Report of the Stakeholder Outreach Workshop on the Mid-Term Evaluation of the EU’s Generalised Scheme of Preferences (GSP)
Le Meridien Dhaka, Bangladesh
7 February 2017, 8:30 – 18:00

Objectives of the Workshop
To bring together stakeholders from the national and regional administrations, businesses, and social organizations in Bangladesh to disseminate information about the EU’s GSP, particularly its arrangement for the least developed countries, the Everything But Arms (EBA); to discuss the preliminary findings of the Mid-Term Evaluation with respect to Bangladesh; and to gather stakeholder views on the impact and application of the EBA in Bangladesh.

Main Points of Discussion
The following are the key points raised by speakers and panellists (sequenced according to the Workshop Agenda). The Outreach Workshop was chaired throughout by Dr Willem van der Geest, Team Leader, DEVELOPMENT Solutions Europe Ltd.:

- **Opening Remarks - Mr. Hedayetullah Al Mamoon, Senior Secretary, Ministry of Commerce, Bangladesh**
  o The EU has been a key partner that has continually supported Bangladesh over the years;
  o Bangladesh has witnessed a dramatic reduction in poverty over the last decade;
  o There is need to develop a partnership that goes beyond trade and allows Bangladesh to improve working conditions and attract investment.

- **Opening Remarks - H.E. Mr. Pierre Mayaudon, Ambassador and Head of the European Delegation to Bangladesh**
  o The EBA has shaped a positive image of the EU in Bangladesh; noted as the “gem” of EU-Bangladesh relations;
  o The EBA is an engine for growth, creating dynamism in the corporate sector and resulting in the employment of a significant number of women in the RMG sector;
  o The EBA also allows European consumers to access to quality goods at affordable prices;
  o After the tragedy at the Rana Plaza Factory, the EU sought consensus on issues rather than revocation of EBA trade preferences. As a way out of the crisis, it instituted the Sustainability Compact, with the cooperation of the ILO as well as Canada and the US.
  o In future, two possible scenarios may emerge:
    i) “Rosy scenario”: Bangladesh’s smooth transition from EBA to GSP+;
    ii) “Dark scenario”: As noted by trade Commissioner Malmström on the 3rd Anniversary of the Rana Plaza Tragedy, if labor conditions do not improve as expected, the EU
may need to reconsider the trade benefits to Bangladesh.

- Overall it is hoped that the EU and Bangladesh will continue to work together to strengthen the positive effects of the EU GSP for Bangladesh. Such cooperation will need to be broad and effective. The EU-Bangladesh Business Council Dialogue is a good example of such cooperation.

- **Speech - H.E. Mr. Tofail Ahmed, Minister of Commerce, Bangladesh**

  - As a result of EBA trade preferences, the poverty rate is declining annually in Bangladesh;
  - Less stringent rules of origin requirements have resulted in an improvement in the utilization of the GSP benefits for Bangladeshi exports to the EU.
  - The Government of Bangladesh is already working towards a smooth transition from the EBA to the GSP+.
  - As a result of reductions in the selling price of ready-made garments (RMG), efforts to increase workers’ salaries have not resulted in much success.
  - Social indicators in Bangladesh are better than countries such as India and Pakistan, especially in rural areas.

- **“EU’s GSP and EBA: Explaining the GSP Regulation” - Mr. Daniel Kramer, Project Manager, Directorate General for Trade, European Commission**

  - Bangladesh was the first and obvious choice for a case study for the Mid-Term Evaluation of the EU’s GSP due to the importance of EBA preferences to the economy;
  - The objective of the workshop is not only to disseminate information but to gather information on the impact and application of the EBA in Bangladesh;
  - There is need to reflect upon the future of the EU’s EBA, also on the basis of the experience in Bangladesh. Proper evaluation should be conducted and changes undertaken, where necessary.

- **“The GSP Evaluation: Objectives and Methodology” – Mr. Willem van der Geest, Team Leader, GSP Evaluation**

  - The objectives of the EU’s GSP are three-fold: to contribute poverty eradication; to promote sustainable development and good governance; and to safeguard EU’s financial and economic interests.
  - Rationale for GSP Reform: To better reflect the current global landscape; to focus on the countries most in need; and to reduce the erosion of preference margins. Current GSP Regulation – Regulation (EU) No. 978/2012 – in force since 1 January 2014.
  - The Project Team will assess the current GSP scheme on its effectiveness, efficiency, coherence and relevance. Key questions that the Evaluation seeks to address include:

    - To what extent are the objectives of the GSP on track to be achieved?
    - What has been the impact of GSP in developing countries?
    - What unintended consequences are presented?
    - To what extent is the current GSP efficient?
    - To what extent is the current GSP scheme relevant to the development needs which it is intended to address?

