

# EUROPEAN PARLIAMENT

1999



2004

---

*Session document*

FINAL  
**A5-0360/2000**

1 December 2000

**\***

## **REPORT**

on the proposal for a Council decision concerning the conclusion of the  
Cooperation Agreement between the European Community and the People's  
Republic of Bangladesh  
(7595/1/1999 - COM(1999) 155 – C5 – 0356/2000 - 1999/0086 (CNS))

Committee on Development and Cooperation

Rapporteur: Bob van den Bos

### ***Symbols for procedures***

- \* Consultation procedure  
*majority of the votes cast*
- \*\*I Cooperation procedure (first reading)  
*majority of the votes cast*
- \*\*II Cooperation procedure (second reading)  
*majority of the votes cast, to approve the common position  
majority of Parliament's component Members, to reject or amend  
the common position*
- \*\*\* Assent procedure  
*majority of Parliament's component Members except in cases  
covered by Articles 105, 107, 161 and 300 of the EC Treaty and  
Article 7 of the EU Treaty*
- \*\*\*I Codecision procedure (first reading)  
*majority of the votes cast*
- \*\*\*II Codecision procedure (second reading)  
*majority of the votes cast, to approve the common position  
majority of Parliament's component Members, to reject or amend  
the common position*
- \*\*\*III Codecision procedure (third reading)  
*majority of the votes cast, to approve the joint text*

(The type of procedure depends on the legal basis proposed by the Commission)

## CONTENTS

	Page
PROCEDURAL PAGE .....	4
DRAFT LEGISLATIVE RESOLUTION.....	5
EXPLANATORY STATEMENT .....	6
OPINION OF THE COMMITTEE ON INDUSTRY, EXTERNAL TRADE, RESEARCH AND ENERGY .....	11

## PROCEDURAL PAGE

By letter of 6 July 2000 the Council consulted Parliament, pursuant to Article 300(3), first paragraph, of the EC Treaty, on the proposal for a Council decision concerning the conclusion of the Cooperation Agreement between the European Community and the People's Republic of Bangladesh (7595/1/1999 - COM(1999) 155 - 1999/0086 (CNS)).

At the sitting of 7 July 2000 the President of Parliament announced that she had referred this proposal to the Committee on Development and Cooperation as the committee responsible and to the Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy and the Committee on Industry, External Trade, Research and Energy for their opinions (C5-0356/2000).

The Committee on Development and Cooperation appointed Bob van den Bos rapporteur at its meeting of 27 July 1999.

The committee considered the Commission proposal and draft report at its meetings of 27 July 1999, 30 August 1999, 26 June 2000, 17 October 2000 and 21 November 2000. At the last meeting it adopted the draft legislative resolution unanimously.

The following were present for the vote: Joaquim Miranda, chairman; Lone Dybkjær, Margrietus J. van den Berg and Fernando Fernández Martín, vice-chairmen; Bob van den Bos, rapporteur; Marie-Arlette Carlotti, John Alexander Corrie, Niranjana Deva, Concepción Ferrer (for Pier Ferdinando Casini), Vitaliano Gemelli, Renzo Imbeni, Bashir Khanbhai, Glenys E. Kinnock, Nelly Maes (for Paul A.A.J.G. Lannoye), Hans Modrow, Didier Rod and Ulla Margrethe Sandbæk.

The opinion of the Committee on Industry, External Trade, Research and Energy is attached. The Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy at its meeting of 7 November 2000 decided not to give an opinion.

The report was tabled on 1 December 2000.

The deadline for tabling amendments will be indicated in the draft agenda for the relevant part-session.

## DRAFT LEGISLATIVE RESOLUTION

**European Parliament legislative resolution on the proposal for a Council decision concerning the conclusion of the Cooperation Agreement between the European Community and the People's Republic of Bangladesh (7595/1/1999 - COM(1999) 155 – C5-0356/2000 – 1999/0086(CNS))**

### **(Consultation procedure)**

*The European Parliament,*

- having regard to the proposal for a Council decision (COM(1999) 155<sup>1</sup>),
  - having regard to the agreement signed by the Commission (7595/1/1999),
  - having regard to Article 300(2), first paragraph, of the EC Treaty,
  - having been consulted by the Council pursuant to Article 300(3), first sub-paragraph, of the EC Treaty (C5-0356/2000),
  - having regard to Rules 67 and 97(7) of its Rules of Procedure,
  - having regard to the report of the Committee on Development and Cooperation and the opinion of the Committee on Industry, External Trade, Research and Energy (A5-0360/2000),
1. Approves the Commission proposal;
  2. Instructs its President to forward Parliament's opinion to the Council, the Commission and the governments and parliaments of the Member States and of Bangladesh.

