



# EUROPE INFORMATION

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## THE EUROPEAN COMMUNITY AND BANGLADESH

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**BASIC DATA ON BANGLADESH**

**Land area:** 144,000 sq. km.  
**Density:** 1,062 persons per sq. km. of cultivated land.  
**Population:** 104 million (1987, est.)  
**Average annual growth of population:** 2.6% (1980-85)  
**GNP per capita:** US\$145 (1986 est.)  
**GDP growth:** 4.5% (est.) in 1986/87 (at constant prices).

<b><u>Distribution of GNP - 1986/87)(*)</u></b>	
Agriculture	45.7
Manufacturing	7.8
Construction	5.7
Transport, Communication, Storage	6.8
Other services (Banking, Insurance, Trade)	21.3
Public Services	12.7
	<u>100.0</u>
(*) Estimate	

<b><u>External trade (million US\$)</u></b>					
	<u>1973</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
Exports	358	724	931	999	880
Imports	874	2,308	2,870	2,772	2,486
Balance	-516	-1,584	-1,939	-1,773	-1,606

<b><u>Principal trading partners</u></b> (as % of total)						
	<u>Exports to</u>			<u>Imports from</u>		
	<u>1973</u>	<u>1985</u>	<u>1986(+)</u>	<u>1973</u>	<u>1985</u>	<u>1986(+)</u>
EEC	28	17	21	17	13	17
USA	17	18	24	21	9	9
Indian sub- continent	4	8	6	14	4	4
Oil export. countries	2	11	7	3	10	10
Japan	2	7	8	9	13	14
ASEAN	1	4	3	3	16	11
+ Provisional						

<b>Net Official Development Aid (million US\$)</b>				
<b>(Disbursements)</b>				
	<u>1979</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
EC + Member States	251	190	206	212
Japan	206	123	121	249
USA	157	206	165	146
total (bilateral + multilateral)	1,202	1,212	1,136	1,430

<b>External debt, 30 December 1986</b>	
<b>(million US\$)</b>	
Public debt, including guaranteed private debt	7,282
Non-guaranteed private debt	not available
Total outstanding and disbursed	7,282

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## THE EUROPEAN COMMUNITY AND BANGLADESH

### -Introduction

"Golden" is the adjective used to describe Bangladesh in the country's national anthem. And with its fertile soil, abundant water supply and large labour force Bangladesh is rich in both natural and human resources. But it is also subject to severe flooding, as happened in the summer of 1987, when an estimated 1,800 lives were lost and damage to the country's economic infrastructure amounted to some \$250 million. Much of Bangladesh in fact is a vast, low-lying delta through which four rivers flow, and the waters which sustain its jute and rice fields can also wreck those same fields. Bangladesh is also among the world's poorest and most populous countries; in fact it is one of the 38 countries officially designated by the U.N. as "least developed". Since it won its independence in 1971, successive Bangladeshi governments have tried to harness the country's resources, supplemented by substantial international aid, in the cause of economic growth.

Since the early 1980s Bangladesh has followed a programme of economic stabilization. This resulted in economic growth of around 4% a year in real terms, until the heavy floods of 1987 abruptly changed the picture. The work of rebuilding the flood damage is being spread over two to three years.

Raising food production has always been a priority for Bangladesh. A medium-term foodgrain production plan was begun in the first half of the 1980s, with the aim of raising production rapidly. The plan was not as successful as had been hoped. Experts believe that even with foodgrain production rising by 3.5% to 4% a year Bangladesh will still need to import food during the coming years. (Food production is rising currently at just under 3% a year.)

The country's industrial sector is still relatively small; it accounted for 14% of GDP in 1986/87. Since the early 1980s the Government has been following a policy of giving the private sector a bigger role in the economy, liberalizing imports and encouraging exports. The aim has been to make the industrial sector more competitive. An important result has been the rise in non-traditional exports. Exports of clothing and shrimps increased by some 22% a year on average in real terms, until they accounted for nearly half the country's export earnings in 1986/87.

