



Event Report: Dissemination Seminar

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

27 October 2022 | Thursday | 11:00 – 13:00 (Bangladesh Standard Time)

Organized by



Research and Policy Integration for Development (RAPID)

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

27 October 2022, Thursday, 11:00 – 13:00 (Bangladesh Standard Time), Dhaka

Research and Policy Integration for Development (RAPID), in collaboration with FES Bangladesh, organized a Dissemination Seminar titled “**Strengthening Bangladesh-EU Trade and Economic Cooperation: Issues and Policy Priorities**”. The objective of this event was to share the findings of a study that looks into issues and policy options for a renewed and transformed trade and economic partnership with the European Union - an indispensable trade and development partner of Bangladesh. The dissemination seminar was attended by government officials, private sector representatives, experts from academia and think-tanks, and media. Several key points emerged from the discussion regarding the potential for economic partnership between the EU and Bangladesh.



Photo: Guests and discussants pose for group photo.

Ms Sharifa Khan, Secretary, Economic Relations Division, Ministry of Finance, joined the dissemination seminar as the Chief Guest. His Excellency **Charles Whiteley**, Ambassador and Head of Delegation, Delegation of the European Union to Bangladesh was present as the Guest of Honour.

Dr. M Abu Eusuf, Executive Director of RAPID moderated the event. At the outset, **Dr M Abu Eusuf** and **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.

RAPID chairman **Dr M A Razzaque** delivered the keynote presentation.

Dr M A Razzaque highlighted that, over the past decades, the European Union (EU) has emerged as an indispensable trade and development partner for Bangladesh. The EU is by far the largest export market as almost half of Bangladesh’s merchandise exports is destined to the EU. Taking advantage of the Everything But Arms (EBA) initiative— designed for providing preferential duty-free and quota-free market access of goods originated from the least developed countries (LDCs)—Bangladesh’s combined exports to the EU and UK expanded rapidly from US\$2.5 billion in 2000-01 to \$25 billion in 2021-21. In value terms, more than 80 per cent of all trade preferences for Bangladesh is obtained from European markets. Bangladesh has been the single largest beneficiary of EU trade preferential schemes.



Photo: Dr M A Razzaque delivered the keynote presentation at the event.

Dr. M A Razzaque also pointed out that, along with trade, the EU has been one of the most important development partners as well. It provides generous budget support to the government of Bangladesh, supports numerous social and physical infrastructure projects, and is a critical source of technical assistance in a wide variety of areas. Over the past five years, the cumulative ODA from EU institutions and individual EU countries amounted \$2.3 billion, which is around 10 per cent of all ODA disbursements during the same period. Bangladesh still has huge export potential in the EU as it is estimated that currently only 60 per cent of export potential is utilised. However, the nature of trade relationship with the EU, or, more precisely, Bangladesh’s dependence on EU trade preference, is now, however, set to come to terms with other major developments that will require a profound transformation of the current trade and cooperation regime.

Dr. M A Razzaque identified several reasons of this situation which are as outlined below.

- **LDC graduation:** First and foremost, Bangladesh's impending LDC graduation means the unilateral trade preferential regimes offered for LDCs by many trade partners, including the EU will change. Its graduation in 2026 will result in immediate cessation of LDC-related trade preferences in most countries including Canada, China, India, and Japan. Only the EU (and UK) would provide an additional three-year grace period and thus EBA trade preferences will come to an end in 2029. After graduation, a country can apply for some duty-free market access under the EU GSP+ programme. However, the new GSP regime for 2024-34, as proposed by the EU and currently under consideration by the EU Parliament, would result in discontinuation of any benefits for Bangladesh's clothing items. Accessing GSP+ benefits for other products will also depend on complying with various international conventions. Therefore, within the next few years, Bangladesh could see its market access terms in the EU changing quite remarkably.
- **Other countries' trade agreements with the EU:** While Bangladesh stands to lose trade preferences, free trade agreements (FTAs) could allow its competitors to gain competitive advantages in the EU. For instance, Viet Nam—an already a major apparel exporter has secured with the EU an FTA, which came into effect from August 2020. To put things in perspective, Viet Nam will see tariffs on its clothing exports to the EU gradually decline from an average 9 per cent to zero around the same time as Bangladesh's duty-free access coming to an end and being replaced with an average tariff of around 10 per cent. Even countries like Pakistan and Sri Lanka have access to GSP+ while Indonesia, which is another major apparel supplying country, is currently negotiating an FTA with the European Union.
- **The EU Green Deal and its carbon border adjustment mechanism (CBAM):** The recently proposed EU Green Deal aims to make use of a carbon border adjustment mechanism (CBAM) to internalise the cost of CO₂ in both domestically produced and imported goods. Under the CBAM, the EU wants to price the embedded carbon content in imports which will be equivalent to the price of CO₂ faced by domestic firms under the EU emission trading System (ETS). The CBAM, to be effectively enforced from 2026, will initially consider six high energy intensity sectors, viz., cement and glass, steel, aluminum, paper, petroleum and coal products, and chemicals and fertilizers. Additional sectors are likely to be brought under coverage later. This implies that whether goods are produced in an environmental-friendly manner could soon be a major factor in export competitiveness.
- **Environmental, Social and Governance (ESG) compliance:** The emerging trends in global trade and investment regimes, led by the EU, seems to suggest that the future success of exports will critically hinge upon ESG compliance. While the readymade garment sector is already under scrutiny to some extent, such standards for other sectors are also equally important and could determine future market access into the EU. The supply chain laws in the EU and individual member states may affect businesses in the developing countries that supply to the EU, including Bangladesh. Companies will have to monitor and undertake the required due diligence exercise to be able to export to the EU. The above factors call for an immediate policy attention to assess the major trends and emerging issues affecting the future of trade prospects with the EU. While

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Dr. M A Razzaque stated that the above factors call for an immediate policy attention to assess the major trends and emerging issues affecting the future of trade prospects with the EU. While LDC graduation has received prominence in policy discourse, Bangladesh seems to remain focused on the existing unilateral LDC-style trade preferences. The need for securing a trade deal (i.e., FTA) with the EU is also being highlighted by many Bangladeshi stakeholder representatives. It is often argued that other trade partners will find Bangladesh as an important partner to strike an FTA given its sustained economic growth performance, making it one of the largest 30 major economies.