---

<sup>1</sup> OJ C 143, 21.5.1999, p. 8

## EXPLANATORY STATEMENT

### 1. Introduction : a summary of the main economic, social and political characteristics of Bangladesh

Bangladesh is one of the poorest developing countries - GNP per capita of US\$ 355 (FY1999) - with a large population of 127 million occupying an area of 147,570 square kilometres. Almost half of the population is still living below the poverty line. Urban poverty in particular is a widespread phenomenon. Population density is amongst the highest in the world. With 868 inhabitants per square kilometre, it is the most heavily populated country on the list of Least Developed Countries (LDCs).

Low-lying Bangladesh, on the Ganges delta in a monsoon region, is subject to regular flooding and cyclones, the effects of which are aggravated by its large and expanding population. Its environmental problems are compounded by deforestation within and outside its borders. Each year people are drowned, others are made homeless and economic infrastructure and crops are washed away. Moreover water supplies have become seriously contaminated by arsenic, after the sinking of wells to draw on underground water; over half the 125m population seems to be affected.

The economic reform policies implemented during the 1990s have registered significant achievements in macro-economic stability as far as inflation, balance of payment and debt are concerned, and yielded an average real GDP growth rate of 4.8% during the period 1994-99.

Agriculture is still the most important sector of the economy with 30% of GDP (FY 1999) and 65% of the labour force. The industrial sector, during the period 1994-99, grew at an annual rate of 5.7% (at constant prices), mainly thanks to the textile industry. This industry has grown from 10,000 jobs in 1983 to more than 1.2 million today, 85% of which are occupied by women. The textile industry alone represents more than two thirds of the country's exports.

Although effective family planning policy has been implemented over the last decade, a significant increase in the population is still expected. Unless the demographic growth rate decreases further, population will rise to more than 200 million in 2030. In these circumstances, the current levels of economic growth and food production are not sufficient to prevent significant pressure on both employment and food security.

From a social point of view, the main problems are the precarious situation of women and of children. Women are often exploited, repressed and subjected to serious, frequently domestic, violence. The case of Taslima Nasreen, awarded the European Parliament's Sakharov Prize in 1994, is an illustration. They are often unaware of their legal rights or unable to enforce them, though increasingly programmes are being developed to address this.

For children, abandonment, kidnapping and trafficking for labour bondage and prostitution continue to be serious problems, despite government programmes in primary education, health and nutrition. It is estimated that there are over six million children between the ages of five and fourteen who are economically active - 20% of all children and 12% of the labour

force. Some two-thirds of these are unpaid helpers on family farms.

It is worth noting that in 1984 Bangladesh joined the International Labour Organisation's international programme for the abolition of child labour and that a memorandum of understanding to eliminate child labour in the garment industry was signed in 1995 between UNICEF, the ILO and representatives from this industry. Significant progress has been made since then.

There has been some improvement in the standard of living over the past 25 years, with a reduction in the fertility rate (from 7 to 3 births per woman) and in infant mortality (from 148 per thousand live births in 1970 to 79 in 1998). Life expectancy is now 59 years both for males and females ;adult illiteracy (over age 15), however, is 29 per cent for women and 51 per cent for men though primary education enrolments have doubled in less than 20 years. The UNDP's HDI Human Development Index (0.44) places the country in 146<sup>th</sup> position out of 174 countries.

