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**Working Paper**

## Duty-free market access in the Republic of Korea: Potential for least developed countries and Bangladesh

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Asia-Pacific Research and Training Network on Trade  
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## **Duty-free market access in the Republic of Korea: Potential for least developed countries and Bangladesh**

*By Mostafa Abid Khan<sup>\*</sup> and Mohammad Farhad<sup>\*\*</sup>*

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## Abstract

The paper attempts to assess the benefits of Duty-Free and Quota-Free Market (DFQF) access initiatives of the Republic of Korea for least developed countries (LDCs), which have been in place since 1 January 2008. Following a brief introduction on the background of this initiative, this paper examines the exports profile of LDCs, reviews the DFQF scheme of the Republic of Korea, and assesses the potential benefits of the DFQF scheme for LDCs as well as Bangladesh.

The export profile of LDCs shows that the share of those countries in world exports in recent years has increased; this can be attributed to price increases for petroleum constituting a major share of LDC total exports. The Republic of Korea is the tenth largest destination of LDC exports, which indicates that the DFQF initiatives of the Republic of Korea for LDCs will have a positive impact on LDC exports.

The DFQF scheme of the Republic of Korea covers 6,967 tariff lines, representing about 59 per cent of the all tariff lines of its Customs Schedule. There are at least 25 chapters where product coverage within the chapter is very low, notably below 10 per cent. These include garments, made-up textiles, and major agricultural products including fisheries. Among the DFQF lines, 1,464 lines are duty-free on a most-favoured nation (MFN) basis. Hence, LDCs enjoy tariff preferences on 5,503 tariff lines, while the average margin of preference on these lines is 7.89 per cent. The margin of preferences in most cases is either 6 per cent or 8 per cent. In order to enjoy the preference granted under the scheme, the products should be wholly obtained, or should have at least 50 per cent value addition.

Analysis also reveals that the DFQF scheme covers 36.1 per cent of LDCs' export to the Republic of Korea in 2007, keeping 64.9 per cent of current LDC exports to that country outside the purview of preferential treatment. Only three major export items from LDCs – copper cathodes, raw tobacco and plywood – enjoy -free access. Bangladesh, Congo, the Lao People's Democratic Republic, Malawi, Myanmar, Tanzania, Uganda and Zambia are likely to benefit from duty-free access for these items.

The Republic of Korea is the seventh-largest destination for Bangladesh exports. Bangladesh enjoys preferential access to the Republic of Korea under the Asia-Pacific Trade Agreement (APTA). DFQF access for LDCs adds 5,471 tariff lines for Bangladesh under preferential access. However, analysis shows that the additional lines cover only 4.63 per cent of Bangladesh's exports to the Republic of Korea in 2007. However, there are important apparel articles in the scheme that may yield benefits for Bangladesh. APTA continues to remain attractive to Bangladesh because of higher trade coverage and more relaxed rules of origin. Nevertheless, the DFQF scheme currently offered by the Republic of Korea is a milestone for the developing countries' initiative for LDCs, and one that is likely to lead to other countries coming up with similar initiatives. In time, the Republic of Korea is likely to incrementally increase the product coverage, which will lead to higher trade coverage and more favourable rules of origin, and will yield significant benefits for LDCs.

## **Introduction**

Since the first World Trade Organization (WTO) Ministerial Conference held in Singapore, the LDCs have been striving for duty-free access for their products to the markets of major trading partners. During the High-level Meeting on LDCs held in 1997, most of the developed countries and some advanced developing countries committed to announcing duty-free treatment for LDCs. In the wake of the interest shown by some developing countries, the WTO General Council in June 1999 decided to waive the MFN principle for developing countries for 10 years to enable them to provide preferential treatment to LDCs. The Republic of Korea was the first developing country that came up with an initiative to provide duty-free access to all LDCs on 87 tariff lines at the 6-digit HS code level, which came into effect on 1 January 2000.

Demand for duty-free market access became much stronger while preparing for the Doha Ministerial Conference and thereafter. Consequently, at the Hong Kong Ministerial Conference, while commitment to providing duty-free and quota-free market access (DFQFMA) for all products of all LDCs was obtained from developed countries, the developing countries were also urged to provide such access to LDCs if they were in a position to do so. However, developing countries were allowed to phase in their commitments and enjoy appropriate flexibility in coverage. In response to the demand by LDCs, many developed countries improved their GSP schemes to provide DFQFMA to LDCs both before and after the Hong Kong Ministerial Conference. Some other countries expressed their intention to abide by the Hong Kong Ministerial Decision only after the conclusion of the Doha Round. In contrast, there were a few developing countries that did not have a binding commitment to provide DFQFMA for LDCs but which came up with the new initiative to provide enhanced market access to LDCs without waiting for the conclusion of Doha Round. The Republic of Korea was the first country among them to unilaterally decide to provide duty-free access to a number of products originating from LDCs. The duty-free scheme for LDCs became effective on 1 January 2008. This paper attempts to review the new initiative of the Republic of Korea and to assess the potential benefits for LDCs as well as Bangladesh from this initiative.

### **1. Methodology and data issues**

Despite the fact that the Republic of Korea introduced the DFQF scheme in January 2008, it has yet to notify the scheme to WTO. For this reason, there has been a lack of awareness about this initiative. Tariff information on the recent initiative was collected from the ESCAP<sup>1</sup> website. The Republic of Korea maintains tariffs at the 10-digit HS code level. However, export data of LDCs as well as Bangladesh, and import data of the Republic of Korea, are available only at the 6-digit HS code level. Therefore, it was necessary to convert the tariff data to the 6-digit HS code level; this required a thorough examination of tariff data at the 10-digit level to ensure that each tariff line at the 6-digit level used for analysing the potential benefits of the DFQF initiative contained all 10-digit codes within the 6-digit codes. After conversion, the 6-digit duty-free HS codes were matched with trade data available at the Trade Map website of the

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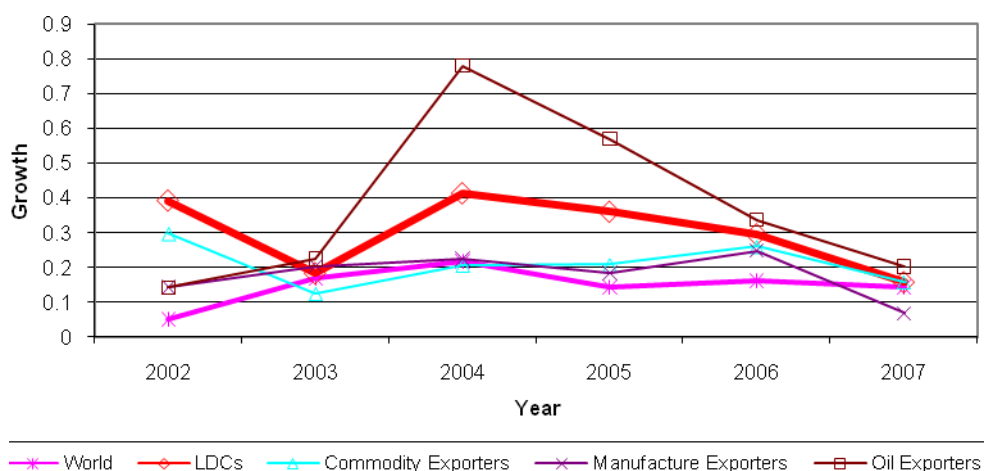
<sup>1</sup> <http://www.unescap.org/tid/apta4.asp>

International Trade Centre (ITC).<sup>2</sup> It should be noted that trade data are available only up until 2007. Moreover, the trade data do not contain any information regarding imports under preferential access. Therefore, the findings of this report are confined to potential benefits only. The actual benefits largely depend on the fulfillment of rules of origin and other requirements of the scheme. Potential benefits from the duty-free scheme have been looked at, using three indicators: (a) coverage of imports from LDCs and Bangladesh by the Republic of Korea under the duty-free scheme in terms of relative share of imports from LDCs and Bangladesh that have become duty-free in total bilateral imports; (b) the coverage of exports by LDCs and Bangladesh in terms of share of exports from LDCs and Bangladesh under the duty-free tariff lines in their total exports; and (c) market access under the duty-free scheme in terms of import value in the Republic of Korea.

## 2. LDC export profile

Since 2001, exports from LDCs have registered steady growth. In fact, between 2001 and 2007, the growth of exports from LDCs was higher than that of world exports (figure 1). As a result, the LDCs' share of world exports increased significantly from 0.4 per cent in 2001 to 0.9 per cent in 2007 (table 1).

**Figure 1. Growth of exports from LDCs vis-à-vis world exports**



*Source:* Estimated from data available at Trade Map, ITC.