  - Both quantitative and qualitative analyses on the functioning of the current GSP Regulation to be undertaken. Quantitative analysis based on previous studies using updated trade and tariff data, case studies on specific EBA (Bangladesh and Ethiopia) and GSP+ (Pakistan and Bolivia) countries as well as in key sectors (textiles and machinery); economic analysis to capture preference utilisation rate, diversification, real income
This project is financed by the European Union

indicators, among others; social and environmental analysis to cover indicators such as good governance, poverty reduction, women equity, climate change, among others.

- Possible areas of recommendation include the facilitation of improved benefits to beneficiary countries; the improvement of GSP utilisation rate; a revision of preference margins; and a review of the conventions covered for GSP +.
- Stakeholder engagement via questionnaires, interviews/meetings, online public consultation, civil society dialogues, workshops, social media and website interaction.

- “EBA: Bangladesh’s Perspectives”, Ms. Mafruha Sultana, Vice Chairman (CEO), Export Promotion Bureau, Bangladesh
  - The EBA has had an overall positive impact in Bangladesh;
  - Of all the EBA beneficiary countries, Bangladesh has the highest utilization rate of trade preferences and export volume to the EU;
  - In recent years, Bangladesh’s exports to the EU have increased not only in terms of value, but also in terms of the types of products exported (export diversification). There has also been evidence of market diversification;
  - As a result of the EBA, there has been evidence of declining rates of poverty, infrastructure development and enhanced productivity in the industrial sector in Bangladesh.

- “EBA: Preliminary Findings and Introduction to the Case Study of Bangladesh”, Mr. Willem van der Geest, Team Leader, GSP Evaluation Project
  - The approach to the Bangladesh case study is two-fold. Firstly, the Project Team will undertake a quantitative and qualitative assessment of main indicators on economic, social, environmental, human rights. Secondly, stakeholder input and contributions from workshops, interviews, meetings and questionnaires will be incorporated.
  - Bangladesh is the main beneficiary of the EU’s EBA. Its exports account for 69.1% of all EBA exports to the EU.
  - Notably, the EU is the main export destination for Bangladeshi exports. In recent years, exports have steadily increased.
  - Low diversification of export base: RMG exports dominate. Top 10 exports account for the 99% of all exports to EU.
  - Non-RMG exports are growing in value terms but there share of exports to the EU is very low and declining.
  - Utilisation rate has increased and is close to 100%
  - Reduced number of beneficiaries under the current GSP scheme is unlikely to have any significant effect on Bangladesh as it has a different export profile from beneficiaries that have graduated from the scheme. However, there are signs of increased competition from Pakistan and Vietnam.
  - Social progress noted in the following areas: free and compulsory primary education; and extensive health infrastructure in public and private sector. Labour is one of the main productive factors.
  - Social Impact of the EBA in the RMG Sector - RMG sector employs 4.2 million workers and indirectly supports 40 million Bangladeshis; 55 per cent of the workers are female. Positive effect on empowerment and household income. Noted reduction in domestic violence. Work safety conditions have improved since the Rana Plaza Factory incident in 2013. Promising developments to guarantee the right to association.
  - Environmental Impact of the EBA in Bangladesh: Rapid urbanisation and economic growth; increasing CO2 emissions and air pollution; problematic waste management in urban centres; increasing deforestation; and vulnerability to climate change (sea level rise and extreme volatility)
- Environmental Impact of the RMG Sector: High waste generation in RMG centres in Chittagong, Khulna, around Dhaka and Narayanganj city; chemical pollutants in the factories’ waste and waste water have detrimental environmental effects; improper waste management and lack of enforcement of regulations; the negative impact of shrimp cultivation on soil and water.

- Human Rights in Bangladesh: A few cases of human rights violation detected in criminal justice system; freedom of expression and gender equality issues evident.

- Graduation from LDC classification may be achieved by 2021; after that a transition period of three years would be applicable before standard GSP conditions would start to apply.

- GSP+ could be an option to extend the duty free access to the EU market.

- Bangladesh needs to make improvements in labour standards, security, democracy, environmental standards, and freedom of expressions.

