

Impacts of LDC Graduation on the Agriculture Sector and Way Forward

A Seminar Jointly Organized by:

- *Support to Sustainable Graduation Project (SSGP), Economic Relations Division, Ministry of Finance, and*
- *U.S. Department of Agriculture funded Bangladesh Trade Facilitation Project*

Outcome Document

Support to Sustainable Graduation Project (SSGP) of the Economic Relations Division (ERD) and the U.S. Department of Agriculture (USDA) financed Bangladesh Trade Facilitation project (BTF) jointly organized a seminar titled 'Impacts of LDC Graduation on the Agriculture Sector and the Way Forward' on 04 June 2023 at Parjatan Bhaban in Dhaka.

Honorable Minister of Agriculture Dr. Muhammad Abdur Razzaque, MP, graced the occasion as chief guest. Honorable State Minister of Planning Dr. Shamsul Alam was present as special guest. ERD Secretary Ms. Sharifa Khan chaired the event.

Chairman of Research and Policy Integration for Development (RAPID) Dr. Mohammad A. Razzaque presented the keynote paper on the findings of the USDA-BTF financed study titled "Implications of LDC Graduation for Agricultural Exports from Bangladesh: Issues and Policy Options". Former Member of Bangladesh Trade and Tariff Commission (BTTC) Dr. Mostafa Abid Khan delivered a presentation on "Bangladesh's Obligation Under WTO Agreement on Agriculture: Before and After Graduation from LDC Status".

Additional Secretary of the Ministry of Fisheries & Livestock Mr. Md. Tofazzel Hossain, Director of the Department of Agricultural Extension Mr. Md. Tajul Islam Patwary, Political and Economic Counsellor of the U.S. Embassy in Dhaka, Mr. Scott Brandon and Director of PRAN-RFL Group Ms. Uzma Chowdhury spoke as panellists.

Major discussions and recommendations of the seminar are documented below:

Welcome Remarks from Mr. Farid Aziz, Additional Secretary & Project Director, SSGP, ERD

Mr. Farid Aziz, in his welcome remarks, identified LDC graduation as one of the most significant milestones in Bangladesh's development journey. He also highlighted the major initiatives taken by the government to ensure a smooth and sustainable LDC graduation. Mr. Aziz, in his remarks, also recalled the importance of agriculture in food security, supplying industrial raw materials and ensuring export diversification. In this context, he observed that it would be crucial to analyse the impact of LDC graduation on the country's agriculture sector. He thanked the chief guest, special guest, and the chair of the seminar for their gracious presence. He also thanked USDA and its Bangladesh Trade Facilitation Project for partnering with SSGP, ERD in organizing the workshop.

Keynote Presentation on 'Implications of LDC Graduation for Agricultural Exports from Bangladesh: Issues and Policy Options' by Dr. Mohammad Abdur Razzaque, Chairman, Research and Policy Integration for Development (RAPID)

Dr. Razzaque, in his keynote presentation, highlighted the findings of the USDA-BTF funded study titled 'Implications of LDC Graduation for Agricultural Exports from Bangladesh: Issues and Policy Options'. Highlighting the progress made by Bangladesh in agriculture, he said that attaining food security for a large population in a country with a small land area had been a major achievement. Reflecting on

Bangladesh's LDC graduation, he termed it as an 'accomplishment'. But he also cautioned that it might result in the discontinuation of LDC-specific International Support Measures (ISMs). He also pointed out that after LDC graduation, Bangladesh's agricultural exports could be impacted by the loss of the most generous trade preferences in different countries and constrained policy space due to WTO regulations. He provided a projection of the increase in average tariffs on Bangladesh's agricultural exports after LDC graduation in major export destinations like India, the European Union, the United Kingdom, China, and the Republic of Korea. He also provided a picture of the post-Graduation potential impact on agricultural export earnings using Partial and General Equilibrium Models. In terms of policy space, he said that most of the effects on agriculture will arise from two major WTO agreements: Agreement on Agriculture (AoA) and Agreement on Subsidies and Countervailing Measures (SCM). Later, he highlighted and explained the implications of the loss of such policy space. Later, he put forward the following LDC-specific policy recommendations to cope with the associated challenges:

