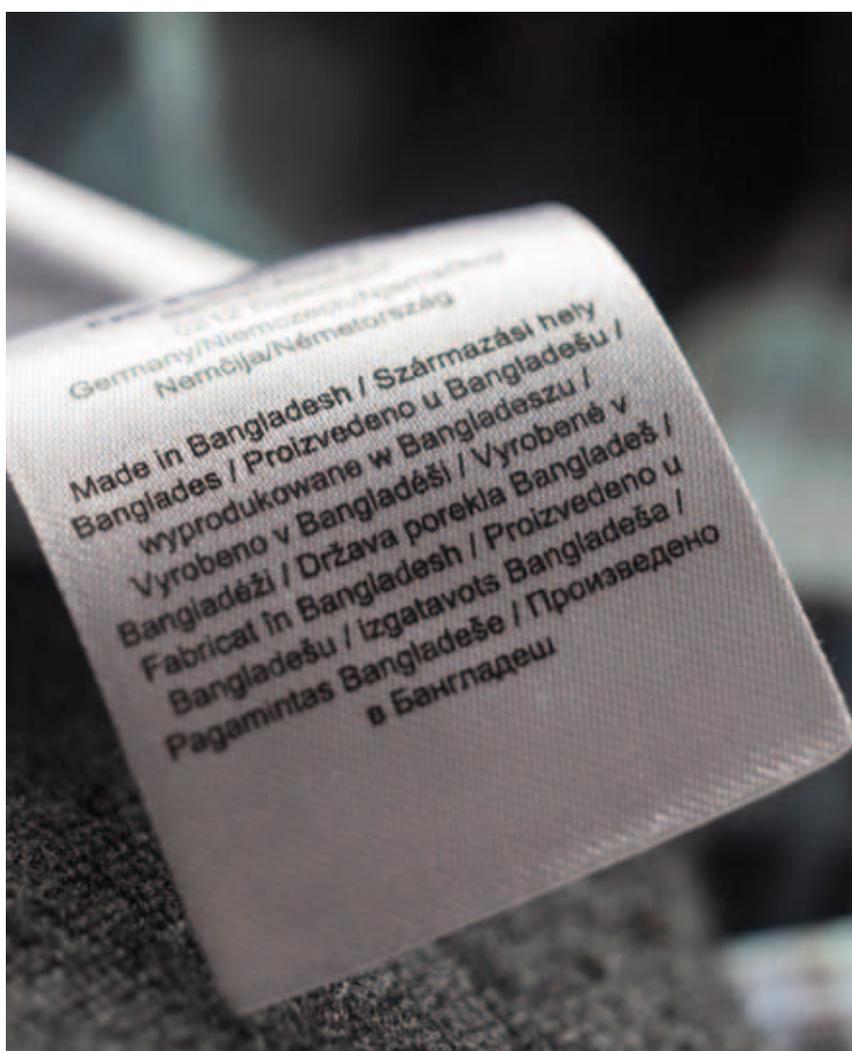


# BANGLADESH: COMPANY PERSPECTIVES

AN ITC SERIES ON  
NON-TARIFF MEASURES





# Bangladesh: Company Perspectives

An ITC Series on  
Non-Tariff Measures

## About the paper

Over 90% of Bangladeshi exporters are facing regulatory and procedural obstacles to trade.

A survey of 1,000 companies in Bangladesh identified long waiting times, administrative hurdles and lack of accredited laboratories in the country to be the main causes of the reported difficulties when exporting or importing. The report recommends upgrading domestic infrastructure and streamlining procedures, enhancing enterprise competitiveness and sector development, and improving transparency in trade and trade facilitation.

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For more information on ITC's Programme on Non-Tariff Measures, see: [www.ntmsurvey.org](http://www.ntmsurvey.org)

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## Acronyms

Unless otherwise specified, all references to dollars (\$) are to United States dollars, and all references to tons are to metric tons.

APTA	Asia-Pacific Trade Agreement
ASEAN	Association of South-East Asian Nations
BGMEA	Bangladesh Garment Manufacturers and Exporter Association
BSTI	Bangladesh Standards and Testing Institution
EU	European Union
FDI	Foreign direct investment
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GNI	Gross National Income
GSP	General System of Preferences
HS	Harmonized System
IEC	International Electrotechnical Commission
ISO	International Organization for Standardization
ITC	International Trade Centre
LDC	Least developed country
NTM	Non-tariff measure
PO	Procedural obstacle
SAARC	South Asian Association For Regional Cooperation
SARSO	South Asian Regional Standards Organization
SME	Small and medium-sized enterprise
SPS	Sanitary and phytosanitary measures
TBE	Trade-related business environment
TBT	Technical barriers to trade
TFA	Trade Facilitation Agreement
UNCTAD	United Nations Conference on Trade and Development
WTO	World Trade Organization

## Executive summary

### *Bangladeshi exporters highly affected by non-tariff measures*

Survey results show that 91% of exporters in Bangladesh are affected by burdensome NTMs and other obstacles to trade. This is one of the highest rates observed from the ITC surveys, which have been implemented in 35 developing countries and the European Union (EU).

In general, exporters were more affected (91%) than importers (53%). Shares of affected exporters in both the agri-food products sector (96%) and manufactured goods sector (90%) are very high.

### *Most of exporters' difficulties relate to EU regulations*

Difficulties in relation to the regulations of the partner (importing) countries comprise a large share of the NTM cases reported by exporters (77%), while 23% of the reported NTMs were related to Bangladeshi regulations on exports. In contrast, the majority of the procedural obstacles (POs) experienced by exporters occurred in Bangladesh itself. Exporters reported that 86% of these occurred at various Bangladeshi agencies, while 14% occurred in partner countries.

The largest number of difficult NTM cases reported by Bangladeshi exporters are related to EU regulations – its largest trading partner. More than 54% of Bangladesh's exports go to the EU, while these countries account for 40% of the reported NTM problems. In contrast, while exports to countries in the South Asian Association for Regional Cooperation (SAARC) are relatively small (2% of total exports), over 10% of the reported NTMs are applied by these countries – mostly by India. Likewise, 15% of the reported NTMs are related to regulations of the United States and 17% related to regulations of other Asian countries.

### *Conformity assessment is a major issue for exporters*

Product testing and quality certification – conformity assessment regulations in destination markets – make up over half of the NTM cases. Difficulties in compliance with these requirements are mostly due to administrative delays, informal payments and associated high fees.

Difficulties with technical requirements of partner countries make up 9% of the NTM cases. Technical requirements on the production process is the most commonly reported NTM by companies from the manufacturing sector.

Around one-quarter of the reported NTMs are related to rules of origin. Regulations on rules of origin require exporters to meet a given minimum level of local content and to obtain related documents or a certificate of origin. Exporters of manufacturing commodities experienced more of these issues than exporters of agricultural commodities. This type of obstacle mostly affects Bangladeshi garment exports, the country's largest foreign currency earner.

### *Border clearance procedures in Bangladesh are a major hindrance*

Border clearance formalities, charges, taxes and other para-tariff measures, quantity control measures and financial measures make up other burdensome NTMs reported by exporters.

Export clearance procedures are a big problem for exporters due to long waiting time, inefficient procedures and informal payments. Difficulties with customs clearance are the most common issue exporters face with NTMs applied by Bangladesh. The exporters report that Bangladeshi customs inspectors take much longer time, often assign an incorrect Harmonized System (HS) code to export-products, and ask for informal payments. These factors have undermined the export competitiveness of Bangladeshi exporters.

Exporters also report difficulties with export licensing or permits to export. A variety of commodities require licences and permits prior to export, which are issued by various institutions. Exporters applying for licences and permits require a large list of documentations and procedures. This process is time-consuming and leads to informal payments.

### *High prevalence of delays and informal payments hurt exporters*

In Bangladesh, the majority of procedural obstacles faced by exporters are time constraints. In addition to time delays, frequent demands for bribes at the agencies and high fees for services are other common POs reported by exporters.

While most of the NTMs Bangladeshi exporters found troublesome concerned partner country regulations, a closer investigation uncovers most of the issues are rooted in the process of getting the necessary paperwork, inspections, testing and certification in Bangladeshi agencies. Long waiting times, informal payments and lack of accredited laboratories in the country are the main causes of the difficulties reported by exporters in Bangladesh.

### *Importers are concerned mostly about inspections and customs formalities*

Over half of the importers claimed to have faced restrictive regulations or other obstacles while importing. The share of importers affected by burdensome regulations is especially high in the agricultural sector (62%), compared to the manufacturing sector (52%). This is because certain agricultural and food imports face temporary prohibitions and require health certificates or permission from government authorities.

Most regulatory difficulties importers face involve shipment inspection and customs formalities (36%), followed by customs surcharges and other taxes (25%).

Importers also face most of their POs related to delays (40%) and informal payments (30%) demanded by officials – mostly at customs. Other problems relate to arbitrary behaviour of custom officials regarding classification and valuation of products, as well as high fees and charges.

### *Prevalence of informal payments in the country is the main business environment concern*

The survey identified aspects of the general business environment that affect the operations of Bangladeshi companies and how these conditions have changed.

Prevalence of informal payments is the main business environment concern expressed by the companies; 83% agreed that it interfered with their ability to run their businesses. Bangladeshi entrepreneurs feel that, in the last five years, there has been no significant improvements.

Inefficiencies in public agencies are another major concern as reported by 78% of the companies. There seems to be slight improvements; 27% of respondents said there have been positive changes in the last five years.

Lack of inputs for production is a concern for 70% of the companies, but 36% of companies reported that the situation seems to be improving.

Very weak infrastructure affects the business environment. Nearly 60% of respondents reported inadequate supply of electricity. Weak transportation system is a problem: over half respondents complained about the limited transportation system and limited or extremely expensive airline transportation.

### *The way forward*

Based on the results of the survey and discussions with experts and relevant stakeholders, the study provides the following recommendations:

#### **Upgrade domestic infrastructure and streamline procedures**

- Strengthening Bangladesh Standards and Testing Institution's capacity to perform required testing and certification by improving the equipment and facilities, and increasing staffing levels.
- Streamline the process for issuing export licences, permits and certificates of origin.
- Speed up customs modernization process and streamline customs clearance procedures.
- Increase number of officers at customs and upgrade training facilities.
- Implement the World Trade Organization's Trade Facilitation Agreement.
- Accelerate harmonization of standards across the South Asian countries and mutual recognition of national certificates to improve regional integration.

**Enhance enterprises' competitiveness and sector development**

- Strengthen the capacity of Bangladeshi small and medium-sized enterprises to comply with international market access requirements and proactively respond to customer demands.
- Design and implement a branding strategy to shape the reputation of the country and priority export sectors.
- Build capacity of Bangladeshi enterprises to facilitate and expand trade.
- Diversify export portfolio and trading partners, and encourage value addition.
- Develop export strategies through e-commerce.

**Improve transparency in trade and trade facilitation**

- Ensure regular updates of trade information portal and add new features such as business process guide.
- Implement and train entrepreneurs on SPS/TBT notification alert mechanism.
- Establish online NTM reporting mechanism and a monitoring committee.

*Survey implementation*

The results presented in this report are based on a business survey implemented by the International Trade Centre (ITC) in collaboration with the Ministry of Commerce in Bangladesh to assess the Bangladeshi business community's perspectives on NTMs. ITC interviewed close to 1,000 companies as part of this survey.

ITC is actively engaged in analysing the commercial impact of NTMs and in building government and business capacities through technical cooperation with developing countries.

The aim of the NTM Survey is to provide a better understanding of the trade obstacles experienced by companies and to identify potential bottlenecks related to trade procedures and cross-border operations. This information will inform both the private sector and the government as they strive to create an enabling environment for private sector development and improved export competitiveness for Bangladesh and the region.

*Stakeholder consultation*

ITC and the Ministry of Commerce jointly organized a national stakeholder meeting in Dhaka to present the survey results and initiate discussions on necessary actions to alleviate the problems exporter experience due to NTMs and related procedures. Recommendations presented in this report based on consultation with relevant stakeholders and experts.



## INTRODUCTION TO NON-TARIFF MEASURES

### *Defining non-tariff measures*

Non-tariff measures (NTMs) are defined as ‘policy measures, other than customs tariffs, that can potentially have an economic effect on international trade in goods, changing quantities traded, or prices or both’.<sup>1</sup> The concept of NTMs is neutral and does not imply a direction of impact.<sup>2</sup>

Being ‘defined by what they are not’,<sup>3</sup> NTMs comprise a myriad of policies other than tariff duties. NTMs are complex legal texts specific to the product and applying country. They are more difficult to quantify or compare than tariffs.

Given that legitimate reasons, including the protection of human, animal and plant health may lead to NTMs, this report avoids making judgements on intentions and the term NTM is used. By design, the survey only captures NTMs that cause major difficulties for trading companies. NTMs analysed in this report refer to ‘burdensome NTMs’. Because obstacles to trade are complex, understanding their terminology and classification are important.

The diversity of NTMs requires a classification system. ITC’s NTM Surveys are based on the international classification developed by the Multi-Agency Support Team, incorporating minor adaptations to the ITC NTM Survey approach.<sup>4</sup>

### *Procedural obstacles and trade-related business environment*

Procedural obstacles (POs) refer to practical challenges directly related to the implementation of NTMs. For instance, problems caused by the lack of adequate testing facilities to comply with technical measures or excessive paperwork in the administration of licences. Inefficiencies in the trade-related business environment may have similar effects, but occur unrelated to specific NTMs. Examples include delays and costs due to poor infrastructure or inconsistent behaviour of officials at customs or ports.

### *A business perspective is imperative*

The ITC NTM Programme, launched in 2010, incorporates large-scale company surveys on NTMs, POs and trade-related business environment inefficiencies. The ITC NTM Surveys evaluate all major export sectors and all major importing partners.

The ITC NTM Survey allows companies to report their most burdensome NTMs and how they impact their businesses. Exporters and importers face NTMs and other obstacles every day. Because they know the challenges they face, a business perspective on NTMs is indispensable. At government level, understanding companies’ key concerns regarding NTMs, POs and trade-related business environments can help define national strategies to overcome obstacles to trade.

The full survey methodology is documented in ITC’s technical paper, *The Invisible Barriers to Trade – How Businesses Experience Non-Tariff Measures (2015)*.<sup>5</sup>

<sup>1</sup> Multi-Agency Support Team (2009).

<sup>2</sup> The term ‘non-tariff barrier’ implies a negative impact on trade. The Multi-Agency Support Team and the Group of Eminent Persons on Non-Tariff Barriers proposed that non-tariff barriers (NTBs) to trade be a subset of NTMs with a ‘protectionist or discriminatory intent’.

<sup>3</sup> Deardorff and Stern (1998).

<sup>4</sup> For further details on the Multi-Agency Support Team NTM classification, see Appendix II.

<sup>5</sup> [www.ntmsurvey.org/publications/itc-series-on-ntms/](http://www.ntmsurvey.org/publications/itc-series-on-ntms/)

## CHAPTER 1 TRADE AND TRADE POLICY OVERVIEW



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### Economic situation

Bangladesh, officially the People's Republic of Bangladesh, is situated in South Asia surrounded by India to its west, north and east; and Burma to its southeast. To its south is the Bay of Bengal. The population of Bangladesh is 160 million,<sup>6</sup> making it among the most densely populated countries. With a gross national income (GNI) per capita of \$1,080 in 2014, Bangladesh has recently been upgraded from the low-income country category to the lower-middle income country category.<sup>7</sup> According to 2010 estimates, 31.5% of the population lives below the national poverty line. Between 2001 and 2013, the real gross domestic product (GDP) growth rate averaged 5.88% per annum. For most of this period, Bangladesh's GDP growth rate has been well above the world average (Figure 1).

Figure 1 Bangladesh's real gross domestic product growth rate, 2001 to 2013



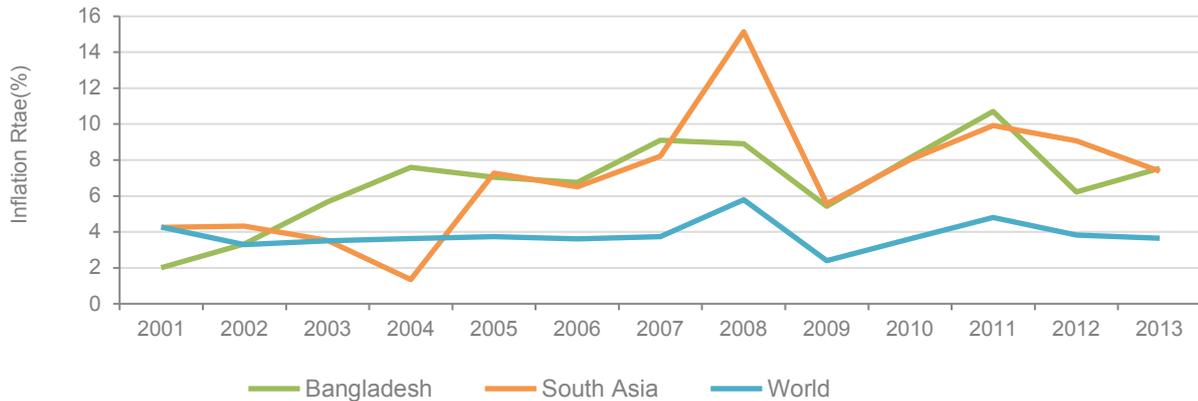
Source: International Monetary Fund, 2014.

<sup>6</sup> World Bank (2015), World Development Indicators.

<sup>7</sup> Ibid.

In terms of other macroeconomic objectives such as controlling inflation, Bangladesh over the years has performed well to some extent. The inflation rate, as measured by the growth in the consumer price index has been below double digit during 2001 to 2013 (Figure 2). Since the economy is that of a net importing country, the rise in price levels has been subjected to external shocks. The government has given utmost importance to keeping inflation under control.

Figure 2 Inflation of consumer prices, 2001 to 2013



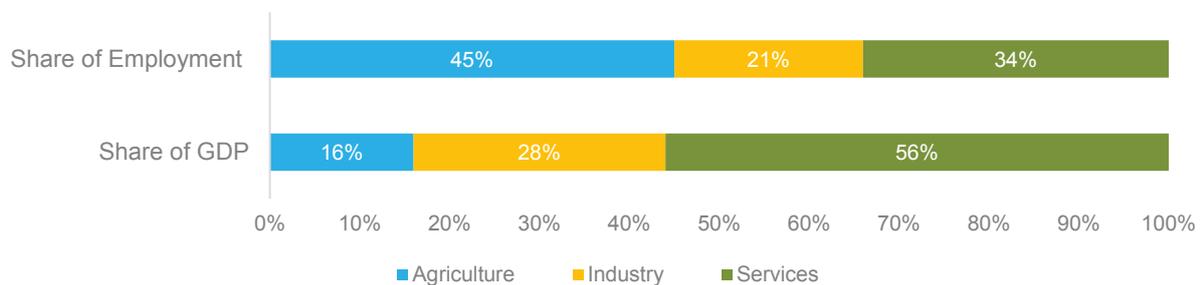
Source: International Monetary Fund, 2015

*Bangladesh's economy has seen significant transformation*

Bangladesh's economy has undergone important structural transformation over the past four decades. After the country's independence in 1971, agriculture was the dominant sector, accounting for over half of total GDP. The manufacturing sector was small, contributing less than 10% of GDP, while services, including transportation and power, accounted for the rest. Following strong growth in the readymade garments' sector, the contribution of industry to GDP has increased to 28% and the share of agriculture and forestry had fallen to around 16%, while that of services had risen to over 50% by 2013.<sup>8</sup>

Service sector leads contributes the most to the GDP (56%) (Figure 3), while the agricultural sector has outperformed service and industry sectors in terms of generating employment. The service sector's contribution to GDP has increased from 49% in 2001 to 56% in 2013. The agricultural sector's share of employment has fallen from 62.1% in 2000 to 45% in 2013, while the shares of both service and industry have increased.<sup>9</sup>

Figure 3 Sector contributions to GDP and employment, 2013



Source: World Bank (2015), World Development Indicators; and Bangladesh Bureau of Statistics. Preliminary Estimates of the Labour Force Survey of 2013.

<sup>8</sup> World Development Indicators, World Bank (2015).

<sup>9</sup> Bangladesh Bureau of Statistics. Preliminary Estimates of the Labor Force Survey of 2013.

### *Agriculture sector is declining in Bangladesh but is still the biggest employer*

Though the share of GDP of the agriculture sector has declined, its indirect contribution to the overall growth of GDP is significant. The growth of the services sector, particularly the growth of wholesale and retail trade, hotel and restaurants, and transport and communication sector are strongly supported by the agriculture sector. Exports of agricultural products account for 4% of total export earnings.

In addition to the exports of main agricultural commodities, such as raw jute, jute goods, tea, frozen foods, the government has taken steps to increase exports of non-traditional agricultural commodities. However, food imports account for nearly 13% of total imports and Bangladesh is a net food-importing country.<sup>10</sup>

The crop subsector accounts for over 70% of the agriculture and forestry sector GDP, and remain the single largest economic activity in Bangladesh. Bangladesh continues to assist crop farmers through intervention in the agricultural input markets (seeds, fertilizer, irrigation, concessional interest rates, and electricity tariffs) and in public food procurement.<sup>11</sup>

### *Growth in industrial sector is led by garment production*

The industrial sector as a whole, including both formal and informal manufacturing, mining, power and construction, engaged around 20%<sup>12</sup> of the employed labour force in 2013. Manufacturing includes a relatively modern formal sector that consists of larger firms that are formally registered (providing about 70% of manufacturing output) and an informal sector, comprising many micro-scale unregistered firms.

Manufacturing in Bangladesh is driven by a number of sectors: readymade garments, jute yarn and twine, pharmaceuticals, tobacco manufacturing, beverages, cement, and shipbuilding. A relatively recent development is private investment in the construction and export of small ships, a segment where Bangladesh appears to enjoy a competitive edge. Bangladesh has enjoyed robust growth in the past decade, partly due to expansion of the manufacturing sector.

Readymade garments are divided mainly into two broad categories: woven and knit products. One main reason for Bangladeshi success in the apparel market is price competitiveness. Bangladesh in 2010 had one of the lowest garment wages in the world of around \$64 per month, compared to minimum wages in China's coastal industrial provinces ranging from \$117 to \$147 per month.<sup>13</sup> The country's textile sector stands to be the main beneficiary of labour shortages, rising wages and capacity constraints in China. Bangladesh currently boasts 5,000 garment factories (compared with 2,450 in Indonesia, 2,000 in Vietnam and 260 in Cambodia) employing around 4 million people, mainly women.

As an LDC, Bangladesh enjoys duty-free and quota-free access to many countries like Japan, Canada, Australia and the European Union. The readymade garment industry is expected to remain the largest contributor to growth in output for the foreseeable future.

### *Services is the fastest growing sector*

Services represented over 50% of Bangladesh's GDP<sup>14</sup> and have been the fastest growing component of the economy in the last decade, with an average growth rate per year of 6% to 7%. The services sector employs about one-third of the labour force, mainly in trade, hotel and restaurant services. Leading services include wholesale and retail services; telecommunications; transport; and social and personnel services. The services sector is expected to maintain fast growth in the coming years as the government continues to focus on developing services trade, in particular the country's outsourcing capabilities, including call centres.

Trade in services was around 6% of GDP in 2013.<sup>15</sup> The experience of Bangladesh shows that foreign market access for services provided through the temporary movement of workers and professionals can

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<sup>10</sup> WTO (2012). Trade Policy Review: Bangladesh.

<sup>11</sup> WTO (2012). Trade Policy Review: Bangladesh.

<sup>12</sup> Bangladesh Bureau of Statistics. Preliminary Estimates of the Labor Force Survey of 2013.

<sup>13</sup> New York Times, *Bangladesh with low pay moves in on China*, 16 July 2010.