Bangladesh has important reserves of natural gas. Production has doubled since 1980, thanks in part to a government policy aimed at reducing both the country's dependence on imported crude oil and petroleum products and its balance of payments problems. Even so, Bangladesh must still import around 16 million tonnes of oil each year.

Bangladesh clearly is far from being a "typical" least developed country. Poverty remains widespread, however, although its incidence has fallen in the 1980s. This is partly because of the Government's poverty alleviation programmes, which try to deal with the problem through two main types of projects:

- income generation and relief (especially food for work projects);
- human resources development.

European non-governmental organizations are among the many voluntary agencies, both local and foreign, that are trying to tackle the problem at the grass roots level.

#### EC-BANGLADESH RELATIONS

Formal relations between the EC and Bangladesh date back to 1973, when the latter established diplomatic relations with the newly enlarged Community. The following year Dhaka requested negotiations for a commercial cooperation agreement, along the lines of the one which the Community had concluded with India in December 1973. The result was a 5-year non-preferential agreement, very similar to the Indian one. Concluded in 1976, it came into effect in December of that same year.

The agreement remains in force for the very good reason that it has proved flexible enough to accommodate the growth in relations between the two sides. The 1976 agreement, like all non-preferential agreements, provides the EC and Bangladesh a framework for both commercial and economic cooperation. Within this framework they have undertaken to

- "promote the development and diversification of their mutual trade to the highest possible level" and
- develop their economic cooperation, where linked with trade, "in fields of mutual interest."

The role of the EC-Bangladesh Joint Commission, set up under the 1976 Agreement, is crucial. It must devise ways of overcoming barriers and recommend ways and means for "the progressive adaptation of the trade pattern and marketing structures" in the EC and Bangladesh, on the basis of economic complementarity.

The Joint Commission first met in April 1977. Initially, the two major areas of activity were trade promotion and economic cooperation. But as a least developed country Bangladesh inevitably is an important beneficiary of the EC's programme of financial and technical assistance to the developing countries in Asia and Latin America. Recent Joint Commission meetings have also discussed such topics as industrial, energy and scientific cooperation, however.

The successful official visit which the EEC Commissioner for North-South relations, Claude Cheysson, paid to Bangladesh in 1986, can be seen as a clear sign of the Community's growing involvement in that country's economic development. Mr. Cheysson met not only President Ershad and his foreign minister but also the ministers of commerce, food, agriculture and irrigation. Addressing Bangladesh's trade and industry representatives he expressed the hope they would make better use of the export possibilities available to them under the Generalized System of Preferences (GSP) and the bilateral textile agreement. The European Commissioner also signed agreements on food aid, seed development (aimed at helping the country attain food self-sufficiency) and cotton development.

**EC-BANGLADESH TRADE**

Trade plays an important part in EC-Bangladesh relations. This is not surprising, given that Bangladesh is one of the leading producers of jute and the Community the largest importer of both raw jute and finished products.

The following table shows EC-Bangladesh trade in recent years:

<b><u>EC-Bangladesh Trade, 1973 and 1980-1987</u></b> (million ECU)(1)			
	<b><u>EC Imports</u></b>	<b><u>EC Exports</u></b>	<b><u>Trade Balance</u></b>
1973	96	126	30
1980	151	338	187
1981	123	431	308
1982	174	456	282
1983	211	339	128
1984	338	446	108
1985	303	444	141
1986	236	335	99
1987(*)	273	440	167

(\*) Provisional

Between 1973, when Britain joined the EC, and 1987 the Community's imports from Bangladesh increased by some 184%, and its exports by some 250%. The fact is, however, that there has been very little growth in in ECU terms in recent years: the EC's exports appear to have reached a plateau whilst those of Bangladesh peaked in 1984; they dropped by 16% in 1987 as compared to 1984.