- Make the best use of most of the available duty-free market access and policy space in the remaining period prior to LDC graduation.
- Proactively engage with major GSP-providing countries for extended preferences and favourable terms in the post-LDC graduation period.
- Given the significance of India for agricultural exports, it is extremely important to proactively pursue the continuation of duty-free access in that market.
- Options for bilateral and regional free trade agreements for maintaining duty-free market access for exports.
- Being enlisted as a net food-importing developing country will help retain some policy space to support agricultural products' marketing subsidies.
- Government should consider developing export assistance schemes in compliance with WTO provisions.
- Effectively use domestic support for agriculture to enhance domestic production and expand agricultural exports.
- Boosting the competitiveness and productivity of agricultural farms for expanding exports.
- Imposing uniform standards for agricultural products aligning with the developed countries' standards and strengthening the capacity of standard and testing institutions.
- Focusing on export diversification within the agricultural sector while ensuring product quality.
- Tackling the high costs of doing business and improving connectivity and trade facilitation will be important to enhance export competitiveness.
- Extending bonded warehouse facilities to the agricultural sector could help improve competitiveness.

Noting that a developing country member of WTO can be considered an NFIDC if the country has been a net importer of basic foodstuff in three years of the most recent five years—he said that Bangladesh should pursue with WTO to be enlisted amongst NFIDCs after LDC graduation. He also mentioned that as an NFIDC, Bangladesh could provide marketing-related subsidies on exports until 2030.

Presentation on 'Bangladesh's Obligation under WTO Agreement on Agriculture: before and after Graduation from LDC status' by Dr. Mostafa Abid Khan, former Member, Bangladesh Trade and Tariff Commission.

Dr. Mostafa Abid Khan, in his presentation, highlighted three pillars of WTO Agreement on Agriculture. These are market access, agricultural subsidies, and export competition. In terms of market access, he observed that there would be no change after LDC graduation unless new commitments are made in new round. In terms of export competition, he highlighted the export subsidies that the LDCs and NFIDCs are allowed to provide till 2030.

Afterwards, he explained the types of domestic support that can be provided under the 'WTO Agreement on Agriculture'. These are:

- Green Box: All Members may provide support without limitation. Developing countries enjoy special treatment in respect of governmental stockholding programmes for food security purposes and subsidized food prices for urban and rural poor.
- Blue Box: All Members may provide support without limitation, however, production is required in order to receive the payments, while the actual payments do not relate directly to the current quantity of that production.
- Development Box: Only Developing country Members may provide support without limitation. The government assistance to encourage agricultural and rural development and that are an integral part of the development programmes of developing countries fall under this category.
- Amber Box: All Members are restricted to providing support above de minimis level and reduce those if above the prescribed threshold.

Later, he provided a detailed overview of the supports that are provided under each of these categories. He also highlighted the support provided by Bangladesh to its agricultural sector under these categories. Given the domestic support to agricultural production in Bangladesh is below the World Trade Organization (WTO) prescribed threshold, the country will not face issues in widening the volume of domestic subsidy.

Discussions by the Panellists

At this stage, the chair asked the panellists of the event to deliver their remarks. Major observations and recommendations coming from them are highlighted below:

Uzma Chowdhury, Director, PRAN-RFL Group:

Ms. Uzma Chowdhury, in her remarks, observed that the agro-processing sector should receive adequate attention during the relevant policy making to increase the country's agricultural export. She also opined that research needs to be carried out to identify ways and means of increasing agricultural productivity. She underscored the importance of product diversification and value addition within the agriculture sector. Ms. Chowdhury highlighted the importance of reducing the cost of doing business for enhancing the cost competitiveness of local agricultural products. She also observed that import costs could be reduced through increased domestic production of agricultural items like fertilizer. Noting that most of the agricultural commodities are usually perishable, she pointed out that the production cost could also be decreased by reducing the time and cost of transportation.