<sup>2</sup> <http://www.intracen.org/mat/lci/Default.aspx>

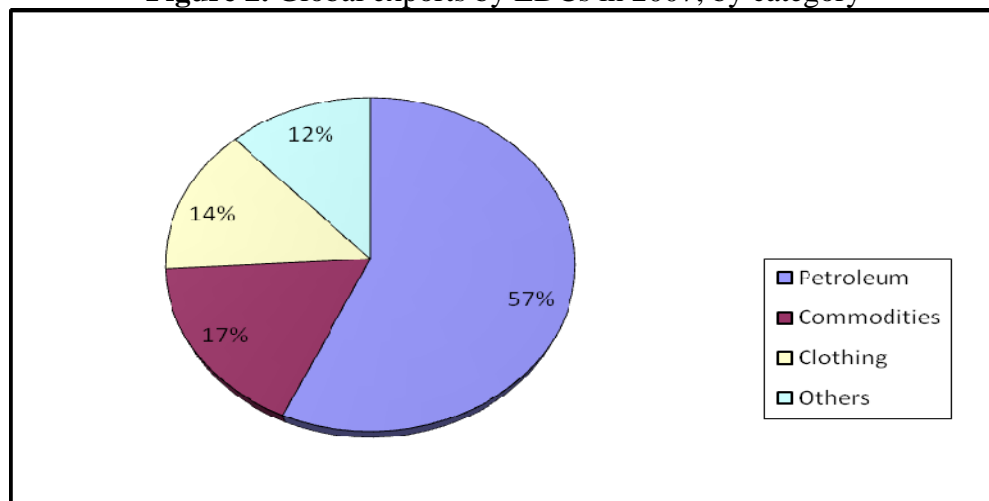
**Table 1. Exports from LDCs vis-à-vis world exports**

(Unit: US\$ million)

| Exporters                        | 2001      | 2002      | 2003      | 2004      | 2005       | 2006       | 2007       |
|----------------------------------|-----------|-----------|-----------|-----------|------------|------------|------------|
| <b>World</b>                     | 6 074 320 | 6 380 449 | 7 453 357 | 9 069 790 | 10 364 915 | 12 036 912 | 13 754 932 |
| <b>Least developed countries</b> | 25 335    | 35 284    | 41 805    | 59 090    | 80 401     | 104 201    | 120 797    |
| <b>Share (%)</b>                 | 0.4       | 0.6       | 0.6       | 0.7       | 0.8        | 0.9        | 0.9        |

Source: Estimated from data available at Trade Map, ITC.

During the last 50 years of the twentieth century, LDCs were marginalized in terms of their share of world exports, despite policy reforms undertaken by them to make their economies export-oriented since the early 1980s. Reversal of the trend in the first decade of the twenty-first century can be attributed to the increases in the prices of oil and commodities. As shown in figure 1, five oil exporters<sup>3</sup> that, as a group accounted for 54.5 per cent of total LDC exports in 2007, experienced much higher growth between 2002 and 2007. In contrast, manufacturing exporters among the LDCs experienced the lowest growth, although their growth rates were slightly higher than world growth rates during the same period. This is also evident from the composition of LDC global exports. As can be seen from figure 2, petroleum and commodities accounted for 74 per cent of LDC global exports in 2007.

**Figure 2. Global exports by LDCs in 2007, by category**

Source: Estimated from data available at Trade Map, ITC.

In terms of specific country markets, table 2 shows that the European Union and the United States continue to be the most important destinations for LDC exports. However, between 2001 and 2007, China became an important market accounting for 20.4 per cent of the LDCs' global exports. The importance of the Republic of Korea as a market for LDCs has declined slightly, but it remains among the top 10 markets for

<sup>3</sup> Five oil exporters are Angola, Equatorial Guinea, Sudan, Yemen and Chad

LDCs. From this perspective, the preferential market access provided by the Republic of Korea is important for the expansion and diversification of LDC exports.

**Table 2. Top 12 markets for LDC exports, 2001-2007**

(Unit: Percentage)

| Rank | Importers                | 2001       | 2002       | 2003       | 2004       | 2005       | 2006       | 2007       |
|------|--------------------------|------------|------------|------------|------------|------------|------------|------------|
| 1    | EU (27)                  | 33.8       | 33.9       | 30.9       | 28.8       | 26.0       | 22.8       | 24.6       |
| 2    | United States of America | 26.8       | 23.9       | 24.4       | 21.6       | 24.0       | 23.9       | 22.3       |
| 3    | China                    | 8.0        | 8.7        | 13.3       | 16.9       | 18.8       | 19.8       | 20.4       |
| 4    | India                    | 3.6        | 3.3        | 3.1        | 2.7        | 2.8        | 4.7        | 5.3        |
| 5    | Japan                    | 3.0        | 4.0        | 3.4        | 4.0        | 4.3        | 5.2        | 4.5        |
| 6    | Thailand                 | 5.2        | 5.2        | 5.0        | 5.7        | 4.4        | 4.8        | 4.3        |
| 7    | Taiwan Province of China | 2.0        | 2.2        | 2.1        | 2.8        | 2.2        | 3.1        | 3.2        |
| 8    | South Africa             | 0.5        | 0.6        | 0.5        | 1.1        | 0.9        | 1.2        | 2.3        |
| 9    | Canada                   | 0.9        | 1.0        | 1.6        | 1.5        | 1.9        | 1.5        | 1.9        |
| 10   | <b>Republic of Korea</b> | <b>2.7</b> | <b>2.5</b> | <b>1.9</b> | <b>1.7</b> | <b>1.4</b> | <b>1.8</b> | <b>1.8</b> |
| 11   | Brazil                   | 0.8        | 0.1        | 0.1        | 0.1        | 0.4        | 0.7        | 1.2        |
| 12   | Saudi Arabia             | 0.7        | 1.1        | 0.9        | 0.9        | 0.7        | 0.7        | 0.9        |

*Source:* Estimated from data available at Trade Map, ITC.

### 3. Brief description of the DFQF Initiative of the Republic of Korea

The new scheme is an extension of Korea's earlier initiative, which now covers around 6,967 tariff lines at the 10-digit HS code level. These tariff lines cover around 59 per cent of total HS lines of the Republic of Korea's Customs Schedule. However, chapter-wise analysis shows that there are at least 25 chapters where product coverage within the chapter is very low, notably below 10 per cent (annex 1). These include garments, made-up textiles and major agricultural products including fisheries.

In view of the fact that the Republic of Korea did not notify its new initiative to WTO, other features of the scheme were not available to Bangladesh Foreign Trade Institute (BFTI). However, if the new Republic of Korea scheme is considered to be an extension of the earlier scheme for LDCs, it can be safely assumed that other features of the new scheme are similar to those of the previous one, which was notified to WTO in April 2000. According to the Presidential Decree on Preferential Tariff for Least Developed Countries notified to WTO<sup>4</sup>, in the case of agriculture products that are eligible for minimum market access (MMA) in-quota, the preferential tariffs for LDCs apply only to in-quota amounts. In order to enjoy the preference granted under the scheme, the products should be wholly obtained or should have at least 50 per cent value addition, measured at FOB value of the product minus CIF value of inputs not originating in the exporting country or the Republic of Korea. There is a requirement for a certificate of origin to be issued by the authority designated by the Government of the exporting

<sup>4</sup> WTO document WT/COMTD/N/12/Rev.1, 28 April 2000.



country. There is scope for suspension of the preferential access for duly justified reasons such as injury to the domestic industry.

#### 4. Potential benefits for least developed countries from the duty-free scheme of the Republic of Korea

Although the Republic of Korea's current scheme extends duty-free treatment to 6,967 tariff lines, 1,464 lines are duty-free on an MFN basis. Hence, LDCs can enjoy tariff preferences on 5,503 tariff lines; the average margin of preference on these lines is 7.89 per cent ranging from 1 to 800 (table 3). As can be seen from table 3, LDCs enjoy a margin of preference at rates of between 1 per cent and 10 per cent on the majority of the products, out of which the preference margins on most of the products are 6 per cent or 8 per cent.

**Table 3. Frequency distribution of margin of preferences**

| Margin of preference | Number of HS lines at the 10-digit level |
|----------------------|--|
| 0<MP<=10             | 5 444                                    |
| 10<MP<=20            | 40                                       |
| 20<MP<=30            | 8  |
| 30<MP<=40            | 5  |
| 40<MP<=50            | 1  |
| 50>MP                | 5  |
| <b>Total</b>         | <b>5 503</b>                             |

*Source:* Estimated from the tariff database of the Republic of Korea, available at the ESCAP website.

It should be noted that there are 4,365 tariff lines that are not subject to duty-free market access; the average tariff on these products is 24.7 per cent. Apparently, from the point of view of margin of preference, those products are more attractive to LDCs.