<sup>14</sup> World Development Indicators, World Bank (2015).

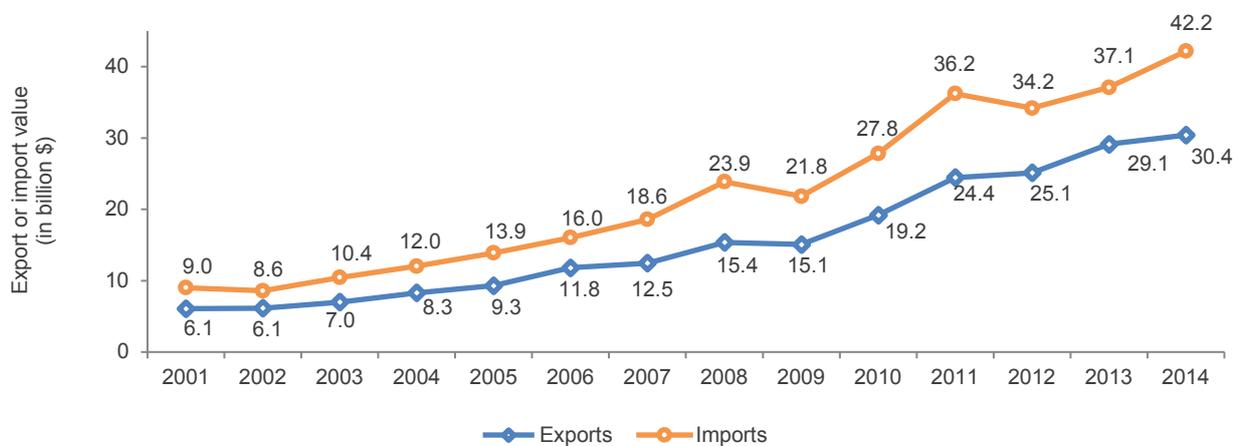
<sup>15</sup> World Development Indicators, World Bank (2015).

have significant positive effects in terms of improved availability of scarce foreign currency, improving the current account balance, financing of higher levels of imports, economic growth, employment generation and poverty reduction. The value of remittances to the Bangladesh economy is many times larger than foreign aid or foreign direct investment (FDI).

### International trade patterns in Bangladesh

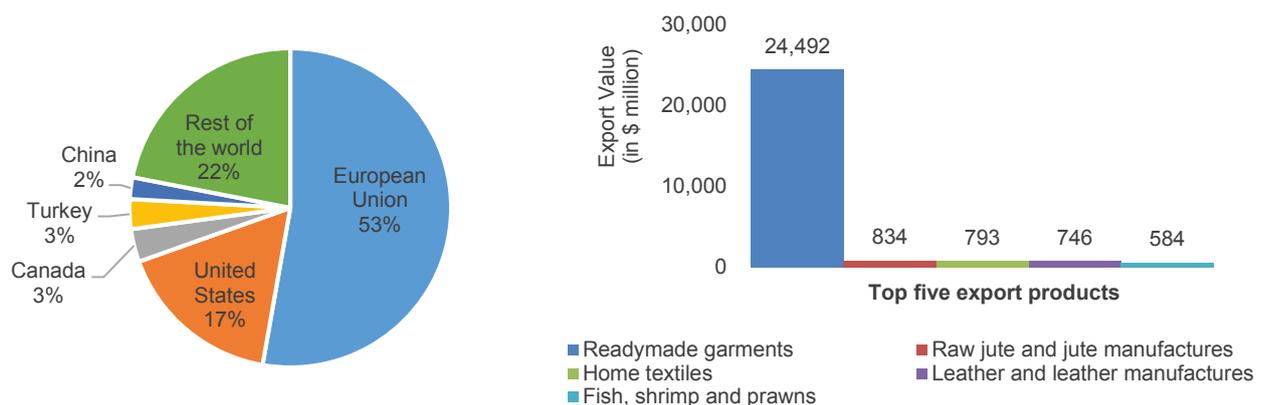
The Bangladesh economy has become increasingly trade oriented as reflected in the trade-GDP ratio.<sup>16</sup> In 2001, trade as a percentage of GDP was 29%, by 2013 it was 46%.<sup>17</sup> Both exports and imports have grown at rapid paces showing that the economy is well integrated with the world economy. In 2001, merchandise exports accounted for \$6.1 billion while merchandise imports accounted for \$9 billion. In 2013, merchandise exports and imports reached \$30.4 and \$42.2 billion respectively (Figure 4).

Figure 4 Bangladesh exports and imports figure, 2001 to 2014



Source: International Trade Statistics 2015, WTO.

Figure 5 Main markets for Bangladesh' exports and top five export products, 2014



Source: Statistics Department, Bangladesh Bank and Export Promotion Bureau.

<sup>16</sup> Trade-GDP ratio or trade as percentage of GDP is the sum of export and import of goods and services as a share of GDP.

<sup>17</sup> World Bank (2015), World Development Indicators.

### *Bangladesh's exports are highly concentrated on garments*

The export structure of Bangladesh, in terms of commodity composition and destinations, is highly concentrated on a few products along with a few destination markets. Major portions of its export earnings (almost 82%) come from readymade garments. The country exports most of its garments to the United States and the European Union. In 2014, the country exported almost 55.7% to the European Union and 17.7% to the United States of its total exports (Figure 5).

The other top four export products are raw jute and jute manufacturers, home textiles, leather and leather goods, and fish, shrimps and prawns (Figure 5). Thus, Bangladesh is a commodity export economy that is, to some extent, risky and vulnerable to external shocks. The destination pattern of export markets is highly concentrated, which poses a concern for the economy's export prospects.

Trade experts and the government understand the need to diversify exports and export markets and have been trying to formulate policies that lead to export diversification. Potential new export products include pharmaceuticals, low-end consumer electronics and ship building.

### *Tariffs and preferences for Bangladeshi exports*

As a WTO Member, Bangladesh enjoys some tariff preferences under various trade agreements. Bangladesh's agricultural commodity exports are not very diversified. Bangladesh faces a wide range of tariffs across its major export markets. In 2014, among the major importers of agricultural commodities, India, the European Union and Saudi Arabia applied MFN rates (simple average) of 25.6%, 15.2% and 11.8% respectively.

Bangladesh received partial preferences from India for agricultural products exports (21% preference margin for 31.1% average trade weighted tariffs). China on the other hand also granted partial preferences (9% preference margin for average trade weighted tariff of 10.1% (Table 1). Only 50.5% and 24.6% of the agricultural tariff lines were granted duty-free concession by India and Saudi Arabia, respectively, in contrast to 100% by the European Union.

Table 1 Tariffs applied and preferences granted by major importing partners, agricultural and manufacturing products

Bangladesh's major export markets (2014)	Diversification 95% trade in number of		Average MFN of traded tariff lines		Preference margin	Duty-free imports	
	HS-2 digit	HS-6 digit	Simple	Weighted	Weighted	Tariff lines (% of total)	Value (% of total)
<b>Agricultural products</b>							
India	11	20	25.6%	31.1%	21.0%	50.5%	21.8%
European Union	13	41	15.2%	13.2%	13.2%	100.0%	100%
Saudi Arabia	9	30	11.8%	4.8%	0.0%	24.6%	14.8%
China	4	4	15.2%	10.1%	9.0%	84.6%	88.4%
United States	10	20	7.3%	28.5%	0.0%	32.6%	37.3%
<b>Non-agricultural products</b>							
European Union	12	84	6.1%	11.7%	11.7%	100.0%	100%
United States	11	76	8.5%	15.7%	0.0%	25.0%	2.2%
Canada	9	70	8.6%	16.7%	16.7%	100.0%	100.0%
Turkey	13	63	8.1%	5.8%	5.8%	99.8%	100.0%
Japan	19	95	13.2%	22.3%	22.2%	98%	99.3%

Source: World Tariff Profiles 2016.

A substantial part of Bangladesh’s manufacturing exports are readymade garments to the European Union and the United States. Most importers of Bangladesh’s manufactured goods grant generous preferences. In the European Union, Canada, Turkey and Japan the average MFN duties range between 6.1% and 13.2%.

However, the General System of Preferences (GSP) granted by these countries enable Bangladesh to export almost duty free. In the European Union and Canada, all manufactured goods tariff lines qualify for duty-free concession; in Turkey and Japan the duty-free concession is 99.8% and 98% respectively (Table 1).

In the United States, the MFN rate is 8.5%. However, United States suspended Bangladesh from GSP in June 2013 based on Bangladesh’s failure to meet statutory eligibility requirements related to worker rights. On average (weighted) Bangladesh’s manufactured goods were subject to 15.7% import duty in the United States (Table 1).

*Textiles, machinery and petroleum make up a bulk of Bangladesh’s imports*

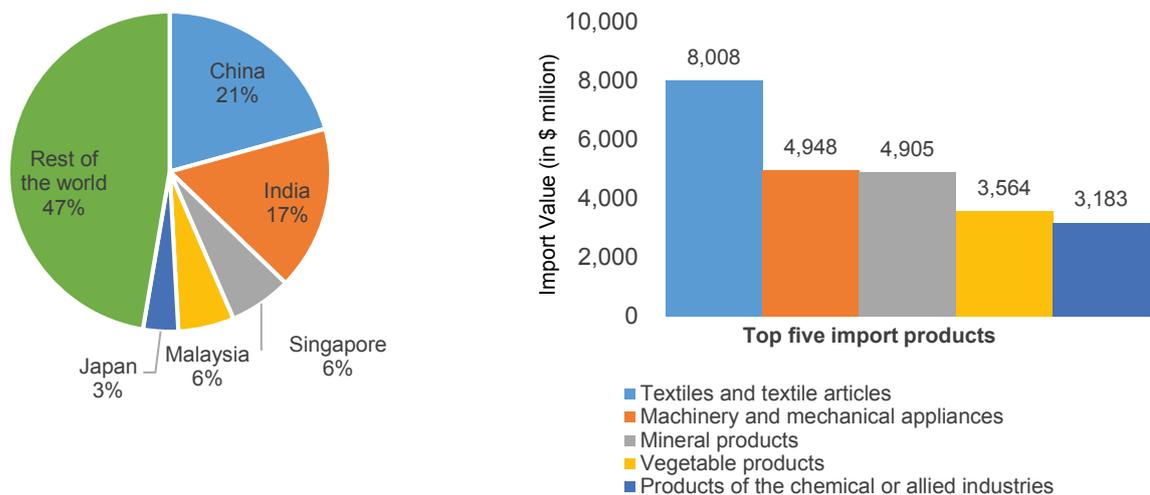
Bangladesh is a net importing country since it has to depend on imports for most commodities for its growing population. Imports have grown over the last decade. Total import value stood at \$42.2 billion in 2014 compared to \$9 billion in 2001. Bangladeshi imports are highly dominated by textiles, machinery and mineral products. Textiles are the largest imports (19% of total imports) valued at \$8 billion in 2014 (Figure 6). Much of the imported textiles are used as inputs for the garment industry.

The second top import commodity is machinery accounting for \$4.9 billion in 2014. In third position are mineral products as Bangladesh lacks substantial mineral resources, so it needs to import large quantities of petroleum.

China is the largest supplier of Bangladeshi imports and accounted for almost 21% of all imports in 2014. Major imported items from China include cotton and cotton fabrics, machinery and mechanical appliances, electrical machinery and equipment parts.

India is the second largest suppliers of Bangladesh’s imports and accounted for 17% of all imports in 2014. Bangladesh mainly imports cotton, cereals, vehicles and vehicles parts from India.

Figure 6 Supplying markets of Bangladeshi imports and top five import products, 2014



Source: Statistics Department, Bangladesh Bank.

## Bangladesh's trade policy

Bangladesh has performed well over the last two and half decades in terms of economic and social progress. Head-count poverty declined from 57% of the population in 1990 to an estimated 31.5% in 2010. Broad-based, private-sector-led growth and macroeconomic stability contributed to significant decline in rural and urban poverty. Over the years, Bangladesh has become more open in its trade policy due to its strategic geographical location, prudent government initiatives and increased involvement in regional and international commitments.

Trade tax revenues, still significant in Bangladesh, will continue to decline due to further tariff liberalization through regional and bilateral agreements. The share of import duties in overall trade taxes declined from 21.6% in 2006 to 14.6% in 2011.<sup>18</sup> In 2012, there were 6,106 tariff lines classified at the HS eight-digit level (compared to 6,637 in 2006).

The four-tier customs tariff structure remains unchanged. Duties on basic raw materials, capital machinery and parts, intermediate goods and finished products are 5%, 3%, 12%, and 25%, respectively. There are 0% rates on commodities such as rice, wheat, onions, pulses, edible oils, seeds, fertilizers, medicines and cotton.

Bangladesh abolished its import licensing system in 1984 and, accordingly, no import licensing is required for any imports into Bangladesh. For exports, Bangladesh imposes export duties on certain goods on grounds of negative externality generative goods such as tobacco and ceramics brick production. There are bans on certain products mainly for reasons of health, environmental protection, security, archaeological value, or maintaining adequate domestic supply.<sup>19</sup>

## Multilateral trade agreements

Bangladesh has been member of the WTO since 1995 and a member of GATT since 1972. Bangladesh, as an original member of the WTO, grants most-favoured-nation (MFN) treatment to all trading partners and receives special and differential treatments provided for least developed countries (LDCs) under the WTO Agreements.

Bangladesh continued to participate actively in the WTO negotiations, served twice as the coordinator of the LDC Group in Geneva, and advocated issues of interest to LDCs, including greater market access, increased flexibility in the development of multilateral trade rules as well as targeted assistance to trade infrastructure.<sup>20</sup>

Bangladesh has bound 17.8% of all its tariff lines. In the case of agricultural tariff lines, 100% are bound; however, this is the case only for 2.7% of industrial tariff lines. The non-agricultural bound lines are at several rates ranging from zero to 200%, with a marked concentration at 20%, 30% and 40%.<sup>21</sup>

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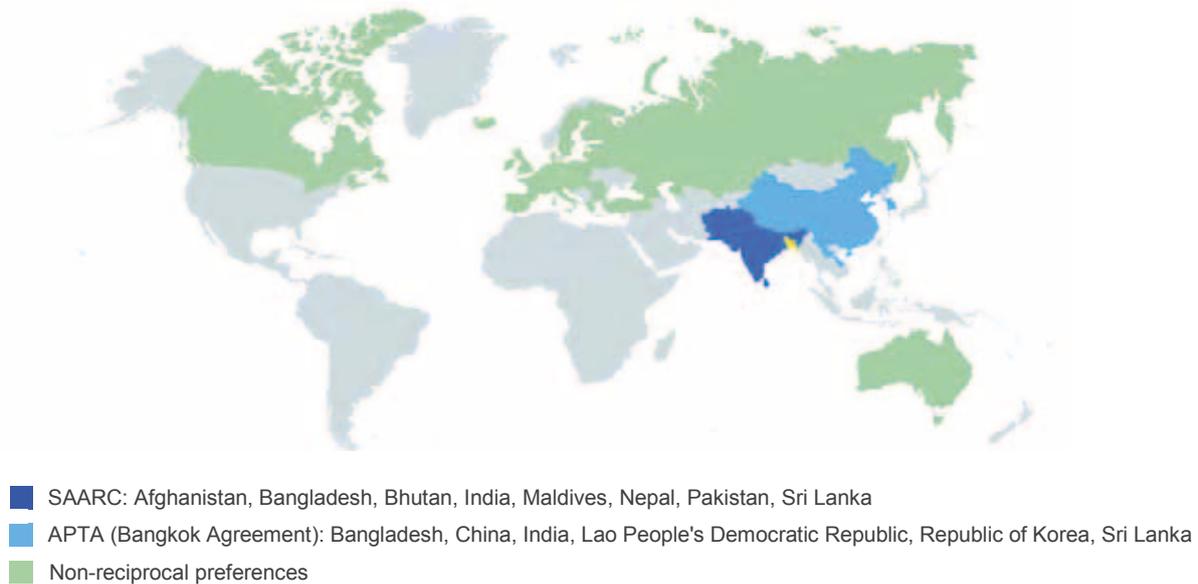
<sup>18</sup> Bangladesh Bank Annual Reports.

<sup>19</sup> Ministry of Commerce, Export Policy 2009-12.

<sup>20</sup> WTO (2012). Trade Policy Review: Bangladesh.

<sup>21</sup> Ibid.

Figure 7 Bangladesh's trade agreement and preference world map



**Source:** ITC illustration based on Market Access Map data, 2015.

**Note:** This graph reflects, to the best of ITC knowledge, the situation as of May 2015. Non-reciprocal preferences are granted to Bangladesh among others in the framework of the GSP scheme.

### Regional trade agreements

Bangladesh has succeeded in negotiating regional and economic agreements such as the South Asian Free Trade Area (SAFTA), the Asia-Pacific Trade Agreement (APTA), and the Bay of Bengal Initiative for Multi-Sectoral, Technical and Economic Cooperation (BIMSTEC). Bangladesh has also taken steps to strengthen bilateral economic relations with India.

### Non-reciprocal preferential trade agreements

Bangladeshi products currently receive preferential market access in almost all developed members of the WTO under the General System of Preferences (GSP). As an LDC, Bangladesh enjoys duty-free and quota-free market access in the European Union, mainly through the European Union's Everything But Arms initiative.

### National development strategies

Trade is critical to Bangladesh's national development strategy. According to its development plans,<sup>22</sup> the country wants to achieve an annual GDP growth rate of at least 8%, driven by accelerated growth in the industrial and service sectors, diversification of export markets, increasing global market access for Bangladeshi firms and high foreign exchange earnings from the export of semi-skilled and skilled labour.

Bangladesh places significant importance on export diversifications. It prioritizes several emerging export sectors, including: agro-products and agro processing products, light engineering products, footwear and leather products, pharmaceutical products, software and ICT products, home textiles, ocean-going shipbuilding industries and toiletry products. The strengthening of key trade support institutions is also envisaged. The plans identify areas requiring attention, such as revamping the legal framework and protecting intellectual property rights, standards and metrology, trade facilitation, among others.

<sup>22</sup> The Perspective Plan of Bangladesh 2010-21: Making Vision 2021 a Reality.

Several ministries and agencies are involved in agriculture, rural development, and natural water resource management. Development plans recognize the need to raise agricultural productivity, foster crop diversification, and boost public spending on rural infrastructure.

The plans indicate that more rapid progress in improving farm-to-market roads and the increased availability of rural power will be achieved by refocusing agricultural spending away from subsidies and into rural infrastructure. They emphasize improving the enabling environment for agribusiness development by enhancing production scale, focusing on quality and standards for export markets, and developing private trade logistical assets such as cold storage facilities.

In government development plans, a number of product-specific export facilities for the readymade garment industry are enumerated, including steps to reduce the lead time for readymade garment exports through improvement of port management and simplification of procedures for releasing goods; establishment of garment villages with adequate infrastructural and utilities' facilities; product diversification by improving skills of workers and staff and appropriate training.

Because of the significant contribution of the readymade sector in the economy, the government has initiated several support measures, including bonded warehouse facilities, duty drawback incentives, cash compensation schemes and facilities to procure duty free raw materials.

## CHAPTER 2 PROFILES OF TRADING COMPANIES



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### Survey implementation and sampling

The ITC NTM Survey in Bangladesh took place between April and December 2014,<sup>23</sup> with the support of the Ministry of Commerce of Bangladesh. The aim of the survey is to provide a better understanding of the trade obstacles experienced by Bangladeshi companies and to identify potential bottlenecks related to trade procedures and cross-border operations. Insights from the survey will assist the private sector and government in creating an enabling environment for private sector development and improve export competitiveness for Bangladesh.

Prior to implementing the survey, the general methodology was adjusted to the needs and requirements of Bangladesh in close collaboration with the government, business associations and other stakeholders. A Bangladeshi business registry was compiled from various sources, containing information on the type of products exported or imported by companies together with contact details.

This registry was used to calculate the sample size and to contact the companies for interviews. A stratified random sampling method is used to calculate the sample size for the NTM Survey's telephone interview phase. This approach ensures that the samples required for each sector corresponds to the size of the sector.

After conclusion of the survey, ITC presented preliminary results to stakeholders at a meeting in Dhaka, Bangladesh in November 2015. The meeting aimed to validate the results, stimulate a public and private sector dialogue, and develop proposals and policy options to address the problems identified during the NTM Survey.

<sup>23</sup> SRGB Bangladesh Limited, implemented the survey on behalf of and under the guidance of ITC.

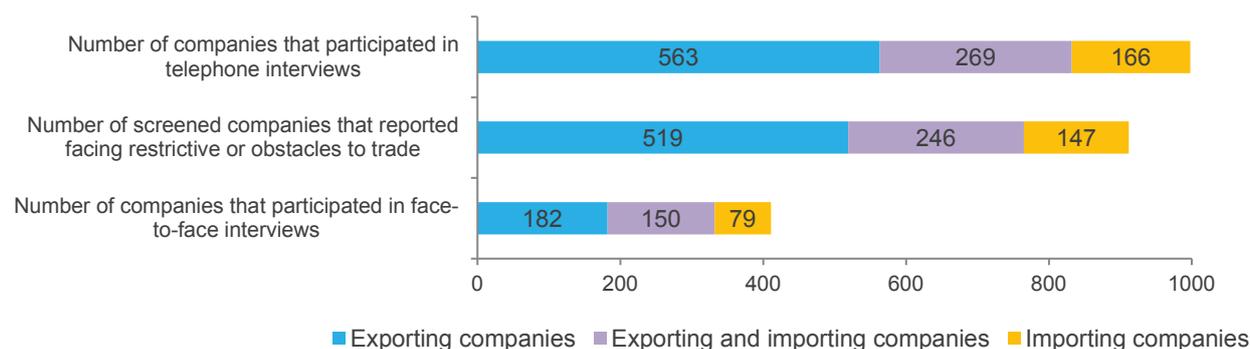
### The survey involves a two-stage process

The NTM Business Survey involves two stages. The first step involved screening of exporting and importing companies through telephone interviews. The aim of the telephone interviews was to confirm the main sector of activity, the direction of trade and whether the company experienced difficulties with NTMs. The second step involved detailed face-to-face (FTF) interviews with companies that reported experiencing obstacles to trade and were willing to participate.

The NTM general survey methodology aims to cover all export sectors that account for at least 2% of a country’s total export value<sup>24</sup> and the cumulative export value of the sectors covered account for at least 90% of the total export value (excluding minerals and arms). The survey does not cover companies trading arms, minerals and petroleum because the export of minerals and petroleum is generally not subject to trade barriers due to high demand and the specificities of trade undertaken by large multinational companies. The export of arms is beyond the scope of ITC activities.

In Bangladesh, the following sectors were included in the survey: fresh food and raw agro-based products; processed food and agro-based products; clothing; wood, wood products and paper; yarn, fabrics and textiles; chemicals; leather and leather products; clothing; and miscellaneous manufacturing. Due to its relatively small industry producing metal and other basic manufacturing; non-electronic machinery, IT and consumer electronics; electronic components; and transport equipment only a small number of companies were interviewed from these sectors.

Figure 8 Number of companies interviewed by telephone and face-to-face



Source: ITC NTM Survey in Bangladesh, 2014.

### First stage: Telephone interviews

A total of 998 companies were interviewed in the first-stage telephone interviews.<sup>25</sup> Among them 832 companies were exporters and 435 were importers including 269 involved in both exports and imports. A stratified random sampling method is used to calculate the sample size. This approach ensures that the samples required for each sector corresponds to the size of the sector.

The telephone interviews focused on information such as the company’s export and import sectors, company size, and whether the company was affected by burdensome regulations or procedures during the last 12 months. The telephone interviews identified 912 companies (91%) that were affected by regulatory or POs to trade. Subsequently, 411 of affected companies were interviewed in detailed face-to-face interviews to understand the exact nature of their problems.