Mr. Scott Brandon, Political and Economic Counsellor, U.S. Embassy in Dhaka:

Mr. Scott Brandon, in his remarks, mentioned that the United States is proud of supporting Bangladesh in its graduation from LDC status. He also hoped that the LDC graduation would further enhance the US-Bangladesh partnership as more US investment would be destined to Bangladesh. He observed that it would be extremely important to evaluate the impact of LDC graduation on Bangladesh's agriculture sector. He noted that the BTF study had offered concrete recommendations on how Bangladesh could make smooth transition in the agriculture sector after graduation. Highlighting the need to comply with the WTO Trade Facilitation Agreement in the context of Bangladesh's LDC graduation - he mentioned that the US is providing significant support in this area. Lastly, he urged for bold policy changes and quick enactment of policy recommendations to ensure Bangladesh's readiness to comply with the Trade Facilitation Agreement.

Mr. Md. Tajul Islam Patwary, Director, Department of Agricultural Extension:

Mr. Patwary, in his remarks, informed that the government is working to address better compliance with the sanitary and phytosanitary standards and requirements of export destinations. He also highlighted the progress in the production of mangoes, potatoes and vegetables in recent years that could lead to increased export after meeting domestic demand. He informed that with the interventions in laboratories, pack houses, and transportation government is trying to address compliance and logistical issues. Lastly, he put emphasis on providing enhanced support to Small and Medium Entrepreneurs (SMEs) in the agricultural sector.

Mr. Md. Tofazzel Hossain, Additional Secretary (Planning), Ministry of Fisheries & Livestock:

Mr. Md. Tofazzel Hossain, in his remarks, said that Bangladesh could substitute its milk import by enhancing its local milk production. He also pointed out that Bangladesh is currently utilizing less than 10 per cent of its maritime area for fishing. In this context, he emphasized introducing state-of-the-art technologies, materials, boats, and ships suitable for deep sea fishing. He observed that better utilization of the maritime areas for fishing would also help to increase Bangladesh's export of fisheries.

Open Discussion

At this stage, the floor was opened for feedbacks and recommendations from the audience. During this session, the following major recommendations came from the participants:

- The implementation of recently adopted Good Agricultural Practices (GAP) Policy needs expedited efforts at the field level, at least through piloting in a few model villages.
- Multipurpose cold storages need to be set up across the country for better post-harvest management for perishable agricultural products.
- Marginal farmers need to be integrated with the local and global value chain.
- Public Private Partnership (PPP) schemes can help to gear up the growth in the agriculture sector.
- Hybrid rice seeds and vegetable seeds can be exported overseas through enhanced production. However, suitable fields, the introduction of a 'seed production insurance' scheme and the continuation of incentives are necessary to increase seed production and to realize the export potential.
- Incentives and soft loans should be provided for research and development in the private sector.
- The country needs to set up more accreditation laboratories.
- Interventions are needed to reduce the wastage of mangoes caused by premature drops.
- Young agricultural entrepreneurs should be incentivized to invest in agriculture.
- Continuation of incentives are critical for increased export of potatoes.
- Urgent attention is needed to implement the already issued policy level directions of the government at the operational level to simplify the process of importing raw materials for agrochemical products.
- The application process to produce raw materials for agrochemical needs to streamline.
- There should be incentives for the import of machineries for agro-processing industries.
- Given that there is no patent obligation for the local agrochemical industry under the TRIPS agreement, local agrochemical industry should be able to enjoy this exemption fully.
- The process of importing additives needs to be streamlined and simplified.
- Electricity subsidy should be extended to shrimp farmers/cultivators.

- The Poultry industry must be incentivised with appropriate development policies and interventions.
- Electricity subsidy should be extended to poultry farmers in a simplified manner.
- The government should consider the reintroduction of duty drawbacks on the export of meat.
- Processing canters for crabs should be established to meet the demand and compliances of export markets.
- The accreditation laboratory should come under operation at the earliest.
- Steps should be taken to sign bilateral agreements with Vietnam and Nepal so that Bangladesh's potato exporters can tap those markets.