As mentioned above, in order to assess the benefits of the scheme in terms of trade coverage of LDCs, an analysis was carried out at the 6-digit HS code level, since the trade data are available only at that level. In converting 10-digit duty-free lines into 6-digit HS codes, it was found that 5,503 10-digit HS lines cover 1,819 tariff lines at the 6-digit level. However, of those 1,819 tariff lines, LDCs enjoy preferential treatment on all 10-digit HS lines within each code of 1,722 6-digit HS lines. There are 94 6-digit HS lines where LDCs enjoy duty-free access, either under MFN or under the duty-free scheme for LDCs. Therefore, in practice, LDCs enjoy duty-free preferences on 1,816 HS lines at the 6-digit level.

The share of imports from LDCs in the overall global imports by the Republic of Korea is very small, although the figures in value terms have increased significantly in recent years (table 4). However, the number of tariff lines of LDC exports declined during the past three years. As shown in table 5, the increase in the value of imports was

basically due to increases in the prices of oil and metals, which together accounted for around 80 per cent of LDC exports to the Republic of Korea in 2007. Moreover, the top 10 export products of LDCs represented 94 per cent of LDC exports to the Republic of Korea (table 5).

**Table 4. Republic of Korea imports from LDCs vis-à-vis its total imports**

(Unit: US\$ million)

|             | Particulars                         | 2005         | 2006         | 2007         |
|-------------|-------------------------------------|--------------|--------------|--------------|
| Values      | Republic of Korea total imports     | 261 235      | 309 379      | 356 841      |
|             | Republic of Korea imports from LDCs | 1 159        | 1 881        | 2 072        |
|             | Share (%)                           | <b>0.44</b>  | <b>0.61</b>  | <b>0.58</b>  |
| No HS codes | Republic of Korea total imports     | 5 028        | 5 034        | 4 858        |
|             | Republic of Korea imports from LDCs | 571          | 579          | 544          |
|             | Share (%)                           | <b>11.36</b> | <b>11.50</b> | <b>11.20</b> |

Source: Estimated from data available at Trade Map, ITC.

**Table 5. Top 10 products exported by LDCs to the Republic of Korea**

(Unit: US\$ million)

| HS code      | Description  | LDC exports to the Republic of Korea |                 |                 |
|--------------|--|--------------------------------------|-----------------|-----------------|
|              |  | 2005                                 | 2006            | 2007            |
| <b>Total</b> | <b>All products</b>  | <b>1 159.29</b>                      | <b>1 881.60</b> | <b>2 072.29</b> |
| 270900       | Petroleum oils and oils obtained from bituminous minerals, crude   | 609.69                               | 1 096.72        | 1 002.28        |
| 740311       | Copper cathodes and sections of cathodes unwrought                 | 250.73                               | 445.73          | 676.03          |
| 271011       | Aviation spirit  | 2.57                                 | 50.30           | 117.65          |
| 260300       | Copper ores and concentrates                                       | 95.55                                | 72.37           | 35.68           |
| 240120       | Tobacco, unmanufactured, partly or wholly stemmed or stripped      | 4.16                                 | 6.55            | 26.17           |
| 440399       | Logs, non-coniferous n.e.s.  | 29.63                                | 26.51           | 24.75           |
| 410441       | Full grain leather, unsplit, and grain split leather, in dry state | 14.14                                | 16.96           | 23.26           |
| 740400       | Waste and scrap, copper or copper alloy                            | 3.19                                 | 7.46            | 16.78           |
| 410449       | Hides and skins of bovines "including buffalo" or equine animals   | 3.25                                 | 3.60            | 8.03            |
| 441231       | Plywood consisting solely of sheets of wood <= 6 mm thick          | -                                    | -               | 7.32            |
|              | Sub-total  | 1 012.88                             | 1 726.19        | 1 937.94        |
|              | <b>Share of top 10 items in total exports (%)</b>                  | <b>87.37</b>                         | <b>91.74</b>    | <b>93.52</b>    |

Source: Estimated from data available at Trade Map, ITC.

Potential benefits of the Republic of Korea's duty-free scheme can be measured using various indicators. The simplest indicator shows how much of the LDC exports is covered by the new scheme of the Republic of Korea by measuring the value of imports from LDCs that are duty-free under the new scheme against the total imports by the Republic of Korea from LDCs :

$$I_a = \frac{\text{(Value of duty - free imports from LDCs)}_{\text{ROK}}}{\text{(Total imports from LDCs)}_{\text{ROK}}}$$

where “ROK” indicates imports to Republic of Korea.

.Analysis shows that out of 544 HS lines of export items of LDCs to the Republic of Korea only 144 lines may enjoy duty-free access under the scheme. These tariff lines represent 36.1 per cent of LDC exports to the Republic of Korea. Therefore, around 64.9 per cent of current LDC exports to the Republic of Korea will still be outside the purview of preferential treatment. It was found that only three tariff lines – copper cathodes, raw tobacco and plywood – out of the top 10 LDC products exported to the Republic of Korea now enjoy duty-free access under preferential treatment. Export statistics for individual LDCs show that Congo, the Lao People’s Democratic Republic, Myanmar and Zambia are major beneficiaries of duty-free access for copper cathodes, while Bangladesh, Malawi, Myanmar, Tanzania and Uganda benefit from duty-free access for tobacco. Myanmar is the only country that is likely to benefit from duty-free access for plywood.

Another important indicator of the potential benefit of duty-free access is the coverage of LDC global exports under the duty-free scheme:

$$I_b = \frac{\text{Value of global exports of LDCs based on tariff lines that are duty free under DFQF of ROK}}{\text{Global Export of LDCs}}$$

It was found that LDCs have the capacity to export 1,446 lines that can enjoy duty-free access in the Republic of Korea, representing only 15.6 per cent of LDC global exports. This indicates that only the tariff lines with low export capacity in LDCs are covered by the duty-free scheme of the Republic of Korea.

The last but certainly not the least important indicator of the potential benefit of duty-free treatment is the market access indicator, which is measured in terms of value of global imports by the Republic of Korea covered under the duty-free scheme<sup>5</sup>

$$I_c = \frac{\text{Value of total import of Republic of Korea based on DFQF tariff lines}}{\text{Value of total imports of Republic of Korea}}$$

Analysis shows that there are 1,775 duty-free tariff lines in the new scheme of the Republic of Korea, where the value of total imports by the Republic of Korea is US\$ 94 billion. When these lines are matched with the exportable tariff lines of LDCs, import demand in the Republic of Korea for duty-free imports from LDCs is found to amount to US\$ 79 billion (i.e., this is the value of tariff lines that are both on the DFQF scheme of the Republic of Korea and are exported by the LDCs). Further analysis shows that in the duty-free scheme there are at least 306 HS lines with LDC exports of at least US\$ 1

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<sup>5</sup> Along similar lines, Indicator 8.6 of MDG 8 measures share of DFQF imports in national total imports of developed country markets. More details on [www.mdg-trade.org](http://www.mdg-trade.org).

million (per line), where import demand of the Republic of Korea is worth of US\$ 40 billion. Therefore, it can be deduced that although a significant portion of current LDC exports to the Republic of Korea is outside the purview of duty-free treatment, the new scheme may create an opportunity to expand LDC exports to the Republic of Korea if LDCs enhance the production capacity of currently exportable goods and meet the rules of origin criteria.

**Table 6. Duty-free scheme coverage of LDC exports to the Republic of Korea, LDC global exports, and global imports by the Republic of Korea, 2007**

(Unit: US\$ million)

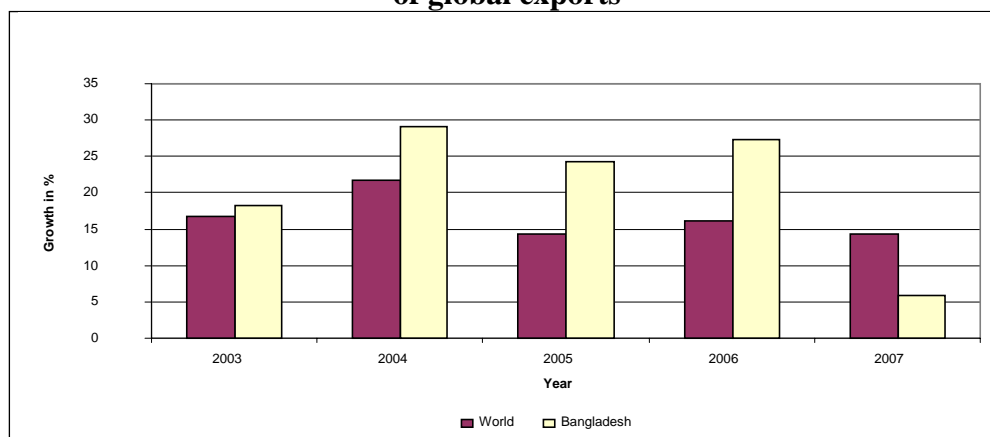
|  | Republic of Korea imports from LDCs | LDC global exports | Republic of Korea global imports |
|--|-------------------------------------|--------------------|----------------------------------|
| Total imports                              | 2 072                               | 120 796            | 356 841                          |
| Import covered by duty-free lines for LDCs | 748                                 | 18 880             | 94 062                           |
| <b>Share (%)</b>                           | <b>36.11</b>                        | <b>15.63</b>       | <b>26.36</b>                     |
| All HS lines                               | 544                                 | 4 492              | 4 858                            |
| Duty-free HS line                          | 144                                 | 1 466              | 1 775                            |
| <b>Share (%)</b>                           | <b>26.47</b>                        | <b>32.64</b>       | <b>36.54</b>                     |

Source: Estimated from data available at Trade Map, ITC.