From a political standpoint, although the last general election in June 1996 was conducted in a proper and orderly fashion, there are frequent violent clashes between the party in power, premier Sheikh Hasina Wajed's Awami League, and the main opposition party of Begum Zia Khaleda (the Bangladesh Nationalist Party). Almost every week the opposition, which has boycotted Parliament for over a year in protest at the government, calls for Hasina's resignation and for fresh elections. It has regularly called general strikes which bring public life in Dhaka and other parts of the country to a complete standstill. . These Hartals, blockades, noisy demonstrations and other forms of violent political confrontation not only endanger the lives and the well-being of innocent citizens, but also discourage foreign investment.<sup>2</sup>

It must also be recalled that the authorities have been involved in a long-standing conflict with the indigenous peoples of the southern regions, namely the Chittagong Hill Tracts. The European Parliament has been monitoring the situation and on several occasions has expressed its concern at human rights in this region.<sup>3</sup> This conflict eventually ended and a Peace Agreement between the Government of Bangladesh and the Parbattya Chattagram Jana Sanghati Samity (led by the tribal leader Shantu Larma) was signed in Dhaka on 2 December 1997. Following this Agreement about 50,000 tribal refugees returned to the CHT region. So far, in spite of objective progress, the Peace Agreement has only been implemented to a limited extent. Major outstanding issues relate to land ownership (specially the criteria for identifying the land illegally owned by the Bengali settlers), the empowerment of the District Councils as well as the coming into operation of the Regional Council and the Land Commission.

Furthermore, the question of the resettlement and rehabilitation of the Biharis claiming to be stranded Pakistanis - their number being estimated at approximately 238,000, living in 70 camps scattered throughout the country - must still be addressed.

On the political side, the government is aware of the necessity of taking measures aimed at the

---

<sup>2</sup> CFSP Presidency Statement (02.03.99)

<sup>3</sup> Resolution on Bangladesh, 24 October 1996, and resolution on the situation in the Chittagong Hill Tracts, 20 November 1997.

consolidation of democratic institutions, the establishment of representative local government institutions and the rule of law. It has already adopted some administrative reforms with a view to improving the efficiency and effectiveness of the public service.

## 2. Relations between Bangladesh and the European Union

The European Union is the biggest trade partner of Bangladesh, importing 45% of its exports in 1998. Six commodities (woven and knitted garments, leather, raw jute and jute goods, frozen food and shrimps and chemical products) account for 95% of exports, while all the other commodities account for the remaining 5%. Bangladesh enjoys a trade surplus with the European Union.

Bangladesh is greatly dependent on foreign aid. The European Union (EC and Member States) contributes over 17% of all funds although if we consider grants only this share is much more significant. Development cooperation is by far the most important sector of EC cooperation with Bangladesh.

Over the years, Bangladesh has benefited from the following three key instruments of EU development aid policy: aid for financial and technical cooperation with Asian countries, food and humanitarian aid and exemption from customs duties on exports to the EU under the EU Generalised System of Tariff Preferences (GSP).

Being on the list of the Least Developed Countries (LDCs), Bangladesh enjoys the most favourable application of the EU's GSP, which enables it to export most of its products - especially textiles - to the EU without having to pay custom duties.

Since 1976 EU-financed projects amounting to approximately €970m have been completed. €660m were devoted to food and humanitarian aid, €185m concerned agriculture and poverty alleviation, €35m went to social sector development, €35m to irrigation, €24.4m to rehabilitation and reconstruction and €24m to food security.

Whereas the main areas of EU intervention before 1996 were agriculture, flood control and food aid, priority is now given to the social sector - mainly health and primary education - and food security.

The objectives of the EU-financed programmes - as currently agreed with Bangladesh - are to help raise the incomes and improve food security of poor people, especially the poorest, to improve access of people, particularly poor women and children, to quality health and public health services, and to improve access of children from poor families to quality primary education.

EU-funded projects currently under way amount to €482.4m. €102m concerns projects related to poverty alleviation, €178m concerns social sector development (including contraceptive supply projects up to €34.5m), €46m concerns water resources and flood actions, €24.5m relates to projects concerning food security and €39.7m concerns the agricultural sector and rehabilitation/construction activities. Out of this total amount approximately €100m is being spent on projects implemented by various local NGOs, roughly equivalent to one fifth of the EC's total current spending in Bangladesh. The implementation of a large part of the EC development cooperation programme through various local NGOs is



a key feature of EC development cooperation with Bangladesh.

