Government of the People's Republic of Bangladesh
Bangladesh Regional Connectivity Project – 1
Ministry of Commerce

STUDY ON POSSIBILITIES OF FTA AGREEMENTS WITH THE MERCOSUR (SOUTHERN COMMON MARKET) COUNTRIES

WITH SPECIAL ANALYSIS OF TRADE WITH BRAZIL AND ARGENTINA

JUNE 2025

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Preface

The rapid evolution of global trade and the dynamic nature of regional economic integration have created significant opportunities for countries worldwide. As Bangladesh is on the cusp of graduating from Least Developed Country (LDC) status, the need for securing trade agreements that can bolster the country's growth and expand its market access has become more urgent than ever.

In line with this, the Government of Bangladesh has initiated this study to explore the possibilities of Free Trade Agreements (FTA) with MERCOSUR, the Southern Common Market. This study, led by the Ministry of Commerce under the Bangladesh Regional Connectivity Project (BRCP-1), aims to evaluate the potential for deepening Bangladesh's trade relations with MERCOSUR member countries— special focus on Argentina and Brazil— and to identify strategic pathways for enhancing trade cooperation.

This report presents a comprehensive analysis of MERCOSUR's trade dynamics, economic landscape, and regulatory framework, alongside an in-depth evaluation of Bangladesh's trade potential with these countries. The findings and strategic recommendations derived from this study are designed to support the Government of Bangladesh in formulating evidence-based policies that will guide future trade negotiations and foster stronger economic ties with MERCOSUR.

The study, with its multi-dimensional approach encompassing economic modeling, sector-specific analysis, and stakeholder consultations, will serve as a critical resource in shaping Bangladesh's approach to post-LDC trade relations, ensuring a smoother transition and positioning the country as an active participant in global trade.

I would like to express my sincere gratitude to all the stakeholders involved in this study, whose contributions have been invaluable. The insights provided through key informant interviews, focus group discussion, and data analyses have greatly enriched this report.

This study, I believe, will play a pivotal role in advancing Bangladesh's economic interests and establishing more diversified, sustainable trade partnerships with MERCOSUR in the years to come.

Shaila Yasmin
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Bangladesh Regional Connectivity Project-1 (BRCP-1)
Ministry of Commerce

Study on Possibilities of FTA Agreements with the MERCOSUR (Southern Common Market) Countries with Special Analysis of Trade with Brazil and Argentina

JUNE 2025

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First and foremost, I would like to express my sincere gratitude to Ms. Shaila Yasmin, Project Director (Joint Secretary) of the Bangladesh Regional Connectivity Project-1 (BRCP-1), Ministry of Commerce, for her exceptional leadership, guidance, and vision throughout the course of this study. Her commitment to the study's objectives and her steadfast dedication were fundamental in driving the success of this research.

I also wish to extend my heartfelt appreciation to the stakeholders and experts who participated in the Key Informant Interviews (KIIs) and Focus Group Discussion (FGD). Their invaluable insights, perspectives, and cooperation provided the essential data that enriched the findings and recommendations of this report. Their willingness to share their expertise greatly enhanced the overall quality of this study.

My sincere thanks go to the BRCP-1 team, whose support was crucial in ensuring the smooth completion of the study. Special mention goes to Md. Munir Chowdhury, National Trade Expert, BRCP-1, for his unwavering dedication and critical contribution to finalizing the study. Without their collective efforts, this report would not have been realized.

Finally, I would like to express my deep appreciation to the Bangladesh Regional Connectivity Project-1 (BRCP-1) and the Ministry of Commerce for providing the resources, guidance, and platform that enabled the successful execution of this important research.

It is with great appreciation that I acknowledge the contributions of all those involved, whose support and dedication were essential to the successful completion of this study.