## **5. Potential benefits for Bangladesh from the duty-free scheme of the Republic of Korea**

The issue of duty-free access to developed and developing country markets has dominated the trade discourse in Bangladesh for quite some time. The main reason is that Bangladesh is now a predominantly trading country rather than a predominantly aid-recipient country. As the spokes country in WTO for the Group of LDCs, and as a major exporter among the LDCs, Bangladesh's policy makers have vigorously pursued the issue of duty-free and quota-free market access in all the Ministerial Meetings of WTO. As a major manufacturing exporting LDC, Bangladesh's export sector has shown robust performance exceeding global growth of export, although in 2007 its export growth was lower than global export growth (figure 3).

**Figure 3. Growth of Bangladesh exports vis-à-vis growth of global exports**



Source: Estimated from data available at Trade Map, ITC.

Bangladesh is among the few LDCs that are primarily manufacturing exporting countries. More than 75 per cent of manufactured exports, which accounted for more than 90 per cent of the country's total exports during the past 10 years, was from the apparel sector (table 7). Therefore, unlike many other LDCs, it is important for Bangladesh to secure duty-free access in the manufacturing sector.

**Table 7. Composition of Bangladesh exports, 2003/04 to 2007/08**

| Commodity classification             | Total exports (US\$ million) |                 |                  | Percentage of total exports |              |             |
|--------------------------------------|------------------------------|-----------------|------------------|-----------------------------|--------------|-------------|
|                                      | 2003/04                      | 2005/06         | 2007/08          | 2003/04                     | 2005/06      | 2007/08     |
| <b>1. Primary commodities</b>        | <b>553.36</b>                | <b>772.7</b>    | <b>987.56</b>    | <b>7.28</b>                 | <b>7.34</b>  | <b>7.00</b> |
| (a) Frozen food                      | 390.25                       | 459.11          | 534.07           | 5.13                        | 4.36         | 3.78        |
| (b) Tea                              | 15.81                        | 11.89           | 14.89            | 0.21                        | 0.11         | 0.11        |
| (c) Agricultural products            | 41.11                        | 105.4           | 120.13           | 0.54                        | 1            | 0.85        |
| (d) Raw jute                         | 79.7                         | 148.27          | 165.06           | 1.05                        | 1.41         | 1.17        |
| (e) Others                           | 26.49                        | 48.03           | 153.41           | 0.35                        | 0.46         | 1.09        |
| <b>2. Manufactured goods</b>         | <b>7 049.63</b>              | <b>9 753.46</b> | <b>13 123.24</b> | <b>92.72</b>                | <b>92.66</b> | <b>93</b>   |
| (a) Woven garments                   | 3 538.07                     | 4 083.82        | 5 167.28         | 46.54                       | 38.8         | 36.62       |
| (b) Knitwear                         | 2 148.02                     | 3 816.98        | 5 532.52         | 28.25                       | 36.26        | 39.21       |
| (c) Leather                          | 211.41                       | 257.27          | 284.41           | 2.78                        | 2.44         | 2.02        |
| (d) Jute goods                       | 246.45                       | 361.03          | 318.34           | 3.24                        | 3.43         | 2.26        |
| (e) Fertilizer and chemical products | 121.46                       | 205.58          | 215.78           | 1.6                         | 1.95         | 1.53        |
| (f) Footwear                         | 68.3                         | 95.44           | 169.6            | 0.9                         | 0.91         | 1.2         |
| (g) Ceramic products                 | 24.07                        | 27.55           | 38.33            | 0.32                        | 0.26         | 0.27        |
| (h) Engineering products             | 41.87                        | 111.02          | 219.68           | 0.55                        | 1.05         | 1.56        |
| (i) Petroleum by products            | 37.02                        | 88.43           | 185.11           | 0.49                        | 0.84         | 1.31        |
| (j) Handicrafts                      | 4.2                          | 4.3             | 5.49             | 0.06                        | 0.04         | 0.04        |

| Commodity classification | Total exports (US\$ million) |                  |                  | Percentage of total exports |            |            |
|--------------------------|------------------------------|------------------|------------------|-----------------------------|------------|------------|
|                          | 2003/04                      | 2005/06          | 2007/08          | 2003/04                     | 2005/06    | 2007/08    |
| (k) Others               | 608.76                       | 702.04           | 986.7            | 8                           | 6.67       | 6.99       |
| <b>Total</b>             | <b>7 602.99</b>              | <b>10 526.16</b> | <b>14 110.80</b> | <b>100</b>                  | <b>100</b> | <b>100</b> |

Source: Export Promotion Bureau, Bangladesh.

The European Union and the United States are the major destinations for Bangladesh's exports, accounting for 83 per cent of Bangladesh's global exports in 2007 (table 8). Although the Republic of Korea ranks seventh as an export destination, its share in Bangladesh's total exports has been increasing, which indicates that the importance of the Republic of Korea as an export destination for Bangladesh is increasing. In this context, the duty-free initiative by Republic of Korea for LDCs carries significant value to Bangladesh.

**Table 8. Top 10 markets for Bangladesh exports, 2001-2007**

(Unit: Percentage)

| Rank | Export destinations      | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|------|--------------------------|------|------|------|------|------|------|------|
| 1    | European Union (EU 27)   | 48.9 | 50.8 | 55.1 | 58.1 | 54.9 | 56.4 | 56.8 |
| 2    | United States of America | 37.7 | 35.2 | 27.2 | 24.5 | 28.0 | 26.7 | 26.2 |
| 3    | Canada                   | 1.8  | 1.6  | 3.1  | 3.7  | 3.9  | 3.7  | 3.7  |
| 4    | Turkey                   | 0.3  | 0.5  | 0.5  | 0.8  | 1.0  | 1.3  | 1.8  |
| 5    | India                    | 0.9  | 1.0  | 0.9  | 0.6  | 1.2  | 1.7  | 1.7  |
| 6    | Japan                    | 1.7  | 1.7  | 1.6  | 1.4  | 1.5  | 1.2  | 1.3  |
| 7    | Republic of Korea        | 0.4  | 0.3  | 0.4  | 0.4  | 0.4  | 0.5  | 1.0  |
| 8    | China                    | 0.3  | 0.5  | 0.4  | 0.6  | 0.8  | 0.8  | 0.8  |
| 9    | Hong Kong, China         | 1.3  | 1.4  | 1.0  | 0.9  | 1.0  | 0.9  | 0.8  |
| 10   | Switzerland              | 0.6  | 0.6  | 0.6  | 0.6  | 0.6  | 0.7  | 0.7  |

Source: Estimated using the data available at Trade Map, ITC.

While assessing the potential benefit for Bangladesh from the duty-free scheme of the Republic of Korea, the trade relations of Bangladesh outside the WTO regime should also be taken into consideration. Bangladesh and the Republic of Korea have been members of the Asia-Pacific Trade Agreement (APTA) since 1975. Both countries exchanged tariff concessions in three rounds of negotiations concluded under the Agreement. Therefore, in order to assess the benefits, it must be considered whether APTA concessions are superseded by the duty-free scheme of the Republic of Korea for LDCs. It should be noted that as an LDC member of APTA, Bangladesh enjoys duty-free access for 140 tariff lines and preferential access for 147 tariff lines in the Republic of Korea.

In addition, Bangladesh enjoys tariff preference for 1,185 tariff lines as an APTA member. The value addition requirement in the case of APTA is 35 per cent, which is more relaxed than that under the duty-free scheme. Analysis shows that of a total of

1,472 tariff lines for which Bangladesh enjoys tariff preference under APTA, 797 tariff lines enjoy higher tariff preference under the duty-free scheme than under APTA. Although the rules of origin requirement is more stringent in this case, Bangladesh continues to enjoy tariff preferences under APTA for the remaining 675 tariff lines, of which 143 tariff lines are duty free. As shown in table 9, Bangladesh continues to enjoy a higher margin of preference on those items that are duty free under APTA.

