 72             | 3                  | 4%       |
| XXI     | 0              | 0                  | -        | 0              | 0                  | -        |
| Total   | 1241           | 186                | 15%      | 1233           | 197                | 16%      |

- The suggested lists include products which are basic raw materials, intermediate products and capital machineries.
  - ✓ The suggested list contains no final consumer goods for the non-LDC members.
- Suggested list contains 22 per cent of total basic raw materials product included in the list, 17.5 per cent of total intermediate products and 23.6 per cent of capital machineries.
  - ✓ The machineries and vehicle and transport sector items are all capital machinery products.
- The list for the LDC member countries contains almost similar proportionate shares of different categories of product.

Table 12: Product Categories of Suggested Pruned List

| Section | For Non-LDCs       |     |     |     | For LDCs           |     |     |     |     |
|---------|--------------------|-----|-----|-----|--------------------|-----|-----|-----|-----|
|         | Suggested to prune | BRM | INT | CAP | Suggested to prune | BRM | INT | CAP | FCG |
| I       | 1                  | 1   | 0   | 0   | 1                  | 1   | 0   | 0   | 0   |
| II      | 0                  | 0   | 0   | 0   | 3                  | 1   | 0   | 0   | 2   |
| III     | 5                  | 0   | 5   | 0   | 5                  | 0   | 5   | 0   | 0   |
| IV      | 1                  | 1   | 0   | 0   | 1                  | 1   | 0   | 0   | 0   |
| V       | 2                  | 2   | 0   | 0   | 2                  | 2   | 0   | 0   | 0   |
| VI      | 11                 | 0   | 11  | 0   | 12                 | 0   | 11  | 0   | 1   |
| VII     | 18                 | 0   | 18  | 0   | 18                 | 0   | 18  | 0   | 0   |
| VIII    | 0                  | 0   | 0   | 0   | 0                  | 0   | 0   | 0   | 0   |
| IX      | 4                  | 0   | 4   | 0   | 4                  | 0   | 4   | 0   | 0   |
| X       | 17                 | 0   | 17  | 0   | 19                 | 0   | 19  | 0   | 0   |
| XI      | 10                 | 0   | 10  | 0   | 13                 | 0   | 13  | 0   | 0   |
| XII     | 0                  | 0   | 0   | 0   | 0                  | 0   | 0   | 0   | 0   |
| XIII    | 14                 | 0   | 14  | 0   | 14                 | 0   | 14  | 0   | 0   |
| XIV     | 0                  | 0   | 0   | 0   | 0                  | 0   | 0   | 0   | 0   |
| XV      | 31                 | 0   | 29  | 2   | 31                 | 0   | 29  | 2   | 0   |
| XVI     | 52                 | 0   | 6   | 46  | 52                 | 0   | 6   | 46  | 0   |
| XVII    | 13                 | 0   | 0   | 13  | 13                 | 0   | 0   | 13  | 0   |
| XVIII   | 6                  | 0   | 0   | 6   | 6                  | 0   | 0   | 6   | 0   |
| XIX     | 0                  | 0   | 0   | 0   | 0                  | 0   | 0   | 0   | 0   |
| XX      | 1                  | 0   | 1   | 0   | 3                  | 0   | 1   | 0   | 2   |
| XXI     | 0                  | 0   | 0   | 0   | 0                  | 0   | 0   | 0   | 0   |
| Total   | 186                | 4   | 115 | 67  | 197                | 5   | 120 | 67  | 5   |



## *5. Products that could be Pruned the Sensitive Lists*

- Total revenue earned through import of these items during FY2009-10 was about Tk.13372 million (US\$ 196 million)
  - ✓ 7.5% of total revenue (duties and taxes)
  - ✓ Of the total revenue, custom duty was about Tk.1046 million (US\$ 15.4 million).
- Thus revenue would not be affected much because of pruning the selected products

