



Event Summary: 2nd Technical Consultation

**Strengthening Bangladesh-EU Trade and Economic
Cooperation: Issues and Policy Priorities**

29 September 2022 | Thursday | 01:00 pm to 04:00 pm (BST)

Organized by



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Research and Policy Integration for Development (RAPID), in collaboration with Friedrich-Ebert-Stiftung (FES) Bangladesh, organised a technical consultation titled “**Strengthening Bangladesh-EU Trade and Economic Cooperation: Issues and Policy Priorities**” on September 29, 2022. The event was part of a consultation series to gather inputs from policy stakeholders on a study that focuses on Bangladesh-EU trade and economic partnership. The consultation was attended by government officials, private sector representatives, and experts from academia and think-tanks. Several key points emerged from the discussion regarding the potential for economic partnership between the EU and Bangladesh.



Mr. Md. Abdur Rahim Khan, Additional Secretary of the Ministry of Commerce, graced the event as the Chief Guest. Dr. M Abu Eusuf, Executive Director of RAPID moderated the event. At the outset, Dr Eusuf ar Mr Felix Kolbitz, Resident Representative of FES Bangladesh delivered their welcome remarks. Mr Felix noted the importance of undertaking the study in light of the emerging circumstances affecting Bangladesh-EU relations.

Dr. M A Razzaque, Chairman of RAPID, delivered the keynote presentation highlighting the study findings. He noted that Bangladesh’s total exports to the EU (27 countries) stood at \$23.2 billion in 2020-21, increasing from just \$2 billion in 2000-01. The EU captures around 45 per cent of the

country's total exports and more than half of apparel exports. The EU offers high potential for Bangladesh export diversification in this market. Apart from exports, the EU is one of the most important donors of development assistance to Bangladesh. The cumulative ODA from EU institutions and individual EU countries over the past five years amounted to \$2.3 billion, which is around 10 per cent of all ODA disbursements during the same time. More than one-third of EU ODA in Bangladesh is disbursed by EU institutions. The EU is also a source of foreign direct investment (FDI) in Bangladesh. Over the immediate past 5 years, the net FDI flow from EU countries was \$3.5 billion, which is around a quarter of all such flows during the same period. The EU FDI stock in Bangladesh in December 2021 stood at more than 12 per cent of the total such stock. Among EU members, the Netherlands has the largest FDI stock in Bangladesh, followed by Germany, France, and Denmark.

Dr. M A Razzaque further mentioned that, at present Bangladesh enjoys duty-free market access for almost all items in the EU. Taking advantage of it along with relaxed rules of origin (RoO) requirements, Bangladesh's exports to the EU expanded rapidly. Bangladesh is set to graduate from the group of least developed countries (LDCs) in 2026 while retaining all LDC-related trade preferences in the EU for another three years. Graduating Bangladesh can apply for GSP+, which is, the second-best preferential regime (after EBA), which offers duty-free access for 66 per cent of EU tariff lines including apparel items. Bangladesh can meet the vulnerability criterion, as the seven largest sections of GSP-covered imports represent more than 75 per cent in value of its total GSP-covered imports to the European Union. Free trade agreements involving major trading nations (like the EU) cause preference erosion for the countries like Bangladesh receiving unilateral non-reciprocal market access. . While graduating LDCs may lose their most liberal unilateral trade preferences, other nations may gain more competitiveness because of free trade agreements, making the latter more attractive supply sources.



Dr. M A Razzaque stated that Bangladesh is one of the least carbon-emitting countries in the world. The per capita greenhouse gas emission stood at 1.46 tonnes of carbon-dioxide equivalents (CO₂e) in 2019, much lower compared to the lower-middle-income countries average of 3.3 tonnes. The corresponding figures are 8.4 in China, 2.5 in India, and 3.81 in Vietnam. Initially, the CBAM is not expected to cause any major concern for Bangladesh as the five sectors considered for carbon taxation are not among the major exports of the country. However, it is almost certain that the coverage of border measures in the EU will expand. In the current EU proposals, LDCs and some other small island developing states (SIDS) are likely to be exempted from the border carbon tax. The full implementation of the CBAM will coincide with Bangladesh LDC graduation timeline in 2026. If the coverage of CBAM is expanded to include textile and apparel, Bangladesh could be confronted with the challenges of post-LDC tariff hikes and CBAM charges, triggering a double trouble for its exports.