**Table 9. Tariff treatment for Bangladesh by the Republic of Korea**

| Tariff treatment to Bangladesh                                | Number of 10-digit HS lines | Average MFN duty | Average duty faced by Bangladesh | Margin of preferences enjoyed by Bangladesh |
|---|-----------------------------|------------------|----------------------------------|---|
| Preference for all APTA members                               | 424                         | 9.39             | 6.29                             | 3.10  |
| Duty-free treatment for all APTA members                      | 3                           | 3.33             | 0.00                             | 3.33  |
| Preference for Bangladesh and the Lao PDR under APTA          | 108                         | 16.55            | 10.70                            | 5.84  |
| Duty-free treatment for Bangladesh and the Lao PDR under APTA | 140                         | 10.68            | 0.00                             | 10.68                                       |
| Duty-free treatment for all LDCs                              | 5 471                       | 7.54             | 0.00                             | 7.54  |
| Duty-free treatment for all countries on an MFN basis         | 1 860                       | 0.00             | 0.00                             | 0.00  |
| Dutiable products for all countries on an MFN basis           | 3 724                       | 27.08            | 27.08                            | 0.00  |
| <b>Total</b>  | <b>11 730</b>               | <b>12.73</b>     | <b>8.92</b>                      | <b>3.81</b>                                 |

*Source:* Estimated from the tariff database of Korea available at the ESCAP website.

Analysis of the duty-free treatment provided for LDCs under the duty-free scheme shows that the lines offered for duty-free treatment cover 33 of 199 tariff lines of Bangladesh's exports to the Republic of Korea at the 6-digit level. These lines covered only 4.63 per cent of Bangladesh's exports to the Republic of Korea in 2007, which means that coverage by the duty-free scheme in terms of exports by Bangladesh to the Republic of Korea is very low. In fact, of the top 20 tariff lines exported by Bangladesh to the Republic of Korea, only five tariff lines enjoy duty-free access under the duty-free scheme (annexes 2a and 2b).

When the potential benefit is measured in terms of the coverage of Bangladesh's global exports under the duty-free scheme, this indicator is also not encouraging as it produces a figure of only 22.35 per cent of the country's global exports. However, in value terms, the duty-free scheme accounts for US\$ 3.1 billion of Bangladesh's global exports. The indicator related to import demand in the Republic of Korea shows that there are 67 lines in the duty-free scheme where Bangladesh's exports exceed US\$ 500,000 for each line; import demand in the Republic Korea for these lines is around US\$ 11 billion (annex 3). Therefore, if Bangladesh increases its production capacity for these products, it may be able to enhance its exports to the Republic of Korea under the duty-free scheme.

**Table 10. Coverage of duty-free lines in Bangladesh's exports to the Republic of Korea, Bangladesh's global exports and global imports by the Republic of Korea, 2007**

(Unit: US\$ million)

|  | Bangladesh exports to the Republic of Korea | Bangladesh global exports | Global imports by the Republic of Korea |
|--|---|---------------------------|---|
| Total imports                              | 141   | 13 859                    | 356 841                                 |
| Import covered by duty-free lines for LDCs | 6.56  | 3 097                     | 94 062                                  |
| <b>Share (%)</b>                           | <b>4.63</b>                                 | <b>22.3</b>               | <b>26.36</b>                            |
| All HS lines                               | 199   | 1 724                     | 4 858                                   |
| Duty-free HS lines                         | 33  | 498                       | 1 775                                   |
| <b>Share (%)</b>                           | <b>16.58</b>                                | <b>28.89</b>              | <b>36.54</b>                            |

Source: Estimated using data available at Trade Map, ITC.

To make a comparison between the potential benefit for Bangladesh from the duty-free scheme and the preferences granted under APTA, a similar exercise was carried out on 675 tariff lines for which Bangladesh continues to enjoy tariff preferences under APTA in addition to the products covered by the duty-free scheme for LDCs. It was found that of the 199 tariff lines of Bangladesh's exports to the Republic of Korea, Bangladesh enjoy tariff preferences for 69 tariff lines under APTA. These 69 tariff lines represent 31.3 per cent of Bangladesh's exports to the Republic of Korea (table 11). This figure is much higher than that under the duty-free scheme. It was found that of the top 20 lines of Bangladesh's exports to the Republic of Korea, Bangladesh enjoys preferences on 10 tariff lines (annex 4). According to a study carried out by ESCAP, the utilization rate by Bangladesh for exports to the Republic of Korea of preferences granted under APTA was about 87 per cent from January 2006 to September 2006 (table 12).

**Table 11. Coverage of Bangladesh's exports to the Republic of Korea, Bangladesh's global exports, and global imports by the Republic of Korea under tariff lines covered by APTA trade data for 2007**

(Unit: US\$ million)

|                         | Republic of Korea imports from Bangladesh | Bangladesh export to world | Republic of Korea imports from world |
|-------------------------|---|----------------------------|--------------------------------------|
| Total imports           | 141.82                                    | 13 859.11                  | 356 841.02                           |
| Imports covered by APTA | 44.39                                     | 2 903.82                   | 80 699.07                            |
| <b>Share (%)</b>        | <b>31.30</b>                              | <b>20.95</b>               | <b>22.61</b>                         |
| All HS lines            | 199                                       | 1 724                      | 4 858                                |
| Duty-free HS lines      | 69  | 231                        | 335                                  |



|                  |              |              |             |
|------------------|--------------|--------------|-------------|
| <b>Share (%)</b> | <b>34.67</b> | <b>13.40</b> | <b>6.90</b> |
|------------------|--------------|--------------|-------------|

*Source:* Estimated using Data available at Trade Map, ITC.

**Table 12. Coverage ratio, utilization ratio, and utility ratio of imports by the Republic of Korea from participating APTA member States**

(Unit: Percentage)

|              | November 2005-August 2006 |                  |               | September 2006-June 2007 |                  |               |
|--------------|---------------------------|------------------|---------------|--------------------------|------------------|---------------|
|              | Coverage ratio            | Utilization rate | Utility ratio | Coverage ratio           | Utilization rate | Utility ratio |
| China        | 3.5                       | 38.7             | 1.3           | 29.3                     | 13.0             | 3.8           |
| India        | 2.9                       | 25.6             | 0.7           | 8.1                      | 14.3             | 1.2           |
| Bangladesh   | 9.4                       | 63.1             | 5.9           | 59.6                     | 87.7             | 52.3          |
| Lao PDR      | 0.0                       | 0.0              | 0.0           | 0.5                      | 0.0              | 0.0           |
| Sri Lanka    | 15.4                      | 43.4             | 6.7           | 20.7                     | 44.7             | 9.3           |
| <b>Total</b> | <b>3.4</b>                | <b>38.1</b>      | <b>1.3</b>    | <b>27.8</b>              | <b>13.4</b>      | <b>3.7</b>    |

*Source:* Reproduced from the “Study on review of the Third Round results: A pilot study of the real trade flows under APTA between China and the Republic of Korea”, ESCAP, Bangkok.

## **6. Conclusion**

The DFQF initiative undertaken by the Republic of Korea for LDCs is an appreciable step towards making trade an engine of LDC development. Despite the fact that coverage by the scheme, in terms of current LDC exports to the Republic of Korea, is less than 40 per cent, the initiative has opened the door to the market in the Republic of Korea, the import demand of which totals US\$ 40 billion. The LDCs could benefit from the scheme by enhancing their existing production and export capacities. However, the rules of origin requirement may play an impeding role, which appears to be stringent considering the level of development of LDCs. For Bangladesh, the duty-free scheme of the Republic of Korea is unlikely to bring any substantial enhancement of its exports unless Bangladesh increases its capacity to produce the commodities covered under the scheme.

APTA remains a useful agreement for enhancing exports by Bangladesh and is likely to yield benefits for two reasons: (a) the rules of origin requirement is relatively relaxed; and (b) the current items exported by Bangladesh to the Republic of Korea are covered by the concessions granted under APTA. There is also scope for demanding benefits on items exported by Bangladesh under the new round of negotiations under APTA. Nevertheless, the duty-free scheme currently offered by the Republic of Korea is a start by that country in implementing the decision by the Hong Kong Ministerial Conference on an autonomous basis, which is likely to lead to other countries coming up with similar initiatives. In due course, the Republic of Korea is expected to incrementally increase the scheme's product coverage. It is likely that in expanding the scheme's product coverage, the Republic of Korea will take into consideration the export items and the level of industrial development of LDCs in designing the rules of origin. Such an approach may yield significant benefits for the LDCs.