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List of Abbreviations and Acronyms

ACE-18	Economic Complementation Agreement No. 18 (MERCOSUR)
ACE-35	Economic Complementation Agreement No. 35 (MERCOSUR–Chile)
ADB	Asian Development Bank
AEO	Authorized Economic Operator
ANMAT	Administración Nacional de Medicamentos, Alimentos y Tecnología Médica (Argentina)
ANVISA	Agência Nacional de Vigilância Sanitária (Brazil)
API	Active Pharmacitical Ingredients
ASEAN	Association of Southeast Asian Nations
BBS	Bangladesh Bureau of Statistics
BCB	Bangladesh Central Bank
BERC	Bangladesh Energy Regulatory Commission
BFTI	Bangladesh Foreign Trade Institute
BIDA	Bangladesh Investment Development Authority
BIWTC	Bangladesh Inland Water Transport Corporation
BPGMEA	Bangladesh Plastic Goods Manufacturers and Exporters Association
BPO	Business Process Outsourcing
BSCIC	Bangladesh Small and Cottage Industries Corporation
BSTI	Bangladesh Standards and Testing Institution
CAO/PMO	Chief Advisor's Office/Prime Minister's Office
CAGR	Compound Annual Growth Rate
CBM	Cubic Meter
CFTA	Continental Free Trade Area
CGE	Computable General Equilibrium
CEPA	Comprehensive Economic Partnership Agreement
COO	Certificate of Origin
CTH	Change in Tariff Heading
DCCI	Dhaka Chamber of Commerce and Industry
DFQF	Duty-Free Quota-Free
DGDA	Directorate General of Drug Administration (Bangladesh)
EFTA	European Free Trade Association
EPB	Export Promotion Bureau
EIA	Economic Integration Agreement
EU	European Union
FDI	Foreign Direct Investment
FGD	Focus Group Discussion
FOB	Free on Board
FTA	Free Trade Agreement
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
GSP	Generalized System of Preferences

GTAP	Global Trade Analysis Project
HS	Harmonized System
ICT	Information and Communication Technology
INTI	Instituto Nacional de Tecnología Industrial (Argentina)
ITC	International Trade Centre
KII	Key Informant Interview
LDC	Least Developed Country
MERCOSUR	Southern Common Market (Mercado Común del Sur)
MFN	Most Favoured Nation
MoC	Ministry of Commerce
MoFA	Ministry of Foreign Affairs
MoHFW	Ministry of Health and Family Welfare
MoIN	Ministry of Industries
MoLJPA	Ministry of Law, Justice and Parliamentary Affairs
MoPA	Ministry of Public Administration
MoS	Ministry of Shipping
MoU	Memorandum of Understanding
MRA	Mutual Recognition Agreement
MTRC	Mid-Term Review Committee
NBR	National Board of Revenue
NTB	Non-Tariff Barrier
NTFC	National Trade Facilitation Committee
OECD	Organisation for Economic Co-operation and Development
OEM	Original Equipment Manufacturer
PSA	Partial Scope Agreement
PTA	Preferential Trade Agreement
RCEP	Regional Comprehensive Economic Partnership
RMG	Ready-Made Garments
RoO	Rules of Origin
SDG	Sustainable Development Goal
SDR	Special Drawing Right
SPS	Sanitary and Phytosanitary
TBT	Technical Barriers to Trade
TFA	Trade Facilitation Agreement
ToT	Terms of Trade
TPS-OIC	Trade Preferential System among OIC Member States
TRQ	Tariff Rate Quota
UNCTAD	UN Trade and Development/United Nations Conference on Trade and Development
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
US FDA	US. Food and Drug Administration
USD	United States Dollar
USTR	United States Trade Representative

WB   World Bank
WTO   World Trade Organization
WTO-GMP   WTO Good Manufacturing Practices

Executive Summary

Chapter 1: Introduction

As Bangladesh approaches graduation from Least Developed Country (LDC) status in 2026, the urgency to secure alternative and sustainable market access has intensified. This study, commissioned by the Ministry of Commerce under the Bangladesh Regional Connectivity Project-1 (BRCP-1), evaluates the feasibility and strategic rationale of pursuing a Free Trade Agreement (FTA) or phased trade arrangement with Southern Common Market (MERCOSUR), with a particular focus on Brazil and Argentina. The study aims to assess trade potential, identify opportunities and challenges, and propose strategic pathways to deepen economic cooperation.