<sup>24</sup> Sectors are based on the ITC classification, which is composed of two agricultural and 11 manufacturing sectors. Minerals, petroleum and arms are excluded. See Appendix I for more information. A detailed list of products comprising the ITC classification of sectors is available upon request.

<sup>25</sup> Some first stage interviews were conducted face-to-face due to problems reaching the companies by telephone.

*Second stage: Face-to-face interviews*

Selection of companies for face-to-face interviews was based on results of telephone interviews. Only companies reporting encountering burdensome NTMs in telephone interviews and willing to participate were interviewed in face-to-face interviews. These face-to-face interviews gathered detailed information on causes and types of NTMs.

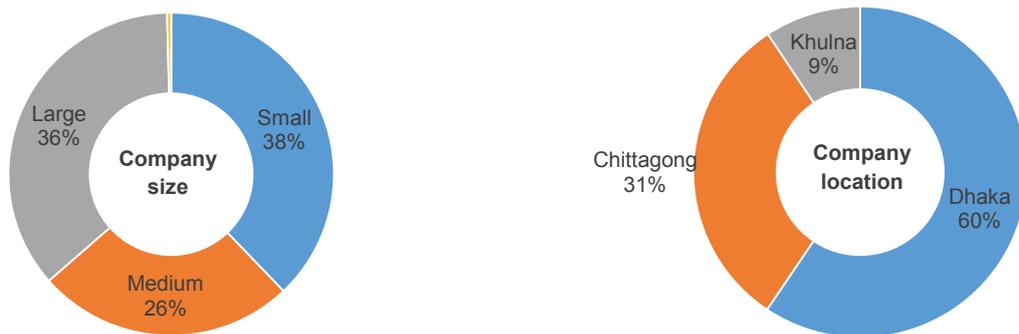
Out of the 411 companies that participated, 182 were exporters, 150 were exporters and importers, and 79 were only importers. (Figure 8). Face-to-face interviews lasted between 45 to 60 minutes. The interviews were conducted in Bengali.

**Profiles of interviewed companies**

*Survey covered equal proportion of small, medium and large companies*

The survey coverage of companies was distributed equally among companies of various sizes. Companies were classified as small, fewer than 100 employees, medium, 100 to 250 employees; and large, more than 250 employees. The classification of companies by size is roughly based on Bangladesh’s national definition of small and medium-sized enterprises (SMEs). Company size was determined by the number of employees as the NTM Survey does not question companies about financial details. Small companies represent 38% of the sample, medium-sized companies make up 26% while large companies represent 36%.

Figure 9 Distribution of interviews by company size and location



Source: ITC NTM Survey in Bangladesh, 2014.

*Most of the companies are based in Dhaka*

The survey covered three regions; 60% of surveyed companies were in Dhaka, followed by Chittagong (31%) and Khulna (9%) (Figure 9).

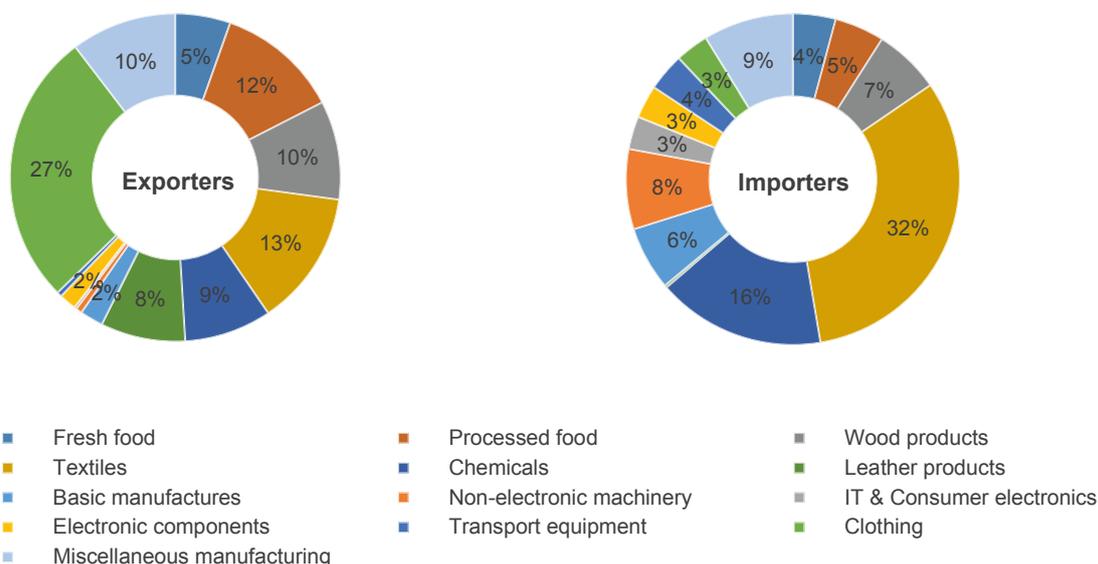
*NTM survey results are representative by sector<sup>26</sup>*

Interviews with exporters focused on the manufacturing sector (83%), which included companies exporting clothing and textiles (40%), wood products (10%), miscellaneous manufacturing products (10%), and leather products (9%). Companies covered in the agricultural sector included processed food (12%), and fresh food and agro-based products (5%) (Figure 10).

On the importing side, 435 companies were interviewed with a focus on the textiles (32%) and chemical products (16%).

<sup>26</sup> ITC categorizes the surveyed companies into two sectors (agriculture and manufacturing) and a further 13 sub-sectors based on the main export product of each company.

Figure 10 Distribution of telephone interviews by company's main export and import sector



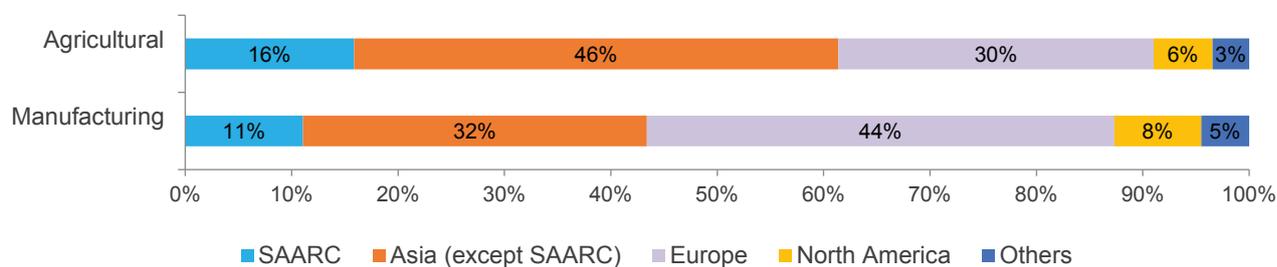
Source: ITC NTM Survey in Bangladesh, 2014.

*Europe and Asia are the main markets for Bangladeshi exporters*

Europe is the main export destination for 345 surveyed companies (41%). Manufactured products are the main products exported to Europe. For 44% of exporters of manufactured products Europe is their main market, compared to 30% of agricultural exporters.

The South Asian Association for Regional Cooperation (SAARC) countries are the main market for 12% of exporters. After Europe markets, Asia (excluding SAARC) is the main market for exporters. The Asian market is the main market for 46% of the agricultural exporters, compared to 32% of manufactured goods exporters (Figure 11).

Figure 11 Main export destination of survey companies by sector



Source: ITC NTM Survey in Bangladesh, 2014.

## CHAPTER 3 THE COMPANY PERSPECTIVE



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### Aggregate results and cross-cutting issues

#### *Over 90% of exporters are affected by burdensome NTMs*

This NTM Survey finds the percentage of companies reporting to be affected by burdensome regulations in Bangladesh to be very high. Among the 998 companies interviewed by telephone, 912 companies (91%) reported experiencing difficulties with regulations applied by partner countries or Bangladesh while exporting or importing. Companies are more affected exporting (91%) compared to importing (53%) (Table 2).

Companies in Bangladesh faced a variety of trade impediments<sup>27</sup> due to regulations applied by partner countries and Bangladesh itself. Companies find compliance to any given NTM difficult for a variety of reasons. It could be that the conditions of a regulation are too difficult to comply with or are intended to restrict trade.

For example, companies may not be able to export due to export prohibitions or because of their inability to meet quality requirements. Any given regulation may be difficult for exporters because of the related POs rather than the regulation itself. These POs can occur in Bangladesh, transit countries or destination countries (origin countries in case of imports).

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<sup>27</sup> ITC's methodology for NTM Surveys uses three categories: burdensome NTMs, POs and inefficiencies in the TBE. NTMs are official regulations implemented by authorities in the exporting or importing countries traders must comply with. Appendix II describes the categories of NTMs. POs are hindrances companies face due to ways regulations are applied. See Appendix III for examples. Inefficiencies in the TBE are problems unrelated to specific regulations, but that affect companies' ability to export or import.

### Exporters from both agricultural and manufacturing sector are highly affected

Exporters of agri-food products are more affected (96%) than those exporting manufactured goods (90%). Companies importing agri-food products were more affected (62%) than those importing manufactured products (52%) (Table 2).

Among other countries ITC has surveyed in the South Asian Association for Regional Cooperation (SAARC) and Association of South-East Asian Nations (ASEAN) regions, Bangladesh reports the highest rate of exporters (91%) affected by burdensome regulations.

The percentage of exporters experiencing burdensome regulations in other Asian countries such as Sri Lanka, Thailand and Indonesia is lower at around 34%, 38% and 30%, respectively. The affected rate in Bangladesh is similar to the ones in other LDCs such as Guinea (93%), Cambodia (82%), Malawi (80%), Rwanda (71%) and Madagascar (67%).

Table 2 Share of companies affected by burdensome NTMs or other obstacles to trade

	Main sectors	Total value in 2014/15 (\$'000)	Sector's share in total exports or imports	Number of surveyed companies <sup>2</sup>	Share of companies facing restrictive regulations or related obstacles to trade
Export	Agri-food	1,291,135	4.2%	145	96%
	Manufacturing	29,614,991	95.8%	687	90%
	<b>Subtotal</b>	<b>30,906,125</b>	<b>100%</b>	<b>832</b>	<b>91%</b>
Import <sup>1</sup>	Agri-food	7,365,682	20.1%	39	62%
	Manufacturing	29,223,131	79.9%	396	52%
	<b>Subtotal</b>	<b>36,588,813</b>	<b>100%</b>	<b>435</b>	<b>53%</b>
<b>Total</b>				<b>998</b>	<b>91%</b>

**Source:** Ministry of Commerce, Bangladesh (EPB) 2015; and ITC NTM Survey in Bangladesh, 2014.

**Note:** 1. Import data sourced from ITC Trade Map is based on mirror statistics (partner reported data). 2. Companies that both export and import were interviewed about both activities and are represented twice in the table. The total of interviewed exporters and importers (998) and total of affected companies (912) is however the number of unique companies. In the Bangladesh survey, 296 companies were interviewed about both exports and imports, out of which 246 reported difficulties either exporting or importing.

### Companies of all sizes are affected by NTMs

In Bangladesh, companies of all sizes<sup>28</sup> were affected by burdensome regulation; 90% of small companies reported difficulties with NTMs; together with 92% of medium-sized and large companies (Table 3).

A company is considered affected by an NTM if at least one of its products is affected by a regulation applied by Bangladesh or one of its partner countries. Larger companies tend to have bigger portfolio of goods and a larger number of trading partners compared to smaller companies. They are more likely to face impediments in at least one of these transactions. Smaller companies tend to trade a few products with fewer partners. This implies a lower likelihood to experience NTMs or POs.

Compared to larger companies, smaller firms have limited resources to comply with regulations and navigate through trade processes. The impact of burdensome NTMs can be harder for the smaller companies. In Bangladesh, whatever the sizes of the companies, more than 90% of them are affected by burdensome regulations. In Bangladesh, almost all businesses, exporting and importing, are affected by burdensome regulations at home.

<sup>28</sup> Company size is based on the number of employees. See Chapter 1, Section 2.

Table 3 Share of companies affected by burdensome NTMs, by company size

Company size	Company interviewed	Number of companies facing burdensome regulations	Percentage of companies facing burdensome regulations
Small	378	341	90%
Medium	256	235	92%
Large	360	332	92%
Unspecified	4	4	100%
<b>Total</b>	<b>998</b>	<b>912</b>	<b>91%</b>

Source: ITC NTM Survey in Bangladesh, 2014.

### Regulatory and procedural obstacles to trade for exporters

The ITC NTM Survey interviewed 145 agricultural sector and 687 manufacturing sector companies. As the country's exports are dominated by clothing (around 83%), a large percentage of surveyed companies were clothing exporters (225). Very few companies from metal, electronics, transport and similar sector were interviewed, as their total exports are negligible (see Figure 10, Chapter 2).

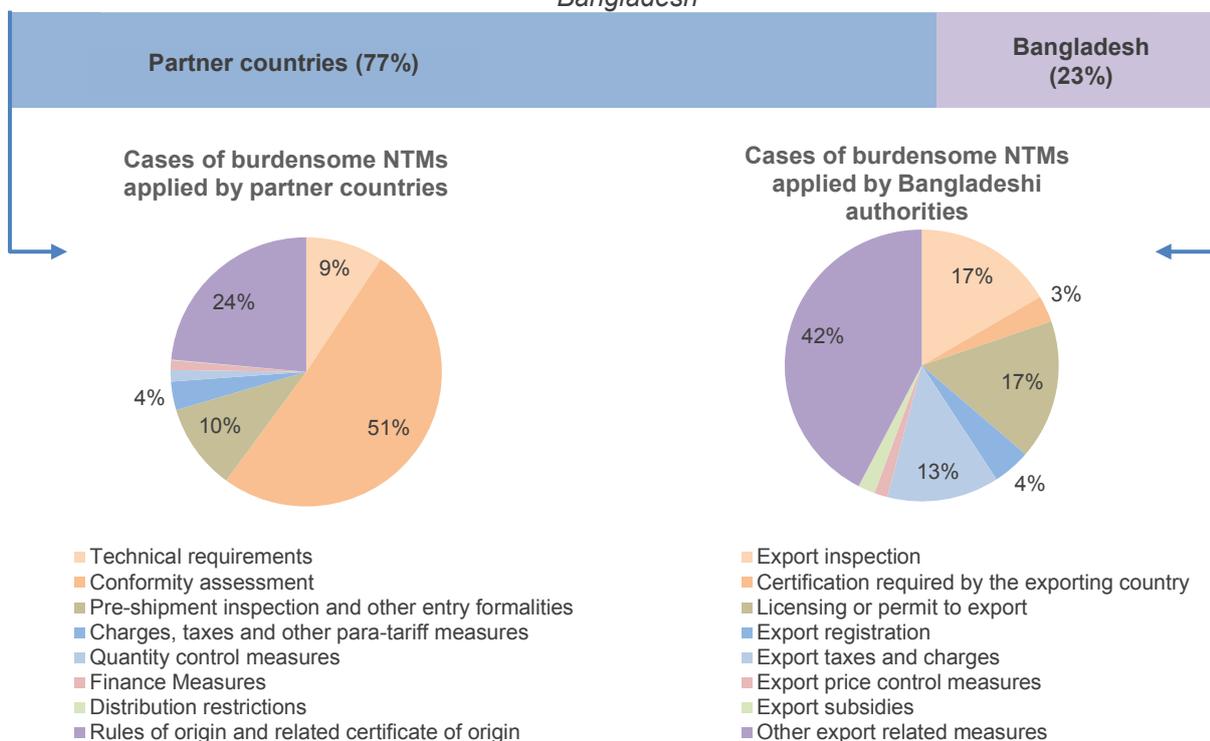
Subsequently, 327 affected companies participated in detailed face-to-face (FTF) interviews. The number of companies interviewed for the second-stage FTF interviews was dependent on the number of companies affected in each sector and their willingness to participate in a detailed interview. Most companies interviewed FTF were exporters of clothing and textiles (85 and 43 respectively).

From the manufacturing sector additional exporters of wood products (34), leather products (30), chemicals (26) and miscellaneous manufacturing (30) were interviewed FTF. Also, 59 agricultural sector companies were interviewed.

These affected exporters reported 1,903 cases of burdensome NTMs, of which 1,457 NTM cases (77%) were applied by partner countries and 446 (23%) by Bangladeshi authorities (Figure 12).

Figure 12 Survey results by main categories of NTMs experienced by exporters

Share of burdensome non-tariff measures applied by partner countries and Bangladesh



Source: ITC NTM Business Survey in Bangladesh, 2014.

*Bangladeshi exporters find foreign regulations burdensome the most*

While most burdensome NTMs experienced by Bangladeshi exporters are partner-country regulations (77% of cases, see Figure 12), the difficulties in most cases are various procedures and processes exporters must comply with in Bangladesh rather than the regulations themselves being too strict or difficult.

Technical requirements (9%) and related conformity assessment (51%) were the most frequently reported measures applied by partner countries. The high prevalence of conformity assessment shows the lack of confidence of partner countries on production processes in Bangladesh to meet relevant technical standards and fulfil relevant requirements.<sup>29</sup> Around one-quarter of reported burdensome regulations related to rules of origin and certificate of origin. As exporters from an LDC, Bangladeshi exporters complain about stringent rules of origin requirements in most export markets.

Exporters report difficulties regarding pre-shipment inspections and other customs formalities (10%) and charges related to the shipment (4%). Quantitative restrictions such as prohibition, quotas and licences do not seem to be a major hindrance. This is because, limited types of products are being exported by Bangladeshi exporters in limited numbers of markets, especially in the European Union and the United States, and those markets do not impose quantitative measures on Bangladeshi exports (Figure 12).

<sup>29</sup> Conformity assessment, also known as compliance assessment, is any activity to determine that a process, product, or service meets relevant technical standards and requirements. Conformity assessment activities may include testing, surveillance, inspection, auditing, certification, registration and accreditation. The World Trade Organisation (WTO) governs conformity assessment through the Agreement on Mutual Recognition in Relation to Conformity Assessment, 2000.

*Exporters find customs clearance in Bangladesh difficult*

Customs clearance requirements ('other export-related measures') are the main Bangladeshi regulatory hurdle for exporters. Around 42% of difficulties with Bangladeshi regulations relate to customs clearance. Exporters report that Bangladeshi customs authorities check whether products for export are as per the product labelling. Exporters also report difficulties with export inspection (17%), licensing or permit to export (17%), and export taxes or charges (13%) (Figure 12).

In general, exporters report that existing customs processes in Bangladesh are lengthy, cumbersome, and often subject to informal payments.

*Difficulties with European regulations are the most reported*

Of the 327 affected exporters interviewed in face-to-face interviews, 62% reported experiencing problems with regulations of partner (importing) countries. These companies reported 1,457 burdensome NTM cases applied by partner countries (77% of reported cases). The following regions are some of Bangladesh's major markets.

**South Asian Association for Regional Cooperation (SAARC):** The eight-nation bloc in the Indian sub-continent is Bangladesh's main regional trading partner. Given Bangladesh's proximity to the SAARC countries, trade between them is small. Total exports from Bangladesh to SAARC countries were about \$604 million, around 2% of total exports (Table 4). One important aspect of the South Asian intra-regional trade is informal border trade, which is thought to be very high. Some studies claim informal and illegal trade between India and Bangladesh could be as high as the recorded trade.<sup>30</sup> A majority of these exports go to India (\$487 million) followed by Pakistan (\$55 million) and Nepal (\$24 million) (Table 4).

Given the small size of the SAARC market for Bangladeshi exporters (2%), the percentage of burdensome NTMs originating from these markets is high. Around 10% of all NTM (148) cases reported are regulations applied by SAARC countries (Table 4). Most of these NTM cases were applied by India (72 cases), Bangladesh's largest export destination in SAARC, followed by Nepal (22 cases). Most of the difficult NTMs in this region relate to conformity assessment requirements such as testing and certification. Studies have indicated high prevalence of NTMs in South Asia, including port access limitations, SPS restrictions, TBT restrictions, miscellaneous payment requirement, certification requirements, para-tariffs, rules of origin, pre-shipment inspection, and fluctuating standards and procedures.<sup>31</sup>

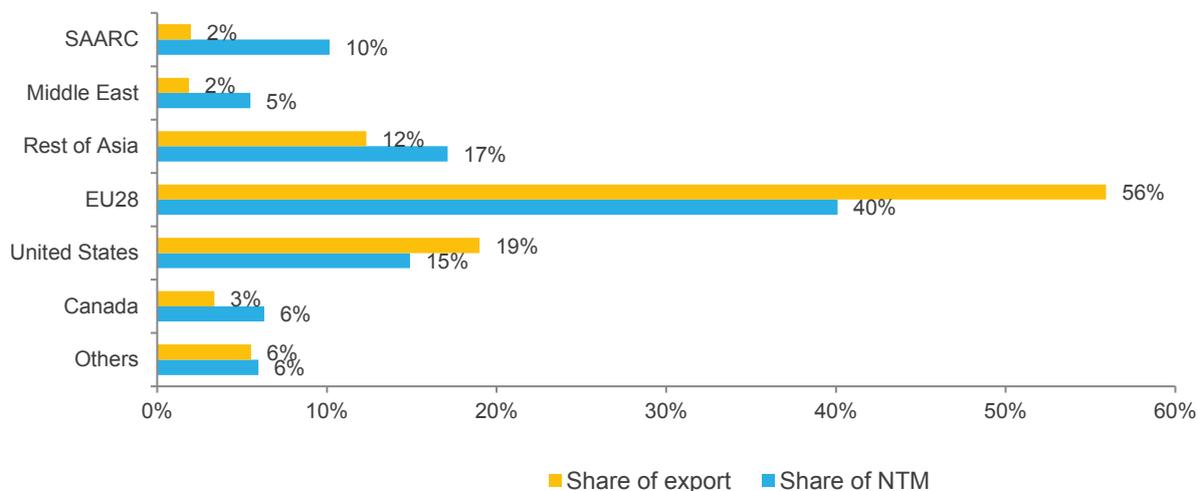
**The Middle East:** The Middle East is a small export market for Bangladesh, but accounts for a disproportionately high percentage of NTMs. While exports amount to less than 1.9% of total exports (\$ 572 million), 5.5% of NTMs originate from this region (Table 4), most of them in the United Arab Emirates (35 cases) and Bahrain (20 cases). In these countries the major NTMs relate to labelling, testing, pre-shipment inspection, processing history, product certification, and rules of origin and related certificate of origin.

**Asia (excluding SAARC and the Middle East):** The percentage of burdensome NTMs originating from Asian countries (17%) (excluding SAARC and the Middle East) is high compared to the trade flow (12% of exports) (Table 4). Exports to Asia were more than to \$7 billion with Japan (\$909 million), China (\$774 million) and Turkey (\$719 million) being the main importers. Asian countries applied 249 burdensome NTM cases, mostly by Japan and Malaysia (47 and 45 cases respectively). Difficulties with conformity assessment requirements were main concerns followed by rules of original issues. Conformity assessment issues relate to delays because of administrative inefficiencies, informal payments, and associated high fees.

<sup>30</sup> Pohit and Taneja et al., (2003); World Bank (2006).

<sup>31</sup> Raihan et al. (2014).

Figure 13 Share of total exports and NTMs applied by partner countries



Source: ITC NTM Survey in Bangladesh, 2014.

**European Union (EU28):** The European Union is Bangladesh’s largest export market, \$17 billion, 56% of total Bangladeshi exports (Table 4). As an LDC, Bangladesh enjoys duty-free and quota-free market access to the European Union. As the largest market, most burdensome regulations faced by exporters originate from the EU (584 NTM cases). However, when compared to the percentage of Bangladeshi exports it buys (56%) the share of NTMs attributed to EU is less (40%).