Micro-credit has been an important component of the EU-funded development cooperation since the late 1980s. This involvement has taken place through NGO and GOB projects in which micro-finance often forms a rather important part of a broader intervention that includes basic education, training, rights awareness etc. During the period 1987-99, the EU funded nine projects with a significant or predominant micro-credit component. Its contributions amounted to €187m, out of which the micro-credit component took around €105m.

It is worth stressing that the NGOs in Bangladesh are fully involved in development and that both the EU and the present government recognise the fundamental role played by NGOs. At the end of 1997 some 1,200 NGOs were registered and eligible to receive foreign funds.

### 3. The Cooperation Agreement: main features

This agreement is intended to follow on from the 1976 agreement.

Like all recent agreements of this type which the EU has reached with its developing country partners, this agreement is based on respect for human rights and democratic principles. As stated in Article 1 of the Agreement, respect for human rights and democratic principles as laid down in the Universal Declaration on Human Rights underpins the domestic and international policies of the Parties and constitutes an essential element of this Agreement.

The non-execution clause states that violation of Article 1 is a breach that can lead to the suspension of the agreement.

Successive articles of the Agreement deal with development cooperation, trade and commercial cooperation, environmental cooperation, economic cooperation, regional cooperation and human resource development. It may also be extended to specific activities or sectors according to future needs.

The main objectives of the Agreement are to support sustainable economic and social development in Bangladesh, particularly with regard to the poorest members of society and with special emphasis on women. It also stresses the need to strike a balance between sustainable economic growth, social development and environmental protection.

Another important point concerns Bangladesh's recognition of the need to enhance the protection of intellectual, industrial and commercial property rights.

It is a non-preferential agreement as regards trade. Accordingly, it does not contain a financial protocol. Cooperation as a whole will continue under the aforementioned existing instruments.

### 4. Conclusion

The Committee on Development and Cooperation welcomes this agreement based on respect for human rights and democratic principles which should, in future, foster political dialogue between EU and Bangladesh on this particularly important and sensitive issue.

The Committee on Development and Cooperation welcomes in particular the fact that this agreement stresses the importance of sustainable economic and social development, gives priority to development cooperation and, in particular, to the fight against poverty, refers specifically to the important role of women and acknowledges the link between economic and social development and environmental protection, to which it grants a high priority. Moreover, the Agreement emphasises the importance of regional cooperation. It underscores the need to develop human resources and refers explicitly to the prohibition of forced labour and child labour (Article 10).

All the above points are in line with the policy positions consistently advocated by the Committee on Development and Cooperation.

The Committee on Development and Cooperation acknowledges the important progress achieved by Bangladesh in recent years towards democracy.

However, it believes it is essential for a more substantial part of EU aid to be devoted in future to further promoting democracy, the rule of law and the principle of good governance. In this respect, it is crucially important for a comprehensive aid programme to be devised and implemented - in full agreement with Bangladesh - concerning such widely diversified areas as voter education and the fight against electoral fraud, institutional capacity building, notably a stronger parliamentary system, good governance and the fight against corruption.

The Committee on Development and Cooperation would also like to point out that the human rights clause should allow for more comprehensive and efficient action, notably in promoting the role and status of women and in the fight against child labour.

The Committee on Development and Cooperation insists on the necessity for EU cooperation to contribute actively to strengthening civil society and increasing its involvement - notably through the important network of local NGOs - in the development process and in the pursuit of greater political stability and democracy.

27 November 2000

## **OPINION OF THE COMMITTEE ON INDUSTRY, EXTERNAL TRADE, RESEARCH AND ENERGY**

for the Committee on Development and Cooperation

on the proposal for a Council decision concerning the conclusion of the Cooperation Agreement between the European Community and the People's Republic of Bangladesh (7595/1/1999 – COM(1999) 155 – C5-0356/2000 – 1999/0086 (CNS))

Draftsman: Nelly Maes

### **PROCEDURE**

At its meeting of 19 September 2000 the Committee on Industry, External Trade, Research and Energy appointed Nelly Maes draftsman.

It considered the draft opinion at its meetings of 7 and 22 November 2000 .

At the last meeting it adopted the following conclusions unanimously.