Chapter 2: Literature Review

Existing literature underscores the importance of South–South FTAs in enhancing trade for emerging economies. MERCOSUR's evolution as a customs union highlights its economic weight and intra-bloc trade focus. Studies confirm that FTAs can significantly boost exports when partners' trade structures are complementary. For Bangladesh, MERCOSUR offers opportunities to diversify beyond traditional markets, particularly if flexibilities in tariff reduction, safeguard mechanisms, and rules of origin are effectively negotiated.

Chapter 3: MERCOSUR Overview

MERCOSUR, established in 1991, integrates Argentina, Brazil, Paraguay, and Uruguay, with Bolivia in the process of full accession. With a GDP of $2.94 trillion and a population of 268 million in 2024, it represents a sizable consumer market. Brazil dominates with a diversified industrial base, while Argentina's agri-based economy complements Bangladesh's strengths in RMG and pharmaceuticals. Current trade is modest—Bangladesh exports mainly RMG, pharmaceuticals, and leather—but faces high tariffs (up to 35%) and non-tariff barriers. Brazil accounts for over 75% of MERCOSUR–Bangladesh trade.

Chapter 4: Economic Analysis of Brazil and Argentina

Brazil's large, diversified economy and Argentina's niche opportunities in agriculture and healthcare present complementary avenues for Bangladesh. Despite Argentina's volatility, demand for affordable imports remains strong. A gravity model confirms that GDP and population, rather than distance, are the primary drivers of trade potential—suggesting Brazil should be a key entry point, with Argentina as a strategic secondary partner.

Chapter 5: FTA Opportunities for Bangladesh

Trade simulations project substantial benefits: exports to Brazil could rise by $470 million, creating 36,000–50,000 new jobs. Priority sectors include RMG, pharmaceuticals, leather, ICT, jute, and agro-processing. A phased approach is

essential—beginning with a Preferential Trade Agreement (PTA) before moving toward a Comprehensive Economic Partnership Agreement (CEPA). Paraguay and Uruguay also offer investment platforms for Bangladeshi firms to enter MERCOSUR markets.

Chapter 6: Challenges and Risks

Key obstacles include MERCOSUR's high tariff wall, complex SPS/TBT regulations, certification delays, and weak Bangladeshi representation in Latin America. Risks include import surges threatening Bangladesh's agriculture and competition in sensitive industries. Strategic measures—such as safeguard provisions, phased liberalisation, and targeted sectoral agreements—are necessary to mitigate these risks.

Chapter 7: Legal & Regulatory Considerations

MERCOSUR's regulatory frameworks require Bangladesh to adapt in areas such as SPS measures, TBT compliance, and mutual recognition agreements. Success will depend on negotiating recognition of Bangladeshi standards, adopting flexible COO rules, and ensuring enforceable safeguard clauses. Collaboration in intellectual property, services, and investment could also facilitate technology transfer and innovation.

Chapter 8: Sector-Specific Analysis

High-potential sectors include RMG, pharmaceuticals, leather, jute, and agro-processing. RMG faces steep tariffs but benefits from high consumer demand in Brazil. Pharmaceuticals require stringent regulatory approval but hold strong growth potential. Jute aligns with MERCOSUR's environmental agenda, while agro-processing and ICT offer emerging opportunities. Strategic actions—such as branding, regulatory harmonisation, and JV partnerships—are recommended to enhance competitiveness.

Chapter 9: Stakeholder Perspectives

Focus Group Discussion (FGD) and Key Informant Interviews (KIIs) show strong stakeholder support for a phased negotiation process starting with PTAs. Private and public sector actors emphasized priority sectors (RMG, pharma, leather), the need to address NTBs, and the importance of strengthening logistics and diplomatic infrastructure in Latin America.

Chapter 10: Modelling and Economic Analysis

Simulation results using TINA and GTAP models indicate that a preferential trade arrangement with MERCOSUR could generate positive impacts for Bangladesh in terms of exports, GDP, and employment. Export gains are projected to be concentrated in labour-intensive sectors such as RMG, leather, and footwear, alongside selected non-traditional products.

At the same time, the analysis indicates potential adjustment pressures from increased imports, particularly in agriculture, underscoring the importance of safeguard mechanisms and gradual liberalisation.