**Discussion and Feedback Session, Mr. Mustafizur Rahman, Executive Director, Centre for Policy Dialogue**

- Bangladesh will continue to have duty-free access for its exports to EU for at least 10 more years. However, it is important that keen attention is paid to progress on the implementation of the international conventions.

- Less stringent rules of origin requirements in the current GSP Regulation have greatly contributed to the increase of exports, especially of woven products.

- There are several areas for the Government of Bangladesh to improve, including: (i) the number of union registrations; (ii) the minimum wage (between 1994 and 2006, real GDP increased by 74% minimum, while the real wage of RMG workers increased by only 4%. Notably, the minimum wage increased twice in recent times: in 2010 and 2013).

- Trade policies need to be complemented by other policies like development aid in order to advance other aspects of the production chain.

- In order to take full advantage of trade preferences under the EBA, supply side capacities need to be strengthened.

- The link between trade and investment needs to be strengthened.

- Preference erosion is an ever-present reality: The EU is has negotiated an FTA with Vietnam and is currently negotiating an FTA with India. In recent times, countries like Pakistan have acquired GSP+ status.

- After Rana Plaza factory incident, Bangladesh has been heavily monitored by the international community, even moreso than other countries.

- Empowerment of women and environmental sustainability must be encouraged as positive externalities that result from the EBA.

**Stakeholder Contributions in this Session**

- GDP growth in Bangladesh is highly correlated with exports due to relatively weak domestic consumption.

- Product diversification has been seen in the RMG sector as a result of the utilization of new technologies.

- Apparel retail buyers are steadily reducing prices, which has negatively impacted in workers’ salaries.

- The standard GSP and GSP+ arrangements do not provide as much incentives for Bangladeshi industries as the EBA arrangement does. It is critical that transition from the EBA to new arrangement be smooth in order to allow the industry to adapt to the new tariff regime.

- Proposal for trade in services component to be covered under the GSP scheme as
Bangladesh has improved its services capacity.
- The EU should include technology transfer as a component in the GSP scheme. This could assist in the further development of Bangladesh’s technological capacities, which is currently unimpressive.
- Bangladesh is heavily affected by global warming; however, it is not clear how much Bangladesh is contributing to it.
- The realization of the Sustainable Development Goals (SDG) should be linked to the GSP scheme.
- Trade preferences must be complemented by powering human skills through developmental aid. Otherwise, EBA benefits will be biased.
- The EU also benefits from the EBA as people benefit from cheaper and quality products. The EU should also be interested in invest more in BGD.
- Export growth based only on the EBA is too simplistic. There is growing demand from regions like Latin America and Asia Pacific countries. It is important to analyze other prospects for export growth.

- “The Social Impact of EBA on Bangladesh” - Mr. Srinivas Reddy, Country Director International Labour Organization (ILO), Bangladesh
  - It is undeniable that the EBA has had a positive impact on social development, especially through employment generation.
  - To analyze the social impact of the EBA, it is important to monitor the impact on UN Sustainable Development Goal (SDG) Number 8: Inclusive Economic Growth.
  - The World Bank has noted that progress in the area of poverty reduction in Bangladesh can serve as an example for other developing countries.
  - One of the key questions raised is how to make workers partners in Bangladesh’s economic progress.
  - Child labour has reduced by 50% over the past 10 years. However, Bangladesh has not signed the minimum age for admission to employment and work convention. This is an outstanding issue that is yet to be resolved.
  - There is still considerable mistrust between employers and workers. Even though the number of trade unions has increased, significant barriers in communication still exist between employers and workers.
  - Sustainable social dialogue between employers and workers is to be promoted rather than a crisis-based ad-hoc one.

Stakeholder Contributions in this Session
- The Government of Bangladesh has to make special efforts to implement the 4 recommendations of ILO regarding unions’ rights. The EC may have to start a formal process to review the EBA if Bangladesh doesn’t show commitment towards ILO recommendations by June 2017.
- Bangladesh will not be able to implement European standards easily. Implementation of ILO/EU requirements must be progressive. Timing may be delayed but the Government of Bangladesh is committed to their implementation. Deadlines will not result in answers. Dialogue is essential in order to be clear on the specific requirements.

- “The Environmental Impact of EBA on Bangladesh” – Mr. Ziaul Haque, Director, Department of Environment, Ministry of Environment and Forests
  - Legal framework put in place by the Government of Bangladesh to monitor the environmental impact of Bangladeshi industries.
The project is financed by the European Union.

