



## A Study on The Import Policy Order of Bangladesh: Identifying The Opportunities and Challenges

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**Abstract:** The expansion of globalization has made the world trade system into a free-market economy where importing raw materials is crucial for Bangladesh. The upcoming 4<sup>th</sup> industrial revolution (4IR) requires a more straightforward import process. Otherwise, Bangladesh will not be able to take benefits from the 4IR. Currently, the Import Policy Order of 2015-2018 is effective in Bangladesh, whereas the government of Bangladesh (GOB) is working on formulating the Import Policy Order of 2021-2024. As Bangladesh is promoting from the least developed countries (LDC) status, the upcoming import policy order is significant for patronizing domestic industries and utilizing local products. For environmental protection, imports from green industries should be emphasized. Bangladesh's ready-made garments (RMG) sector contributes to earning foreign exchange and creating employment opportunities. So, the import of ready-made garments should be restricted in the upcoming policy Order. This study focuses on a theoretical appraisal of existing regulations of import policy order, its challenges or loopholes as well as identify some path to ensure a healthy environment of import by adopting new import policy in near future.

**Keywords:** *Import policy, Regulations, Provisions, Dispute resolution, Suggestions.*

### 1. Introduction:

There has been a vast expansion of world trade due to the development of globalization and a free-market economy. In addition, to the free flow of goods, worldwide trade competition is increasing. In this era of economic change, innovative policy and provisioning are essential for economic gain because such policies are essential to sustainable development. However, sustainable development needs integrated actions of care work and smooth labor supply [1]. In 2016, the Government of Bangladesh accepted the Import Policy Order (IPO) of 2015-2018, which remains effective till getting new import policy order. The Ministry of Commerce of the GoB is working with the new 'Import Policy Order (IPO) 2021-24', which is in the process of approval.

The import policy of a country is a set of rules and regulations which are very important for governing import business or import strategy. However, the IPO of 2015-2018 prioritizes importing essential raw materials for export-oriented industries, whereas the proposed IPO of 2021-2024 incorporates provisions banning imports of some objects, like used clothes. This policy also prescribes some limitations in export. Illegal narcotics, materials that would injure religious sensibilities, specific agricultural goods, and a variety of refurbished equipment are

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among the items that are prohibited for reasons of religion, society, health, or economic policy. Additionally, it is unlawful to import goods from Israel or ship them on vessels flying the Israeli flag. For religious, social, health, security, or trade reasons, the importation of additional items is restricted but not prohibited. Some of the restricted commodities may be imported with prior authorization, while others may only be imported by authorized industrial users or governmental organizations (such as pharmaceutical firms) (e.g., arms and ammunition). As Bangladesh graduates [2] from the LDC (Least Developed Country) status by 2026 [3], the upcoming import policy order will be very significant. Bangladesh imposes registration requirements on commercial importers and private industrial consumers [4]. In some cases, the registration process is crucial for monitoring and regulating imports.

**2. Methodology:** The qualitative methodology was followed during this study. This study was based on both primary and secondary data. A theoretical analysis was conducted at the time of conducting this study. The researcher took resort of various journals, newspaper report, laws, regulations etc. as a source of information for making this study more effective.

### **3. Theoretical Appraisal:**

This study is clearly focused on the different regulations, provisions of IPO of 2015-18. The Ministry of Commerce (MoC) is formulating the next IPO 2021-24. Therefore, this is imperative to take lessons from the ongoing import policy order (2015-18). The import policy order 2015-18 is critically analyzed bellow:

#### **A. General Regulations:**

For importing goods, some legal requirements must be fulfilled as per the provisions of the Import Policy Order of 2015-2018. Goods importing processes are controlled by this Order [5] strictly. The list of goods given in Part-B is banned for import. According to Article 4(a) of the Order, the Bangladesh Tariff Commission [6] is responsible for monitoring import restricted goods [5]. Goods from Israel or related to that country are also prohibited from importing. As per the policy, the following condition [5] must abide by while importing goods:

- i. The Harmonized System (HS) code is an identical and numerical method of categorizing imported goods. Using at least eight digits of HS code [7] as per the Customs Act, 1969, is mandatory because, without this code, no bank is permitted to open LC (Letter of Credit).
- ii. No Objection Certificate (NOC), depending on the Right of Refusal (ROR), is not mandatory for importing freely importable goods but is required for importing any restricted elements [8]. Although, it needs prior permission or licence from the Ministry of Commerce (MoC). It can help in regulating import business.
- iii. Pre-shipment inspection [9] of imported goods must be done when required. It is an essential step taken by the buyers and suppliers to inspect newly manufactured goods before they are shipped for import. It is an important quality control method for inspecting the quality of goods [10].
- iv. The most competitive rate is mandatory for import, whereas the concerned documents have to be submitted to the Import Control Authority. In the case of the private sector, obtaining quotations from at least three suppliers representing at least two source countries is essential.

- v. Using international commercial terms (Incoterms) [11] is very crucial for importing goods; where using Delivered Duty Paid (DDP), Cost Insurance and Freight (CIF), and Carriage and Insurance Paid (CIP) is not mandatory. But in the case of using Freight on Board or Free on Board (FOB) for importing goods, the Foreign Exchange Regulation Act, 1947 must be obeyed by the importers [12]. Prior approval from the MoC [11] is compulsory for using CIF and CIP. On the other hand, any expatriate Bangladeshi or any foreign investor can send capital on either CIF or CIP basis. The Customs Authority requires an insurance policy for releasing imported goods to protect from probable risks.
- vi. For importing goods, the country of origin must be mentioned on the package of goods. A certificate must be collected regarding the country of origin issued by the proper authority. However, mentioning the country of origin is not mandatory for the 100% export-oriented industries approved by Customs. Importing cotton, aluminium ingot, zinc ingot, and other non-ferrous and ferrous metals are exempted from mentioning the country of origin because these ingredients are used as raw materials in export-oriented industries.
- vii. Inscription of name, address, e-TIN (Electronic Taxpayer's Identification Number), UTIN (Unified Taxpayer's Identification Number), and BIN (Business Identification Number) of importer must be mentioned on the packet of the imported goods.

According to Article 6 of the Order, imports are allowed through lawful sources of finance like cash, the balance of the foreign exchange reserve, foreign currency accounts maintained by Bangladeshi expatriates, external commodity aid, loan, grant, and exchange through Barter and Special Trading Arrangement (STA). According to Article 8, import transactions must be made through banking channels. In the international market, usually, two parties are not known to each other, where the importers give a Letter of Credit (LC) to exporters of a foreign country for the assurance of payment [13]. In some cases, books, journals, raw materials, and capital machinery are imported without opening LC. In some other exceptional cases, import permits and clearance permits are required. Bangladeshi expatriates can send goods through direct payment abroad in the name of any Bangladeshi. LC has to be opened by the importers within 180 days from the date of issue of the LC Authorization Form [5]. However, the Chief Controller of import and export can extend the time limit.

The shipment of machinery and spare parts must be made within 17 (seventeen) months, and in the case of all other goods, within 9 (nine) months from the date of issuance of the LC Authorization Form by a bank. The following documents and the LCA Form are essential for opening a Letter of Credit [13]:

- i. LC Application Form duly signed by the importer;
- ii. Proforma Invoice
- iii. Insurance Cover Note.
- iv. Membership certificate from any Trade Association
- v. Import Registration certificate
- vi. Tax Identification Number (e-TIN)
- vii. Credit report of supplier
- viii. Credit Information Bureau (CIB)[14, p. 9] report
- ix. National Identity Card

- x. Business Identification Number (BIN) Certificate
- xi. Value Added Tax (VAT) Certificate

After opening LC, the concerned bank shall forward a copy of the LC to the concerned Import Control Authority within 15(fifteen) days. The bank shall also send a copy of the Income Tax declaration to the National Board of Revenue [15].