CGE modelling suggests that an FTA with MERCOSUR could raise Bangladesh's GDP by 0.6%, increase trade by 40%, and create 36,000–50,000 jobs. Welfare gains are concentrated in RMG, pharmaceuticals, and jute, while agriculture faces greater competition from MERCOSUR imports. Revenue losses from tariff cuts must be balanced with the broader gains in trade and employment.

Chapter 11: Comparative Analysis with Other FTAs

Analysis of MERCOSUR's agreements—ACE-18 (intra-MERCOSUR), India–MERCOSUR PTA, and ACE-35 (Chile)—demonstrates the bloc's flexibility. Common features include phased liberalisation, asymmetry for smaller economies, TRQs, safeguard clauses, and flexible rules of origin. These precedents provide Bangladesh with a negotiation toolkit to secure favourable terms.

Chapter 12: Strategic Recommendations

A phased strategy is recommended:

- Begin with PTAs targeting high-potential sectors (RMG, pharmaceuticals, leather).
- Seek asymmetric tariff reductions and safeguard mechanisms.
- Negotiate flexible rules of origin and COO recognition.
- Align SPS/TBT standards with MERCOSUR requirements.
- Strengthen diplomatic and trade representation in Latin America.
- Establish review mechanisms for progressive expansion.

Key policy recommendations include strengthening negotiation capacity, addressing non-tariff barriers through regulatory cooperation, incorporating safeguard provisions, enhancing trade facilitation and logistics connectivity, and deepening diplomatic and commercial engagement with Latin America.

Chapter 13: Conclusion

MERCOSUR represents a strategically important but underutilised market for Bangladesh's post-LDC trade strategy. Despite tariff and regulatory barriers, the potential benefits—export growth, job creation, and GDP gains—are substantial. A phased, strategic approach—anchored in PTAs and supported by institutional readiness, sectoral prioritisation, and proactive diplomacy—will allow Bangladesh to secure sustainable access to South America's growing markets.

Chapter 1: Introduction

1.1 Background

The Government of Bangladesh has been actively pursuing strategies to diversify and strengthen its international trade relations, especially as the country prepares to graduate from its Least Developed Country (LDC) status. The shift from LDC status presents both challenges and opportunities, particularly regarding access to global markets and the preferential trade benefits currently enjoyed. One of the key strategies to ensure continued growth and competitiveness in the global market is to explore and establish Free Trade Agreements (FTAs) with emerging economic blocs. Among the most promising blocs for Bangladesh is the Southern Common Market (MERCOSUR), a regional economic union in South America.

MERCOSUR, which includes Argentina, Brazil, Paraguay, and Uruguay as full members, represents one of the largest and most dynamic economic blocs globally, with a combined GDP of nearly $2.94 trillion and a population of 268 million people in 2024[1]. The bloc also includes Chile, Colombia, Ecuador, Guyana, Panama, Peru, and Suriname as associate members, significantly increasing its regional influence. MERCOSUR has established several FTAs with third-party countries and regions, enhancing trade relations and promoting economic integration within South America and beyond. Given MERCOSUR's growing significance in international trade, Bangladesh sees immense potential in exploring deeper trade ties with these countries, especially Brazil and Argentina.

Brazil and Argentina, as the two largest economies in MERCOSUR, play pivotal roles in shaping the economic landscape of the region. Bilateral trade between Bangladesh and these countries has been steadily growing over the years. In 2024, Bangladesh's exports to MERCOSUR totalled USD 320 million, primarily consisting of ready-made garments (RMG), jute and jute goods, leather & non-leather footwear, and headgear. Despite the growing trade, Bangladesh faces certain challenges, particularly Brazil's high tariff rates (30%-35%) on Bangladeshi products, which hinder the full potential of bilateral trade.

In light of these challenges and the opportunities presented by a growing and evolving regional market, the Government of Bangladesh has initiated a study to explore the possibilities of signing an FTA with MERCOSUR, focusing specifically on trade relations with Brazil and Argentina. This study will analyze the potential benefits and drawbacks of Bangladesh's accession to MERCOSUR, identifying new areas for trade and investment, addressing existing barriers, and evaluating how Bangladesh can leverage MERCOSUR's trade agreements with third parties to boost its exports.