The following table traces the changes in the Community's main imports from Bangladesh:

<b><u>Selected EC imports from Bangladesh, 1973 and 1983-86</u></b> (million ECU)					
	<b><u>1973</u></b>	<b><u>1983</u></b>	<b><u>1984</u></b>	<b><u>1985</u></b>	<b><u>1986</u></b>
Tea, in bulk	6.6	7.3	18.9	7.8	7.2
Shrimps and prawns	1.5	34.3	29.6	33.8	45.1
Leather	15.5	59.7	94.5	86.3	67.2
Raw jute	47.1	15.6	24.5	15.8	14.2
Jute yarn	1.1	20.9	30.2	34.2	18.8
Jute fabrics	12.3	17.1	37.3	35.4	22.4
Jute bags	8.5	20.7	51.4	39.7	25.6
Clothing	0.02	7.7	15.7	19.8	19.7
As % of total imports	96	90	93	93	93

(1) The ECU is a "basket unit", based on a certain quantity of each Community currency. The conversion rate between the ECU and each Community currency is calculated daily, as are the conversion rates between the ECU and other major currencies. In April 1988, 1 ECU = US\$ 1.24; in 1985 it was equal to US\$ 0.76 and in 1986 US\$ 0.98.

This table indicates some of the reasons for the stagnation in Bangladeshi exports to the Community. To begin with, they are concentrated on a narrow range of products, for which the country's exporters are in competition with their counterparts from other developing countries. The share of jute goods remains high, but the European market for these products is shrinking steadily, because of changes in handling techniques (e.g. bulk deliveries), the development of paper and plastic bags and the use of polypropylene yarn for carpet backing, for example. While attempts to diversify have met with some success, competition from other developing country suppliers is likely to limit the growth of exports of shrimps, leather and garments.

The EC's exports to Bangladesh consist largely of manufactured goods - machinery, transport equipment and chemicals, as the following table shows. But agricultural products, including dairy products, can account for a large part of the total (25% in 1986 but up to 40% in earlier years). These figures reflect the high level of Community food aid. Given the stagnation in Bangladesh's exports, any increase in Community exports is probably dependent on increased foreign aid.

<u>Selected EC exports to Bangladesh, 1984-86</u>			
(million ECU)			
	<u>1984</u>	<u>1985</u>	<u>1986</u>
Food grains	48	32	28
Dairy products	68	63	45
Chemicals	34	41	28
Pharmaceutical products	18	20	16
Iron and steel	31	22	23
Machinery and transport equipment	143	195	141

-Jute

Between 60% and 65% of Bangladesh's total export earnings are from raw jute and jute manufactures. It is virtually the sole exporter of raw jute, although it must face strong competition from other Asian countries in the case of jute products. Even so, Bangladesh is the Community's largest external supplier of both raw jute and jute manufactures. Its exports of raw jute came to around 30,000 tonnes in 1987 and of jute manufactures to 86,000 tonnes (or 45% of total Community imports of jute manufactures).

Given that the two principal suppliers of jute goods, Bangladesh and India, are among the poorest countries (in terms of per capita GNP) the Community has tried to help them through easier access to its market. It has suspended its import duties on jute goods at zero since 1978 (a concession also available to Thailand and all least developed countries). This was done through the Community's Generalized System of Preferences (GSP). As a least developed country, Bangladesh's exports under the GSP are both duty-free and quota-free since 1980.

The EC, as the largest importer of both raw and finished jute (with a total of some 215,000 tonnes) plays an important role at the multilateral level also. It was instrumental, for example, in securing an agreement to

renegotiate the International Jute Agreement, which expires in 1989. The International Jute organization, set up under the IJA implements international projects aimed at helping producing countries improve production, process their raw jute locally and market the finished products.

The largest project is designed to improve jute cultivation through the introduction of new varieties, based on strains found growing wild in Africa. The work of the IJO is financed through voluntary contributions, a high proportion of which come from half a dozen EC countries, including Belgium, Denmark, the Netherlands, Germany and Italy.

The Community favours a larger role for the IJO, which is located in the Bangladeshi capital, Dhaka. This could include the collection of the information needed to ensure greater market transparency as well as the implementation of marketing and allied measures to promote the use of jute.