The following were present for the vote: Carlos Westendorp y Cabeza, chairman; Nelly Maes, draftsman; Yves Butel, Gérard Caudron, Giles Bryan Chichester, Nicholas Clegg, Willy C.E.H. De Clercq, Claude J.-M.J. Desama, Jonathan Evans, (for John Purvis), Concepció Ferrer, Francesco Fiori (for Guido Bodrato), Colette Flesch, Glyn Ford, Jacqueline Foster (for Malcolm Harbour), Pat the Cope Gallagher, Norbert Glante, Lisbeth Grönfeldt Bergman (for Anders Wijkman), Michel Hansenne, Philippe A.R. Herzog, Hans Karlsson, Helmut Kuhne (for Mechtild Rothe), Rolf Linkohr, Caroline Lucas, Eryl Margaret McNally, Erika Mann, Marjo Tuulevi Matikainen-Kallström, Elizabeth Montfort, Angelika Niebler, Yves Piétrasanta, Elly Plooi-j-van Gorsel, Imelda Mary Read, Paul Rübig, Konrad K. Schwaiger, Esko Olavi Seppänen, Helle Thorning-Schmidt (for Reino Kalervo Paasilinna), Astrid Thors, Jaime Valdivielso de Cué, Alejo Vidal-Quadras Roca, Dominique Vlasto and Myrsini Zorba.

## SHORT JUSTIFICATION

### Economic background of Bangladesh

Bangladesh is one of the poorest developing countries - GNP per capita of USD 270 – with a large population of 125 million occupying a small area. More than half of the population is still living below the poverty line, as defined by the UN criteria. Population density is amongst the highest in the world. It is the most heavily populated country on the list of Least Developed Countries (LDCs).

Bangladesh has, in the last decade, recorded significant progress in its economic and social development. The reforms carried out during the 1990s resulted in an improvement in microeconomic performance. In the same period Bangladesh also witnessed a shift from the non-tradeable sector to the tradeable sector and a development of a more export-orientated economy. The main characteristic of its export sector is concentration: six commodities account for 95% of exports and two markets (USA and EU) represent 80% of its exports. In the last ten years, the export sector average growth rate was 12.8%, almost three times the increase in GDP over the same period. This general improvement allowed an acceleration in GDP per capita growth which in the period 1993-1998 was almost 5%.

In spite of the impressive average growth of GDP per capita, this is insufficient to achieve the long-term development objectives set by the government in a country where 60 million people still live below the poverty line. For the Bangladesh economy to accelerate economic growth, this will require not only a higher level of internal and external investment but also the implementation of reforms in order to address structural problems, i.e.:

a) to increase the efficiency and competitiveness of the private sector; in fact if Bangladesh's exporters start to compete effectively in global markets, the phasing out of preferential access and abolition of quotas by 2005 will require the private sector to improve efficiency and product quality.

b) to remove infrastructure bottlenecks. Bangladesh's physical infrastructure is underdeveloped and a major constraint on economic growth. This situation has been the result of many years of underinvestment in this sector and in spite of recent progress, transport and energy infrastructure are still inadequate.

c) to make the financial system efficient. The Bangladeshi financial system is small, poorly developed and confronted with enormous problems, such as bureaucracy, overregulation, etc.

d) the creation of a transparent and accountable institutional environment. Slow progress has been made in recent years in improving governance and developing strong institutional capacity. Weak public institutions, together with an increasingly confrontational political environment, complicated regulatory and judicial systems, lack of enforcement of existing laws and regulations and widespread corruption undermine sound policy-making and public management and therefore create a fundamental obstacle to further economic development.

With regard to the social situation, Bangladesh has made major progress in improving the standard of living of its people over the past 20 years. It has succeeded in reducing the fertility rate from 7 to 3 births per woman; infant mortality rates have fallen to 75 per thousand live

births and life expectancy is now 58 years for both males and females. The population growth rate fell from over 3% in the 1970s to 1.6% in 1999. Primary education enrolments have doubled in less than 20 years. The adult illiteracy rate has fallen to 44%.