## Annexes

### **Annex 1. Chapter-wise coverage of duty-free lines by the new initiative of the Republic of Korea**

| Chapter | Harmonized description   | No. of HS codes in the tariff schedule | No. of tariff lines with duty-free access for LDCs | Share (%) |
|---------|--|--|--|-----------|
| 01      | Live animals   | 56                                     |  | 0.0       |
| 02      | Meat and edible meat offal   | 95                                     |  | 0.0       |
| 03      | Fish and crustaceans, molluscs and other aquatic invertebrates   | 300                                    | 11   | 3.7       |
| 04      | Diary produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere specified or included         | 65                                     |  | 0.0       |
| 05      | Products of animal origin, not elsewhere specified or included   | 68                                     | 9  | 13.2      |
| 06      | Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage                               | 76                                     |  | 0.0       |
| 07      | Edible vegetables, and certain roots and tubers  | 133                                    |  | 0.0       |
| 08      | Edible fruit and nuts; peel of citrus fruit or melons  | 78                                     | 8  | 10.3      |
| 09      | Coffee, tea, mate and spices   | 39                                     | 3  | 7.7       |
| 10      | Cereals  | 32                                     | 7  | 21.9      |
| 11      | Products of the milling industry; malt; starches; inulin; wheat gluten   | 47                                     |  | 0.0       |
| 12      | Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal plants; straw and fodder | 138                                    | 4  | 2.9       |
| 13      | Lac; gums, resins and other vegetable saps and extracts  | 27                                     | 3  | 11.1      |
| 14      | Vegetable planting materials; vegetable products not elsewhere specified or included                                     | 21                                     | 1  | 4.8       |
| 15      | Animal and vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes          | 100                                    | 3  | 3.0       |
| 16      | Preparations of meat, fish or crustaceans, molluscs or other aquatic invertebrates                                       | 91                                     |  | 0.0       |
| 17      | Sugars and sugar confectionery   | 33                                     | 4  | 12.1      |
| 18      | Cocoa and cocoa preparations   | 33                                     | 2  | 6.1       |
| 19      | Preparations of cereals, flour, starch or milk; pastry cooks' products   | 52                                     |  | 0.0       |
| 20      | Preparations of vegetables, fruit, nuts or other parts of plants   | 109                                    | 1  | 0.9       |
| 21      | Miscellaneous edible preparations  | 72                                     |  | 0.0       |
| 22      | Beverages, spirits and vinegar   | 52                                     |  | 0.0       |
| 23      | Residues and waste from food industries; prepared animal fodder  | 46                                     |  | 0.0       |
| 24      | Tobacco and manufactured tobacco substitutes   | 25                                     | 11   | 44.0      |
| 25      | Salt; sulphur; earths and stone; plastering materials, lime and cement   | 145                                    | 88   | 60.7      |
| 26      | Ores, slag and ash   | 56                                     | 38   | 67.9      |
| 27      | Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes                     | 144                                    | 37   | 25.7      |
| 28      | Inorganic chemicals; organic or inorganic compounds of precious metals, rare-earth metals and radioactive elements       | 392                                    | 331  | 84.4      |
| 29      | Organic chemicals  | 921                                    | 796  | 86.4      |

| Chapter | Harmonized description  | No. of HS codes in the tariff schedule | No. of tariff lines with duty-free access for LDCs | Share (%) |
|---------|---|--|--|-----------|
| 30      | Pharmaceutical products   | 154                                    | 141  | 91.6      |
| 31      | Fertilizers   | 38                                     | 28   | 73.7      |
| 32      | Tanning or dyeing extracts; tannins and their derivatives; dyes, pigments and other colouring matter; paints and varnishes; putty and other mastics; inks | 140                                    | 129  | 92.1      |
| 33      | Essential oils and resinoids; perfumery, cosmetic or toilet preparations.   | 68                                     | 35   | 51.5      |
| 34      | Soap, organic surface-active agents, washing preparations, lubricating preparations, artificial waxes, prepared waxes                                     | 53                                     | 35   | 66.0      |
| 35      | Albuminoidal substances; modified starches; glues; enzymes  | 58                                     | 29   | 50.0      |
| 36      | Explosives; pyrotechnic products; matches; pyrophoric alloys; certain combustible preparations  | 22                                     | 20   | 90.9      |
| 37      | Photographic or cinematographic goods   | 222                                    | 211  | 95.0      |
| 38      | Miscellaneous chemical products   | 230                                    | 193  | 83.9      |
| 39      | Plastics and articles thereof   | 233                                    | 157  | 67.4      |
| 40      | Rubber and articles thereof   | 146                                    | 84   | 57.5      |
| 41      | Raw hides and skins (other than fur-skins) and leather  | 67                                     | 40   | 59.7      |
| 42      | Articles of leather; saddlery and harnesses; travel goods, handbags and similar containers; articles of animal gut  | 117                                    | 30   | 25.6      |
| 43      | Fur-skins and artificial fur; manufactures thereof  | 58                                     | 32   | 55.2      |
| 44      | Wood and articles of wood; wood charcoal  | 285                                    | 224  | 78.6      |
| 45      | Cork and articles of cork   | 7                                      |  | 0.0       |
| 46      | Manufactures of straw, esparto or other plaiting materials; basketware and wickerwork   | 20                                     | 20   | 100.0     |
| 47      | Pulp of wood or of other fibrous cellulosic material; recovered (waste and scrap) paper or paperboard.  | 29                                     | 16   | 55.2      |
| 48      | Paper and paperboard; articles of paper pulp, paper or paperboard   | 190                                    | 121  | 63.7      |
| 49      | Printed books, newspapers, pictures and other products of the printing industry; manuscripts, typescripts and plans                                       | 35                                     | 30   | 85.7      |
| 50      | Silk  | 37                                     | 8  | 21.6      |
| 51      | Wool, fine or coarse, animal hair; horsehair yarn and woven fabric  | 58                                     | 27   | 46.6      |
| 52      | Cotton  | 181                                    | 104  | 57.5      |
| 53      | Other vegetable textile fibres; paper yarn and woven fabrics of yarn  | 47                                     | 16   | 34.0      |
| 54      | Man-made filaments  | 127                                    | 84   | 66.1      |
| 55      | Man-made staple fibres  | 247                                    | 214  | 86.6      |
| 56      | Wadding, felt and non-wovens; special yarns; twine, cordage, ropes and cables and articles thereof  | 50                                     | 24   | 48.0      |
| 57      | Carpets and other textile floor coverings   | 21                                     | 1  | 4.8       |
| 58      | Special woven fabrics; tufted textile fabrics; lace; tapestries; trimmings; embroidery  | 60                                     | 24   | 40.0      |
| 59      | Impregnated, coated, covered or laminated textile fabrics; textile articles of a type suitable for industrial use   | 30                                     | 13   | 43.3      |
| 60      | Knitted or crocheted fabrics  | 45                                     | 3  | 6.7       |

| Chapter | Harmonized description   | No. of HS codes in the tariff schedule | No. of tariff lines with duty-free access for LDCs | Share (%) |
|---------|--|--|--|-----------|
| 61      | Articles of apparel and clothing accessories, knitted or crocheted   | 152                                    | 11   | 7.2       |
| 62      | Articles of apparel and clothing accessories, not knitted or crocheted   | 169                                    | 7  | 4.1       |
| 63      | Other made up textile articles; sets; worn clothing and worn textile articles; rags  | 59                                     |  | 0.0       |
| 64      | Footwear, gaiters and the like, parts of such articles   | 52                                     | 10   | 19.2      |
| 65      | Headgear and parts thereof   | 16                                     |  | 0.0       |
| 66      | Umbrellas, sun umbrellas, walking-sticks, seat-sticks, whips, riding-crops and parts thereof   | 11                                     | 4  | 36.4      |
| 67      | Prepared feathers and down, and articles made of feathers or down; artificial flowers; articles of human hair  | 21                                     | 3  | 14.3      |
| 68      | Articles of stone, plaster, cement, asbestos, mica or similar materials  | 89                                     | 47   | 52.8      |
| 69      | Ceramic products   | 86                                     | 58   | 67.4      |
| 70      | Glass and glassware  | 137                                    | 87   | 63.5      |
| 71      | Natural or cultured pearls, precious or semi-precious stones, precious metals, and metals clad with precious metal and articles thereof; imitation, jewellery; coin                        | 118                                    | 80   | 67.8      |
| 72      | Iron and steel   | 277                                    | 203  | 73.3      |
| 73      | Articles of iron or steel  | 209                                    | 118  | 56.5      |
| 74      | Copper and articles thereof  | 87                                     | 54   | 62.1      |
| 75      | Nickel and articles thereof  | 25                                     | 16   | 64.0      |
| 76      | Aluminum and articles thereof  | 60                                     | 34   | 56.7      |
| 78      | Lead and articles thereof  | 20                                     | 19   | 95.0      |
| 79      | Zinc and articles thereof  | 19                                     | 16   | 84.2      |
| 80      | Tin and articles thereof   | 14                                     | 11   | 78.6      |
| 81      | Other base metals; cermets; articles thereof   | 78                                     | 54   | 69.2      |
| 82      | Tools, implements, cutlery, spoons and forks of base metal; parts thereof of base metal  | 146                                    | 112  | 76.7      |
| 83      | Miscellaneous articles of base metal   | 53                                     | 25   | 47.2      |
| 84      | Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof  | 1 231                                  | 937  | 76.1      |
| 85      | Electrical machinery and equipment, and parts thereof; sound recorders and reproducers, television imagers and sound recorders and reproducers, and parts and accessories of such articles | 787                                    | 636  | 80.8      |
| 86      | Railway and tramway locomotives, rolling-stock and parts thereof; railway or tramway track fixtures and fittings   | 48                                     | 36   | 75.0      |
| 87      | Vehicles other than railway or tramway rolling-stock, and accessories thereof  | 192                                    | 156  | 81.3      |
| 88      | Aircraft, spacecraft, and parts thereof  | 49                                     | 47   | 95.9      |
| 89      | Ships, boats and floating structures   | 44                                     | 34   | 77.3      |
| 90      | Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments  | 440                                    | 346  | 78.6      |
| 91      | Clocks and watches and parts thereof   | 89                                     | 42   | 47.2      |
| 92      | Musical instruments; parts and accessories of such articles  | 58                                     | 27   | 46.6      |
| 93      | Arms and ammunition; parts and accessories thereof   | 87                                     | 80   | 92.0      |
| 94      | Furniture; bedding, mattresses, mattress supports,   | 89                                     | 70   | 78.7      |