**-Textiles and clothing**

The EC concluded its first bilateral textile agreement with Bangladesh in 1978; it was under the Geneva Multifibre Arrangement (MFA) and was one of a series negotiated with Asian and Latin American suppliers. But as imports from Bangladesh were negligible, the agreement was much simpler than the others. It did, however, require Bangladesh to restrain exports once they had reached certain predetermined levels. This agreement was renewed in 1982, following the renewal of the MFA.

It was invoked in 1985 when exports of shirts to France and the UK were restricted until 1986. The agreement was renegotiated in 1986, with the third renewal of the MFA. The present agreement is on the same lines as those concluded with other MFA countries, and reflects Bangladesh's emergence as a small but efficient textile exporting country. Unlike them it imposes no quantitative limits on Bangladesh's exports to the Community, but does contain the basket clause.

The following table shows Bangladesh's exports to the EC between 1984 and 1987:

<u>Exports of MFA products</u> (in tonnes)				
	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>
All MFA products	1,794	1,634	2,293	7,033
Textiles	734	428	485	1,135
Clothing	1,060	1,206	1,808	5,898

**-The Generalized System of Preferences (GSP)**

The 6-nation EC introduced its generalized system of preferences (GSP) in 1971, in keeping with a 1968 agreement. It provides for the duty-free entry into the Community of all semi-manufactured and manufactured products originating in the developing countries, subject to certain quantitative limits. A large number of agricultural products are also entitled to preferential entry, generally at reduced rates of import duty but without quantitative limits, except in a few cases.



In 1979 and 1980 the EC made a number of important concessions in favour of the least developed countries. Their exports of semi-manufactured and manufactured products were no longer subject to quantitative limits, even in the case of such sensitive products as textiles, while the principle of duty-free entry was extended to agricultural products also.

As a least developed country Bangladesh therefore enjoys substantial tariff concessions on the EC market. The following table summarizes the extent to which its exporters have taken advantage of them:

<u>GSP utilization by Bangladesh, 1983-86</u>				
(in million ECU)				
	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
Total exports	204	325	292	236
Covered by GSP	127	215	206	180
Received GSP	98	129	120	111
<u>Agricultural products</u>				
Covered by GSP	44	60	53	63
Received GSP	35	34	33	37
<u>Industrial products</u>				
Covered by GSP	14	17	23	29
Received GSP	13	12	17	22
<u>Jute products</u>				
Covered by GSP	60	121	110	68
Received GSP	49	82	70	48
<u>Textiles and clothing</u>				
Covered by GSP	9	17	21	20
Received GSP	0.8	2	2	3

The proportion of Bangladesh exports covered by the GSP has been rising: in 1983 it amounted to 62%, in 1986 to 76%. The products not covered by the GSP fall into one of two categories:

- they are entitled to duty-free entry anyways (e.g. raw jute) and
- are not included in the GSP (this is the case of numerous agricultural products).

But the above table also shows that exports entitled to GSP treatment do not always receive it. In the three years from 1984 to 1986 only 60% of Bangladesh's exports covered by the GSP actually benefited from it. The proportion varies from product to product. It has been the highest in the case of industrial products (around 73%) and lowest in the case of textiles and clothing (around 12%).

The following table shows GSP utilization by Bangladesh for some of its major exports in 1986:

<u>GSP Utilization for selected products, 1986</u>			
	<u>Covered by</u> <u>GSP</u> (million ECU)	<u>Received</u> <u>GSP</u>	<u>Utilisation</u> <u>rate</u> %
Leather	26	21	82
Jute manufactures	68	48	71
Textiles & clothing (MFA products)	20	3	16
Shrimps, prawns	43	32	75

Given the concessions Bangladesh enjoys as a least developed country, it clearly is not benefiting from the GSP as much as it should, even as regards its major exports. To help the country's exporters familiarize themselves with the operation of the GSP the European Commission has organized seminars for them, the latest of which were held in Bangladesh in 1987.

The fact remains that complying with GSP formalities requires a degree of organization and knowledge of European practices which small firms seldom have, especially in least developed countries. But even larger, more modern firms do not always find it easy to meet all the requirements of the GSP regulation. This is especially true of the rules of origin. The fact that only 16% of Bangladeshi textile exports qualified for GSP treatment is largely due to the inability of the country's clothing industry to meet the GSP rules of origin.