Within the EU28, Germany is the biggest importer of Bangladeshi products – \$4.7 billion followed by the United Kingdom (\$3.2 billion), Spain (\$1.7 billion) and France (\$1.7 billion). The United Kingdom applied the most NTMs reported by exporters (134 cases), followed by France (116), Italy (115), Germany (96) and the Netherlands (49).

Difficulties with conformity assessment are the most common issues faced by exporters in the EU (237 NTM cases) with requirements for product certification, testing and inspection the most common obstacles.

Exporters report 53 cases related to technical requirements such as regulations concerning production process and labelling. Rules of origin and related issues in obtaining certificates of origin are another major difficulty for exporters to the EU (205 cases).

**United States:** The United States is the second largest market for Bangladeshi exports accounting for 19% of total exports; 15% of reported burdensome export regulations from the US (Table 4). There were 217 NTM US cases of which 82 cases related to conformity assessment, 42 to technical requirements and 56 to rules of origin.

Table 4 Partner countries applying burdensome NTMs on Bangladeshi exports

	Partner country	Bangladesh export value 2014/2015, \$ '000	Share in total Bangladesh export value	Number of companies that exports to this country*	Share of affected companies among those exporting to this country	Number of NTM cases applied by this country	Share of total NTM cases
SAARC	India	486,943	1.6%	65	52.3%	72	4.9%
	Pakistan	55,434	0.2%	7	42.9%	5	0.3%
	Nepal	24,115	0.1%	22	54.6%	22	1.5%
	Sri Lanka	23,539	0.1%	14	78.6%	15	1.0%
	Maldives	5,642	0.0%	8	75.0%	14	1.0%
	Bhutan	4,464	0.0%	15	46.7%	17	1.2%
	Afghanistan	4,302	0.0%	2	100.0%	3	0.2%
	<b>SAARC subtotal</b>	<b>604,439</b>	<b>2.0%</b>	<b>133</b>	<b>56.4%</b>	<b>148</b>	<b>10.2%</b>
EU 28	Germany	4,696,042	15.4%	90	43.3%	96	6.6%
	United Kingdom	3,205,216	10.5%	98	54.1%	134	9.2%
	Spain	1,749,832	5.8%	28	35.7%	28	1.9%
	France	1,743,527	5.7%	83	50.6%	116	8.0%
	Italy	1,380,619	4.5%	86	48.8%	115	7.9%
	Belgium	974,896	3.2%	8	50.0%	8	0.6%
	Netherlands	840,340	2.8%	30	53.3%	49	3.4%
	Denmark	658,670	2.2%	16	50.0%	14	1.0%
	Poland	594,332	2.0%	10	30.0%	5	0.3%
	Rest of EU28	1,174,211	3.9%	31	35.5%	19	1.3%
	<b>EU28 subtotal</b>	<b>17,017,686</b>	<b>55.9%</b>	<b>480</b>	<b>47.5%</b>	<b>584</b>	<b>40.1%</b>
Middle East	United Arab Emirates	292,917	1.0%	24	54.2%	35	2.4%
	Saudi Arabia	186,316	0.6%	8	50.0%	6	0.4%
	Bahrain	5,710	0.0%	7	100.0%	20	1.4%
	Other - Middle East	86,748	0.3%	20	35.0%	19	1.3%
	<b>Middle East subtotal</b>	<b>571,691</b>	<b>1.9%</b>	<b>59</b>	<b>52.5%</b>	<b>80</b>	<b>5.5%</b>
Rest of Asia	Japan	908,744	3.0%	50	46.0%	47	3.2%
	China	773,797	2.5%	33	33.3%	24	1.7%
	Turkey	719,231	2.4%	12	25.0%	8	0.6%
	Russian Federation	294,566	1.0%	8	75.0%	22	1.5%
	Republic of Korea	265,291	0.9%	22	50.0%	14	1.0%
	Hong Kong, China	246,975	0.8%	23	21.7%	7	0.5%
	Singapore	152,346	0.5%	33	39.4%	22	1.5%
	Malaysia	139,708	0.5%	37	43.2%	45	3.1%
	Viet Nam	52,580	0.2%	22	45.5%	17	1.2%
	Other - Rest of Asia	194,712	0.6%	64	37.5%	43	3.0%
<b>Rest of Asia subtotal</b>	<b>3,747,950</b>	<b>12.3%</b>	<b>304</b>	<b>40.1%</b>	<b>249</b>	<b>17.1%</b>	
Rest of the world	United States	5,779,406	19.0%	118	58.5%	217	14.9%
	Canada	1,028,243	3.4%	76	46.1%	92	6.3%
	Australia and the Oceanic	660,201	2.2%	13	61.5%	20	1.4%
	Latin America	453,775	1.5%	26	42.3%	26	1.8%
	Africa	290,552	1.0%	29	58.6%	30	2.1%
	Caribbean	3,253	0.0%	5	60.0%	9	0.6%
	Others	274,488	0.9%	7	28.6%	2	0.1%
	<b>Rest of the world subtotal</b>	<b>8,489,918</b>	<b>27.9%</b>	<b>274</b>	<b>52.9%</b>	<b>396</b>	<b>27.2%</b>
<b>Global total</b>	<b>30,431,684</b>	<b>100.0%</b>	<b>1250</b>	<b>48.1%</b>	<b>1457</b>	<b>100.0%</b>	

Source: ITC NTM Survey in Bangladesh, 2014, and ITC Trade Map.

\*Companies exporting to several destinations are counted once per destination. Therefore, the total here is higher than the total number of companies interviewed.

\*\*Excluding services, minerals and arms.

*Technical requirements and conformity assessments are the most reported NTMs*

The majority of burdensome partner country regulations were conformity assessments (51%), which require products to be tested or certified for quality. Exporters reported 740 cases. Agricultural exporters reported 240 NTM cases and manufacturing exporters reported 500 cases (Table 2). Most difficulties with conformity assessment related to product certification (371 cases) and testing (186 cases). A large percentage of difficulties with conformity assessment were due to administrative delays, informal payments and high fees.

Table 5 Types of NTMs faced by exporters in partner countries

NTM Chapter	Measure	NTM experienced by exporters from the		Sub-total
		Agriculture sector	Manufacturing sector	
Technical requirements	Technical requirements on production processes		60	60
	Labelling	18	23	41
	Other technical requirements	16		16
	Restricted or prohibited use of certain substances in food and feed	10		10
	Registration requirement for importers		7	7
	Hygienic practices during production	1		1
Conformity assessment	Product certification	144	227	371
	Testing	61	125	186
	Inspection requirement	16	98	114
	Processing history	19	33	52
	Product registration		16	16
	Origin of materials and parts		1	1
Pre-shipment inspection and other entry formalities	Pre-shipment inspection	5	111	116
	Other entry formalities	15	10	25
	Import monitoring and surveillance requirements and other automatic licensing measures		6	6
	Requirement to pass through specified port of customs	1	2	3
	Direct consignment requirement	1		1
Charges, taxes and other para-tariff measures	Custom inspection, processing and servicing fees		29	29
	Customs surcharges	1	10	11
	Other additional taxes and charges	4	2	6
	Internal taxes and charges levied on imports		3	3
	Tax on transport facilities		1	1
Quantity control measures	Temporary prohibition	6	13	19
	Licence with no specific ex-ante criteria		1	1
Finance measures	Advance payment of customs duties		16	16
	Other finance measures		1	1
Distribution restriction	Geographical restriction		1	1
Rules of origin and related certificate of origin	Rules of origin and related certificate of origin	45	298	343
<b>Total</b>		<b>363</b>	<b>1094</b>	<b>1457</b>

Source: ITC NTM Survey in Bangladesh, 2014

While conformity assessment is a major concern, technical requirements are not a pressing issue. Difficulties with technical requirements of partner countries make up 9.3% of the NTM cases. A total of 135 reported NTM cases relate to technical requirements; 45 reported by agricultural exporters and 90 by manufacturing. Technical requirements on production processes are the most commonly reported NTM from the manufacturing sector (60 cases).

About 25% of reported NTMs related to rules of origin (343 cases), of which 45 cases were reported by agricultural companies and 298 cases by manufacturing exporters (Table 2). Rules of origin require exporters to meet a minimum level of local content and to obtain documents or certificates of origin. Most of the difficulties with this type NTM originate from associated POs such as delays in issuing the certificates, high fees and informal payment demanded by authorities. These obstacles mostly affects Bangladeshi garment exports.

Pre-shipment inspection and other customs formalities (151 cases), charges, taxes and other para-tariff measures (50 cases), quantity control measures (20 cases) and financial measures (17 cases) make up other burdensome NTMs. For pre-shipment inspections exporters report common problems of delays undermining competitiveness in Finland, Germany, Poland, Italy, France, the United Kingdom, South Korea, Malaysia, Saudi Arabia and Australia.

#### *A quarter of burdensome NTMs exporters face are Bangladeshi regulations*

Bangladeshi exporters reported 446 cases of NTMs applied by Bangladesh, i.e. 26% of all burdensome regulation, that they find burdensome (Figure 12). Difficulties with customs clearance were the most common issues exporters faced with NTMs applied by Bangladesh. Overall, 189 cases were reported (recorded under 'Other Exporter Related Measures', 42%). The exporters said Bangladeshi customs officials, while inspecting, take much longer time, often assign inappropriate HS codes to the export-products, create hassles, and ask for informal payments.

The second most common concern relates to conformity assessments such as export inspection and certification (20%). Exporters report that pre-shipment inspection certificates are required and Bangladeshi customs authorities carry out these inspections. It takes long time to carry out these inspections, which delay shipments. Licensing or permit to export (17%) and export taxes or charges (13%) are other major concerns of exporters.

Among reported NTM cases, 58 were related to agricultural exports and 338 related to manufacturing exports (Table 6). More NTM cases related to manufacturing exports because Bangladesh's export basket is predominantly manufacturing oriented. Major NTM cases were related to other export related measures, licensing or permit to export, export inspection, and export taxes and charges.

Table 6: Type of non-tariff measures faced by exporters in Bangladesh

Measure	NTM experienced by exporters from the		Subtotal
	agricultural sector	manufacturing sector	
Export inspection	18	56	74
Certification required by the exporting country	2	12	14
Licensing or permit to export	9	65	74
Export registration		20	20
Export taxes and charges	10	49	59
Export price control measures	1	6	7
Export subsidies	1	8	9
Other export related measures	17	172	189
<b>Total</b>	<b>58</b>	<b>388</b>	<b>446</b>

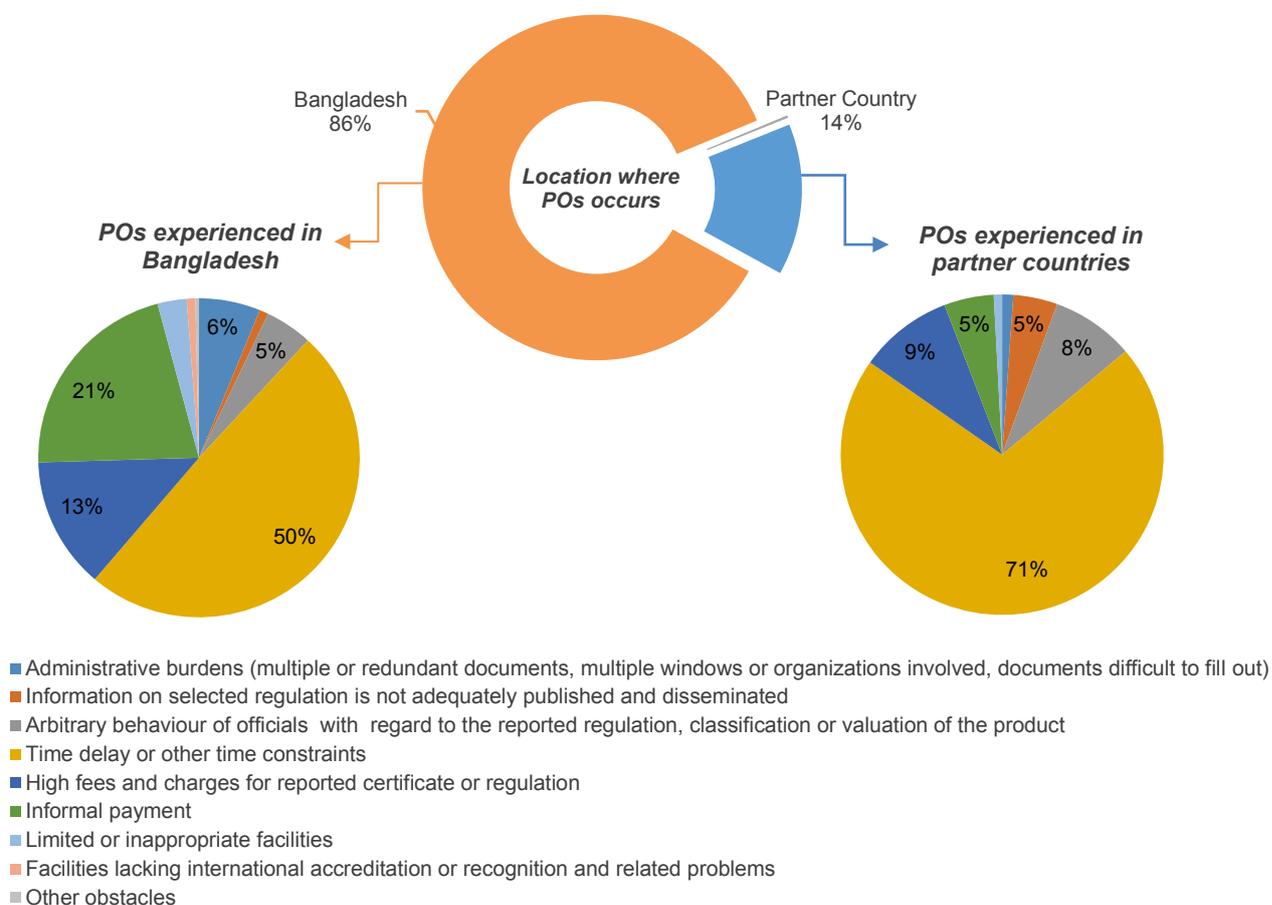
Source: ITC NTM Survey in Bangladesh, 2014.

*Exporters' experience with procedural obstacles*

Most of the difficulties with Bangladeshi regulations occur because of related POs rather than the regulations themselves being too strict. NTMs imposed by partner countries are a burden to Bangladeshi exporters because complying with those measures are challenged by POs occurring in both Bangladesh and the partner (destination) countries. According to the survey, 1457 reported NTM cases are linked to 2,555 PO cases (Figure 14).<sup>32</sup> POs occurring in Bangladesh are more frequent (2,187 cases or 86%) than those occurring in partner countries (362 cases or 14%).

Only 12% of NTM cases were difficult due to the measures themselves being too strict or difficult. In contrast, 81% of the reported NTM cases were difficult due to related POs either in Bangladesh, transit or destination countries. The remaining 7% of the NTM cases were difficult due to both strict regulation as well as procedural hindrances.

Figure 14 Procedural obstacles experienced by exporters in Bangladesh and partner countries



**Source:** ITC NTM Business Survey in Bangladesh, 2014.

Most POs faced by exporters are time constraints. Exporters reported over one thousand incidents of delays in Bangladeshi agencies. Exporters reported frequent agency demands for bribes (21%, informal payments) and high fees for services (13%) as well as other POs. Exporters reported fewer POs in partner countries. This is not unusual as exporters usually have to deal with the procedures at home while the buyers have to deal with import and other procedures in the destination market. Among the POs occurring in partner countries delays (71%) are the main problems.

<sup>32</sup> Each NTM can be linked to multiple POs.

Other POs include high fees and charges (9%) and arbitrary official behaviour related to classification or valuation of products (8%). Compared to Bangladesh, exporters report very few incidents of informal payments in partner countries (5%, Figure 14)

For POs in Bangladeshi agencies affecting exports, Bangladesh Customs and Bangladesh Standards and Testing Institution (BSTI) are the two most problematic agencies with 33% and 22% respectively of the reported number of POs (Table 7). The other Bangladeshi agencies responsible for POs are Bangladesh Garment Manufacturers and Exporter Association (BGMEA), Azo Institute, Ministry of Commerce, Export Promotion Bureau (EPB) and SGS Bangladesh.

Table 7 Procedural obstacles in Bangladeshi agencies

POs/Trade business environment affecting exports			POs/Trade business environment affecting imports		
Agency	Number of times the agency was reported	Share in total POs	Agency	Number of times the agency was reported	Share in total POs
Bangladesh Customs	721	33%	Bangladesh Customs	323	88%
BSTI	487	22%	Ministry of Agriculture	10	3%
BGMEA	161	7%	BSTI	9	2%
Azo Institute	118	5%	Department of Agriculture Extension	8	2%
Ministry Of Commerce	108	5%	Other agencies	18	5%
Export Promotion Bureau	102	5%			
SGS Bangladesh	82	4%			
Other agencies	408	19%			
<b>Total</b>	<b>2187</b>	<b>100%</b>	<b>Total</b>	<b>368</b>	<b>100%</b>

Source: ITC NTM Survey in Bangladesh, 2014.

**Note:** The number of times agencies were reported in relation to POs can be higher than the total number of POs because companies can report more than one agency involved in each case.

### Burdensome NTMs and POs experienced by importers

The surveyed companies included 435 importing goods as inputs for production or for direct sale. Among them 269 companies were involved in both import and export of goods while 166 were involved only with the imports. The majority of importers imported manufactured goods (396 companies) and 39 companies imported agricultural products (Table 2).

Over half of importers (231 importers) claimed to have faced restrictive regulations or other obstacles while importing. The percentage of importers affected by burdensome regulations is especially high in agricultural sector (62%) compared to manufacturing sector (52%). This is due to the fact that certain agricultural and food imports require permission from authorities like the Department of Agricultural Extension. However, the percentage of affected importers is much lower than exporters where over 90% are affected.

Affected importers reported 208 cases of NTMs applied by Bangladesh and 21 in partner countries. Most of the regulatory difficulties importers face in Bangladesh relate to pre-shipment inspection and customs formalities (36%), followed by customs surcharges and other taxes (25%), and conformity assessment requirements (22%) mostly related to testing and inspections (Figure 16).

For pre-shipment inspections, importers reported that Bangladesh customs requires a pre-shipment inspection certificate that must include information regarding quality, quantity and type of goods. One example is the case of importing fruits from India, where the Indian customs check the product before shipment to ensure weight and size of the product. Also, while importing capital machineries from China, importers reported that Bangladesh customs claimed extra tax over the specified tax. Furthermore, while importing ceramic products from China, importers reported that they needed to obtain compulsory laboratory tests from BSTI that are expensive and time consuming.

Importers faced most of their POs regarding delays (40%) and informal payments (30%) demanded by officials, mostly at customs. Other reported problems related to arbitrary behaviour of officials (14%) and high fees and charges (7%) (Figure 15).

A vast majority (88%) of reported POs take place in Bangladesh customs through which almost all shipments have to be cleared. Around 2.5% of the POs occurred in BSTI and Ministry of Agriculture. Bangladesh Customs has 88% of the reported number of POs (Table 7). The other Bangladeshi agencies responsible for POs are the Ministry of Agriculture, BSTI and the Department of Agriculture Extension.

Figure 16 Non-tariff measures experienced by importers in Bangladesh

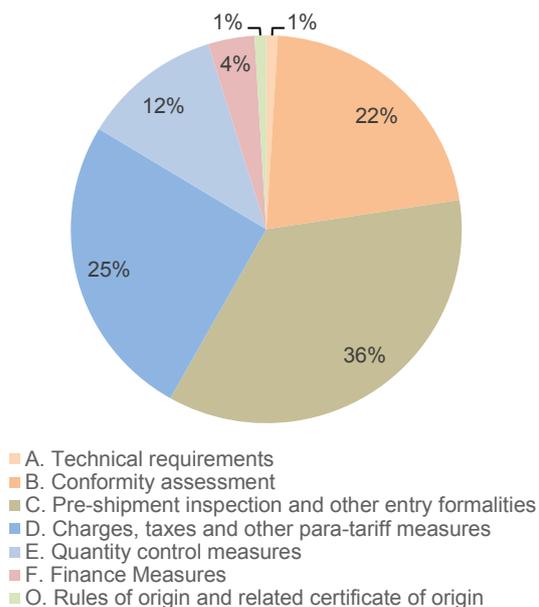
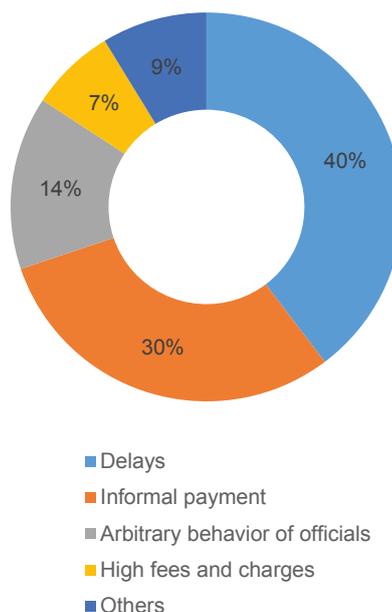


Figure 15 Procedural obstacles for importers in Bangladesh



Source: ITC NTM Survey in Bangladesh, 2014.

### Company perspectives on the trade-related business environment challenges

In addition to NTMs and related POs, surveyed companies identified challenges in Bangladesh’s trade-related business environment (TBE). Inefficiencies in the business environment are generic problems unrelated to specific regulations, but affect companies’ ability to export or import. During face-to-face interviews, 411 companies were asked to identify factors that hindered their ability to conduct their business and how these conditions have changed in the last five years. These results are summarized in Figures 17 and 18.

General corruption level in Bangladesh is the main business environment concern of Bangladeshi companies; 83% of companies said it interferes with their businesses. The annual Corruption Perception Index, that measures the perceived levels of public sector corruption, consistently scores Bangladesh very low. In 2015, Bangladesh was ranked 139 out of the 168 countries in the list of least corrupt countries.

Among countries in South Asia, only Afghanistan was ranked lower than Bangladesh<sup>33</sup>. Corruption affects many aspects of daily life in Bangladesh and has hindered private sector development.<sup>34</sup> As public officials often wield discretionary power, paying bribes to expedite or approve the processes is common. According to the surveyed companies, the level of corruption has not decreased over the last five years. Thirty percent

<sup>33</sup> Transparency International (2015). <https://www.transparency.org/cpi2015/#results-table>

<sup>34</sup> United Kingdom Department for International Trade (2015). Doing business in Bangladesh: Bangladesh trade and export guide

of companies said corruption has in fact become worse while about half said that it has remained the same (Figure 17).

Similarly, long waiting times required to complete any activities in Bangladesh is another major concern. Over 78% of the companies agree that slow processing and time delays have affected their business operations. Slow processing of different activities and documents is also one of the major reasons behind high prevalence of informal payments in the country. Companies are willing to pay extra unofficial payments to have their work or documents processed faster at public institutions. The issue has become somewhat better according to 27% of respondents, but majority of the respondents have not seen any improvements in the past five years.

Adequate supply of resources such as raw materials and energy in the domestic market for production is a concern for significant percentage of companies. Inadequate supply of raw materials for production is a concern for 70% of companies but the situation is improving according to 36% of companies. Similarly, 59% of the companies are facing problems with the electricity supply. Electricity production in Bangladesh cannot meet the domestic demand and power outages are common. These power outages are estimated to cost a loss of two to three percentage points of the country's GDP.<sup>35</sup>

Inefficient technology, poor operational practices, inadequate maintenance and shortage of natural gas limit the supply of energy. Transmission capacity in Bangladesh is not growing fast enough to keep up with power generation, resulting in supply bottlenecks in important commercial corridors.