- Periodical visits by the government departments to monitor the environmental impacts of factories. Use of new technologies, for example smartphones applications, to improve the quality of these inspections.
- Several laws and regulations concerning environmental protection and clean energy use have been adopted and are being implemented.
- The Government of Bangladesh is working to reduce carbon emissions from 5% to 15% by 2030.
- Energy efficiency and environment conservation initiatives are emphasized in industrial parks.

**Stakeholder Contributions in this Session**

- EU environmental regulations are currently considered too demanding for Bangladeshi industries. There is need to complement regulations with information and training as well as green funding.
- There is no clear tracking of the real contribution of Bangladeshi industries to global warming.
- Need to find the balance between environmental mitigation and economic growth. Environmental regulations have high costs for small and medium industries.

- “The Development Impact of EBA on Bangladesh” - Mr. Fakrul Ahsan, Project Manager, United Nations Development Program (UNDP), Bangladesh

  - Discussions surrounding development issues in Bangladesh need to focus on the achievement of the UN Sustainable Development Goals.
  - SDGs have been successfully integrated into local regulations (7th Five Year Plan). The Monitoring Framework and Action Plan on the implementation of the SDGs have already been drafted and shared with relevant stakeholders for consultation.
  - There is need to improve data availability in order to facilitate the monitoring of SDG achievements. The Government of Bangladesh currently uses 63 indicators to track progress on the implementation of the 169 targets of SDGs. There is still room for improvement.
  - There is need to improve the monitoring system for development indicators.
  - The labour force participation rate of women has grown significantly in Bangladesh.
  - Bangladesh has topped the South Asian countries in gender equality for the second consecutive year. Notably, Bangladesh is the first country in South Asia to achieve gender-parity in primary education.
  - Bangladesh has shown its commitment to achieve the Millennium Development Goals. Many targets were met and several others are on track to be achieved. Further improvement is needed in areas such as maternal health (maternal mortality) and environmental sustainability (forest cover and basic sanitation).
  - Additionally, it is recommended that there be further training of government officials and relevant stakeholders in monitoring the implementation of SDGs; the promotion of stakeholder engagement through different platforms; and the encouragement of academic research on SDG related issues.

- Panel Discussion with Speakers from Civil Society Organizations and Industry – “Ensuring Stakeholder Input into the GSP Evaluation: Concern, Progress and Opportunities”. The panel was moderated by Dr. Hossain Zillur Rahman, Executive Chairman, Power and Participation Research Centre, Bangladesh.

Ms. Kalpona Akter, Executive Director, Bangladesh Center for Workers Solidarity
It is evident that the EBA has contributed to poverty reduction in Bangladesh. However, there are still areas where there is very little progress. Access to basic services, the institution of a basic minimum wage, malnutrition, and poor labour conditions are among some of the areas that need critical attention.

Freedom of association is not fully respected. This situation is especially critical in the Special Economic Zones (SEZs) where this freedom is currently not being exercised. Despite the fact that number of unions has increased, only 50 unions are operational and have established successful dialogue between workers and employers to improve working conditions. There are still many barriers to facilitate union registration.

Ms. Nazma Akhter, Assistant General Secretary, IndustriALL Council Bangladesh

Malnutrition has not yet been fully addressed in Bangladesh. Most children suffer from malnutrition-related problems.

Due to long working hours, parents have limited time to raise their children. In these cases, these children are sent to the country-side to be raised by grandparents. As a result of poor supervision and guidance of these children, there is a perpetuation of social problems.

Due to grim working conditions which take a toll on the body, workers, especially women, are not able to work beyond the age of 45 due a number of physical ailments.

Employers should actively facilitate the union registration process rather than deny workers these basic rights. There is need for employers to be more proactive in this regard.

Companies’ profits are increasing but workers’ salaries remain the same. In some cases, the minimum salary is not respected and salaries are not paid in a timely fashion.

Mr. M. S. Siddiqui, Member National Committee and Co-Convener, Finance, Trade and Budget Sub-Committee, Bangladesh Poribesh Andolon (BAPA)

There is need to control the use of dangerous substances that can potentially harm the environment in Bangladesh. This is a major problem that needs to be appropriately addressed.

The following sectors/areas have been noted to impact the environment negatively: agriculture, forestry, fisheries, urbanization, industry, transport, tourism, energy, chemicals and minerals.

Some of the known problems include the use of forbidden pesticides, non-existence of a proper disposal mechanism for obsolete equipment, waste liquid with polychlorinated biphenyls (PCBs) and solid PCB waste, non-existence of control mechanism for the release of dioxins and furans into the environment from the iron, steel and aluminum production.