Under these rules a shirt, for example, must be made from cloth woven in Bangladesh, from locally-made yarn. But the country's textile industry is not so highly integrated as to allow this. The EC has been reluctant, however, to make an exception in the case of Bangladesh, largely because its clothing exports are doing so well. Instead, it has offered to help Bangladesh develop its cotton production, although a more practical solution would be to treat the South Asian Association for Regional Cooperation (SAARC) as a regional grouping for the purposes of the GSP and apply the rules of origin cumulatively (as in the case of ASEAN). A shirt made in Bangladesh from Indian cloth, for example, would then qualify for GSP treatment (boosting South-South cooperation, incidentally).

#### -Trade promotion

Since 1977 the EC has been helping Bangladesh increase its exports, both to the Community countries and promising markets elsewhere. Under its trade promotion programme the EC helped finance a wide range of activities, including participation in international trade fairs and the organization of trade missions, workshops and buyer-seller meets. The Community also provided the services of experts in such areas as jute furnishings and packaging and quality control of agricultural products. It also helped Bangladesh send sales missions to the ASEAN countries, the Middle East and Africa.

In 1986 the EC Council of Ministers adopted an integrated approach to trade promotion. The EC now prepared to help at every stage, from the pre-production (e.g. preparation of the raw materials) to the final distribution. It was also ready to help developing countries draw up

- an overall trade promotion policy, in order to establish a clear link between the development of skills, products and markets and
- action programmes setting out objectives, control and evaluation criteria and procedures.

Since then two major projects have been launched in fields selected by Bangladesh: jute (ECU 485,000) and leather (ECU 275,000). Work has also begun submitting trade promotion projects for marine products, handicrafts and clothing. It is also seeking EC financial help with the publication of a new edition of the Bangladesh Export Directory and help in setting up a unit to monitor exports.

## ECONOMIC COOPERATION

### •Industrial Cooperation

The Bangladesh Government has long been in favour of industrial cooperation. In the early 1980s the EC tried to interest European companies in the investment opportunities in Bangladesh and financed one or two projects to this end. A European consultant was asked, for example, to identify possible areas of cooperation, but the overall results were below expectations.

In the years since then the Bangladesh Government has substantially liberalized its investment policy. It redefined its industrial policy in 1986, putting greater emphasis on private investment in a wide range of activities, from assembly to manufacturing. Foreign investments are encouraged in high technology as well as labour-intensive industries, in order to promote both efficient import substitution and export-oriented industries.

The European Commission responded prudently, however, to the Bangladesh Government's request, in 1987, for the Community's help in promoting industrial cooperation between European companies and economic operators in Bangladesh. It favoured dealing with the problem in stages.

In the first stage the Commission undertook to provide the Ministry of Industries and the Chamber of Commerce with technical assistance in project identification. This was to take the form of the services of a European expert, help with setting up databanks and the training of a Bangladeshi expert and personnel.

The first stage was launched in March 1988. The European Commission envisaged meetings between economic operators from the EC and Bangladesh at a subsequent stage, provided valid industrial collaboration projects had been identified in the meantime. The meetings would take place first in Community countries to ensure large-scale European participation and then in Bangladesh, in a venture to which the Bangladesh Government attaches a good deal of importance.

### •Cooperation in science and technology

A Memorandum of Understanding, prepared in April 1987, called for closer cooperation between the EC and Bangladesh in science and technology, in view of their important role in the country's economic development. The main objective would be to strengthen Bangladesh research capabilities through permanent links between the scientific communities in the EC and Bangladesh and joint research activities.

The areas selected for cooperation included agriculture and flood control, biotechnology, health and nutrition, new and renewable sources of energy, natural resources, including water resources, the environment and oceanology and remote sensing. Joint actions could include help with assessing Bangladesh's capacities and evaluating its needs, setting up science and technology projects, training, information exchanges, organizing seminars, joint research projects, etc. The Community's financial contribution would depend on the nature and scale of the activity envisaged.