Problems with electricity supply has subsided to some degree in the past five years. While reliable electricity supply still remains a challenge, almost half of the respondents agree that they have witnessed positive changes in the national electricity supply.

The business environment suffers from weak transport infrastructure. Over half the companies claimed that the transportation system or facilities are limited or expensive. Companies (36%) point out that air transportation, in particular, has become more expensive or limited.

Customs clearance mechanism needs improvement, as 67% of respondents said the current mechanism is complex and over half of the companies need to hire agents to clear shipments from customs. Only 25% of respondents thought the situation is improving.

Lack of adequate and qualified officers in public agencies is also a concern – as reported by 53% of the companies. This is one of the factors creating a bottle neck in public agencies leading to delays. Officers in the agencies also have discretionary power and sometimes make arbitrary decisions, according to 52% of the companies.

Bangladesh has made improvements in electronic and computerized procedures as well as overcoming other technological constraints in the last five years.

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<sup>35</sup> <http://www.worldbank.org/en/results/2016/10/07/bangladesh-ensuring-a-reliable-and-quality-energy-supply>

Figure 17 Companies' perspectives on business environment hindering their export or import activities

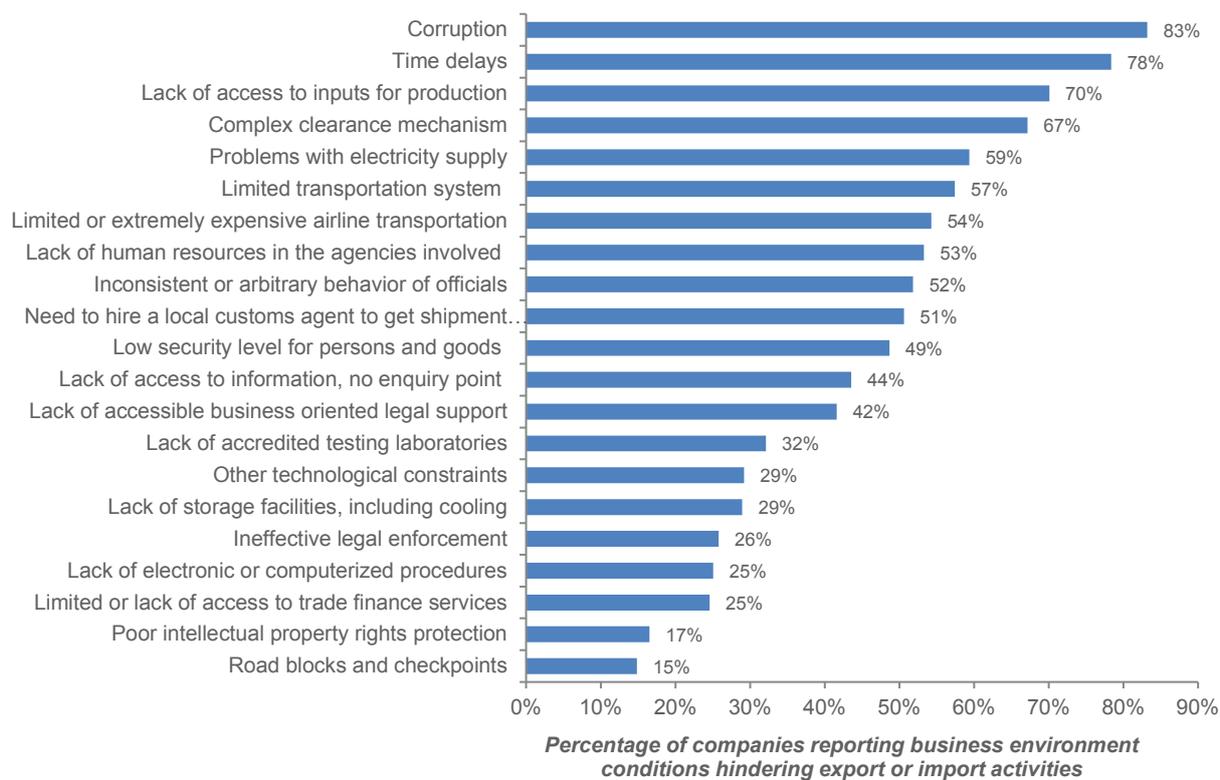
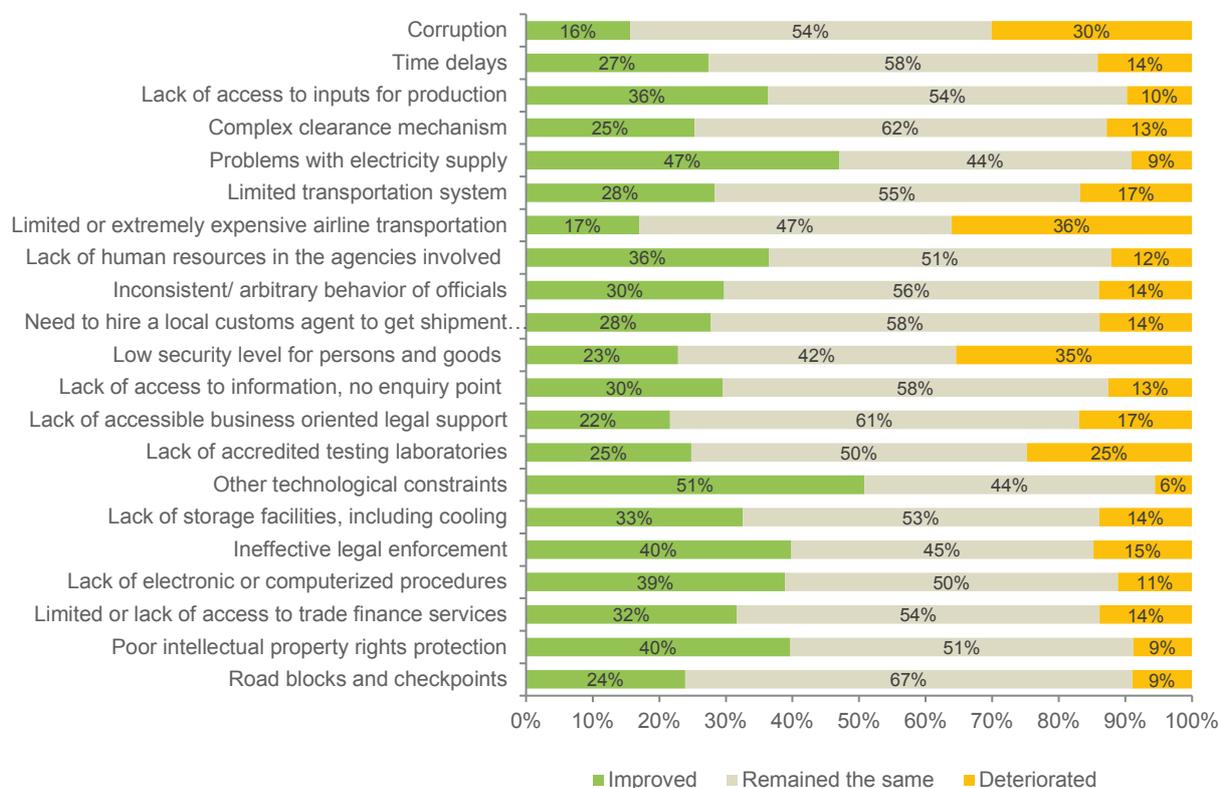


Figure 18 Companies' perception on changes in the business environment



Source: ITC NTM Survey in Bangladesh, 2014.

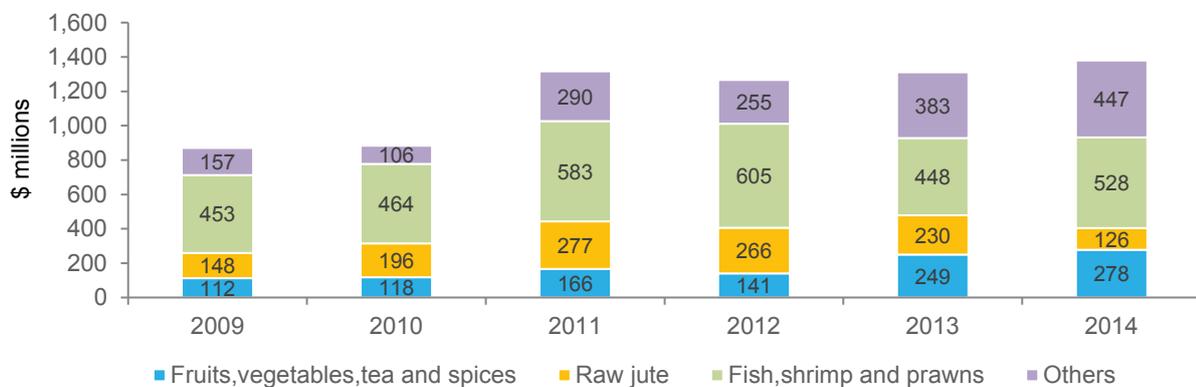
## The agri-food sector

Bangladesh has been an agro-based economy since its independence in 1971. The sector is very labour-intensive and provided 48% of total employment (Figure 3). However, it is also prone to natural disasters such as floods. Rice production is the most important economic activity in rural Bangladesh constituting 90% of total food grains produced annually.

Tariff and non-tariff protections on import of rice have been reduced substantially to keep rice affordable. To cut production costs and face competition from neighbouring countries, support to domestic production has been strengthened through the subsidization of agricultural inputs (i.e. seeds, fertilizer, irrigation, capital, low interest rates, and electricity) and public procurement practices.

Trade policy for importable food staples (rice and wheat) is characterized by interventions based on food security concerns and protection and support for the domestic growers. Bangladesh provides direct cash subsidies of up to 20% for certain agricultural and fisheries exports (i.e. frozen shrimp and fish, fruits, vegetables, and agro-processed products).<sup>36</sup>

Figure 19 Bangladesh's export of agricultural commodities, 2009 to 2014



Source: Export Promotion Bureau, Ministry of Commerce, and Statistics Department, Bangladesh Bank.

Exports of fish, shrimp and prawns are important for Bangladesh's economy. It is the third largest export industry after readymade garments and leather and leather goods. Among shrimp producing countries, Bangladesh ranks fourth in shrimp farming and sixth in volume of production. The fisheries sector, including shrimp, contributes about 6% to national GDP and 5% to export earnings. In the early 1980s, Japan was the main importer of Bangladeshi shrimp. For the last two decades, the United States and the European Union have become the major importers of Bangladeshi shrimp.

Bangladesh has taken measures to develop the export-oriented shrimp industry.<sup>37</sup> These include: use of venture capital for producing, processing and exporting value-added products in the frozen food sector; initiatives to establish in value and quality; and steps to establish an accredited testing laboratory to ensure high quality of products meeting SPS standards. The volume of exports of fish, shrimps and prawns depends on the ability of the sector to comply with market and hygiene requirements.

Bangladesh also exports fruits and vegetables to over 20 countries. Middle Eastern countries account for more than 40% of the exports. Exports to the United Arab Emirates and Bahrain accounted to 52% in 2011 and 43% in 2014.

Bangladesh produces 3% of the world's tea production. Tea is a labour intensive, export oriented sector playing an important role in the national economy.

<sup>36</sup> WTO (2012). Trade Policy Review: Bangladesh.

<sup>37</sup> Bangladesh Export Policy (2009-2012)

### Affected companies

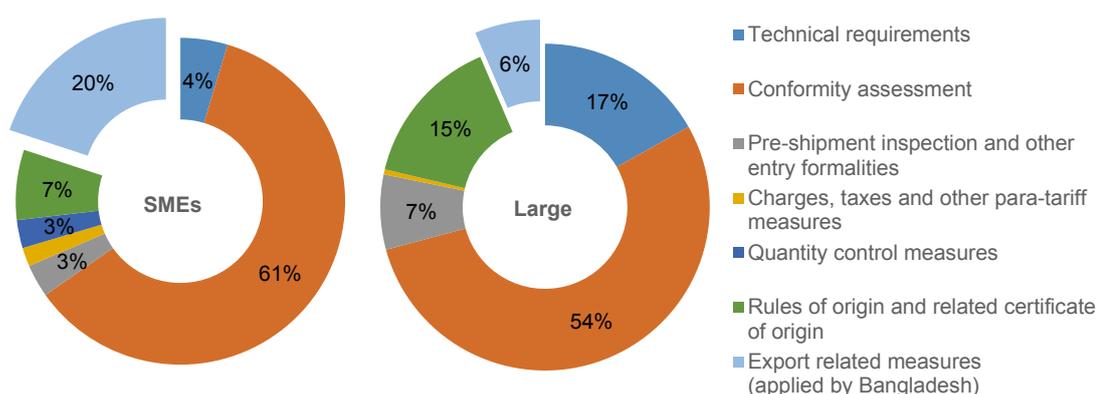
ITC interviewed 145 exporting companies from the agricultural sector during the telephone interview phase. Ninety-six percent of these companies reported burdensome regulations or related obstacles to trade. Subsequently, 59 of these affected companies were interviewed in detail to understand the nature of problems they faced.

These affected companies reported 421 cases of difficult regulations, 363 were applied by importing partner countries and 58 by Bangladesh. Difficulties with conformity assessment requirements such as testing, certification and inspection were the most common type of NTM reported by agri-food exporters.

Burdensome measures applied by Bangladesh make up 20% of NTM cases reported by SMEs in comparison to 6% of cases reported by large companies (Figure 20). Large companies face more problems related to technical regulations (17%) compared to SMEs (4%). Conformity assessment is the main concern of both SMEs (61%) and large companies (53%).

Rules of origin are a common issue with the SMEs and large companies. SMEs face more problems than the large companies at home and abroad for three reasons: 1) SMEs export different products than the large companies, 2) SMEs export mostly to the non-traditional markets, and 3) SMEs have less capacity than large companies to meet trade challenges.

Figure 20 Types of NTMs faced by agricultural exporters, by company size



Source: ITC NTM Business Survey in Bangladesh, 2014.

### Exporters' experience with NTMs applied by partner countries

The European Union is the biggest export market (39%) for Bangladesh's agriculture sector. It also applies the highest number of burdensome NTMs (126 case) (Figure 21). According to survey methodology, sample size is determined by the size of the sector and randomized in terms of export market. As a result, reported NTMs tend to originate from countries where companies export most.

In the European Union, the percentage of burdensome regulations experienced by exporters (35%) is lower than the percentage of exports to these countries (39%) (Figure 21). Most of these regulations involve advance payment of customs duties, labelling, testing, pre-shipment inspection, processing history, product certification, product registration, and temporary prohibition.

Most reported NTM cases (71%), (Table 8) are burdensome to agri-food exporters due to procedural obstacle. Only 20% of reported NTMs are perceived as a burden due to the regulation itself being too strict or complex. The remaining 8% of NTM cases are burdensome due to regulatory and procedural obstacles.

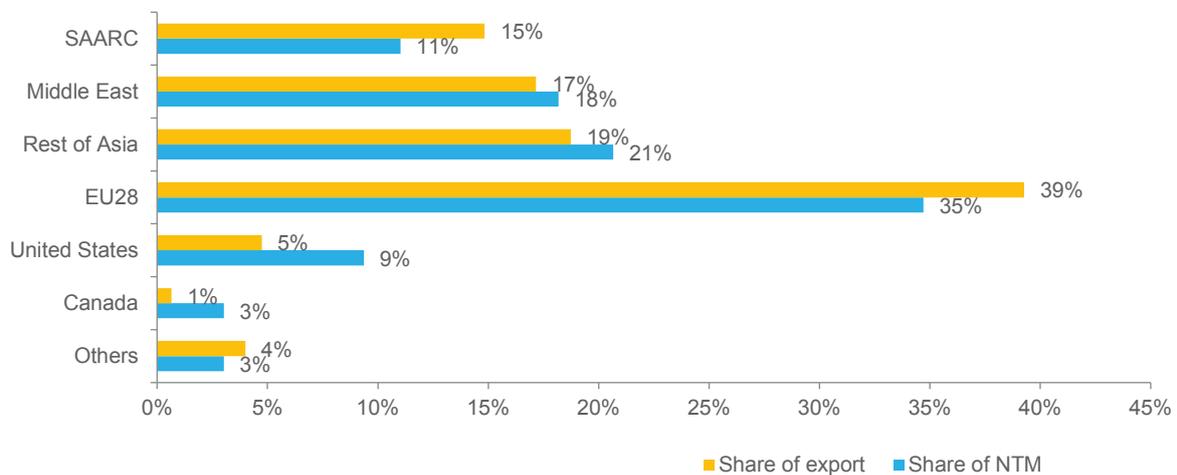
SAARC countries account for 11% of NTM cases while importing 15% of Bangladeshi agricultural exports. A major cause of concern in the SAARC region is the high prevalence of different forms of NTMs that include port access limitations, SPS restrictions, certification requirements, rules of origin, pre-shipment inspection, and fluctuating standards and procedural steps.

Compared to SAARC, countries in the Middle East and other Asian countries were responsible for more reported burdensome NTM cases in relation to their import percentages. Middle-Eastern countries imported 17% of Bangladesh’s agri-food exports while they applied 18% of burdensome NTMs. Other Asian countries imported 19% of Bangladesh’s agro-food exports while 21% of burdensome NTMs were Asian regulations. Most difficulties faced by exporters in these two regions were conformity assessment related to labelling, processing history, product certification, and testing.

The United States and Canada are important markets for Bangladeshi agricultural products, primarily exports of fish and shrimp. While the United States and Canada import 5% and 1% of Bangladesh’s agriculture exports respectively, they are responsible for 9% and 3% of burdensome NTMs respectively. The major NTMs in these two markets relate to labelling, testing, pre-shipment inspection, processing history, product certification and rules and certificates of origin.

Fish and crustacean exporters report most of the NTM cases (100) experienced with foreign regulations; most of them being technical regulations – either technical requirements or related conformity assessments. Similarly, exporters of rice and cereals, and fruits and vegetables report 95 and 66 difficult NTM cases respectively – most being conformity assessment requirements.

Figure 21 Share of agricultural export and share of NTMs applied by partner countries



Source: ITC NTM Business Survey in Bangladesh, 2014; and Ministry of Commerce, 2014/15.

*Difficulties with technical requirements and related conformity assessment*

Difficulties with technical measures are the main concerns reported by agriculture exporters. These technical measures or product-specific regulations include technical requirements and conformity assessment. Technical requirements are specifications of a product or production process and post-production treatment. Conformity assessments are measures to determine whether a product or process complies with a technical requirement.

Two-thirds of burdensome regulations faced by agricultural exporters were technical measures (Figure 20). Exporters faced more problems with conformity assessment (240 cases) compared to technical requirements (45 cases). This is consistent with results of ITC NTM Surveys in other developing countries. Exporters across the region face more problems proving compliance with technical requirements than the product-specific requirements themselves.

More than half of reported technical requirement cases (26 cases) relates to fish products. Most reported technical requirements are EU regulations (21 cases) followed by the United States (seven cases) and other Asian countries (six cases) (Figure 29). Exporters reported burdensome technical requirements because the regulations are too complex or difficult to comply with in 29 cases, and related POS in 16 cases (Table 9).

Lack of company capacity to deliver products as per the buyer requirements and strict enforcement of the measures by importing countries together cause difficulties for exporters. For instance, some exporters

experienced difficulties in shipping food items without the use of preservatives. These exporters do not have other means of preserving the food items during transportation without it going bad. However, many big buyers such as the EU, United States and Japan impose strict restrictions on use of preservatives on health and safety grounds.

Food products for exports must be free of pathogenic bacteria, and residues of prohibited antibiotics such as Nitrofurans and Chloramphenicol, pesticides and hormones.

Likewise, some exporters are facing difficulties finding buyers due to restrictions on use of certain colouring agents on food products – also on health and safety grounds. These restrictions on preservatives and colouring agents on food products are unlikely to be lifted and may be even more strictly imposed overtime in countries around the world. Hence, upgrading of production process and use of safer food production materials is the best way to ensure Bangladeshi exporters can enjoy access to the international markets.

EU and the United States is also strict on the residual limits of antimicrobials and other substances in shrimps. As many of the Bangladeshi shrimp farmers are small scale and not very organized, they lack adequate capacity to maintain a good and healthy production system. They rely on antimicrobial treatments in order to protect the shrimps from diseases. Overuse may lead to high residual of restricted materials in shrimps that can eventually lead to products being banned.

A better organization of small-scale farmers is necessary ensure a better production system. Stakeholders familiar with this issue report attempts to introduce a traceability system along the value chain of shrimp farming. However, many farmers have not yet participated in this initiative due to lack of initiative. Participating in this scheme may require some cost to comply with the necessary production requirements but currently don't guarantee better prices.

Some of the difficulties with technical requirements relate not directly with the product but rather with the product documentation, i.e. labelling. Exporters of processed food are increasingly facing difficulties complying with labelling requirements of destination markets. Depending on the country, labelling requirements may require producers to specify details such as product composition, chemicals used, nutrition fact, etc. Getting all the information on the required parameters of a label is a struggle for some due to lack of necessary facilities in Bangladesh and the additional cost involved. Furthermore, some countries also require labels to be in the local language.

Bangladeshi exporters report more difficulties with conformity assessment, such as testing and certification, compared to technical requirements of their products. Most difficulties with conformity assessments were reported by exporters of rice and cereals, fish products (48 cases) and fruits and vegetables (46 cases). Exporters find conformity assessment-related NTMs difficult to comply with more because of the related POs (198 cases, Table 8) rather than the regulations themselves being too strict or complex (40 cases).

Delays in obtaining certificates and informal payments, mostly in Bangladesh, are the main POs (Table 8) making compliance difficult for the exporters. Most of the NTM cases related to conformity assessment are requirements of European Union, United States, Middle East and other Asian countries

Conformity assessment and technical requirement cases include situations where exporters of spices, fish and different agri-food products reported that they must get health certificates from BSTI or the Ministry of Health, which took a long time. Exporters usually resorted to informal payments to expedite the testing or certification process. Bangladesh does not have adequate testing institutes for some tests. Some exporters need to do these tests in the buyer countries, which is very costly.

BSTI is aware of these concerns and is currently improving its infrastructure and streamlining its procedures. It is developing the procedure for automation of the Certification Mark (CM) licensing which will make the process faster and more cost effective for Bangladeshi enterprises. CM on a product is an assurance of conformity to the standard specification of the product. The National Accreditation Board for Certification Bodies (NABCB), India has accredited BSTI to certify seven products as per ISO/IEC 17065.

BSTI testing and calibration laboratories have been modernized with new infrastructures and equipped with sophisticated equipment with the objective of achieving international recognition. BSTI labs have been accredited by National Accreditation Board for Testing and Calibration Laboratories (NABL), India as per

ISO/IEC 17025:2005 in the field of chemical, mechanical and biological testing. The accreditation covers testing of 27 products, 21 of which are processed food, on 161 parameters.

Compliance with Hazard Analysis and Critical Control Point (HACCP) requirements is very expensive and time consuming for most exporters in Bangladesh. Moreover, many do not have sufficient information on the requirements and the process involved to earn certification.

In addition to the mandatory standards, voluntary or private standards such as the British Retail Consortium (BRC) certification on products like shrimp is also a cause of concern for exporters. Many buyers in lucrative European markets are demanding these additional standards on products. Obtaining certificates for these private standards entails additional cost and in some cases lack of adequate testing facilities in Bangladesh hinders the process.

#### *Difficulties rules of origin and certificate of origin*

Difficulties with rules of origin make up 11% of burdensome NTMs (45 cases) reported by agri-food exporters, mostly affecting fish and cereal exports. The majority of these cases were requirements of the EU28 (29 cases). Over half of reported NTMs (25 cases) of this type are burdensome POs only while another 20 NTMs are burdensome due to regulations being too strict and related POs.

