PRELIMINARY FINDINGS AND INTRODUCTION TO THE CASE STUDY OF BANGLADESH

Stakeholder Outreach Workshop
Dhaka, Bangladesh
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Content

- Case study approach
- Bangladesh-EU Trade
- Impact of the EU’s EBA
  - Economic impact
  - Social impact
  - Environmental impact
  - Human rights impact
- Standard GSP or GSP+ beneficiary
- Conclusions and next steps
Case Study Approach

- Quantitative and qualitative assessment of main indicators on:
  - Economic impact → in particular on economic development
  - Social impact → in particular on poverty reduction and distribution of gains
  - Environmental impact
  - Human rights impact
  - Unintended consequences of the EBA

- Stakeholder input and contributions
  - National workshop in Bangladesh
  - Interviews and meetings
  - Stakeholder questionnaire
### Summary overview of the 3 GSP arrangements

<table>
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<th>Standard GSP</th>
<th>GSP+</th>
<th>EBA</th>
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<tbody>
<tr>
<td><strong>Beneficiaries</strong></td>
<td>low or lower-middle income countries</td>
<td>vulnerable Standard GSP beneficiaries in terms of export diversification and import volumes</td>
<td>LDCs</td>
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<td><strong>Number of beneficiaries</strong></td>
<td><strong>23</strong></td>
<td><strong>8</strong></td>
<td><strong>49</strong></td>
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<td><strong>Non-sensitive goods</strong></td>
<td>duty suspension</td>
<td>duty suspension</td>
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<td><strong>Sensitive goods</strong></td>
<td>duty reduction: - 30 per cent - 3.5 per cent</td>
<td>duty suspension</td>
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Analytical questions

- What is the economic, social and environmental impacts of EBA?
- What is the impact of EBA on economic development?
- What is the impact of EBA on poverty reduction?
- What is the impact of EBA on the distribution of gains?
- Are there any unintended consequences of EBA?
Bangladesh-EU Trade

- GSP beneficiary since 1971 and EBA beneficiary since 2001
- Main beneficiary of the EU’s EBA
  → 69.1 per cent of all EBA exports to the EU
- EU is the main export destination for Bangladeshi exports
  → 46.7 per cent of total exports in 2015
  → EUR 15.1 billion in value in 2015
- Main export products:
  • Clothing and textile
  • Fish and crustaceans (shrimps)
  • Vehicles other than railway or tramway
  • Raw hides and skin, leather
  • Tobacco

Source: EuroStat
Economic impact of the EBA

- Increase in EBA exports to the EU in terms of value

- Low diversification → focus on RMG
  - RMG products represent more than 90% of all exports to EU
  - Top 10 exports account for the 99% of all exports to EU

Source: EuroStat
Economic impact of the EBA

- Non-apparels → Shrimp, bicycles, leather, tobacco
  - Non-RMG exports are growing in value terms but they are losing importance
  - Sanitary and phytosanitary requirements and technical barriers to trade

Main non-apparels exports to EU

Source: EuroStat
Utilisation Rate

Source: EuroStat
Competition with Other Beneficiaries

- Reduced number of beneficiaries: Unlikely to have any significant effect
  - Differing export profiles
- Increased competition from Pakistan and Vietnam
  - Duty suspension as GSP+ beneficiary
  - Vietnam and Pakistan have increased their share in EU market at faster rate than BGD – also indicators of diversification need to be assessed

**Share and growth in share of RMG exports to the EU**

Source: ComTrade
Social Rights in Bangladesh

- Free and compulsory primary education
  → Improvement of quality and access to education
  → Large share of Bangladeshi workforce remains undereducated

- Extensive health infrastructure in public and private sector
  → Reduced child and maternal deaths, increased immunisation coverage and survival from infectious diseases
  → Institutional obstacles, competency overlap, shortage of qualified staff and underfinancing

- Labour is one of the main production factors
  → Improving labour rights since 2013
Social Impact in the RMG Sector

- RMG sector employs 4.2 million workers and indirectly supports 40 million Bangladeshi.

- 55 per cent of the workers are female
  → Positive effect on empowerment, household income and domestic violence

- Work safety conditions are improving since the Rana Plaza disaster in 2013

- Promising developments to guarantee the right to association
  → Since 2013 a significant increase of trade unions
  → Online registration of trade unions since March 2015
  → Helpline to report and resolve workplace grievances since 2015

Source: EU
Environment in Bangladesh

- Rapid urbanisation and economic growth
  - Affects air, water and soil quality, deforestation, waste generation and climate change

- Increasing CO2 emissions and air pollution
  - Per capita CO2 emissions more than doubled in last two decades
  - Vehicle and industry emissions

- Problematic waste management in urban centres
  - Poor industry waste management
  - Underfinanced and outdated

- Increasing deforestation
  - Increased demand for housing and land for agricultural activities

- Vulnerability to climate change (sea level rise and extreme volatility)
  - Rising sea levels and increasing number of natural calamities
Environmental Impact of RMG Sector

- High waste generation in RMG centres in Chittagong, Khulna, around Dhaka and Narayanganj city
  - In Narayanganj city 120 to 125 tons of waste is generated on a daily basis

- Chemical pollutants in the factories’ waste and waste water have detrimental environmental effects
  - On rivers and the coastal and marine environment through waste water
  - On the soil through land filling
  - On the air and atmosphere in the cities

- Caused by improper waste management and lack of enforcement of regulations

Environmental Impact of Shrimp Cultivation

- Affects soil and water quality
  - Changes chemical composition of soil texture and water quality
  - Extensive sediment accumulation

- Affects land use
  - Mangroves, agricultural land and rice fields are being used
  - Deforestation in coastal areas

- Affects flora and fauna diversity
  - Lack of sustainable pond management techniques
  - Lack of enforcement of existing regulations
  - Lack of training and skill development mechanisms for farmers
Human Rights in Bangladesh

- EU can withdraw trade preferences in case of serious and systematic violation of the principles laid down in the core UN and ILO conventions

- Bangladeshi signed up to human rights conventions and proclaims human rights inalienable, universal and fundamental

- Violations by the criminal justice system
  - Right to life, liberty and security
  - Right to be free from arbitrary arrest

- Violations of right to freedom of expression
  - Human rights organisations raised concern about state censorship and the constrained media environment

- Gender-based violations of human rights
  - Disadvantages in multiple aspects of life: access to health services, economic opportunity, political participation and control of finances
Standard GSP or GSP+ Beneficiary

- Graduation from LDC classification may be achieved by 2021.
  - Steady economic growth at roughly 6 per cent per year
  - BGD may face a reduction in the preferential tariffs to EU if only eligible for Standard GSP

- GSP+ could be an option to extend the duty free access to the EU market:
  - Ratification of GSP+ covered conventions on human rights, labour rights, environmental protection and good governance
  - Implementation of GSP+ covered conventions

- Improvement of
  - Labour standards
  - Security
  - Democracy
  - Environmental standards
  - Freedom of expression
Thank you for your attention!

WE WELCOME YOUR INPUT

Stay up to date on the evaluation process

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