Bangladesh's scientists and research institutes will be invited to submit projects for funding under the EC Science and Technology Programme for Development. The Commission regularly invites proposals from institutions in developing countries for research projects in tropical medicine and agriculture.

Meanwhile, the five post-doctoral fellowships, to be spent in EC research institutes, are being taken up in 1988. The areas of study will include vegetable oils, the environment and lactic fermentation in foods.

**DEVELOPMENT COOPERATION**

Between 1976 and 1987, the EC had committed a total of ECU 500 million in financial aid to Bangladesh. Some two-thirds of this represented food aid at world market prices. Financial and technical assistance for rural development accounted for one quarter of the total. The balance, around 7% in all, was used to finance the other forms of aid, notably trade promotion, training schemes, co-financing with voluntary organizations (non-governmental organizations), emergency aid, food storage and since 1987, compensation for loss of export earnings.

The following table shows details of aid commitments between 1976 and 1987:

<b>EC financial aid to Bangladesh, 1976-87</b>								
<b>(commitments, in million ECU)</b>								
	<u>1976-80</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>
. Development aid	33.35	12.00	23.60	24.0*	25.5	4.9	-	10.5
. Direct food aid (**)	117.72	31.60	41.70	34.83	33.4	38.43	27.4	30.4
. Indirect food aid						6.60	10.14	7.26
. Food Storage								2.35
. NGO	1.12	0.34	0.26	0.93	0.59	1.1	0.9	0.23
. Training	0.01	0.02	0.14	0.03	0.08	0.23	-	0.23
. Trade Promot.	1.72	0.56	0.50	0.30	0.25	0	0.2	0.76
. Scient. coop.	-	-	-	-	-	0.15	-	-
. Stabex	-	-	-	-	-	-	-	5.5
. Industry & Regional coop	-	-	-	0.08	0.08	0.05	-	0.3
<u>Emergency aid</u>	-	-	-	-	-	0.5	-	
. Food Aid								6.25
. Indirect Aid								5.25
. Direct Aid								0.5
<b>Total</b>	<b>153.92</b>	<b>44.52</b>	<b>66.20</b>	<b>60.17</b>	<b>59.9</b>	<b>51.96</b>	<b>38.64</b>	<b>69.47</b>

\* Including "Hunger in the World" for 7 Mio ECU.

(\*\*) Food aid includes up to 1984 indirect aid through organisations.

### -Financial and technical aid

The EC launched its programme of financial and technical aid in 1976 in order to help poorer developing countries of Asia and Latin America. Much of the aid is concentrated on the poorest groups within these countries and can be said, therefore, to have a rural bias.

Bangladesh is an important beneficiary of this aid, which is entirely in grant form (i.e. no repayment is required). Some ECU 123 million had been committed to projects in Bangladesh up to the end of 1986.

A good example of the kind of project financed by the EC is provided by the two seed development projects. The aim of these projects, the first of which was launched in 1982, is two-fold: increase the local production of improved varieties of wheat and rice seeds and, by the same token, raise farm incomes (and reduce imports). The EC's contribution to the first project, completed in 1986, was ECU 3 million. It was raised to ECU 10 million for the second project, the financing agreement which was signed by Commissioner Claude Cheysson when he paid an official visit to Bangladesh in February 1986.

Another good example is a post flood rehabilitation programme, for which the EC is providing ECU 6.5 million, to help the Bangladesh Government in its efforts to cope with the aftermath of the devastating floods of 1987. The Community's aid will be used to help repair flood damage, especially to schools and health centres, and provide the necessary equipment to carry out the work, together with ambulances.

The Community is also contributing ECU 25 million towards the cost of a flood control and drainage project, which it is co-financing with the International Development Agency and the Bangladesh Government. The aim is both to protect some 63,000 hectares of land by the construction of embankments, channels, etc. and to prepare the future development of crops, livestock and fisheries.

Another EC-financed project seeks to revive and encourage cotton production, both to meet local needs and provide the raw materials for the country's textile exports. Following the successful completion of Phase I the Community agreed to provide ECU 4.9 million for the second phase, which includes research, seed multiplication and training of farmers. As the land needed for cotton is very different from that for jute and rice, the country's two main crops, cotton production represents a welcome addition to rural incomes.