According to exporters, the requirement to present many documents and delays in obtaining certificate are the main POs (Table 8). Most of the agri-food exporters don't have problems with the actual rules of origin criteria nor the associated costs. Streamlining procedures and faster issuance of certificates of origin can go a long way in making the trade process more efficient for Bangladeshi enterprises.

Table 8 Export of agri-food products – NTMs applied by partner countries and reasons making them burdensome

Number of NTM cases for reported for each type of measure and the reason making the measure burdensome				Procedural obstacles making the measure difficult and the location where it occurs		
NTM (Chapter)	Measure too strict or difficult	Due to related procedural obstacles	Both	Procedural obstacles	Home	Partner country
Technical requirements	29	16		Selected regulation changes frequently		16
Conformity assessment	40	198	2	Delay related to reported regulation	125	33
				Informal payment	100	4
				Arbitrary behaviour of officials	16	3
				Limited or inappropriate facilities	10	3
				High fees and charges		8
				Large number of different documents		1
Pre-shipment inspection and border formalities	2	20		Delay related to reported regulation		20
Charges, taxes and other para-tariff measures			5	Delay related to reported regulation		5
				High fees and charges		5
Quantity control measures	4		2	Limited/inappropriate facilities for sector-specific transport and storage	2	
Rules of origin and related certificate of origin		25	20	Delay related to reported regulation	25	
				Large number of different documents	20	
				Other procedural obstacles	10	
<b>Total NTM cases</b>	<b>75</b>	<b>259</b>	<b>29</b>	<b>Total PO cases</b>	<b>308</b>	<b>98</b>

Source: ITC NTM Business Survey in Bangladesh, 2014.

*Other issues*

Exporters of rice, cereals, potatoes and nuts complained that in the Netherlands, the United Kingdom, the United States and Canada, they faced fluctuating rules and regulations regarding imports. This created uncertainty and delays in shipments.

Vegetable exporters to Saudi Arabia, Oman and Yemen complained that these governments sometimes impose temporary prohibitions on imported vegetables from Bangladesh.

**Exporters' experiences with regulations in Bangladesh**

About 14% of difficult NTM cases reported by exporters of agricultural products were regulations applied by Bangladeshi authorities. Exporters cited 58 NTM cases applied by Bangladeshi authorities (Table 9), among which 18 were related to export inspection, followed by export clearance procedures performed by government agencies (17 cases, classified as other export related measures).

Other barriers include export taxes and charges (10 cases) and licensing or permits to export (nine cases). Most reported export related measures are difficult due to associated POs, which include delays related to regulation, arbitrary behavior of officials regarding classification and valuation of products, and bribes.

Among the difficulties faced by agri-food exporters include the hassles faced during export clearance at the customs. Most exporters reported that Bangladesh Customs took too much time for verification of documents. It also delayed delivering customs clearance certificates, which delayed shipments. During inspection, customs authorities also created unnecessary problems and asked for informal payments. Exporters reported that sometimes clearing and forwarding agents asked for additional payments.

Exporters to India through the Beanpole Port said that customs officials often suspended operations without notice leading to unnecessary waiting times. Exporters using air cargo reported facing disputes over the weights of their products. Airport customs authorities claim the weights of products were more than the actual weights, and asked for informal payments to settle the issue.

Table 9 Export of agri-food products – NTMs applied by Bangladesh and reasons making them burdensome

Number of NTM cases for reported for each type of measure and the reason making the measure burdensome				Procedural obstacles making the measure difficult and the location where it occurs	
NTM (Measure)	Measure too strict or difficult	Due to related procedural obstacles	Both	Procedural obstacle	Home
Export inspection		18		Delay related to reported regulation	14
				Arbitrary behaviour of officials	5
				Informal payment	5
				Deadlines set for completion of requirements are too short	1
Certification required by the exporting country		2		Delay related to reported regulation	2
				High fees and charges	1
				Informal payment	1
				Limited/inappropriate facilities for testing	1
Licensing or permit to export		9		Delay related to reported regulation	8
				High fees and charges	6
Export taxes and charges		6	4	Selected regulation changes frequently	8
				Arbitrary behaviour of officials	5
				Informal payment	4
				Other procedural obstacles	3
Export price control measures	1				0
Export subsidies			1	Informal payment	1

Other export related measures		14	3	Delay related to reported regulation	10
				Informal payment	8
				Arbitrary behaviour of officials	5
				Large number of different documents	3
<b>Total NTM cases</b>	<b>1</b>	<b>49</b>	<b>8</b>		<b>88</b>

Source: ITC NTM Business Survey in Bangladesh, 2014.

The government of Bangladesh provides subsidies to Jute traders to make their products more competitive. However, testimonies of some jute exporters reveal that smaller traders are facing difficulties benefiting from these scheme. According to them, the large-scale traders have benefitted the most from this scheme the most and one needs to pay bribes to officials or need political backing to benefit from the government subsidies.

In addition to the Bangladeshi regulations and processes, agri-food exporters are also concerned with the availability and cost of transportation. For vegetable exporters shipping via air cargo is the most viable means of transport. Air transport is the most expensive means of transport. However, exporters are more concerned with the availability of sufficient air cargo capacity rather than the cost. While shipping by sea-transport is more economical, the journey takes too long and the products risk going bad.

Similarly, shrimps and lobster exporters in Khulna find the transit in Bangladesh long. Mongla is the closest port. Since it is not a deep sea port it cannot handle large ships. Goods have to be shipped through Chittagong port to the main markets in EU, United States and Japan. Exporters find the journey to Chittagong long and it entails additional cost.

### Procedural obstacles

Most problems exporters face relate to how regulations are applied rather than the regulations themselves being too strict. POs are a major bottleneck in the agricultural sector. Even with some of the most frequently reported NTMs, such as technical regulations and conformity assessment, the real problem is obstacles such as delays in administrative procedures and high fees.

Exporters reported 494 cases of POs involving agencies in Bangladesh and importing partner countries. Most of these obstacles (80%) involve domestic agencies and institutions. Delays in administrative procedures were the most reported cause of concern to the exporters (49%). These delays usually occurred during inspection or while certificates and permits were being issued. In Bangladesh, the Customs (52), BSTI (61), and Ministry Of Commerce (23) are the agencies with the most complaints over slow administrative procedures. Delays in administrative processes are the main POs in partner countries reported by exporters (58 cases) (Table 12). Demands for pay (informal payments) are 26% of PO cases. This problem mainly occurs at BSTI (70), and Bangladesh Customs (45).

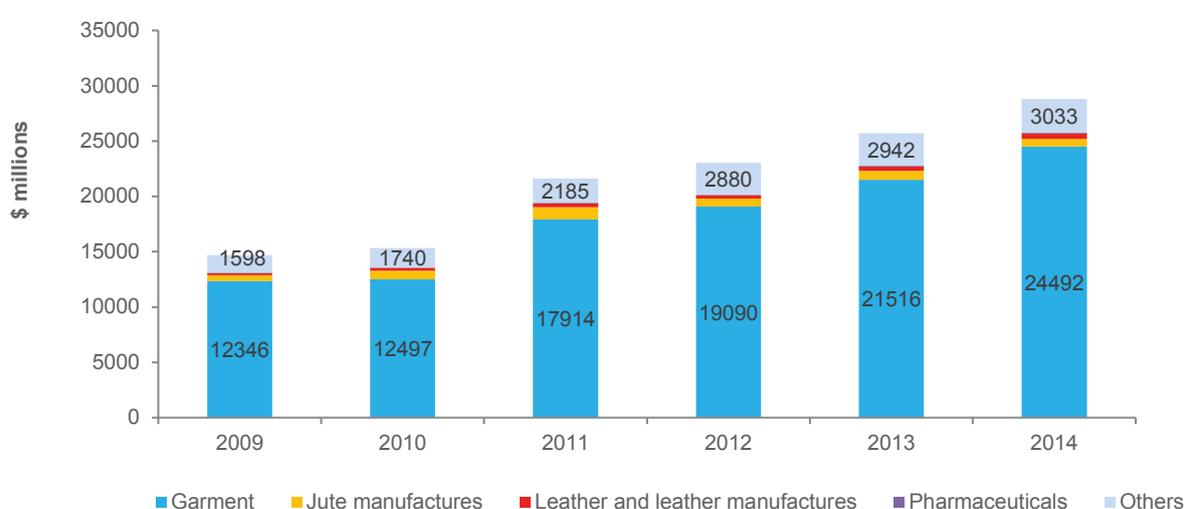
Exporters reported that custom officials took too long for inspection (two to five days). Some exporters complained about arbitrary behaviour and misbehaviour by customs officials, and resultant informal payments. They also reported that obtaining a test certificate from the BSTI sometimes takes too long.

## The manufacturing sector

The industrial sector contributed almost 28% of GDP in 2013 (Figure 3). It represented 20% of total employment in 2013. The value of manufactured exports is around \$29 billion.<sup>38</sup> Major exports products include readymade garments, jute, leather and pharmaceuticals.

**Readymade garments:** The readymade garments sector started developing in the 1980s. It has now become one of the largest exporters of garments in the world. The country exports almost 85% of garments to the European Union and the United States. The industry gets GSP facilities from the European Union, but not from the United States. The industry depends on a relatively cheap female labour force mostly coming from rural areas.

Figure 22 Bangladesh export of manufactures, 2009 to 2014



Source: Export Promotion Bureau Report, Government of Bangladesh.

**Jute manufacturers:** Jute production is one of the oldest manufacturing sectors in Bangladesh, which emerged in the early 1950s. The sector currently accounts for about 3.9% of the country's total exports, which is low compared to its contribution to export in the 1970s (89.9% in 1973). The largest buyer is Turkey, which imports around 30% of total exports of jute goods from Bangladesh.

**Leather and leather manufactures:** The leather sector is a major industry in the country. It depends upon the domestic supply of raw hides and skins of goat, cow and buffalo. In addition to domestic consumption, a considerable part of production is exported, making this sector a major foreign exchange earner. This sector is a major employer of semi-skilled workers. The export value of Bangladesh leather and leather goods grew rapidly, from \$137 million in 1991 to \$506 million in 2014.<sup>39</sup> This sector has great growth potential as both raw materials and cheap labour are available in Bangladesh.

**Pharmaceuticals:** The pharmaceutical industry is one of the most advanced-technology sectors in Bangladesh. This sector provides 97% of the local market's medicinal requirements. The industry also exports medicines to foreign markets, including Europe. Pharmaceutical companies are expanding their export markets. There are about 700 manufacturing companies in the country. The industry exports active pharmaceutical ingredients and a wide range of pharmaceutical products, covering major therapeutic classes and dosage forms to 79 countries. Along with regular forms like tablets, capsules and syrups, Bangladesh

<sup>38</sup> Export Promotion Bureau, Ministry of Commerce and Statistics Department, Bangladesh Bank (FY 2014/15).

<sup>39</sup> Statistics Department, Bangladesh Bank.

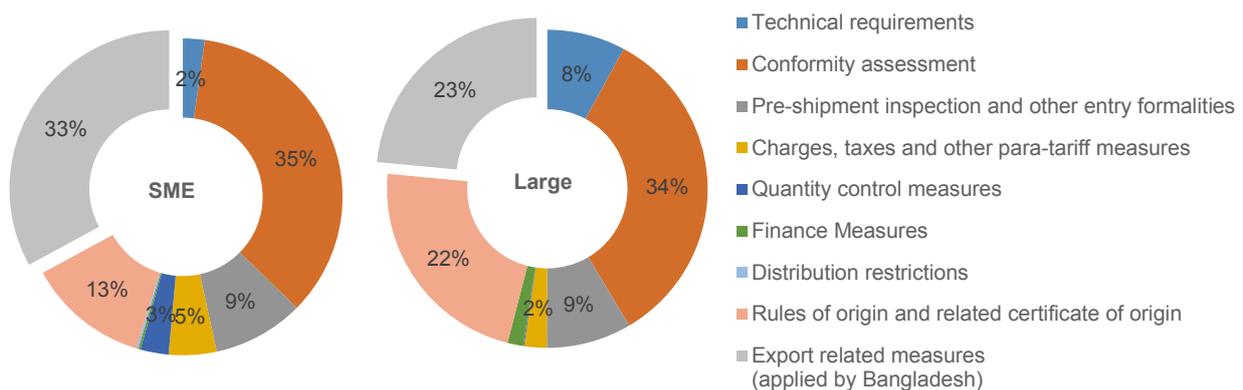
also exports specialized products such as HFA inhalers, suppositories, nasal sprays, injectable and intravenous infusions.

### Affected companies

Bangladesh’s export portfolio is highly concentrated on manufactured goods (over 95%, mostly readymade garments). Most surveyed companies were from the manufacturing sector. Overall, 687 exporting companies from the manufacturing sector were interviewed during the telephone interview phase. Among them, 617 (90%) reported to be affected by burdensome regulations or related obstacles to trade. Subsequently, 346 of these affected companies were interviewed in detail in person to understand the comprehensive nature of problems they faced. These affected companies reported 1,482 cases of burdensome NTMs when exporting, out of which 74% were applied by importing partner countries and the rest by Bangladesh.

The types of regulatory difficulties exporters of manufactured goods face differ across companies of different sizes. Difficulties with measures applied by Bangladesh on exports are more prominent for SMEs (33% of NTM cases) compared to large companies (23%, Figure 23). While large companies report more issues related to technical requirements compared to SMEs, the percentage of conformity assessment related issues is around the same. Rules of origin are concerns for both SMEs and large companies (13% and 22% respectively). Issues related to pre-shipment inspection and other entry formalities (for example, customs clearances) account for 9% of NTM cases.

Figure 23 Types of NTMs faced by manufacturing exporters, by company size



Source: ITC NTM Business Survey in Bangladesh, 2014.

Note: For 14 cases, the size of the affected company was unknown. SMEs (less than 250 employees) include cottage, small and medium-sized enterprises as captured during the telephone interviews. Company size is based on the number of employees as defined by the government.

### Exporters’ experience with NTMs applied by partner countries

There are differences between Bangladesh’s export markets for agriculture and manufactured products. Exports of manufactured goods are more concentrated in the developed countries of the European Union, the United States and Canada. SAARC and Middle-Eastern countries, which are big importers of agricultural products, import only 1% of Bangladesh’s manufactured exports (Figure 24).

The European Union imports 56% of Bangladesh’s manufactured exports. While most burdensome NTMs reported are applied by EU countries (458 NTM cases), the percentage of NTM cases applied by the EU (42%) is low compared to the EU’s imports. Most of these regulations relate to advance payment of customs duties, labelling, testing, pre-shipment inspection, processing history, product registration, rules of origin and related certificate of origin, technical requirements on production processes, and temporary prohibition.

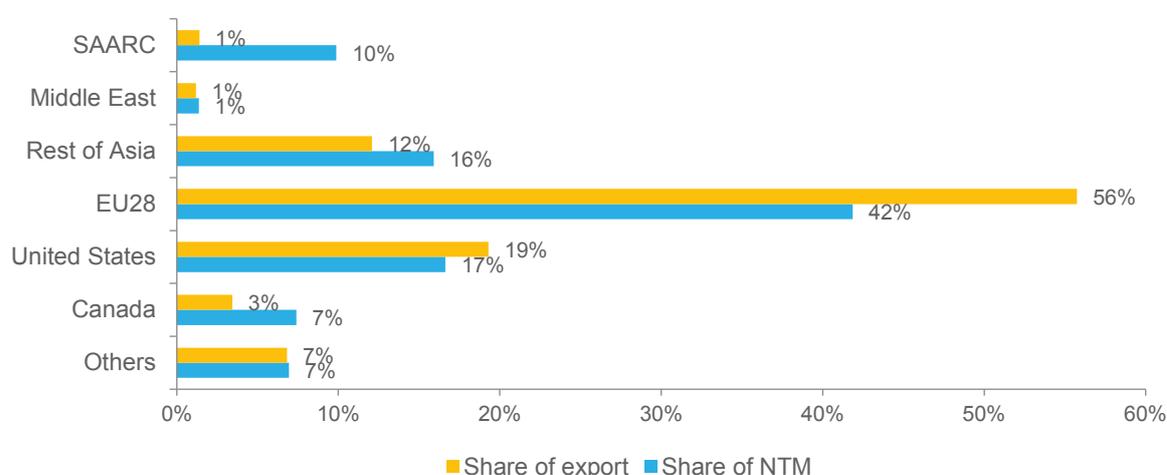
The United States is the second biggest market, importing 19% of Bangladesh’s manufactured exports. Around 17% of burdensome regulations are attributed to the United States. Most of these regulations relate

to advance payment of customs duties, labelling, testing, pre-shipment inspection, processing history, product certification, rules of origin and related certificate of origin, and technical requirements on production processes.

In contrast to the agricultural exports, exports of manufactured goods to SAARC and Middle-Eastern countries is low. Around 1% of total exports go to these two regions. However, survey results show that exporting to SAARC countries seems to be very difficult for the exporters. Over 10% of burdensome NTM originate from the SAARC region. This share of NTMs is disproportionately high compared to the regions' import shares (Figure 24).

In the EU28 and the United States, rules of origin and conformity assessment (labelling, processing history, product certification, and testing) are almost equally important. In SAARC, Rest of Asia and Canada, the major problem is conformity assessment (Figure 24).

Figure 24 Share of manufacturing export and NTMs applied by partner countries



Source: ITC NTM Business Survey in Bangladesh, 2014; and Ministry of Commerce, 2014/15.

### Difficulties with conformity assessment and technical requirements

Difficulties with conformity assessment and technical requirements are the main difficulties reported by manufacturing exporters. More than one-third of burdensome regulations cases faced by manufacturing exporters were technical measures (Figure 23 for NTMs by company size). Exporters faced more problems with conformity assessment (500 cases) compared to technical requirements (90 cases) (Table 10). This highlights that Bangladeshi exporters face more problems proving compliance with technical requirements than with product-specific requirements.

Readymade garment makers reported 80% of technical requirement cases. Most of these were regulations in the United States (35 cases), the EU28 (32 cases), Canada (13 cases) and Asian countries (five cases). Exporters said technical requirements were burdensome because they are too complex or difficult to comply with in 61 cases, and due to related POs in 25 cases (Table 11).

Most difficulties with conformity assessment were reported by readymade garment exporters (222 cases, Table 15), pharmaceuticals (44 cases) and leather (38 cases). Exporters found conformity assessment-related NTMs difficult to comply more because of related POs (471 cases) (Table 16) rather than regulations themselves being too strict or complex (7 cases). Delays in obtaining the necessary certifications is the main procedural obstacle (Table 16), followed by high costs and informal payments.

In most destinations markets, conformity assessment is the main requirement with most reported cases in the EU28 (169 cases), Asian countries (89 cases), SAARC (72 cases) and the United States (61 cases).

Among the technical measures that garment exporters have to comply with is the quality and safety certification of the products from BSTI. Most exporters can meet the necessary product standards without any problems but obtaining the certification remains a concern due to long waiting times and need to pay informal payments.

A more pressing issue for garment exporters is compliance with labour standards and working conditions. A series of unfortunate incidents leading to death or injury of workers due to poor work conditions have brought negative publicity to the industry. In response, major buyers now demand better working conditions from their suppliers. Investments to improve the factories and higher wages to meet the necessary standards have resulted in higher production cost for the exporters.

Furthermore, different buyers have different set of requirements which sometimes are contradicting each other. This too has caused additional problems for exporters. Bangladesh Garments Manufacturers and Exporters Associations (BGMEA) issues the certificates to exporters who meet the necessary standards.

The pharmaceuticals industry also has issues with technical regulations that is hindering its export prospects in some markets. The Bangladeshi pharmaceuticals industry has grown significantly and is able to meet the domestic needs. While Bangladesh exports to less regulated markets in Asia and Africa, its export to more lucrative markets in the United States, Europe and Australia is limited. These markets are well regulated and Bangladeshi manufacturers have not been able to export due to lack of proper accreditations.

The Directorate General of Drug Administration (DGDA) is the responsible government authority to enforce the quality and safety of pharmaceutical products in the country. However, DGDA's lack of adequate funding, resources and technical competence has made enforcement difficult.<sup>40</sup> Given that Bangladeshi pharmaceutical standards are not recognized in many important markets, manufacturers choose to adhere to different manufacturing standards, such as the WHO standards.

In addition, lack of adequate and accredited testing facilities is also hindering pharmaceutical exports. For instance, companies are not able to conduct bio-equivalence test in Bangladesh. Companies usually resort to sending products abroad for necessary testing needed for exports.

Similar concerns were also reported by exporters of ceramic products. To export to the United States and EU, exporters are required to obtain a FDA certification to prove the products do not have high level of lead contaminations. While BSTI can issue this certificate, it is not recognized by the importing countries. As a result, companies certify their products from laboratories abroad, for example from the United Kingdom. This has cost and time implications for the companies involved.

Leather goods exporters to Europe also reported that the process of getting required testing certificates from the BSTI, is lengthy and costly.

#### *Difficulty with rules of origin and certificates of origin*

Difficulties with rules of origin make up 27% of the burdensome NTMs (298 cases) reported mostly by readymade garments. Most cases were requirements of the EU28 countries (176 cases) followed by the United States (53 cases). Five percent of NTMs (14 cases) are due to measures too strict to follow. Over 80% percent of reported NTMs (250 cases) is burdensome due to POs only. Another 34 NTMs are burdensome due to both regulations too strict and related POs. According to exporters, long waiting times to get the certificate is the main PO (Table 10).

Exporters of readymade garments and leather products to the EU reported that they had to incur additional time and costs to secure certificates of origin from BGMEA and the Bangladesh Tanners Association (BTA).

#### *Customs clearance procedures*

Customs clearance procedures constitute around 12% of burdensome NTMs (129 cases), reported mostly by readymade garment exporters. Most of these cases are related to the requirements of the EU28 countries (56 cases), followed by the United States (29 cases). Around 84% percent (108 cases) of the reported NTMs

<sup>40</sup> USAID (2013). <http://siapsprogram.org/2013/02/11/strengthening-the-pharmacovigilance-system-in-bangladesh/>

are burdensome due to POs only. According to exporters, delays, both at home and in the partner or transit countries, is the main PO (Table 11).

#### Other issues

The other issues include various charges, taxes and other para-tariff measures, arbitrary official behaviour regarding classification and valuation of products in partner countries, delays, high fees and charges, and bribes (Table 11).

Table 10 Export of manufactured products – NTMs applied by partner countries and reasons making them burdensome

Number of NTM cases for reported for each type of measure and the reason making the measure burdensome				Procedural obstacles making the measure difficult and the location where it occurs		
NTM (Chapter)	Measure too strict or difficult	Due to related procedural obstacles	Both	Procedural obstacle		
				Home	Partner/ transit country	
Technical requirements	61	25	4	Delay related to reported regulation	21	4
				High fees and charges	4	0
				Limited/inappropriate facilities for testing	3	0
Conformity assessment	7	471	22	Delay related to reported regulation	265	134
				High fees and charges	145	11
				Informal payment	93	0
				Limited/inappropriate facilities	39	0
				Large number of different documents	21	0
				Problems with international accreditation/recognition	19	0
				Other procedural obstacles	9	1
Pre-shipment inspection and border formalities	21	108		Delay related to reported regulation	56	50
				Informal payment	9	10
				Other procedural obstacles	5	7
Charges, taxes and other para-tariff measures	4	33	8	Delay related to reported regulation	15	16
				High fees and charges	15	10
				Arbitrary behaviour of officials	0	16
				Informal payment	15	0
Quantity control measures	12	1	1	Delay related to reported regulation	1	0
				Informal payment	0	1
Finance measures	17				0	0
Distribution restrictions	1				0	0
Rules of origin and related certificate of origin	14	250	34	Delay related to reported regulation	260	0
				High fees and charges	63	0
				Informal payment (bribes)	56	3
				Large number of different documents	12	3
				Other procedural obstacles	8	4
<b>Total</b>	<b>137</b>	<b>888</b>	<b>69</b>	<b>Total PO Cases</b>	<b>1134</b>	<b>270</b>

Source: ITC NTM Business Survey in Bangladesh, 2014.