Dr. M A Razzaque also pointed out that, the full implementation of the CBAM will coincide with Bangladesh LDC graduation timeline in 2026. If the coverage of CBAM is expanded to include textile and apparel, Bangladesh could be confronted with the challenges of post-LDC tariff hikes and CBAM charges, triggering a double trouble for its exports. While Bangladesh— taking advantage of duty-free

market access—has been able to take full advantage of China’s reduced share in the EU, it is Vietnam, which could make most gains in the US market. To some extent, China is also moving away from low value-added items to technologically more sophisticated products. It can, therefore, make room for others in low-skill intensive manufacturing exports. This tendency can be augmented by rising geopolitical tensions.

Dr. M A Razzaque put forward the following recommendations –

1. Developing a long-term strategy and action plan constitutes a priority for a strengthened Bangladesh-EU cooperation.
2. Bangladesh must effectively engage with the EU for securing favourable terms in the post-LDC graduation period.
3. Bangladesh should consider securing a full-fledged free trade and investment agreement with the EU for maintaining the current market access for exports and attracting investment.
4. Bangladesh must take time bound actions for ensuring conformity with international conventions/standards.
5. Establishing a domestic carbon market, formulating and implementing carbon reduction policies should comprise a major policy action.
6. Improving firm-level competitiveness can subside the impact of preference erosion and help boost export competitiveness.
7. Sustainable production practices by the exporting firms and adopting ESG-related compliances will be essential for export promotion.
8. Diversifying the export basket will be important for boosting exports in the EU.
9. Bangladesh should attract more investment and try to seek additional EU development assistance to develop domestic capacity.
10. Addressing the high cost of doing business, as well as enhancing connectivity and trade facilitation, is critical for enhancing competitiveness.



The keynote presentation was followed by a moderated discussion session. Dr. M Abu Eusuf, moderated the discussion. Key points that emerged from the discussion are noted below:

Dr. Mahfuz Kabir, Research Director, Bangladesh Institute of International and Strategic Studies emphasized the importance of estimating the carbon cost and of production across various sectors. He also mentioned the need for making the most out of the special economic zones to drive exports, boost FDI-induced trade, and implement policies that will cut the country's business costs.

Ms Ferdaus Ara Begum, CEO of BUILD noted that while CBAM is not a threat right now, but Bangladesh needs to prepare well to address the carbon market related issues.

Dr Salma Akhter, Professor of Sociology, University of Dhaka, pointed out the importance of focusing on topics such as gender and development, environmental and social development, worker skill development, and diversified product lines in order to address the challenges of the export market. She highlighted the need for enhanced collaboration among ministries on gender issues to materialise the higher development milestones in an inclusive manner.

Dr M Masrur Reaz, the Chairman and CEO of Policy Exchange of Bangladesh, highlighted that trade facilitation efforts should be fast tracked to take advantage of Bangladesh's strength and the market access in the EU.

Mr. Mohammad Jahirul Quayum, Deputy Secretary (Macroeconomics Wing) of the Ministry of Finance, noted that the partnership between academia, the public and private sectors should be strengthened to find solutions for the challenges identified by the study.

Dr. Bernd Spanier, Deputy Head of EU Delegation to Bangladesh, stated that Bangladesh should focus on strengthening the Labor Act. If the labor rules are not revised, Bangladesh will find it difficult to access opportunities on the global market.

Dr. Deen Islam, Associate Professor of Economics, University of Dhaka, urged the importance of taking proactive actions in order to diversify the export basket in light of longstanding issues such as physical and legal infrastructure, trade costs, and compliance with international standards.

Chief Guest of the event, **Mr. Md. Abdur Rahim Khan**, Additional Secretary of the Ministry of Commerce mentioned that the Bangladeshi government intends to develop a strong strategic platform to address the challenges in light of the forthcoming LDC graduation.

Moderator Dr. M Abu Eusuf concluded the event with vote of thanks.

Group Photo of the Event