The transportation sector is noted as one of most dominant sectors in terms of energy consumption in Bangladesh. However, it is very inefficient.

The rapid expansion of the industry has led to the conversion of many buildings (built for other purposes) into factories, often without the required permits.

CO$_2$ emissions are increasing in Bangladesh. Per capita CO$_2$ emissions have more than double in the last two decades.

Air pollution is at an alarming high rate, especially in Dhaka.

Shrimp and crustacean cultivation also have a significant impact on the environment. They affect the chemical composition of the soil, changes in the water quality, agricultural lands, and deforestation in coastal areas.

ILO Convention 155 on Occupational Safety and Health has not yet been ratified by the Government of Bangladesh.

Bangladesh has limited capacity to assess their social and environmental performance.
Small and medium-sized enterprises are often unaware of the cost advantages and/or financial savings to be gained from the simultaneous introduction of environmental protection and social improvement measures.

Mr. Shamsuzzaman Bhuiyan, Additional Inspector General (Additional Secretary), Department of Inspection for Factories and Establishment, Ministry of Commerce

The Government of Bangladesh mandates periodic visits to monitor working conditions and environmental impacts of factories. Use of new technologies, including smartphones applications, to improve the quality of the inspections.

Inspectors report to the Government and the Government follows-up with the factories that are in violation of the factory codes.

Since the Rana Plaza Factory incident in 2013, 1549 factories have been inspected, 39 have been closed and 47 partially closed (government numbers).

Mr. Miran Ali, Director, Bangladesh Garment Manufacturers and Exports Association

Without EBA preferences, Bangladesh will not be as competitive as it currently is in the apparel industry.

The industry is committed to try to gather unions together and find main points of understanding and overall solutions, with the close support from the Government and organisations like the ILO.

Industry is working very close with government and non-governmental bodies to ensure the quality standards are been achieved in terms of working conditions and environmental remediation. There is a permanent monitoring of more than 1,000 factories.

There has been progress in green initiatives. Bangladeshi has a large number of companies applying for green certifications and many brands that are currently producing in factories located in Bangladesh are recognized for utilizing sustainable practices.

European consumers care about sustainability and their demand for sustainable goods is forcing Bangladesh to become competitive.

There is need for a safety committee in every factory. Companies must be aware of safety problems and how to adequately deal with and/or report them.

Factory inspections have significantly improved quality standards. The use of new technologies has improved the monitoring process, avoiding manipulation of information, sending inspectors on a random, rotating basis and securing the samples to be analyzed.

Trade union registration is an administrative process between workers and government authorities.

There is an arbitration committee with workers representation to solve any disagreement between employers and employees.

Bangladesh has proven that it can move forward in the face of challenges. After Rana Plaza Factory incident, serious remediation has taken place. Industry can be more proactive and there are many issues to be improved upon, but so far conditions are much better than what they used to be.

More transparency is required from both employees and employers to achieve frank dialogue. It is necessary to acknowledge that everybody needs to work harder towards consensus.

Preference erosion is happening for two reasons. Firstly, several countries are granting subsidies to producers. Certain benefits are given in countries like India, where the Government has been compensating after the loss of GSP preferences. Secondly, production costs are increasing. Besides labour costs, others costs like infrastructure, banking, energy, transport and logistics and other administrative costs are on the rise.
Diversification of exports: South Asian countries are dominant in the RMG sector. However, there are other sectors where they can become more competitive:
- Automotive;
- Agriculture;
- Light engineering;
- Electronics.

Lack of industry agglomeration and efficiency which makes these industries unprofitable under the current conditions.

The average price of RMG products in developed countries is decreasing; the profitability per unit of output is narrowing.

**Stakeholder Discussions in this Session**

- There are many violations of environmental regulations that are not correctly monitored and that are not easy to address with the current legislation and processes.
- There are many industry stakeholders who are working to improve labour and environmental conditions on their own without reliance on government regulations.
- Improvements in housing conditions and the public transportation system are key components of workers’ demands. These are aspects that can be part of a wider consensus for improving the quality of life for workers.
- Infrastructure development is a critical component for improving conditions for the sector as a whole, as well as for workers.
- The four recommendations on freedom of association in Bangladesh, which were included in the ‘Special Paragraph’ of the ILO 2016 Report of the Conference Committee on the Application of International Labour Standards, needs to be addressed if Bangladesh is to continue benefitting from EBA preferences. If these concerns are not adequately addressed by June 2017, the EU will be forced to start a review process of Bangladesh’s EBA preferences.