The efforts made in the areas of sanitation and the supply of safe drinking water must be acknowledged. Unfortunately, the latter has been jeopardised by high levels of arsenic contamination in numerous wells in various parts of the country. The government, in cooperation with donors and NGOs, is taking measures to face these problems both in the short and long term.

However, much progress is still needed as Bangladesh continues to remain a country with significant structural problems. The Human Development Index (HDI) for Bangladesh, at 0.37, places the country in 145<sup>th</sup> position out of 162 countries.

## **CONCLUSIONS**

The Committee on Industry, External Trade, Research and Energy calls on the Committee on Development and Cooperation, as the committee responsible, to incorporate the following points in its report:

1. Welcomes the measures taken to liberalise trade policy, especially the reduction of maximum tariff rates from 350% to less than 40% and the reduction of import quotas according to WTO requirements; appreciates the outstanding growth of the economy, but nevertheless asks for more transparency in trade policy and subsidies, as well as enhanced anti-corruption activities;
2. Calls on the Government of Bangladesh to take decisive steps for the improvement of the situation of the landless population; urges it notably to put the dispositions of the 'land manual' of 1987 into practice, which foresees the handing out of 1 acre of land to landless men and 1 acre of land to landless women, thus respecting the right of women to access to land;
3. Expresses its strong concern over the arsenic poisoning of Bangladesh's drinking water provided through tube wells which might affect up to 80 million people, over half of the country's population, and which has been classified by the WHO as 'the largest mass poisoning of a population in history'; calls on the Government of Bangladesh to do everything in its power to speed up the provision of an arsenic-free water supply to the affected communities and to declare an immediate moratorium on the drilling of new tube wells;
4. Recalls in this context the delicate geological and environmental equilibrium of the Bramaputra delta, which has already led Bangladeshi governments in the past to become cautious towards high-technology solutions proposed by international donors as the World Bank or the European Union in order to solve problems like malnutrition or floods, such as the now abandoned 'Flood Action Plan';

5. Welcomes the great improvements Bangladesh has made over the last years towards reducing the devastating effects of the regularly occurring floods, in particular the loss of lives, in stressing disaster preparedness and the capacity to live with the floods;
6. In the interest of countries like Bangladesh, calls on the European Union to take a firm stand and the lead in the negotiations to reduce greenhouse gas emissions and to halt climate change at the forthcoming Sixth Conference of the Parties on the Kyoto Protocol and to strengthen assistance to the developing countries;
7. Draws attention to the fact that international companies have started to exploit Bangladesh's natural gas reserves, and calls on the European Union to support the Bangladesh Government in its attempt to exploit these resources in the best interest of its population;
8. Regrets that the International Jute Organisation which was established in 1984 under the auspices of the United Nations Conference on Trade and Development (UNCTAD) ceased operating in April of this year due to a lack of political support and funding;
9. In view of the fact that an estimated 30 million people in Bangladesh, which is the main producer, are directly or indirectly dependent on the product, and considering that diversified jute could make an important future environmentally friendly fibre, urgently appeals to the European Commission and the EU Member States to do all in their power to revive the organisation;
10. Welcomes the Commission's proposal of 20 September 2000 to allow duty-free access for all products from least-developed countries except arms to the European market, which will hopefully affect positively Bangladesh's imports into the European Union;
11. Calls on the Commission to look into ways of monitoring and preventing the transfer of merchandise originating in and coming from those countries not included in the Commission proposal
12. Is concerned by the precarious and unhealthy labour conditions of women in the textile industry (that represents two-thirds of the country's exports and is 85% occupied by women) and by the lack of training or credit facilities, and calls on the Government of Bangladesh to do everything in its power to further improve the situation;
13. Is equally concerned by the violation of trade union freedom through harassment and dismissal of workers found to be union members, especially in the garment sector;
14. Is dismayed at the persistent use of a child labour force, despite the fact that Bangladesh joined the International Labour Organisation (ILO) international programme for the abolition of child labour and that a memorandum to eliminate child labour in the textile industry was signed in 1995 between UNICEF, the ILO and representatives from the Bangladesh textile industry;
15. Welcomes the conclusion of the Cooperation Agreement between the European Community and the People's Republic of Bangladesh and encourages the EU to negotiate

a financial protocol with Bangladesh in the near future.