It should be added that there have been problems with projects implementation from almost the very beginning. In two cases alternative uses had to be found in 1987 for funds committed by the EC in the late 1970s, simply because the initial projects could not be completed successfully. The Rangpur development projects to help landless peasants and marginal farmers was approved for financing (jointly with the Netherlands) in October 1985; implementation did not begin until 1988, however.

Delays in project start-up inevitably have an unfavourable effect on both disbursements and new commitments. Such delays are not unique to Bangladesh, of course, and reflect the complexity of the development process itself. Each country has its own traditions, its own way of

doing things, especially when it comes to rural development, and Bangladesh is no exception. Here, as elsewhere, the start-up of development projects can be delayed simply because more than one ministry is involved.

**- Food aid**

Bangladesh is one of the main beneficiaries of the Community's food aid programme and the main beneficiary with Egypt of aid in cereals. Between 1976 and 1980 the EC supplied 570,000 tonnes of cereals, 14,000 tonnes of skimmed milk powder and 9,000 tonnes of butteroil. The following table gives the quantities supplied or committed since 1981. It does not include the 85,000 tonnes of cereals supplied through international agencies and voluntary organizations between 1985 and 1988.

<b><u>EC Food Aid to Bangladesh, 1981-88</u></b> <b>(thousand tonnes)</b>				
	<u>Cereals</u>	<u>Skimmed milk powder</u>	<u>Butter oil</u>	<u>Vegetable oil</u>
1981	130	5	2.0	6.5
1982	150	-	3.5	-
1983	140	-	2.0	0.7
1984	130	-	1.5	0.7
1985	140	-	-	1.0
1986	152	-	-	1.0
1987	150	-	-	2.0
1988(*)	150	-	-	2.0

(\*) Provisional

The counterpart funds arising from the sale of Community food aid are used to finance development projects in the rural areas.

**- Food strategy**

Food aid can never be a long-term solution to the nutritional problems of any country. This is recognized by both Bangladesh and donor countries. Since 1986, the EC has been trying in fact to promote the idea of a food strategy for Bangladesh, aimed at ensuring food security for its people. Such a strategy raises issues of pricing policy, local production, the earning capacity of the poorest groups in the nation, etc.

The Bangladesh Government was expected to take the lead in organizing a seminar in Dhaka in the autumn of 1988 to look at the country's food needs and the best ways of meeting them, in a long-term perspective. The EC supported the Seminar by financing and sending experts. It was noted that the findings of such a seminar could help the Community provide aid on a more coherent and long-term basis.

COMPENSATION FOR LOSS OF EXPORT EARNINGS(\*)

In developing countries, fluctuations in their income from exports of primary commodities can upset the most effective development programmes. The EC, which operates a system to stabilize the export earnings of the countries linked to it through the Lomé Convention, has undertaken to help the least developed countries (outside de Lomé Convention) in a similar way.

The first financial transfers to least developed countries were made in 1987. The main beneficiary was Bangladesh, which received a total of ECU 5.5 million: ECU 4.5 million for shortfalls in its jute exports to the EC in 1986 and ECU 1.1 million for a shortfall in tea exports.

The transfers, which are in grant form, should be used to finance projects in the sectors experiencing the shortfalls, and this in fact is the case. A decision on compensation for shortfalls in 1987 exports was not expected until mid-1988.

CONCLUSIONS

Cooperation between the EC and Bangladesh has broadened over the years to encompass not only trade but also development and economic cooperation (in industry, science and technology, training, etc.).

As a least developed country Bangladesh enjoys important trade concessions in the EC and is a major beneficiary of the Community's aid programme. The volume of this aid is not large in terms of Bangladesh's needs, of course. But its impact on the country's development is considerable. The aid is entirely in grant form, it plays a catalytic role and is complemented by the aid provided by individual Member States.

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(\*) STABEX for Least Developed Countries in Asia and Latin America.

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