## Exporters' experiences with regulations in Bangladesh

About 26% of cases concern Bangladeshi regulations that exporters find burdensome. Exporters cited 388 NTM cases applied by Bangladeshi authorities, most related to export clearance procedures (Table 12). Other major issues include licenses or permits to export, export inspections and high charges.

For export clearance procedures, the major affected sectors were leather, paper products, furniture and readymade garments. The major POs associated with export clearance procedures were delays (Table 11).

Exporters of readymade garments, wood articles, cement, and chemical products were mostly affected by export charges and permits. The associated POs were delays, high fees and charges for certificates, and bribes.

Table 11 Export of manufactured products – NTMs applied by Bangladesh and reasons making them burdensome

Number of NTM cases reported for each type of measure and the reason making the measure burdensome				Procedural obstacles making the measure difficult and the location where it occurs	
NTM (Measure)	Measure too strict or difficult	Due to related procedural obstacles	Both	Procedural obstacle	Home
Export inspection		56		Delay related to reported regulation	42
				Informal payment	18
				Arbitrary behaviour of officials	11
				High fees and charges	9
				Other procedural obstacles	5
Certification required by the exporting country		12		Informal payment	8
				Delay related to reported regulation	6
				Other procedural obstacles	11
Licensing or permit to export		64	1	Delay related to reported regulation	53
				Informal payment	16
				Arbitrary behaviour of officials	7
				High fees and charges	5
				Other procedural obstacles	8
Export registration	3	17		Delay related to reported regulation	13
				Large number of different documents	7
				Informal payment	9
				Other procedural obstacles	4
Export taxes and charges	7	27	15	Delay related to reported regulation	28
				High fees and charges	26
				Informal payment	20
				Arbitrary behaviour of officials	18
Export price control measures, subsidies	6	2	6	Informal payment	4
				Other procedural obstacles	4
Other export-related measures	1	170	1	Delay related to reported regulation	126
				Informal payment	95
				Large number of different documents	53
				Arbitrary behaviour of officials	33
				Other procedural obstacles	18
<b>Total NTM Case</b>	<b>17</b>	<b>348</b>	<b>23</b>	<b>Total PO Cases</b>	<b>657</b>

Source: ITC NTM Business Survey in Bangladesh, 2014.

### Procedural obstacles

POs are a major issue that make NTMs difficult. Delays related to implementation of a regulation is the most cited PO with 886 PO cases occurring in Bangladesh and 204 in partner countries. Bangladesh Customs (231), BSTI (178) and BGMEA (112) are the three agencies where most delays take place.

A vast majority of the 357 incidents of reported informal payments (bribes) took place in Bangladesh (343). The highest incidence of informal payments occurred at Bangladesh Customs (166), BSTI (71), BGMEA (34).

Of the 301 incidents related to high fees and charges, most take place in Bangladesh, in Bangladesh Customs (59), BSTI (51), and the Export Promotion Bureau (EPB) (22).

Bangladesh Customs also has a high incidence of other major POs. Examples include requirements for a large number of different documents (62 incidences), arbitrary behaviour of officials regarding classification and valuation of products (41 incidences), and arbitrary official behaviour (25 incidences).

## CHAPTER 4 CONCLUSIONS AND POLICY OPTIONS



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Bangladesh faces more burdensome NTMs than many developing countries due to insufficient capacities to meet necessary requirements. While most of the NTMs are applied on legitimate grounds, many companies find it difficult to meet the requirements or find the process tedious. A number of POs are caused by weak infrastructure, inefficient institutions and administrative hurdles.

Among other countries ITC surveyed in SAARC and ASEAN, Bangladesh reports the highest rate of exporters affected by burdensome regulations. Agricultural product exporters are more affected by burdensome regulations than manufacturing exporters.

Most burdensome partner-country regulations experienced by Bangladeshi exporters are conformity assessments that require products be tested or certified for quality. Many difficulties with conformity assessment are due to administrative delays, informal payments and high fees. Exporters also reported difficulties with Bangladeshi officials including customs clearance, too long for export inspection and certification, tedious and costly process in obtaining export licences and permits, and high prevalence of delays and informal payments.

The ITC NTM Survey in Bangladesh explored the effects of NTMs on exporters and importers by analysing the perceptions of traders on NTMs and related POs. This approach identifies NTMs that create obstacles and the underlying reasons why Bangladeshi businesses face difficulties in complying with them. This allows for more precise recommendations for policy and government action.

The analysis of NTM survey was complemented by discussions with experts and representatives from various Bangladeshi institutions. ITC, with the Ministry of Commerce, organized a stakeholder meeting in Dhaka in November 2015. Representatives from government, business associations, research institutes and

international organizations attended the meeting.<sup>41</sup> The purpose of the meeting was to present and validate the NTM Survey results and develop the following policy recommendations.

Following is a set of policy options Bangladesh can implement at the national and international level to facilitate trade:

### *Upgrade domestic infrastructure and streamline procedures*

While many of the burdensome NTMs Bangladeshi companies face are partner country regulations, a closer investigation showed most issues are rooted in the processes of obtaining necessary paperwork, inspections, testing and certification in Bangladeshi agencies. Long waiting times, informal payments and lack of accredited laboratories were the main causes of difficulties reported by exporters. To address these issues, the efficiency of relevant domestic institutions must be improved significantly.

#### *Strengthening BSTI's capacity to perform required testing and certification is critical*

Lack of capacity of the BSTI to carry out accredited testing and certification is hindering agricultural and food exports. The government should formulate and implement standards, regulations and norms in compliance with international standards, especially for major and potential export sectors. The capacity of BSTI needs to be significantly improved by:

- Increasing staffing levels, training and retention;
- Increasing investment in equipment and facilities;
- Introducing a single window depository and dissemination of required documents.

BSTI's recent introduction of an automated certification system is a welcomed development. Bangladeshi enterprises will benefit from reduced costs and delays offered by this system. Clients will access services within the scheduled time, which will improve service delivery.

#### *Streamline the process for export licences, permits and certificates of origin*

The government and other institutions should simplify and expedite processes for issuing export licences, permits and certificates of origin. Multiple and duplicate documentation, long processing times and informal payments are the main issues. All agencies involved in exports should review their procedures together and eliminate redundant requirements and documentation. These agencies should ensure their requirements, fees and timeframes are transparent and free from costly delays.

#### *Speed up customs modernization process*

Difficulties with customs clearance are common issues for exporters and importers including taking too long for inspections as well as assigning inappropriate HS codes and informal payments. The National Board of Revenue has created reform programmes that need to be properly implemented. Customs clearance procedures must be streamlined and an adequate number of staff must be trained to avoid bottlenecks and corruption. Clear guidelines are needed on product valuation to reduce ambiguity and misuse of authority. Bangladesh should follow the WTO Customs Valuation Agreement and accept the transaction value as specified in Article VII, provided importers present invoices documenting the prices paid for products.

#### *Increase number of officers at the customs and upgrade training facilities*

Insufficient number of officers and skilled technical staff at the customs is one of the key causes leading to slow customs clearance and slow customs modernization process. Bangladesh should increase its human resources at the customs and other key agencies to ensure the country can efficiently handle the growing volume of goods that are exported from and imported to the country. Training facilities for new recruits should also be upgraded

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<sup>41</sup> The agenda can be found in Appendix IV.

### *Implement the World Trade Organization's Trade Facilitation Agreement*

Exporters and importers in Bangladesh encounter difficulties in clearing customs. When dealing with customs authorities, companies routinely confronted multiple inspection procedures; numerous, duplicate and redundant documents and forms; delays; and corruption issues. Given the high incidents of POs at the border, Bangladesh should implement the WTO's Trade Facilitation Agreement (TFA). Bangladesh should formulate projects and approach donors for support to implement TFA measures such as advance ruling, authorized economic operators, risk management and post-clearance audit. The private sector must be made aware of TFA's provisions.

### *Scope for improvement through regional integration in South Asia*

Improvements through regional integration in South Asia would assist Bangladeshi exporters. Most regional NTMs relate to conformity assessment. Establishment of the South Asian Regional Standards Organization (SARSO), in Dhaka, creates opportunity for Bangladesh to push for harmonization of standards across the South Asian countries and non-conditional acceptance of national certification in every member country.

After SARSO started operation in 2014, there has been significant progress in SAARC Regional Standards development. Experts from SAARC Member States are involved in developing regional standards for about 35 products. SARSO is seeking bilateral cooperation with international and regional counterparts. SARSO is in the process of signing cooperation agreements with the International Organization for Standardization (ISO) and the International Electrotechnical Commission (IEC). SARSO is also involved in different standardization activities such as capacity building and interactive sessions.<sup>42</sup>

### *Enhance enterprises competitiveness and sector development*

Bangladesh's dynamism and attractive investment profile are valuable assets to build on. The country has much to offer beyond its reputation as a location for low cost manufacturing. By shifting perceptions of the domestic and international public, Bangladesh can pursue a path to higher added value, aim an escape from over dependency on commodity industries and set in place a journey toward sustainable economic development.

Helping enterprises from Bangladesh to sell their products directly in export markets to buyers and end consumers has to potential to greatly increase margins. The challenge is to build distribution channels, raise awareness and trust among potential customers and ensure that goods and services meet the requirements of the target market.

### *Strengthen the capacity of Bangladeshi SMEs to comply with international market access requirements and proactively respond to customer demands*

Strengthening of institution related to quality managements such as the Bangladesh Society for Total Quality Management (BSTQM), BSTI, the Business Institute of the Dhaka Chamber of Commerce and Industry (DBI/DCCI), Department of Agriculture Extension (DAE) and other relevant institutions in order to enhance their service offer is important.

It is also necessary to develop new and enhanced learning and advisory support services for SMEs aimed at building international quality requirements into products and services. Modern quality-related tools and techniques addressing key constraints and focusing on areas such as process improvement, quality assurance and control and building a quality culture in an SME have to be introduced together with specialised courses and support in areas such as food safety (HACCP and ISO 22000 certification) environmental management, health and safety, social responsibility and sustainability.

<sup>42</sup> [http://sanemnet.org/sanemafeefcontainer/uploads/2015/10/Thinking-Aloud\\_VII\\_N5.pdf](http://sanemnet.org/sanemafeefcontainer/uploads/2015/10/Thinking-Aloud_VII_N5.pdf)

### *Improve the perception among current and potential international customers for products and services from Bangladesh*

Bangladesh should design and implement a branding strategy to shape the reputation of the country and priority export sectors, and ensure that the approach is embedded in Bangladeshi institutions.

SMEs should be coached on best practices in marketing communications and supported to implement better promotional materials and sales strategies.

### *Capacity building to facilitate and expand trade*

Bangladeshi enterprises must be made aware of trade regulations and procedures. Workshops should include training sessions, such as identifying new markets, understanding market access conditions, marketing strategies, supply chain management and advocacy. Equally important is the need for capacity building government staff to ensure effective and efficient services, eliminate corruption and reduce high staff turnover.

### *Diversify export portfolio and trading partners, and encourage value addition*

Diversifying the economy and broadening the export base towards high growth sectors is critical for future development and poverty alleviation in Bangladesh. The government should conduct an assessment of export potential to prioritize sectors and markets for trade development activities based on detailed trade- and market access-data.

Bangladesh should diversify its export portfolio and export markets to better integrate with international markets and global value chains. This can reduce its vulnerability to external shocks. This will require addressing supply-side constraints including access to finance, weak physical infrastructure, inefficient ports and high transport costs, shortage of skilled workers, technological bottlenecks, lack of entrepreneurship and management skills, information gap, and other factors that contribute to high costs of doing business.

### *Develop export strategies through e-commerce*

Enterprises from Bangladesh face barriers to trading on e-commerce sites, as they have limited access to payments, logistics & technical solutions and awareness of legal or fiscal implications of trading international through digital channels. The government should review the public sector and legal environment for improved structures and policy to support the development of e-commerce in Bangladesh

Development of strategies for the creation of e-commerce related businesses to offer entrepreneurial opportunities to youth, women and under privileged communities by build partnerships with local institutions and private sector partners is necessary. Training and support to entrepreneurs on marketing promotions and developing business through e-commerce should be provided.

### *Improve transparency in trade and trade facilitation*

Access to trade and market intelligence are critical to export success. But SMEs in Bangladesh often lack the resources and the skills to acquire and process trade related information which place them at a disadvantage compared with competitors in other economies. At the same time, policy makers rarely obtain the information they need to make their decisions, including in the relevant WTO processes, notably the SPS and TBT Committees. Bangladesh needs reliable data for economic operators, institutions and policy makers to make better informed trade decisions.

### *Better and updated trade information portal*

Bangladesh needs a reliable source and proper dissemination of information for exporters and importers. Many problems encountered during export and import procedures, such as errors, delays and misunderstandings, are due to companies not having a reliable source of information about the trade requirements of partner countries and Bangladesh. Information is scattered and not updated, which often misinforms companies.

In 2016, Bangladesh launched a trade portal to provide export and import related information.<sup>43</sup> The portal stores information related to current trade regulations and procedures including laws, administrative procedures and guidance notes, in Bangla and English. Information about relevant government agencies, private sectors, port authorities, standards institutions and customs will also be available in the portal.

The portal should also integrate information about destination countries, such as tariff rates, rules of origin, NTMs and trade statistics. This should help Bangladeshi entrepreneurs identify potential markets for their products and ensure they meet the necessary requirements.

#### *Implement and train entrepreneurs on SPS/TBT notification alert mechanism*

Bangladesh should implement an alert mechanism whereby SMEs can subscribe to receive alerts (e.g. by Email or SMS) with information updates for markets and products of their interest, including WTO notifications on future changes in SPS and TBT measures. This involves building a customized local interface to a new global notifications alert system. In addition to notifying entrepreneurs on new SPS/TBT regulations, this mechanism also allows them to send their feedback on the proposed regulations back to the WTO via the national focal point. Workshop should be organized to train SMEs, business association and national institutions on how to best use this tool.

#### *Establish online reporting mechanism and NTM monitoring committee*

Bangladeshi SMEs find market regulations and trade procedures challenging when they export or import products. The NTM Survey reveals that many obstacles could be resolved in Bangladesh. Yet there is no simple channel to collect and monitor their concerns neither to coordinate actions of relevant institutions to overcome these obstacles.

Bangladesh should develop an online platform to monitor and address difficulties faced by exporters and importers. SMEs should be able to share their concerns and directly question relevant agencies regarding obstacles they face, for example when trying to prove conformity with product quality and food safety requirements. In addition to the online portal it is necessary to establish an institutional mechanism to ensure the continuity of the communication between the public and private sector, and to facilitate the improvement of the business environment in the country. The mechanism can be linked with the Trade Facilitation and Logistic Committee to ensure cooperation of the different actors (policymakers and TISIs) to address NTM-related obstacles to trade and interact with companies.

#### *Develop business process guide and integrate it to the trade information portal*

Document administrative procedures related to compliance with NTMs (e.g. certification of origin, export and import registration) for different products together with other necessary details such as cost, waiting time, etc. Based on this information develop an online business process guide integrated with the trade information portal. This tool should give necessary guidance to exporters that are not familiar with the process involved, especially newer companies.

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<sup>43</sup> [www.bangladeshtradeportal.gov.bd](http://www.bangladeshtradeportal.gov.bd)

## APPENDICES

### Appendix I Non-tariff measures surveys: global methodology

#### Non-tariff measure surveys

Since 2010,<sup>44</sup> ITC has completed large-scale company-level surveys on burdensome non-tariff measures and related trade obstacles (NTM Surveys hereafter) in over 35 developing and least-developed countries on all continents.<sup>45</sup> The main objective of the NTM Surveys is to capture how businesses perceive burdensome NTMs and other obstacles to trade at a detailed level – by product and partner country.

All surveys are based on a global methodology consisting of a core part and a country-specific part. The core part of the NTM Survey methodology described in this appendix is identical in all survey countries, which enables cross-country analyses and comparison. The country-specific part of the survey allows flexibility in addressing the requirements and needs of each participating country. The country-specific aspects and the particularities of the survey implementation in Bangladesh are covered in Chapter 2 of this report.

#### The growing role of non-tariff measures in trade

Over several decades, trade liberalization has been used as a development tool based on evidence that benefits accrue to countries actively engaged in world trade. Multilateral, regional and bilateral trade negotiations as well as non-reciprocal concessions have led to a remarkable reduction in global, average tariff protection. With favourable market access conditions, international trade has soared to previously unseen levels, raising overall welfare and standards of living.

The misuse of NTMs may undermine the impact of falling tariffs. The sound use of NTMs to ensure consumer health, protect the environment and safeguard national security is legitimate. However, evidence suggests that countries are resorting to NTMs as alternative mechanisms to protect domestic industries. NTMs have been negotiated within the General Agreement on Tariffs and Trade and at the World Trade Organization (WTO) since the Tokyo Round (1973–1979) and are increasingly dealt with in regional and bilateral trade agreements. Many practitioners consider they have surpassed tariffs in their trade-impeding effect.

NTMs particularly impact exporters and importers in developing and least developed countries (LDCs) that struggle with complex requirements. Firms in these countries often have inadequate domestic trade-related infrastructure and face administrative obstacles. NTMs that would not normally be considered very restrictive can represent major burdens in LDCs. In addition, the lack of export support services and insufficient access to information on NTMs impede the

international competitiveness of firms. As a result, both NTMs applied by partner countries as well as domestic burdens have an impact on market access and keep firms from seizing the trade opportunities created by globalization.

#### An overview of previous research and evaluation

In the literature, different methods have been used to evaluate the effects of NTMs. An early approach employed a concept of incidence with NTM coverage ratios. Such studies rely on extensive databases mapping NTMs per product and applying country. The largest database of official government-reported NTMs used to be the Trade Analysis and Information System published by the United Nations Conference on Trade and Development (UNCTAD), but data has been incomplete and updates irregularly.

In a multi-agency effort, ITC, UNCTAD and the World Bank are collecting data for a global NTM database with a focus on technical barriers to trade and sanitary and phytosanitary standards. The ITC Market Access Map features information on NTMs. However, as complete as the database may be, it reveals little about the impact of NTMs on the business sector nor does it provide information about related POs.

#### Scope and coverage of the non-tariff measure (NTM) surveys

The objective of the NTM surveys require a representative sample allowing for the extrapolation of the survey result to the country level. To achieve this objective, the NTM survey covers at least 90% of the total export value of each participating country (excluding minerals and arms). The economy is divided into 13 sectors, and all sectors with more than a 2% share in total exports are included in the survey.

The NTM Survey sectors are defined as follows:

1. Fresh food and raw agro-based products
2. Processed food and agro-based products
3. Wood, wood products and paper
4. Yarn, fabrics and textiles
5. Chemicals
6. Leather
7. Metal and other basic manufacturing
8. Non-electric machinery
9. Computers, telecommunications and consumer electronics
10. Electronic components
11. Transport equipment

<sup>44</sup>The work started in 2006, when the Secretary-General of the United Nations Conference on Trade and Development (UNCTAD) established the Group of Eminent Persons on Non-Tariff Barriers. The main purpose of the group was to discuss the definition, classification, collection and quantification of non-tariff barriers – to identify data requirements, and consequently advance understanding of NTMs and their impact on trade. To carry out the technical work of the group, a Multi-Agency Support Team (MAST) was set up. Since then, ITC is advancing the work on NTMs in three directions. First, ITC has contributed to the international classification of non-tariff measures (NTM classification) that was finalized in November 2009 and updated in 2012. Second, ITC undertakes NTM Surveys in developing countries using the NTM classification. Third, ITC, UNCTAD and the World Bank jointly collect and

catalogue official regulations on NTMs applied by importing markets (developed and developing). This provides a complete picture of NTMs as official regulations serve as a baseline for the analysis, and the surveys identify the impact of the measures on enterprises and consequently on international trade.

<sup>45</sup>Pilot NTM Surveys were carried out in cooperation with UNCTAD in 2008–2009 in Brazil, Chile, India, the Philippines, Thailand, Tunisia and Uganda. The pilot surveys provided a wealth of materials allowing for the significant improvement to both the NTMs classification and the NTM survey methodology. Since then, ITC has implemented NTM Surveys based on the new methodology in 25 developing and least developed countries.

12. Clothing
13. Miscellaneous manufacturing

Companies trading arms and minerals are excluded. The export of minerals is generally not subject to trade barriers due to a high demand and the specificities of trade undertaken by large multinational companies. The export of arms is outside of the scope of ITC activities.

The NTM Surveys cover companies exporting and importing goods. Companies trading services are excluded, as a survey on NTMs in services would require a different approach and methodology. The NTM Survey includes companies specialized in the export-import process and services, such as agents, brokers, and forwarding companies (referred to collectively as 'trading agents'). These companies can be viewed as service companies because they provide trade logistics services. The answers provided by trading agents are in most cases analysed separately from the answers of the companies that export their own products.

The NTM Surveys cover legally registered companies of all sizes and types of ownership. Depending on country size and geography, one to four geographic regions with high concentrations of economic activities (high number of firms) are included in the sample.

### Two-step approach

The representatives of the surveyed companies, generally export/import specialists or senior-level managers, are asked to report trade-related problems experienced by their companies in the preceding year that represent a serious impediment for their operations. To identify companies that experience burdensome NTMs, the survey process consists of telephone interviews with all companies in the sample (Step 1) and face-to-face interviews undertaken with the companies that reported difficulties with NTMs during the telephone interviews (Step 2).

#### Step 1: Telephone interviews

The first step includes short telephone interviews. Interviewers asked respondents to identify the main sector of activity of their companies and the direction of trade (export or import). The respondents are then asked whether their companies have experienced burdensome NTMs. If a company does not report any issues with NTMs, the interview is terminated. Companies that report difficulties with NTMs are invited to participate in an in-depth face-to-face interview.

#### Step 2: Face-to-face interviews

The second-step interviews are required to obtain all the details of burdensome NTMs and other obstacles at the product and partner country level. These interviews are conducted face-to-face due to the complexity of the issues related to NTMs. Face-to-face interactions with experienced interviewers helps to ensure that respondents from companies correctly understand the purpose and the coverage of the survey, and accurately classify their responses in accordance with predefined categories.

The questionnaire used to structure face-to-face interviews consists of three main parts. The first part covers the characteristics of the companies: number of employees, turnover and share of exports in total sales, whether the company exports its own products or represents a trading agent providing export services to domestic producers.

The second part is dedicated to exporting and importing activities of the company, with all trade products and partner countries recorded. During this process, the interviewer also identifies all products affected by burdensome regulations and countries applying these regulations.

During the third part of the interview, each problem is recorded in detail. A trained interviewer helps respondents identify the relevant government-imposed regulations, affected products, the partner country exporting or importing these products, and the country applying the regulation (partner, transit or home country).

Each burdensome measure (regulation) is classified according to the NTM classification, an international taxonomy of NTMs, consisting of over 200 specific measures grouped into 16 categories (see Appendix II). The NTM classification is the core of the survey, making it possible to apply a uniform and systematic approach to recording and analysing burdensome NTMs in countries with idiosyncratic trade policies and approaches to NTMs.

The face-to-face questionnaire captures the type of burdensome NTMs and the nature of the problem (so-called POs explaining why the measures represent an impediment), the place where each obstacle takes place, and the agencies involved, if any. For example, an importing country can require the fumigation of containers (NTM applied by the partner country), but fumigation facilities are expensive in the exporting country, resulting in a significant increase in export costs for the company (POs located in the home country). The companies can also report generic problems unrelated to any regulation, but affecting their exports or imports, such as corruption and lack of or inadequate export infrastructure. These issues are referred to as problems related to business environment (see Appendix III).