However, Bangladesh lacks a credible track record for undertaking and sustaining major policy reforms in such areas as trade, industrial policy, and investment, intellectual property and environment protection that are now considered most essential for negotiating a trade agreement with any major economy in the world. It is also not adequately appreciated that clinching a good trade deal takes a lengthy preparatory phase and the actual negotiation itself often takes 7-10 years.

In light of the above, Research and Policy Integration for Development (RAPID) with support from FES Bangladesh has undertaken this study **with the aim of triggering the preparatory work for a transformed and revitalised trade and economic partnership with the European Union**. It has developed evidence and informed inputs that can provide a basis for further policy discussions (including trade regimes, post-LDC transitions, GSP+, other trade policy options). As part of this RAPID-FES project, attempts have been made to sensitise the policymakers and other stakeholder groups including businesses, analysts, and journalists about the relevant and emerging issues (e.g., environmental, social, and governance factors including compliance and labour issues) that are critical for a transformed trade and economic partnership with the EU.

Key messages of this RAPD-FES study include:

- Moving forward, Bangladesh needs to develop a long-term strategy and action plan for a strengthened Bangladesh-EU cooperation.
- Bangladesh must effectively engage with the EU for securing favourable market access terms in the post-LDC graduation period.
- Securing a full-fledged free trade and investment agreement with the EU for maintaining the current market access for exports and attracting investment should also constitute a possible option.

- But it seems either a trade deal or future preferences in the EU, would require Bangladesh taking time bound actions for ensuring conformity with international conventions/standards and to make improvements in various other related areas such as environment, investment, intellectual property, etc.
- Since the carbon border adjustment mechanisms are going to be the feature of trading with the EU, Bangladesh should prepare and consider its options for protecting export competitiveness, including by establishing a domestic carbon market, and formulating and implementing carbon reduction policies
- Implementing Environmental and Social Governance should be a key priority for Bangladesh

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



Photo: Guests and discussants sharing their views. Top left: Chief guest Ms Sharifa Khan; Top right: Guest of Honour H.E. Charles Whiteley; Bottom left: Dr Syed Muntasir Mamun, DG, MoFA; Bottom right: Barrister Vidiya Amrit Khan, Director, BGMEA

During the discussion session, **Barrister Vidiya Amrit Khan**, Director, Bangladesh Garment Manufacturers and Exporters Association (BGMEA) stressed the importance of increasing efficiency of workers. She underscored the need for exploring scopes of collaboration for exchange programmes to expedite skill development of mid to senior level managers at RMG sector. She also highlighted the need for introducing green incentives for green factories and the importance of sensitizing the industries about sustainability issues.

Dr Syed Muntasir Mamun, Director General (International Trade, Investment and Technology Wing) of Ministry of Foreign Affairs noted that it is important to consider how the industry can integrate the frontier technologies such as artificial intelligence and also drive skill development for skilled workforce.

Mr Fazlee Shamim Ehsan, Vice president, Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) noted that efforts should be taken to prepare the industry for due diligence requirements to drive export growth.

H.E. Charles Whiteley, Ambassador and Head of Delegation, Delegation of the European Union to Bangladesh appreciated the proactive involvement of Embassy of Bangladesh in Belgium and Mission to the European Union, Brussels. He also stated that European Union wants to work with Bangladesh regarding export diversification.

The chief guest of the dissemination seminar, **Ms Sharifa Khan**, Secretary, Economic Relations Division, Ministry of Finance urged the need for engaging with European Union (EU) in order to ensure ethical buying practices by the importers ahead of LDC graduation.

Dr Razzaque noted that having additional transition period beyond 2029 is important not only to drive export growth but also to accelerate women's economic empowerment and human development. The RMG sector has significantly contributed to women's integration into mainstream workforce and thereby spurred women's economic empowerment. Negotiating additional transition can provide further leeway.

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

Flyer of the Dissemination Seminar

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

27 October 2022, Thursday, 11:00-1:00 p.m. (Bangladesh Standard Time)
Venue: Sheraton Dhaka (Ariyal, Level-14), Banani, Dhaka

Chief Guest
Ms Sharifa Khan
Secretary, ERD, MoF

Guest of Honour
H.E. Charles Whiteley
Ambassador, EU Delegation to Bangladesh

Keynote Speaker
Dr M A Razzaque
Chairman, RAPID

Discussants

Welcome Remarks

Moderator

Dr. Syed Muntasir Mamun
Director General (Int. trade, investment, & tech.), MoFA

Mr Fazlee Shamim Ehsan
Vice President, BKMEA

Barrister Vidiya Amrit Khan
Director, BGMEA

Mr Felix Kolbitz
Resident Representative, FES
Bangladesh

Dr M Abu Eusuf
Executive Director, RAPID
Professor, Dhaka University