

# Impact of Trans Pacific Partnership Agreement (TPPA) on Bangladesh's Foreign Trade

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## Introduction

Trans Pacific Partnership Agreement (TPPA) was finalized on October 05, 2015 among 12 member states to promote economic growth, job creation, innovation, productivity, competitiveness, and living standards, reduce poverty, transparency, good governance, labor and environmental protection among the member states etc. Member countries of TPPA are Brunei, Chile, New Zealand, Singapore, Australia, Canada, Japan, Malaysia, Mexico, Peru, United States and Vietnam. It has mechanism to lower trade barriers such as tariffs and establish an investor-state dispute settlement platform. Cambodia, Philippine, Thailand, Indonesia, Taiwan and South Korea have intended to joint in the newly form partnership.

## Potential Benefits of TPPA

1. TPPA could offer comprehensive market access for the member states. It will eliminate or reduces tariff and non-tariff barriers across substantially all trade in goods and services and covers the full spectrum of trade, including goods and services trade and investment.

2. This agreement will facilitates the development of production and supply chains, and seamless trade, enhancing efficiency and supporting their goal of creating and supporting jobs, raising living standards, enhancing conservation efforts, and facilitating cross-border integration, as well as opening domestic markets.

3. TPPA will promote innovation, productivity, and competitiveness by addressing new issues, including the development of the digital economy, and the role of state-owned enterprises in the global economy.

4. It includes new elements that seek to ensure that economies at all levels of development and businesses of all sizes can benefit from trade. It includes commitments to help small- and medium-sized enterprises (SMEs)

5. It also includes specific commitments on development and trade capacity building, to ensure that all Parties are able to meet the commitments in the Agreement and take full advantage of its benefits. It could be a platform for regional economic integration of the member states.

## Impact on Bangladeshi Trade and Investment

TPPA includes both buyer countries and competitors of Bangladesh's international trade. The United States of America, Australia, Canada, Mexico, Japan and Singapore are the destinations or would be major destinations of Bangladeshi export. On the other hand Vietnam, Peru, Malaysia, Brunei are our export competitors in the above mentioned export markets. There are debates in Bangladesh about prospective impact of TPPA on Bangladesh trade and investment. Businesses and few experts states that, TPPA could emerge as a threat to Bangladesh's export into the member countries. If our competitors like Vietnam, Taiwan, Malaysia etc. got duty free access to the same destination then Bangladesh will lose its existing competitiveness. On the other hand I listened to the honorable Commerce Minister that, TPPA will not be a problem because we get duty free access to some countries and other

are already charging duty on our export. It will take time to observe effect of TPPA on Bangladesh's trade and investment. But what is the harm if we take conscious preparation for the adverse effect earlier. If there is a negative impact then what will be our steps. One possible solution could be to joint TPPA and become stakeholder of the game. The second option is to sign bilateral free trade agreement with the export destinations or at least with most of them.

Currently Bangladesh's existing relationship with the USA and its allies is not at a satisfactory level. As a result we are not getting back GSP and their support in many international negotiations. If the situation retain for a longer period it will create new complexity for us in the international arena.

Let us try to find out Bangladesh's total trade with the TPP countries: From 2005 to 2011 Bangladesh exported about USD 35,000 million and imported about USD 32,000 million. That means Bangladesh enjoys trade surplus with the TPPA countries. Bangladesh's International Trade with TPPA Countries (in thousand USD)

This is because our major export destinations are USA, Canada etc. TPPA countries (Table 1).

Now, we would like to have a look on the items Bangladesh used to export to the TPPA countries and import from them. From the Table 2, we observed that, Bangladesh's top ten export items to the TPPA countries are Readymade garment both Knit and Woven items, Frozen food, Leather goods and vegetables etc.

Bangladesh's Top Ten Export Items to TPPA Countries (Table 2).

If we would like to see the import items of Bangladesh from the TPPA countries then we can easily observe that, Bangladesh mainly imports capital machinery and raw materials of various sectors including garment from the TPPA countries.

Bangladesh's Top Ten Import Items from the TPPA Countries (Table 3).

Therefore our exports are also somehow dependent upon our imports from the TPPA countries. Thus we can state that, Bangladesh government shall actively try to enter into the TPPA as a member country or signing bilateral with them to minimize adverse effect of Bangladesh's foreign trade. Otherwise our export earnings including remittances and investment could be adversely affected by the TPPA.

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Year	2005	2006	2007	2008	2009	2010	2011	Total
Export to	3,361,106	3,875,583	4,300,684	4,627,771	5,056,653	6,326,533	7,385,472	34,933,802
Import from	2,478,059	2,843,675	3,226,063	4,234,316	5,197,427	6,504,267	7,403,837	31,887,644
Trade Balance	883,047	1,031,908	1,074,621	393,455	-140,774	-177,734	-18,365	3,046,158

Source: ITC Trade Map; Cited on November 4, 2015

**Table 1:** Bangladesh's international trade with TPPA countries (in thousand USD).

Ranking	HS Chapter	Items
1	'62	Articles of apparel, accessories, not knit or crochet
2	'61	Articles of apparel, accessories, knit or crochet
3	'63	Other made textile articles, sets, worn clothing etc.
4	'03	Fish, crustaceans, molluscs, aquatic invertebrates nes
5	'64	Footwear, gaiters and the like, parts thereof
6	'27	Mineral fuels, oils, distillation products, etc
7	'58	Special woven or tufted fabric, lace, tapestry etc
8	'53	Vegetable textile fibres nes, paper yarn, woven fabric
9	'65	Headgear and parts thereof
10	'84	Machinery, nuclear reactors, boilers, etc

Source: ITC Trade Map; Cited on November 4, 2015

**Table 2:** Bangladesh's top ten export items to TPPA countries.

Ranking	HS Chapter	Imported Items
1	'27	Mineral fuels, oils, distillation products, etc
2	'84	Machinery, nuclear reactors, boilers, etc
3	'52	Cotton
4	'72	Iron and steel
5	'89	Ships, boats and other floating structures
6	'85	Electrical, electronic equipment
7	'10	Cereals
8	'15	Animal,vegetable fats and oils, cleavage products, etc
9	'88	Aircraft, spacecraft, and parts thereof
10	'39	Plastics and articles thereof

Source: ITC Trade Map; Cited on November 4, 2015

**Table 3:** Bangladesh's top ten import items from the TPPA countries.

If our export earnings and remittance inflow falls drastically then economic downturn may not be controlled within shortest period. This is the time to be aware and take necessary measures to handle the situation.