| <b>Chapter</b> | <b>Harmonized description</b>   | <b>No. of HS codes in the tariff schedule</b> | <b>No. of tariff lines with duty-free access for LDCs</b> | <b>Share (%)</b> |
|----------------|---|---|---|------------------|
|                | cushions and similar stuffed furnishings; lamps and lighting fittings |   |   |                  |
| 95             | Toys, games and sports requisites; parts and accessories thereof      | 94  | 76  | 80.9             |
| 96             | Miscellaneous manufactured articles                                   | 88  | 46  | 52.3             |
| 97             | Works of art, collectors' pieces and antiques                         | 15  | 15  | 100.0            |
|                | <b>Total</b>  | <b>11 730</b>                                 | <b>6 967</b>  | <b>59.4</b>      |

## Annex 2a. Top 20 tariff lines of Bangladesh's exports to the Republic of Korea

(Unit: US\$ million)

| HS code | Description   | Bangladesh exports to Republic of Korea |              |              |
|---------|---|---|--------------|--------------|
|         |   | 2005                                    | 2006         | 2007         |
| TOTAL   | All products  | 45.50                                   | 68.89        | 141.82       |
| 271011  | Aviation spirit   | -                                       | 20.78        | 72.85        |
| 410441  | Full grains leather, unsplit and grain splits leather, in dry state                 | 14.14                                   | 16.96        | 23.26        |
| 740400  | Waste and scrap, copper or copper alloy   | 2.33                                    | 5.23         | 9.43         |
| 410449  | Hides and skins of bovine "including buffalo" or equine animals, in dry state       | 3.25                                    | 3.60         | 8.02         |
| 410792  | Grain splits leather "including parchment-dressed leather"                          | 0.16                                    | 2.41         | 3.32         |
| 720421  | Waste and scrap, stainless steel  | 1.01                                    | -            | 2.43         |
| 620193  | Men's/boys' anoraks and similar articles of man-made fibres, not knitted            | 0.83                                    | 0.17         | 1.76         |
| 530310  | Jute and other textile bast fibres, raw or retted                                   | 0.74                                    | 1.14         | 1.62         |
| 621133  | Men's/boys' garments n.e.s., of man-made fibres, not knitted                        | 0.01                                    | 0.82         | 1.52         |
| 240120  | Tobacco, unmanufactured, partly or wholly stemmed or stripped                       | 0.33                                    | 0.87         | 1.19         |
| 650590  | Hats and other headgear, knitted or made-up from lace or other textile materials    | 0.83                                    | 0.91         | 1.19         |
| 640399  | Footwear, outer soles of rubber/plastics uppers of leather, n.e.s.                  | 0.85                                    | 2.88         | 1.17         |
| 530710  | Yarn of jute or of other textile bast fibres, single                                | 0.55                                    | 0.68         | 0.86         |
| 531090  | Woven fabrics of jute or of other textile bast fibres, o/t unbleached               | 0.51                                    | 0.67         | 0.78         |
| 620342  | Men's/boys' trousers and shorts, of cotton, not knitted                             | 0.18                                    | 0.42         | 0.73         |
| 530390  | Jute and other textile bast fibres, not spun, n.e.s.; tow and waste of these fibres | 0.85                                    | 0.83         | 0.66         |
| 030379  | Fish, n.e.s., frozen, excluding heading No 03.04; livers and roes                   | 0.18                                    | 0.21         | 0.55         |
| 620333  | Men's/boys' jackets and blazers, of synthetic fibres, not knitted                   | 0.28                                    | 0.46         | 0.52         |
| 410419  | Hides and skins of bovine "including buffalo" or equine animals, in the we          | 0.01                                    | 0.26         | 0.51         |
| 030614  | Crabs frozen, in shell or not, including boiled in shell                            | 0.04                                    | 0.02         | 0.50         |
|         | Sub-total   | 27.05                                   | 59.34        | 132.86       |
|         | <b>Share of the top 20 items in total exports (%)</b>                               | <b>59.46</b>                            | <b>86.14</b> | <b>93.68</b> |

**Annex 2b. Tariff lines among the top 20 lines covered by the duty-free scheme of the Republic of Korea**

(Unit: US\$ million)

| HS code | Description   | Bangladesh exports to the Republic of Korea |      |      |
|---------|---|---|------|------|
|         |   | 2005  | 2006 | 2007 |
| 530310  | Jute and other textile bast fibres, raw or retted                                   | 0.74  | 1.14 | 1.62 |
| 240120  | Tobacco, unmanufactured, partly or wholly stemmed or stripped                       | 0.33  | 0.87 | 1.19 |
| 640399  | Footwear, outer soles of rubber/plastics uppers of leather, n.e.s.                  | 0.85  | 2.88 | 1.17 |
| 530390  | Jute and other textile bast fibres, not spun, n.e.s.; tow and waste of these fibres | 0.85  | 0.83 | 0.66 |
| 030379  | Fish, n.e.s., frozen, excluding heading No. 03.04; livers and roes                  | 0.18  | 0.21 | 0.55 |



**Annex 3. Exportable items from Bangladesh under the duty-free scheme of the Republic of Korea**

(Unit: US\$ million)

| <b>HS CODE<br/>BD</b> | <b>Description</b>  | <b>Bangladesh<br/>total<br/>exports,<br/>2007</b> | <b>Bangladesh<br/>exports to<br/>Republic of<br/>Korea,<br/>2007</b> | <b>Republic of<br/>Korea's<br/>total<br/>imports,<br/>2007</b> |
|-----------------------|---|---|--|--|
| 530310                | Jute and other textile bast fibres, raw or retted   | 141.02  | 1.624  | 2.03   |
| 240120                | Tobacco, unmanufactured, partly or wholly stemmed or stripped   | 17.94   | 1.189  | 131.00   |
| 640399                | Footwear, outer soles of rubber/plastics uppers of leather, n.e.s.  | 95.08   | 1.169  | 238.17   |
| 530390                | Jute and other textile bast fibre, not spun, n.e.s.; tow and waste of these fibres                          | 3.78  | 0.658  | 0.66   |
| 030379                | Fish, n.e.s., frozen, excluding heading No 03.04; livers and roes   | 26.26   | 0.551  | 747.37   |
| 620630                | Women's/girls' blouses and shirts, of cotton, not knitted   | 170.89  | 0.31   | 93.96  |
| 620462                | Women's/girls' trousers and shorts, of cotton, not knitted  | 991.25  | 0.2  | 316.55   |
| 852990                | Parts suitable for use solely/principally with the application of headings 85.25 to 85.28                   | 8.51  | 0.127  | 847.81   |
| 611020                | Pullovers, cardigans and similar articles of cotton, knitted  | 1 067.96  | 0.087  | 127.79   |
| 621210                | Brassieres and parts thereof, of textile materials  | 94.46   | 0.085  | 53.15  |
| 611011                | Jerseys, pullovers, cardigans, waistcoats and similar articles, of wool                                     | 53.50   | 0.048  | 69.51  |
| 620463                | Women's/girls' trousers and shorts, of synthetic fibres, not knitted  | 118.99  | 0.025  | 72.79  |
| 611012                | Jerseys, pullovers, cardigans, waistcoats and similar articles, of Kashmir (cashmere) goats                 | 36.93   | 0.015  | 19.68  |
| 030559                | Fish n.e.s., dried, whether or not salted but not smoked  | 9.61  | 0.004  | 37.82  |
| 950300                | Tricycles, scooters, pedal cars and similar wheeled toys; dolls' carriages                                  | 1.20  | 0.002  | 267.12   |
| 900211                | Objective lenses for cameras, projectors/photographic enlargers/reducers                                    | 2.60  | 0.001  | 138.38   |
| 950662                | Inflatable balls  | 0.79  | 0  | 13.39  |
| 051191                | Fish, shellfish and aqua invertebrate products, n.e.s., and dead animals of Ch 3, not for human consumption | 0.50  | 0  | 13.19  |
| 300420                | Antibiotics, n.e.s., in dosage  | 6.00  | 0  | 54.27  |
| 310210                | Urea, whether or not in aqueous solution in packages weighing more than 10 kg                               | 57.75   | 0  | 221.87   |
| 251710                | Pebbles, gravel, broken or crushed stone used for aggregates etc.   | 3.99  | 0  | 1.63   |
| 420211                | Trunks, suitcases and similar containers with outer surface of leather                                      | 0.60  | 0  | 26.54  |
| 420221                | Handbags with outer surface of leather  | 4.10  | 0  | 161.76   |
| 790500                | Zinc plates, sheets, strip and foil   | 1.88  | 0  | 8.39   |
| 847690                | Parts of automatic goods-vending machine  | 18.11   | 0  | 10.43  |
| 611019                | Jerseys, pullovers, cardigans, waistcoats and similar articles  | 6.31  | 0  | 5.61   |
| 850300                | Parts of electric motors, generators, generating sets and rotary converters                                 | 0.57  | 0  | 294.22   |