### **B. Fees Regarding Imports:**

As per Article 9 of the Import Policy Order, 2015-2018, the importers shall renew their Import Registration Certificate (IRC) by providing fixed renewal fees. The fees are classified into six categories based on overall annual import value. They are as follows:

<b>Category No.</b>	<b>Ceiling-Value of Overall Annual Import</b>	<b>Initial Registration Fees</b>	<b>Annual Renewal Fees</b>
First	Tk. 5, 00,000	Tk. 5,000	Tk-3,000
Second	Tk. 25,00,000	Tk.10,000	Tk. 6,000
Third	Tk. 50,00,000	Tk.18,000	Tk.10,000
Fourth	Tk.1,00,00,000	Tk. 30,000	Tk.15,000
Fifth	Tk. 5,00,00,000	Tk. 45,000	Tk. 22,000
Sixth	Above Tk.5,00,00,000	Tk. 60,000	Tk. 30,000

**Table 01: Categories of Renewal Fees [5]**

The concerned banks have to send the list of indentors who have paid renewal fees to the concerned office of the Import Control Authority. When the importers, exporters, and indentors fail to pay renewal fees duly shall be disposed of by the Chief Controller of Imports & Exports. All registered importers, exporters, and indentors must pay 15% VAT [5] on their registration and renewal fees.

### **C. Provisions as to Import from Other Countries**

Joint basis import, individual import, import by a real user, and import by expatriate Bangladeshi professionals are allowed subject to the provisions of the IPO, 2015-2018. Importing goods for re-export is also allowed by the Order. Import into and export from economic and export processing zones are regulated under the instructions issued by the Customs Authority, Bangladesh Bank (BB), and the National Board of Revenue (NBR), where it is mandatory not to import the banned products. In importing milk, milk products, edible oil, and other food goods, a test of radioactivity levels present in those goods is mandatory. In this case, a certificate issued by the competent authority of the exporting country is required. In importing rice, wheat, cereals, and foods from SAARC, South-East Asia, and Asia-Pacific Ocean countries, the radioactivity test is relaxable with some nominal conditions [5]. While packaging the milk foods, the words "There is no alternative to breastfeeding shall be written clearly in Bengali letters in a visible space of the bag or box. To ensure the quality of the products, the concerned authority shall take support from the Bangladesh Standard and Testing Institution (BSTI) and the Bangladesh Centre for Science and Industrial Research (BCSIR). In the case of import of fish feed, poultry feed, and animal feed goods,

radioactivity-test reports from the competent authority of the exporting country are also compulsory. However, there are various types of importing methods. Such as:

### **I. Industrial Import:**

Bangladesh is in the process of graduating from a lower-middle-income country. The import of used clothes is restricted [16] in the upcoming policy Order before imposing a total ban in 2026. In the existing Order, an importer can import two tonnes of used blankets. Under the new Order, it is going to be changed. An importer can import 6 tonnes of sweaters, ladies' cardigans, zipper jackets (men's), and men's trousers, whereas the new Order will turn it to 3 tonnes[16]. Industrial units can import iron and steel as raw materials per requirement. All chemical products can be imported with prior approval from the MoC. When importing toxic chemical elements and raw materials, the word 'poison' must be written visibly on each bottle or container [5]. Any industries set up under 100% foreign investment need not have any LCA form for opening LC, but such importers need either Import Permits or Clearance Permits.

### **II. Import by Commercial Importers:**

Commercial importers can import under foreign cash exchange. The Chief Controller notifies the conditions of commercial import of Imports and Exports from time to time. Commercial import of explosive substances is prohibited except through the Trading Corporation of Bangladesh (TCB). Radioactive elements can be imported with prior permission from the Bangladesh Atomic Energy Commission. On the other hand, educational and research institutes approved by the government are allowed to import acids with prior approval from the MoC. Pesticides can be imported by taking proper safety measures per the provisions of the Pesticides Act, 2018 (Act No. 24 of 2018). Following regulations issued by Bangladesh Bank, can do software import activities. Gold & Silver can be imported only by fulfilling the conditions of the Foreign Exchange Regulation Act, 1947 (Act No. VII of 1947). In the case of the import of scrap vessels [17], environmental laws [18] must be followed.

### **III. Import by Public Sector Importers:**

Government agencies can import goods as per need with a prior clearance certificate issued by the concerned authority. Import Registration Certificate (IRC) is not needed for government agencies. The Trading Corporation of Bangladesh (TCB) is allowed to import any permissible items, arms & ammunition, and restricted goods with the prior permission of the MoC.