### Partnering with a local survey company

A local partner selected through a competitive bidding procedure carries out the telephone interviews and face-to-face interviews. The partner is usually a company specializing in surveys. Generally, the NTM Surveys are undertaken in local languages. The telephone interviews are recorded either by a Computer Assisted Telephone Interview system, computer spread sheets or on paper. The face-to-face interviews are initially captured using paper-based interviewer-led questionnaires that are then digitalized by the partner company using a spread sheet-based system developed by ITC.

### Open-ended discussions

During the surveys of companies and preparation of the report, open-ended discussions are held with national experts and stakeholders, for example trade support institutions and sector/export associations. These discussions provide further insights, quality checks and validation of the NTM Survey results. The participants review the main findings of the NTM Survey and help to explain the reasons for the prevalence of the issues and propose possible solutions.

### Confidentiality

The NTM Survey is confidential. Confidentiality of the data is paramount to ensure the greatest degree of participation, integrity and confidence in the quality of the data. The paper-based and electronically captured data is transmitted to ITC at the end of the survey.

### Sampling technique

The selection of companies for the phone screen interviews of the NTM Survey is based on the stratified random sampling. In a stratified random sample, all population units are first clustered into homogeneous groups ('strata'), according to predefined characteristics, chosen to be related to the major variables being studied. In the NTM Surveys, companies are stratified by sector, as the type and incidence of NTMs are often product-specific. Then simple random samples are selected within each sector.

The NTM Surveys aim to be representative at the country level. A sufficiently large number of enterprises should be interviewed within each export sector to ensure that the share of enterprises experiencing burdensome NTMs is estimated correctly and can be extrapolated to the entire sector. To achieve this objective, a sample size for the telephone interviews with exporting companies is determined independently for each *export sector*.<sup>46</sup>

For importing companies, the sample size is defined at the country level. The sample size for importing companies can be smaller than the sample size for exporters, mainly for two reasons. First, the interviewed exporting companies are often import intermediaries and provide reports on their experiences with NTMs as both exporters and importers. Second, problems experienced by importing companies are generally linked to domestic regulations required by their home country. Even with a small sample size for importing companies, the effort is made to obtain a representative sample by import sectors and the size of the companies.

Exporting companies have difficulties with both domestic regulations and regulations applied by partner countries that import their products. Although the sample size is not stratified by company export destinations, a large sample size permits a good selection of reports related to various export markets (regulations applied by partner countries). By design, large trading partners are mentioned more often during the survey because it is more likely that the randomly selected company would be exporting to one of the major importing countries.

The sample size for face-to-face interviews depends on the results of the telephone interviews.

### Average sample size

The number of successfully completed telephone interviews can range from 150 to 1,000, with subsequent 150 to 300 face-to-face interviews with exporting and importing companies. The number of telephone interviews is mainly driven by the size and the structure of the economy, availability and quality of the business register and the response rate. The sample size for the face-to-face interviews depends on the number of affected companies and their willingness to participate.

### Survey data analysis

The analysis of the survey data consists of constructing frequency and coverage statistics along several dimensions, including product and sector, NTMs and their main NTM categories (for example, technical measures, quantity control measures), and various characteristics of the surveyed companies (for example, size and degree of foreign ownership).

The frequency and coverage statistics are based on 'cases'. A case is the most disaggregated data unit of the NTM Survey. By construction, each company participating in a face-to-face interview reports at least one case of burdensome NTMs, and, if relevant, related POs and problems with the trade-related business environment.

Each case of each company consists of one NTM (a government-mandated regulation, for example a sanitary and phytosanitary certificate), one product affected by this NTM, and partner country applying the reported NTM. For example, if there are three products affected by the same NTM applied by the same partner country and reported by one company, the results would include three cases. If two different companies report the same problem, it would be counted as two cases.

The scenario where several partner countries apply the same type of measure is recorded as several cases. The details of each case (e.g. the name of the government regulations and its strictness) can vary, as regulations mandated by different countries are likely to differ. However, if the home country of the interviewed companies applies an NTM to a product exported by a company to several countries, the scenario will be recorded as a single NTM case. When an interviewed company both exports and imports, and reports cases related to both activities, it is included in the analysis twice – once for the analysis of exports and once for the analysis of imports. The distinction is summarized in the Table below.

<sup>46</sup>The sample size depends on the number of exporting companies per sector and on the assumptions regarding the share of exporting companies that are affected by NTMs in the actual population of this sector. The calculation of a sample size will be based on the equation below (developed by Cochran, 1963) to yield a representative sample for proportions in large populations (based on the assumption of normal distribution).

$$n_o = \frac{t^2 * p(1-p)}{d^2}$$

Where

$n_o$  : Sample size for large populations

$t$ : t-value for selected margin of error (d). In the case of the NTM Survey 95% confidence interval is accepted, so t-value is 1.96.

$p$ : The estimated proportion of an attribute that is present in the population. In the case of the NTM Survey, it is a proportion of companies that experience burdensome NTMs. As this proportion is not known prior to the survey, the most conservative estimate leading to a large sample size is employed, that is  $p=0.5$ .

$d$ : Acceptable margin of error for the proportion being estimated. In other words, a margin of error that the researcher is willing to accept. In the case of NTM Survey  $d=0.1$ .

**Source:** Cochran, W. G. 1963. *Sampling Techniques*, 2<sup>nd</sup> Ed., New York: John Wiley and Sons, Inc.

**Dimensions of an NTM case**

Dimensions	Country applying	
	Home country (where survey is conducted)	Partner countries (where goods are exported to or imported from) and transit countries
Reporting company	X	X
Affected product (HS 6-digit code or national tariff line)	X	X
Applied NTM (measure-level code from the NTM classification)	X	X
Trade flow (export or import)	X	X
Partner country applying the measure		X

Cases of POs and problems with the business environment are counted in the same way as NTM cases. The statistics are provided separately from NTMs, even though in certain instances they are closely related. For example, delays can be caused by the pre-shipment inspection requirements. As many of the POs and problems with the business environment are not product specific, the statistics are constructed along two dimensions: type of obstacles and country where they occur, as well as agencies involved.

**Enhancing local capacities**

The NTM Surveys enhance national capacities by transmitting skills and knowledge to a local partner company. ITC does not implement the NTM Surveys, but guides and supports the local survey company and experts.

Before the start of the NTM Survey, the local partner company, including project managers and interviewers are fully trained on the different aspects of the NTMs, the international NTM classification and the ITC NTM Survey methodology. ITC representatives stay in the country for the launch of the survey and initial interviews, and remain in contact with the local partner during the entire duration of the survey, usually around six months, to ensure a high quality of survey implementation. ITC experts closely follow the work of the partner company and provide regular feedback on the quality of the captured data (including classification of NTMs) and the general development of the survey, which helps the local partner to overcome any possible problems.

ITC also helps to construct a business register (list of exporting and importing companies with contact details), which remains at the disposal of the survey company and national stakeholders. The business register is a critical part of any company-level survey, but unfortunately it is often unavailable, even in the advanced developing countries.

ITC invests much time, effort and resources into constructing a national business register of exporting and importing companies. The initial information is obtained with the help of national authorities and other stakeholders (for example, sectoral associations). In cases where it is not available from government sources or a sectoral association, ITC purchases information from third companies, and in certain cases digitalizes it from paper sources. The information from various sources is then processed and merged into a comprehensive list of exporting and importing companies.

Upon completion of the NTM Survey, the local partner company is fully capable of independently implementing a follow-up survey or other company-level surveys as it is equipped with the business register and trained on the survey methodology as well as trade and NTM-related issues.

**Caveats**

The utmost effort is made to ensure the representativeness and the high quality of the NTM Survey results, yet several caveats must be kept in mind.

First, the NTM Surveys generate perception data, as the respondents are asked to report burdensome regulations representing a serious impediment to their exports or imports. The respondents may have different scales for judging what constitutes an impediment. The differences may further intensify when the results of the surveys are compared across countries, stemming from cultural, political, social, economic and linguistic differences. Some inconsistency may be possible among interviewers. For example, these are related to matching reported measures against the codes of the NTM classification due to the complex and idiosyncratic nature of NTMs.

Second, in many countries a systematic business register covering all sectors is not available or incomplete. As a result, it may be difficult to ensure random sampling within each sector and a sufficient rate of participation in smaller sectors. Whenever this is the case, the NTM Survey limitations are explicitly provided in the corresponding report.

Finally, certain NTM issues are not likely to be known by the exporting and importing companies. For example, exporters may not know the demand-side constraints behind the borders. An example is 'buy domestic' campaigns. The scope of the NTM Survey is limited to legally operating companies and does not include unrecorded trade, for example shuttle traders.

**Following up on the ITC Non-Tariff Measure Survey**

The findings of each ITC NTM Survey are presented and discussed at a stakeholder workshop. The workshop brings together government officials, experts, companies, donors, non-governmental organizations (NGOs) and academics. It fosters a dialogue on NTM issues and helps identify possible solutions to the problems experienced by exporting and importing companies.

The NTM Survey results serve as a diagnostic tool for identifying and solving predominant problems. These problems can be addressed at the national or international level. The NTM Survey findings can also serve as a basis for designing projects to address the challenges identified and for supporting fundraising activities.

## Appendix II Non-tariff measures classification

Importing countries are very idiosyncratic in the ways they apply non-tariff measures (NTMs). This called for an international taxonomy of NTMs, which was prepared by the Multi-Agency Support Team (MAST), a group of technical experts from eight international organizations, including the Food and Agricultural Organization of the United Nations, the International Monetary Fund, ITC, the Organisation for Economic Co-operation and Development, the United Nations Conference on Trade and Development, the United Nations Industrial Development Organization, the World Bank and WTO. It was finalized in November 2009 and updated in 2012. It is used to collect, classify, analyse and disseminate information on NTMs received from official sources such as government regulations. For the purpose of the large-scale company surveys on NTMs, ITC uses a simplified version of this international classification.

The NTM classification for surveys differentiates measures according to 16 chapters (denoted by alphabetical letters, see below), each comprising sub-chapters (denoted by two letters) and the individual measures (denoted by two letters and a number). The following sketches the content of each of the 16 chapters.

**Chapter A**, on technical regulations, refers to product-related requirements. They are legally binding and set by the importing country. They define the product characteristics, technical specifications of a product or the production process and post-production treatment and comprise the applicable administrative provisions, with which compliance is mandatory. Technical requirements include sanitary and phytosanitary measures, which are generally implemented to protect human, animal and plant life, and health.

**Chapter B**, on conformity assessment, refers to measures determining whether a product or a process complies with the technical requirements specified under Chapter A. Conformity assessments include control, inspection and approval procedures – such as testing, inspection, certification and traceability – which confirm and control that a product fulfils the technical requirements and mandatory standards imposed by the importing country, for example to safeguard the health and safety of consumers.

**Chapter C**, on pre-shipment inspection and other formalities, refers to the practice of checking, consigning, monitoring and controlling the shipment of goods before or at entry into the destination country.

**Chapter D**, on charges, taxes and other para-tariff measures, refers to measures other than tariffs that increase the cost of imports in a similar manner, i.e. by a fixed percentage or by a fixed amount. They are also known as para-tariff measures. Customs surcharges and general sales taxes are examples.

**Chapter E**, on licences, quotas, prohibitions and other quantity control measures, includes measures that restrain the quantity of goods that can be imported, regardless of whether they come from different sources or from one specific supplier. These measures can take the form of restrictive licensing, fixing of a predetermined quota or through prohibitions.

**Chapter F**, on finance measures, refers to measures that are intended to regulate the access to and cost of foreign exchange for imports and define the terms of payment. They may increase import costs in the same manner as tariff measures.

**Chapter G**, on price control measures, includes measures implemented to control the prices of imported articles in order to: support the domestic price of certain products when the import price of these goods is lower; establish the domestic price of certain products because of price fluctuation in domestic markets, or price instability in a foreign market; and counteract the damage resulting from the occurrence of 'unfair' foreign trade practices.

**Chapter H**, on anti-competitive measures, refers to measures that are intended to grant exclusive or special preferences or privileges to one or more limited groups of economic operators.

**Chapter I**, on trade-related investment measures, refers to measures that restrict investment by requesting local content, or requesting that investment be related to export to balance imports.

**Chapter J**, on distribution restrictions, refers to restrictive measures related to the internal distribution of imported products.

**Chapter K**, on restrictions on post-sales services, refers to measures restricting the provision of post-sales services in the importing country by producers of exported goods.

**Chapter L**, on subsidies, includes measures related to financial contributions by a government or government body to a production structure, be it a particular industry or company, such as direct or potential transfer of funds (e.g. grants, loans, equity infusions), payments to a funding mechanism and income or price support.

**Chapter M**, on government procurement restrictions, refers to measures controlling the purchase of goods by government agencies, generally by preferring national providers.

**Chapter N**, on intellectual property, refers to measures related to intellectual property rights in trade. Intellectual property legislation covers patents, trademarks, industrial designs, layout designs of integrated circuits, copyright, geographical indications and trade secrets.

**Chapter O**, on rules of origin, covers laws, regulations and administrative determinations of general application applied by the governments of importing countries to determine the country of origin of goods.

**Chapter P**, on export-related measures, encompasses all measures that countries apply to their exports. It includes export taxes, export quotas or export prohibitions, among others.

## The structure of the NTM classification for ITC surveys

### A to O. Import related measures

Measures imposed by the country importing the goods. From the perspective of an exporter, these are the measures applied by the destination country of your product. From the perspective of an importer, these are the measures applied by your own country on the goods that you import.

Technical measures	A. Technical requirements	
	B. Conformity assessment	
Non-technical measures	C. Pre-shipment inspection and other entry formalities	
	D. Charges, taxes and other para-tariff measures	
	E. Quantity control measures (e.g. licences, quotas, prohibitions)	
	F. Finance measures	
	G. Price control measures	
	H. Anti-competitive measures	L. Subsidies
	I. Trade-related investment measures	M. Government procurement restrictions
	J. Distribution restrictions	N. Intellectual property
	K. Restriction on post-sales services	O. Rules of origin and related certificate of origin

### P. Export related measures

Measures imposed by the country exporting the goods. From the perspective of an exporter, these are the measures imposed by your own country on the goods you export from your country. From the perspective of an importer, these measures are imposed by the country of origin on the goods you import from this country.

**Source:** International Trade Centre, NTM classification adapted for ITC surveys, January 2012 (unpublished document).

## Appendix III Procedural obstacles

Following is a list of POs related to compliance with non-tariff measures and to an inefficient trade-related business environment and infrastructure.

A	Administrative burdens related to regulations	A1. Large number of different documents A2. Documentation is difficult to fill out A3. Difficulties with translation of documents from or into other languages A4. Numerous administrative windows/organizations involved, redundant documents
B	Information/transparency issues	B1. Information on selected regulation is not adequately published and disseminated B2. No due notice for changes in selected regulation and related procedures B3. Selected regulation changes frequently B4. Requirements and processes differ from information published
C	Discriminating behaviour of officials	C1. Arbitrary behaviour of officials regarding classification and valuation of the reported product C2. Arbitrary behaviour of officials with regards to the reported regulation
D	Time constraints	D1. Delay related to reported regulation D2. Deadlines set for completion of requirements are too short
E	Informal or unusually high payment	E1. Unusually high fees and charges for reported certificate/regulation E2. Informal payment, e.g. bribes for reported certificate/regulation
F	Lack of sector-specific facilities	F1. Limited/inappropriate facilities for testing F2. Limited/inappropriate facilities for sector-specific transport and storage, e.g. cold storage, refrigerated trucks F3. Other limited/inappropriate facilities, related to reported certificate/regulation
G	Lack of recognition/ accreditations	G1. Facilities lacking international accreditation/recognition G2. Other problems with international recognition, e.g. lack of recognition of national certificates
H	Other	H1. Other procedural obstacles, please specify

## Appendix IV Stakeholder meeting agenda

09.11.2015, DHAKA, BANGLADESH

### NATIONAL STAKEHOLDERS MEETING / ROUNDTABLE ON NON TARIFF MEASURES

<b>08:30</b>	<b>Registration/coffee</b>
<b>09:30</b>	<b>Welcome and opening remarks</b> <ul style="list-style-type: none"> <li>- Mr. Hossain Khaled, President, Dhaka Chamber of Commerce &amp; Industry (DCCI)</li> <li>- Mr.Mondher Mimouni, Chief, Market Analysis and Research, ITC</li> <li>- Mr. Abdul Matlub, President, Federation of Bangladesh Chambers of Commerce &amp; Industry (FBCCI)</li> </ul>
<b>Session 1</b>	<b>Background and overview of results</b> <b>Session chairman:</b> Mr Asif Ibrahim, Chairman, Business Initiative Leading Development (BUILD)
<b>09:45</b>	<b>Overview on ITC Project on Non-Tariff Measures (NTMs) and survey implementation in Bangladesh</b> <ul style="list-style-type: none"> <li>- Mr.Mondher Mimouni, Chief, Market Analysis and Research, ITC</li> <li>- Mr. M SaidulHaq, SRG Bangladesh.</li> </ul>
<b>10:15</b>	<b>General results of the survey: Trade barriers affecting Bangladeshi exporters and importers</b> <ul style="list-style-type: none"> <li>- Mr.Mondher Mimouni, Chief, Market Analysis and Research, ITC</li> <li>- Mr.Samidh Shrestha, Market Analysis and Research, ITC</li> </ul>
<b>11:00</b>	<b>Main trade barriers affecting Agricultural Sector and Manufacturing sector</b> <ul style="list-style-type: none"> <li>- Mr.Mondher Mimouni, Chief, Market Analysis and Research, ITC</li> <li>- Mr.Samidh Shrestha, Market Analysis and Research, ITC</li> <li>- Mr.Selim Raihan, Professor, Department of Economics, University of Dhaka / Executive Director, SANEM</li> </ul> <b>Discussants</b> <ul style="list-style-type: none"> <li>- Mr.Shubhashish Bose, Vice Chairman, Export Promotion Bureau (EPB)</li> <li>- Dr Syed Humayun Kabir, Director General, South Asian Regional Standards Organization(SARSO)</li> </ul>
<b>Session 2</b>	<b>Thematic round tables</b> Thematic round tables to establish recommendations to address common NTM related trade obstacles <b>Session Chairman:</b> Mr Md Mosharraf Hossain Bhuiyan, ndc., Secretary, Ministry of Industries(MOI)
<b>13:30</b>	<b>Round table 1: Rules of origin, border clearance procedures</b>  <b>Round table 2: Technical requirements, standards, conformity assessment</b>
<b>15.00</b>	Coffee Break
<b>15.15</b>	<b>Summary of round table discussions</b> <ul style="list-style-type: none"> <li>- Rapporteur of Round-table 1</li> <li>- Rapporteur of Round-table 2</li> <li>- Summary by Session Chair: Mr Md Mosharraf Hossain Bhuiyan, ndc., Secretary, MOI</li> </ul>
<b>Session 3</b>	<b>Recommendations and conclusion</b>
<b>15.30</b>	<b>Overcoming challenges related to NTMs in Bangladesh and final recommendations</b> <b>Speakers:</b> <ul style="list-style-type: none"> <li>- Mr.Selim Raihan, Professor, Department of Economics, University of Dhaka / Executive Director, SANEM</li> <li>- Mr.Mondher Mimouni, Market Analysis and Research, ITC</li> </ul> <b>Discussants</b> <ul style="list-style-type: none"> <li>- Mr Ali Ahmed, Chief Executive Officer(CEO), Bangladesh Foreign Trade Institute (BFTI)</li> <li>- Dr Md Khairuzzaman, Mazumder, Deputy Chief of Party, USAID Bangladesh Trade Facilitation (BTFA) Project</li> </ul>
<b>16:30</b>	<b>Concluding Remarks and Closing</b> <ul style="list-style-type: none"> <li>- Mr.Mondher Mimouni, Chief, Market Analysis and Research, ITC</li> <li>- <b>Chief Guest:</b> Mr.Hedayetullah Al Mamoon, ndc. Senior Secretary, Ministry of Commerce, GoB</li> <li>- Vote of Thanks by Ferdous Ara Begum, CEO, BUILD/ITC</li> </ul>

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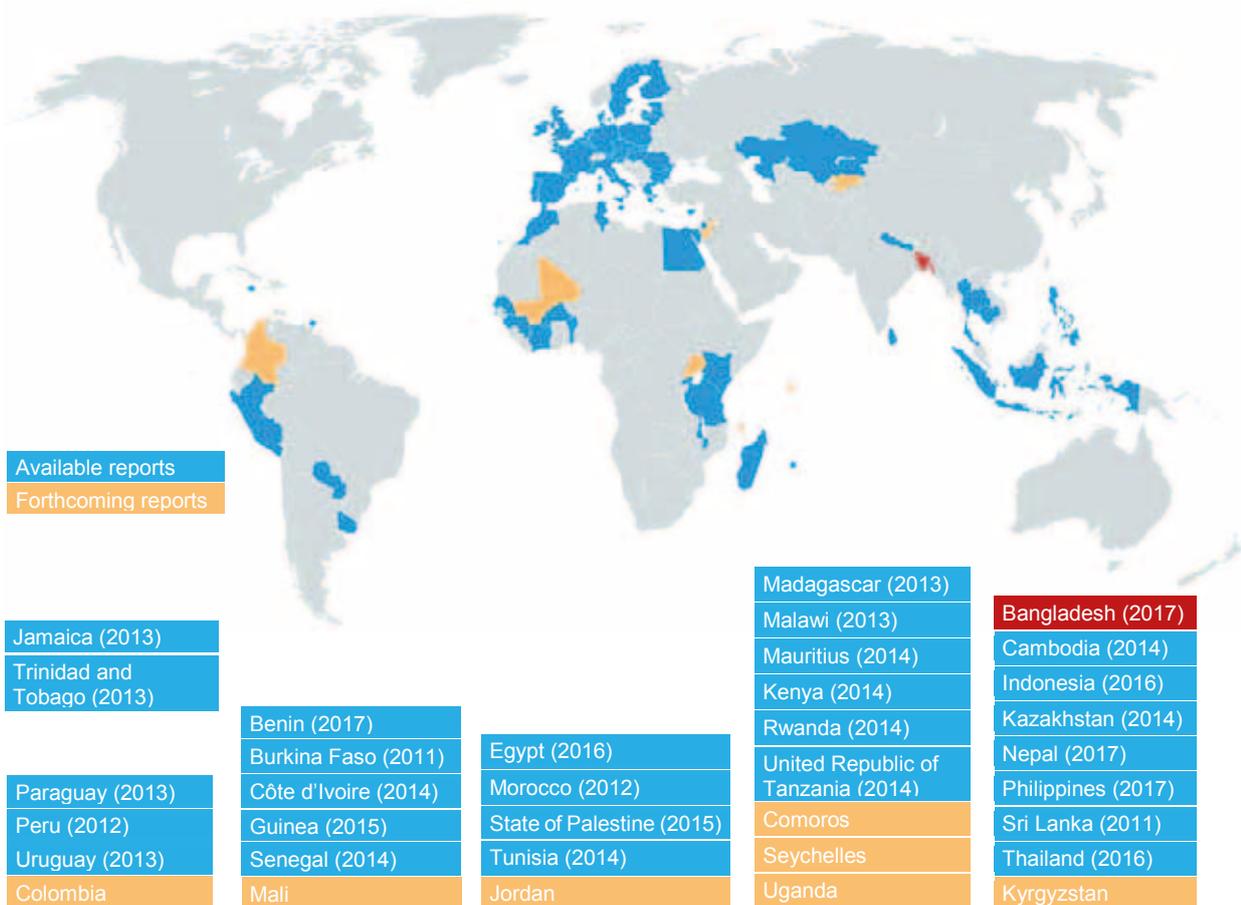
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