## 5. Products that could be Pruned the Sensitive Lists

**Table 13: Implications on Revenue Earnings for Suggested Pruning of Sensitive Products (taka)**

| Section   | Custom duty collection<br>FY2009-10 | Per cent of total<br>revenue generated<br>from sensitive items | Total tax collection (duties<br>and taxes) FY2009-10 | Per cent of total revenue<br>generated from sensitive<br>items |
|-----------|-------------------------------------|--|--|--|
| I         | 15,117.42                           | 0.000%   | 19,954.97  | 0.000%   |
| II        | 74,813.87                           | 0.000%   | 74,817.31  | 0.000%   |
| III       | 420,584.83                          | 0.001%   | 10,132,275,555.42                                    | 5.697%   |
| IV        | 2,094,692.92                        | 0.004%   | 6,304,664.50   | 0.004%   |
| V         | 516,134.31                          | 0.001%   | 1,645,252.94   | 0.001%   |
| VI        | 64,755,623.19                       | 0.114%   | 213,570,753.23                                       | 0.120%   |
| VII       | 170,204,109.41                      | 0.299%   | 801,131,692.98                                       | 0.450%   |
| VIII      | -                                   | 0.000%   | -  | 0.000%   |
| IX        | 1,720,164.45                        | 0.003%   | 5,677,757.98   | 0.003%   |
| X         | 60,772,327.01                       | 0.107%   | 160,855,443.05                                       | 0.090%   |
| XI        | 28,915,286.04                       | 0.051%   | 83,673,258.06  | 0.047%   |
| XII       | -                                   | 0.000%   | -  | 0.000%   |
| XIII      | 93,239,419.52                       | 0.164%   | 279,426,851.03                                       | 0.157%   |
| XIV       | -                                   | 0.000%   | -  | 0.000%   |
| XV        | 163,832,630.15                      | 0.288%   | 492,140,626.61                                       | 0.277%   |
| XVI       | 299,343,280.74                      | 0.526%   | 747,557,038.94                                       | 0.420%   |
| XVII      | 83,783,633.30                       | 0.147%   | 244,547,948.22                                       | 0.137%   |
| XVIII     | 65,154,096.02                       | 0.115%   | 178,463,078.40                                       | 0.100%   |
| XIX       | -                                   | 0.000%   | -  | 0.000%   |
| XX        | 11,601,780.52                       | 0.020%   | 25,303,252.30  | 0.014%   |
| XXI       | -                                   | 0.000%   | -  | 0.000%   |
| Sub-total | 1,046,443,693.70                    | 1.840%   | 13,372,667,945.94                                    | 7.518%   |
| Total     | 56,866,384,294.50                   |  | 177,867,487,466.52                                   |  |



- The identified products from the sensitive lists of Bangladesh would be a benchmark for discussion at the level of policymakers, business bodies and government officials in order to take informed decision as regards pruning sensitive products.
- Since the inter-governmental discussions usually follows an 'offer and request' approach, the products identified from the sensitive lists of non-LDCs and LDCs would be offered for pruning only when an acceptable set of products will be offered by the member countries of SAFTA.

- Taking into account of sensitivity on domestic industries as regards reduction of tariff of proposed products a two-stage pruning process can be considered.
- In the first stage, products identified under the categories of basic raw materials and capital machineries can be considered for pruning.
  - ✓ This includes a total of 71 basic raw materials and capital machineries.
- In the second stage, products identified as intermediate products can be considered for pruning.
  - ✓ This includes a total of 115 items.

- Products identified for pruning would marginally affect local industries since all the products are basic raw materials, intermediate products and capital machineries which have limited production capacity.
- Thus pruning these products from the sensitive list would contribute to lessen the cost of production.
  - ✓ However, this may happen at the cost of diversion of trade from more competing sources outside South Asia.
- On the other hand, pruning these products would cause marginal losses of revenue (1.8 per cent), and thus have little impact on government's revenue.
- Overall, Bangladesh should take strategy in case of offering products taking into account the sensitivity of different relevant stakeholders.

*Thank You*