

**FOURTH MEETING OF THE SUPERVISORY COMMITTEE OF
PREFERENTIAL TRADE AGREEMENT
AMONG D-8 MEMBER STATES
16 February 2016
Islamabad, Pakistan**

**Statement of Bangladesh
Agenda Item-07**

Thank you, Madam Chair, for giving me the floor to open the Agenda item 07 which is ‘**Consideration of the Proposal of Bangladesh to have 30% Local Value Addition Criteria for LDCs in the Rules of Origin of D-8 PTA**’.

Madam Chair,

Bangladesh is one of the founding members of D-8 PTA. We also signed the Charter of the Developing-8 Organization for Economic Cooperation and the ratification of the Charter is under process.

Distinguished D-8 Members,

May I recall that since the beginning of discussion on Rules of Origin (RoO) under D-8 PTA, Bangladesh repeatedly requested D-8 Members to consider 30% local value addition for LDCs on the basis of some just and valid reasons. We also drew attention of the D-8 Member States to the Special and Differential (S&D) Treatment that an LDC is entitled to receive in such trade agreements. However, D-8 Member States could not positively consider Bangladesh’s request and instead it finalized the text with a requirement of 40% value addition criteria during the 10th session of the HLTO’s meeting without any relaxation for LDCs.

To appraise the decision adopted by D-8 Member States Bangladesh held internal consultations with stakeholders. On the basis of consultations, Bangladesh informed the D-8 Secretariat that Bangladesh would not be in a position to accept

the Rules of Origin text unless 30% local value addition criteria for LDCs was agreed upon by D-8 Member States.

During the First Trade Ministers Council Meeting held in June 2013, it was decided that Bangladesh would submit a formal proposal in this regard to D-8 Secretariat for consideration of D-8 Member States. Accordingly, Bangladesh submitted its proposal and it had been discussed in the Third Supervisory Committee (SC) Meeting. The Meeting decided to refer this issue for further discussion in next Trade Minister Council (TMC) Meeting. It is disappointing to us that a just demand which is aligned with WTO principles is kept unresolved for such a long time.

Respected Leaders of the Delegations,

Now I would like to draw your kind attention to some very reasonable and justified grounds in support of our proposal, and would request Member States to reconsider the proposal of Bangladesh.

01. The objectives D-8 PTA are to strengthen trade relations among the Contracting Members, more specifically, promotion and expansion of trade, contributing towards the harmonious development of economic relations among the Contracting Members (Article-2.c). It also declares in Article-2.d for the creation of enabling conditions for fair competition among the contracting Members.
02. The General Principles of the Agreement in Article 3 states that D-8 PTA shall be governed in accordance with some general principles which are:
 - a) Overall reciprocity and mutuality of advantages to benefit equitably all Contracting Members, taking into account their respective levels of

economic Development, external trade, tariff policies and import procedures [Article-3.1(a)]; and

b) Recognition of needs of the Least Developed Contracting Members [Article-3.1(b)].

But the proposal of Bangladesh for 30% local value addition criteria for LDCs which was not considered in the Rules of Origin that is inconsistent with the above Objectives and General Principles of the Agreement.

03. We would like to highlight that LDCs are entitled to get differential and more favorable treatment in the regional, multilateral, and preferential trade under Enabling Clause (i.e., the 1979 Decision on Differential and more favorable treatment, reciprocity, and fuller participation of Developing countries) and Article V of GATS.

At present, we as an LDC are enjoying favorable treatment regarding local value addition criteria of 30% in many regional and preferential trade agreements and GP schemes. Examples are TPS-OIC, SAFTA, BIMSTEC, APTA and GSP under EBA in the EU etc.

04. It is relevant to mention here that all the D-8 Member Countries are also the member countries of TPS-OIC namely Turkey, Pakistan, Egypt, Nigeria, Indonesia, Iran and Malaysia. They have agreed to give favorable treatment of 30% local value addition to LDCs, including Bangladesh in the TPS-OIC RoO. We fail to understand why the same member countries of TPS-OIC being the member of D-8 PTA are behaving in a different way in this similar forum. We urge for the same treatment from you, not anything more than that is in TPS-OIC RoO.