### **D. Dispute Resolution Mechanism:**

The dispute resolution mechanism is crucial in international trade to solve disputes between parties. It is the essential pillar of the multilateral trading arrangement and the World Trade Organization (WTO)'s role in the stability of the world economy [19]. Without a dispute settlement structure, the rules can not be enforced. The WTO's procedure maintains the rule of law and makes the trading system secure. Therefore, it is utmost to have a body to work as a body to resolve disputes effectively and amicably. Such as:

### **I. Import Trade Control (ITC) Committee**

The ITC committee is formed with the representatives of the Chief Controller, Chamber of Commerce and Industry, and the Customs Authority. The committee resolves disputes between the importers and the Customs Authority. Currently, such committees are working at Chittagong, Dhaka, Khulna, Benapole, and Sylhet.

## **II. Membership Chamber of Commerce and Industry and Trade Association**

The importers, exporters, and indentors must obtain membership from a recognized Chamber of Commerce & Industry [20] and trade organization [21] because it is designed to promote and protect the interests of its members.

### **4. Challenges and Opportunities:**

Import policy has the probability of promoting 100% export-orient industries through making easy process of import of raw materials. It can patronize earning foreign currency through export promotion. On the other hand, it can bring challenges for domestic products and raw materials. The provisions of IPO 2015-18 are not adequate to ensure a healthy environment for import. There are some challenges or problems in this policy order. Such as:

- i. The policy is lengthy and frequently difficult to understand.
- ii. The IPO 2015–18 did not have any specific goals. However, the policy cannot accomplish its intended goal without laying forth any specific objectives.
- iii. Additionally, it is unclear how effectively it is monitored and evaluated. One major issue is that, similar to earlier IPOs, the 2015–18 IPO's primary objective was to produce income, with the development parts of the policy being completely disregarded.
- iv. In the IPO 2015–18, the problems of non-tariff measures and barriers (NTMs/NTBs) were not adequately addressed.
- v. Significant NTMs/NTBs while importing into Bangladesh include the need for paperwork, port congestion, a lack of suitable testing facilities, a lack of automation in the clearance procedure, and a delay in receiving test results.
- vi. The exercise of using gender-differentiated filters on trade policies, port-level procedures, organizational planning, and the strategy of trade promotion programs is still far from adequate.

So, the import policy should contain the option of importing essential goods that are not available in Bangladesh, and it should also contain restrictions on importing those locally produced goods. In addition, green and low carbon producing industries should be preferred for import, and circular economy solutions must be prioritized in the import policy order.

### **5. Suggestions:**

The following measures should be taken to improve the existing policies to ensure a healthy economy and to strengthen the present importing policies:

- i. The upcoming IPO 2021-24 should contain concrete objectives and measures to achieve those objectives.
- ii. Along with tariff concessions, a coordinated approach to easing doing business is a must to attract substantial Foreign Direct Investments (FDIs). A special focus on attracting FDIs must prevail in the upcoming IPO.

- iii. The upcoming IPO 2021-24 should focus more on the development aspects against the revenue generation motive of the past IPOs. Among other issues, policy harmony, inter-agency coordination, ease of customs procedure, capacity building, concrete mention of penalties for contravention, and ease of import-related activities for women are critical issues that need careful consideration in the upcoming IPO 2021-24.
- iv. Provisions regarding the relaxation of the radioactivity test in importing rice, wheat, cereals, and foods for some countries should be abolished.
- v. Importing iron and steel as raw materials need to be restricted for patronizing the growing ship-breaking industries.
- vi. Provisions regarding the import of scrap vessels should be relaxed, obeying the environmental laws.

## **6. Conclusion:**

For the preparation of the Fourth Industrial Revolution (4IR), reduced duties on research and innovation equipment need to be considered for the upcoming policy order. Safeguarding measures for domestic industries from high levels of import competition is essential, where the import policy can play a vital role [22]. Import from green industries and low carbon producers should be emphasized. Environmental issues will also have to be considered before finalizing the IPO 2021-24 because equilibrium within the international economic and environmental laws is essential for protecting the world economy from the curse of climate change [23]. Inter-agency coordination and easy customs procedures should be introduced in the upcoming IPO 2021-24 because it can help promote the free movement of goods and capital across borders for exploiting natural resources as per the need for economic development [24]. The capacity building and automation of trade-related bodies should also be emphasized to ensure better and faster services for attracting foreign investment. Foreign capital should be imported as per the import policy, where the nations can freely consider their desires [16]. So, it is essential to formulate a modern and updated import policy order for building a stable economic system.

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