Speech by the Special Guests: Dr. Shamsul Alam, Hon'ble Minister of State, Ministry of Planning

Dr. Shamsul Alam, in his remarks, said that LDC graduation would open a new window of opportunities for Bangladesh. He also said that it would create a compulsion to enhance the country's internal capacities. Afterwards, he provided the following feedback on the USDA BTF commissioned study:

- The study report should present the latest statistics to show the status of the sector. He suggested to refer that the contribution of agriculture to employment has decreased to 40 percent. the contribution of agriculture to GDP has also reduced to 11.33 per cent. He also mentioned that the per capita income of the country, according to the latest Household Income Expenditure Survey (HIES) is US\$ 2765.
- The study should make a projection about the loss the country may incur in financial terms due to LDC graduation.
- The report should also analyse the nature and dynamics of internal market competitiveness and internal market structure.
- The study should analyse the extent to which GAP has been implemented in Bangladesh and its potential impact on export.
- The study should also examine the relevance of tariff policies with export and its necessary modification for export promotion.
- The study should also analyse the impact of agricultural tariffs on demand and supply.
- It should also examine that whether the local market is responsive enough to address the challenges of LDC graduation.
- The study should recommend ways of enhancing negotiation skills and identify some potential partners for signing FTAs.

Speech by the Chief Guest: Dr. Muhammad Abdur Razzaque, MP, Hon'ble Minister, Ministry of Agriculture

The chief guest, in his speech, mentioned that agriculture had always been at the top of the government's agenda. He also observed that the country's agriculture has transformed from subsistence to commercial one. However, he put emphasis on the growth of import-substitute industries and export-led industries for enhancing the potential of this sector. He also observed that agriculture can play a crucial role in diversifying the country's export basket. The honorable Minister also informed that the government had taken various initiatives for agricultural diversification. However, he stressed increasing the production capacity, ensuring quality, and enhancing the competitiveness of local agricultural industries to capture a niche in the global mainstream markets. He also emphasized the skill enhancement of the local workforce and improving the negotiation skills to expand the country's export market after graduation. Honorable Minister stated that the

government is aware of the issues raised for sectoral improvement and assured the audience of necessary interventions for addressing critical challenges.

Conclusion by the Chair: Ms. Sharifa Khan, Secretary, Economic Relations Division (ERD)

The chair, in her concluding remarks, lauded the progress made by Bangladesh in its agriculture sector. However, she highlighted the need for policy continuity to ensure better predictability for industry players. She also put emphasis on ensuring quality, higher productivity, and compliance to compete and sustain in the international market. She sought cooperation of the Ministry of Agriculture in providing regular notifications to the WTO. Such notifications, she noted, would also help in ensuring better data transparency, monitoring and relevant policy making. Lastly, she thanked the USDA financed Bangladesh Trade Facilitation Project for commissioning the study and teaming up with the SSGP of ERD in organizing the seminar for dissemination of the findings of the study.

Vote of Thanks: Mr. Michael J Parr, Chief of Party and Project Director, USDA Funded Bangladesh Trade Facilitation Project

Mr. Michael J Parr, in his Vote of Thanks, noted that the international trade scenario is becoming more competitive. He asked the business entities in Bangladesh to prepare themselves for such increased competitiveness. He also observed that while the government can set the policies and negotiate with trading partners the private sector needs to implement them with good agricultural practices. He thanked the chief guest, special guest, and the chair for their presence in the seminar and for providing valuable recommendations. He thanked the ERD and SSGP for partnering with the USDA and BTF in organizing the seminar. Lastly, he thanked all the participants for their active contribution.

Recommendations of the Seminar:

The seminar was concluded with the following recommendations:

- a. The outcome document will be sent to the Ministry of Agriculture and Ministry of Fisheries and Livestock for necessary action at their end.
- b. The policy brief and study report may be sent to the Ministry of Agriculture and Ministry of Fisheries and Livestock for their consideration.
- c. The Ministry of Agriculture and Ministry of Fisheries and Livestock may initiate necessary studies for policy reform and implement development projects to address the potential challenges of LDC graduation.