Bangladesh considers the present Rules of Origin of D-8 PTA as very stringent for its products (having export potential to D-8 markets) to qualify for

preferences. The apprehended result is that the exports from Bangladesh will use TPS-OIC scheme for market access to the D-8 Member Countries as all D8 Member States are also parties to TPS-OIC. This will reduce the effectiveness of D-8 PTA as a whole.

05. We the Member states are all the Members of multilateral trading system of WTO. In the last Ministerial Conference, Tenth Session (MC 10) of WTO held in Nairobi in Kenya during 15-18 December, 2015 recommendation was made allowing the use of non-originating materials up to 75% of the final value of the product for the LDCs, thus making only 25% sufficient as local content on ad valorem criteria {Ref.: WT/MIN(15)/W/38}.

On the other hand in the same session, The Ministerial Declaration No.28 clearly states the need to ensure that Regional trade Agreements (RTAs) remains complimentary to, not a substitute for, the multilateral trading system.

The above first statement clearly supports the demand of Bangladesh for 30% value addition criteria for the LDCs (WTO's recommendation is even lower than that). And the second declaration reminds us about our obligation to make this D-8 PTA completely aligned with WTO principles.

06. At present, Bangladesh is in a disadvantageous situation to comply with 40% local value addition criteria due to its low manufacturing base, over-dependency on imported raw materials, insignificant mineral resources, etc. If Bangladesh ratifies the Rules of Origin with 40% local value addition criteria than its goods will not qualify the Country of Origin requirement. As a result, the benefits of D-8 PTA will not be equitable to Bangladesh as compared to other Member States.

07. In case of trade with D-8 member countries, Bangladesh is experiencing huge imbalance. According to Fiscal Year (FY) 2014-15, Bangladesh's import from D-8 member states stood at US\$ 3,321 million (more than 8% of our national

import) where as it bagged export proceeds of only US\$1,049 million (around 3.4% of our national export) in the same market. That is every year we are suffering an imbalance, last FY it was imbalance of US\$ 2,272 million. To mend this gap Bangladesh has no alternative but to boost up its export. And relaxation of the Rules of Origin is a primary requirement in achieving that goal.

08. D-8 members are potential trading partner of us. Around 6% of our total trade volume is with you. If we grow then you will also benefit from our market.

09. Relaxation of the RoO of D-8 PTA by incorporating 30% ad valorem criteria is not only for the cause of Bangladesh, but for the interest of all the LDCs. If Bangladesh compromises with the interests, i.e., S&DTs of the LDCs in this forum, it will be echoed in all other trade forums causing harm to the trade of LDCs all over the globe. As Bangladesh is now the Coordinator for the LDCs in the WTO forum, in principle it can't do it.

10. We envisage growing bigger in the future having new members and the potential members are our other brother countries of the Muslim Ummah so many of who are LDCs. But the non-inclusion of the 30% ad valorem criteria will limit this scope as they will not find it as an attractive one for their trade. And thus we are causing the forum to have an inbuilt diminishing characteristic. So considering the future of the D-8 PTA we should refrain from such an act.

Madame Chair, Distinguished Delegates,

Bangladesh, as I just explained, cannot comply with local value addition criteria under the existing Rules of Origin of the D-8 PTA. Bangladesh considers the present Rules of Origin criteria inconsistent with the General Principle of the Agreement and WTO principles both in letter and in spirit. I also wish to reiterate here that Bangladesh is entitled to receive Special and Differential treatment in D-8 PTA as an LDC. So, my delegation again requests the distinguished delegates from D-8 Member States to reconsider our logical and reasonable demand for

inclusion of 30% local value addition criteria in the Rules of Origin for LDCs and allow Bangladesh to participate in the D-8 PTA process as its full member.

Thank you Madam Chair and all Distinguished Delegates for patient hearing.