| <b>HS CODE<br/>BD</b> | <b>Description</b>   | <b>Bangladesh<br/>total<br/>exports,<br/>2007</b> | <b>Bangladesh<br/>exports to<br/>Republic of<br/>Korea,<br/>2007</b> | <b>Republic of<br/>Korea's<br/>total<br/>imports,<br/>2007</b> |
|-----------------------|--|---|--|--|
| 903289                | Automatic regulating or controlling instruments and apparatus, n.e.s.  | 0.79  | 0  | 663.77   |
| 610832                | Women's/girls' nightdresses and pyjamas, man-made fibres, knitted  | 16.19   | 0  | 1.12   |
| 640610                | Uppers and parts thereof, other than stiffeners  | 1.90  | 0  | 95.62  |
| 903190                | Parts and accessories for measuring or checking instruments, appliances and machines, n.e.s.                   | 0.62  | 0  | 361.42   |
| 840810                | Marine propulsion engines, diesel  | 0.60  | 0  | 223.25   |
| 854370                | Electrical machines and apparatus, having individual functions, n.e.s.   | 0.74  | 0  | 1 162.26   |
| 611693                | Gloves, mittens and mitts, n.e.s., of synthetic fibres, knitted  | 0.55  | 0  | 10.72  |
| 392620                | Apparel and clothing accessories (including gloves), plastic   | 3.76  | 0  | 9.04   |
| 460219                | Basketwork, wickerwork and other articles, made directly to shape from material other than vegetable materials | 1.92  | 0  | 5.38   |
| 520531                | Cotton yarn, >/=85%, multi, uncombed, >/=714.29 dtex, not put up, n.e.s.                                       | 0.88  | 0  | 0.32   |
| 293399                | Heterocyclic compounds with nitrogen hetero-atom[s] only   | 0.51  | 0  | 177.25   |
| 420291                | Containers, with outer surface of leather, n.e.s.  | 2.08  | 0  | 7.26   |
| 300490                | Medicaments, n.e.s., in dosage   | 22.01   | 0  | 1,417.11   |
| 340111                | Toilet soap and preparations, shaped; papers and non-woven impregnated with soap, toilet use                   | 1.60  | 0  | 21.28  |
| 080290                | Nuts edible, fresh or dried, whether or not shelled or peeled, n.e.s.  | 4.53  | 0  | 1.04   |
| 890399                | Rowing boats, canoes, sculls and other pleasure boats, n.e.s.  | 0.61  | 0  | 7.25   |
| 846595                | Drilling or mortising machines for working wood /cork/bone/hard rubber/hard plastic etc.                       | 0.79  | 0  | 53.50  |
| 700510                | Float glass etc. in sheets, non-wired having an absorbent or reflecting layer                                  | 4.47  | 0  | 61.87  |
| 900290                | Lenses, prisms, mirrors and other optical elements, mounted, n.e.s.  | 1.02  | 0  | 79.34  |
| 901420                | Instruments and appliances for aero-nautical/space navigation (other than compasses)                           | 0.61  | 0  | 10.75  |
| 170310                | Cane molasses  | 0.51  | 0  | 58.66  |
| 300439                | Hormones, n.e.s., not containing antibiotics, in dosage, o/t contraceptive                                     | 1.25  | 0  | 88.35  |
| 390760                | Polyethylene terephthalate   | 0.61  | 0  | 21.91  |
| 740990                | Plate, sheet and strip of copper alloy, n.e.s.   | 0.72  | 0  | 52.75  |
| 900219                | Objective lenses, n.e.s.   | 3.38  | 0  | 36.51  |
| 294190                | Antibiotics n.e.s., in bulk  | 1.03  | 0  | 161.34   |
| 300440                | Alkaloids or their derivatives, not containing antibiotics or hormones, in dosage                              | 4.36  | 0  | 107.52   |
| 580710                | Labels, badges and similar woven articles of textile materials   | 0.60  | 0  | 7.61   |
| 611692                | Gloves, mittens and mitts, n.e.s., of cotton, knitted  | 0.91  | 0  | 13.57  |
| 870421                | Diesel powered trucks with a GVW not   | 0.97  | 0  | 1.66   |

| <b>HS CODE<br/>BD</b> | <b>Description</b>  | <b>Bangladesh<br/>total<br/>exports,<br/>2007</b> | <b>Bangladesh<br/>exports to<br/>Republic of<br/>Korea,<br/>2007</b> | <b>Republic of<br/>Korea's<br/>total<br/>imports,<br/>2007</b> |
|-----------------------|---|---|--|--|
|                       | exceeding 5 metric tons   |   |  |  |
| 730729                | Fittings pipe or tube of stainless steel, n.e.s.                              | 1.89  | 0  | 26.23  |
| 847340                | Parts and accessories of other office machines, n.e.s.                        | 2.83  | 0  | 55.33  |
| 391590                | Plastics waste and scrap, n.e.s.  | 8.96  | 0  | 8.91   |
| 240110                | Tobacco, unmanufactured, not stemmed or stripped                              | 3.10  | 0  | 19.61  |
| 300410                | Penicillin or streptomycin and their derivatives, in dosage                   | 0.55  | 0  | 11.34  |
| 460290                | Basketwork, wickerwork and other article made up from other plaited materials | 0.66  | 0  | 2.16   |
| 490900                | Postcards, printed or illustrated; printed greeting cards                     | 0.72  | 0  | 5.12   |
| 510620                | Yarn of carded, wool,<85% by weight of wool, not put up for retail sale       | 0.56  | 0  | 2.28   |
| 851770                | Parts of telephone sets, telephones for cellular networks or other systems    | 0.86  | 0  | 1 881.69   |
| 871200                | Bicycles and other cycles (including delivery tricycles), not motorized       | 33.05   | 0  | 131.63   |

**Annex 4. Tariff lines covered by the APTA concession among Bangladesh's top 20 tariff lines**

(Unit: US\$ million)

| HS code | Description   | Bangladesh exports to Republic of Korea |       |       |
|---------|---|---|-------|-------|
|         |   | 2005                                    | 2006  | 2007  |
| 410441  | Full grains leather, unsplit and grain splits leather, in the dry state             | 14.14                                   | 16.96 | 23.26 |
| 410449  | Hides and skins of bovine "including buffalo" or equine animals, in dry state       | 3.25                                    | 3.60  | 8.02  |
| 410792  | Grain splits leather "incl. parchment-dressed leather", of the portion              | 0.16                                    | 2.41  | 3.32  |
| 621133  | Men's/boys' garments n.e.s., of man-made fibres, not knitted                        | 0.01                                    | 0.82  | 1.52  |
| 530710  | Yarn of jute or of other textile bast fibres, single                                | 0.55                                    | 0.68  | 0.86  |
| 531090  | Woven fabrics of jute or of other textile bast fibres, o/t unbleached               | 0.51                                    | 0.67  | 0.78  |
| 530390  | Jute and other textile bast fibres, not spun, n.e.s.; tow and waste of these fibres | 0.85                                    | 0.83  | 0.66  |
| 030379  | Fish, n.e.s., frozen, excluding heading No 03.04; livers and roes                   | 0.18                                    | 0.21  | 0.55  |
| 410419  | Hides and skins of bovine "including buffalo" or equine animals, in the wet state   | 0.01                                    | 0.26  | 0.51  |
| 030614  | Crabs frozen, in shell or not, including boiled in shell                            | 0.04                                    | 0.02  | 0.50  |