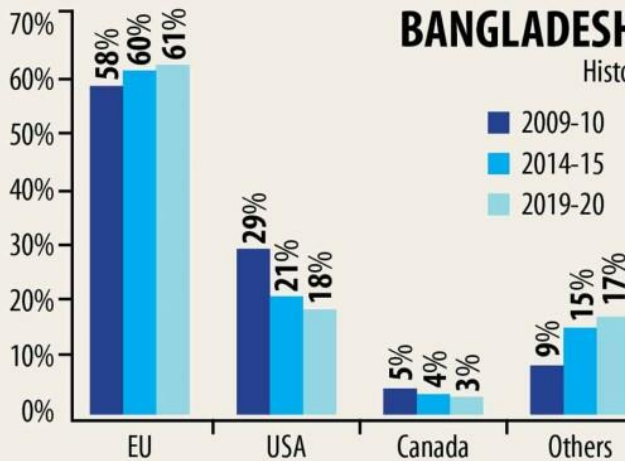




Garment sector to lose \$4b in EU if duty-free benefit ends

BGMEA study finds

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BANGLADESH'S MAJOR EXPORT MARKETS

Historical share (%) of Bangladesh's exports; values in \$

The significance of the EU market is demonstrated by the rise of its share in Bangladesh's total exports, which increased from **58%** to **61%** in last 10 years, while the country's total RMG exports increased from \$**12.49** billion in FY2009-10 to \$**27.95** billion in FY2019-20.

Bangladesh's garment exporters will lose \$4 billion if the duty-free trade benefit for the country comes to an end in the European Union following its graduation to a developing nation, according to a new study.

If the Standard Generalised System of Preferences (GSP) can be availed, the loss will be \$3.2 billion, the study by the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) said.

The EU offers Standard GSP for low and lower-middle-income countries. This means a partial or full removal of customs duties on two-third of tariff lines.

Bangladesh currently enjoys duty-free, quota-free access for all products except arms and ammunition in the EU market as a least developed country under the EBA (Everything But Arms) facility.

Bangladesh's shipment to the EU will face the worst impact after graduation as the bloc accounts for 61 per cent of the duty-free export from the country, the study said.

The country's export to the EU has grown by 9.03 per cent in the past 10 years to \$17.15 billion.

Currently, \$25 billion, or 73 per cent of the external trade of Bangladesh, enjoys duty-free access as an LDC. This will come to an end as the LDC graduation takes effect, the study said.

The significance of the EU market is demonstrated by the rise of its share in Bangladesh's total exports: it went up from 58 per cent to 61 per cent in the last decade.

Garment export rose from \$12.49 billion in the fiscal year of 2009-10 to \$27.95 billion in FY2019-20.

Applying the standard GSP or most-favoured-nation (MFN) tariff will escalate the cost of sourcing from Bangladesh further. The EU's global average import price dropped 4.35 per cent from 2013 to 2018.

"While all competitors are offering further price discounts, any imposition of tariff on Bangladeshi goods may proportionately erode competitiveness," the study said.

Bangladesh will have to negotiate strongly to meet the EU's GSP eligibility criteria.

The GSP Plus is a special incentive arrangement for sustainable development and good governance. It slashes tariffs to zero for vulnerable low and lower-middle-income countries that implement 27 international conventions on labour rights, human rights, environmental protection and good governance.

Bangladesh has ratified almost all major conventions except for a fundamental convention of the International Labour Organisation's Minimum Age Convention.

The total imports of GSP eligible products into the EU shall have to be less than 7.4 per cent of the total imports of the bloc from all GSP beneficiary countries on an average during the last three consecutive years.

The share of Bangladesh's imports to the EU under the GSP facility was as high as 24.4 per cent in 2018.

Besides, the rules of origin under both Standard GSP and GSP Plus require double transformation for textile and clothing items.

Currently, Bangladesh enjoys single transformation, or one-stage work processing, i.e., fabric to garment. Bangladesh received the benefit under the Everything But Arms (EBA) in 2011.

In FY12, apparel export from Bangladesh to the EU was \$11.38 billion. It rose to \$21.13 billion in FY19, up 86.6 per cent.

Bangladesh's export competitiveness will also be affected because the current subsidy programme of the government may not continue in the post-LDC era.

The subsidy programmes will have to be re-designed and re-purposed so that it fits in the post-LDC market access criteria and helps keep the industrial competitiveness and excellence in the country, the BGMEA study said.

The study suggested lobbying with the EU. Discussions with the European Commission need to be initiated for about 7.4 per cent threshold for the GSP Plus scheme.

The EU is currently reviewing its GSP scheme for 2023, which will be finalised soon.

"It is important to have the issue of threshold addressed in the new GSP regulation. If we can successfully lobby with the EU to re-fix its threshold criteria from 'import under EU GSP' to 'EU's overall import', this may resolve the problem."

Extension of the EBA and other preferential tariff schemes for at least for 7-10 years on the ground of high concentration of exports and the impact on employment and poverty was stated in the report.

The fallouts of the Covid-19, Bangladesh's contribution towards global peace-keeping and humanitarian responses such as providing shelter to the Rohingya refugees, and combating terrorism should be considered in making this appeal.

It also suggested ratification of the ILO Convention 138 on the minimum age and initiating stakeholders' consultation on Bangladesh's strategy to comply with 27 international conventions.

"Our development and growth strategies, including both public and private sector, should be directed toward a free trade agreement. Economic readiness and openness should be our main concern," the study said.

The study also recommended for persuading through the World Trade Organisation (WTO) as the LDCs submitted their transition plans and recommendations to the global body.

Currently, 15 countries have standard GSP status in the EU market, eight GSP Plus status and 48 LDCs have EBA status, according to the website of the European Commission.