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[1] World Bank Database, 2025

The study also comes at a critical time as Bangladesh approaches its LDC graduation, which will result in the loss of preferential treatment such as Duty-Free and Quota-Free (DFQF) access to many global markets. As the country transitions into the post-graduation era, establishing FTAs with key global markets like MERCOSUR will be crucial in maintaining access to markets, mitigating the impact of losing LDC-specific privileges, and fostering sustainable economic growth.

The study not only examines trade patterns between Bangladesh and MERCOSUR countries but also provides an in-depth analysis of the economic, social, and political implications of such an agreement. Key factors such as tariff reductions, market access, investment opportunities, and the impact on local industries have been explored. Furthermore, the study assesses the potential for expanding trade in new sectors, including agricultural products, machinery, and technology, and identifies the challenges that may arise in the negotiation and implementation phases of the FTA.

Given the importance of this study, it will serve as a foundation for the Government of Bangladesh in making informed decisions regarding its trade policy with MERCOSUR, ultimately helping the country strengthen its position in the global trading system and achieve its long-term economic goals.

1.1.1 Project Context

The Government of the People's Republic of Bangladesh has received an SDR 150 million Credit from the International Development Association (IDA) — a member of the World Bank Group — for financing the cost of the Bangladesh Regional Connectivity Project 1(BRCP-1), being jointly implemented by the Bangladesh Land Port Authority (BLPA), National Board of Revenue (NBR) and Ministry of Commerce. The second component of this umbrella project is being implemented by the Ministry of Commerce as a separate technical assistance project. The overall objective of this technical assistance project is to strengthen trade related institutional capacity in order to ensure active and sustainable cooperation among trade related stakeholders and economic empowerment of women traders.

This technical assistance project consists of following three (3) components:

Component A: Develop (pilot) programs to support female traders and entrepreneurs. This component will pilot activities to help address barriers to women becoming more integrated into regional and global supply chains and trading opportunities.

Component B: Capacity Development Support for the National Trade and Transport Facilitation Committee. The inter-ministerial National Trade Facilitation Committee (NTFC) has been set up during the preparation of the proposed Project to coordinate all

trade and transport-related policies and activities in Bangladesh, and will also serve as the Advisory Committee for the Project.

Component C: Improvements to Bangladesh Trade Portal and to set up a National Enquiry Point for Trade. The Bangladesh Trade Portal (BTP) was launched in March 2016. This component will support further up gradation of the BTP to expand its functionality to include information of relevance to potential Bangladesh exporters and to ensure that content is kept up to date. This component will also set up the National Enquiry Point for Trade, which will help Bangladesh to meet a key requirement of WTO Trade Facilitation Agreement.

This technical assistance project intends to apply a part of the IDA Credit for procuring consultancy services from qualified individual consultants to conduct relevant studies which will enhance trade facilitation and promote Bangladesh's export to targeted markets.

1.1.2 Background of the Assignment

Bangladesh Regional Connectivity Project-1 (BRCP-1) of the Ministry of Commerce, Government of the People's Republic of Bangladesh has under taken an initiative to conduct a study on "Possibilities of FTA agreements with the MERCOSUR countries with special analysis of trade with Brazil and Argentina" by hiring an individual consultant with the objective to conduct an analysis about Bangladesh's potential accession to one of the promising regional economic blocs, MERCOSUR and its advantages and disadvantages (Appendix A for ToR). Bangladesh is a rapidly growing economy and has set a Vision to become Upper Middle-income country by 2030 and a developed country by 2041. Bangladesh has also been implementing SDGs. Currently, Bangladesh, as an LDC, has been enjoying duty-free & quota-free (DFQF) market access in many developed and developing countries. However, Bangladesh is going to graduate from the LDC status soon and the process of graduation starts by fulfilling UN criteria for graduation. After graduation, Bangladesh will not be entitled to enjoy LDC-specific facilities, like DFQF market access.

Bangladesh attaches great importance to trade as an engine of growth. Importance of trade in its economy is progressively increasing and trade has been directly contributing to over-all development of the country. Trade is not only increasing business activities; it is also:
- generating employment opportunities for millions
- attracting foreign investment
- creating opportunities for international exposures of our businessmen and entrepreneurs

Regional trade agreements give preference to certain countries in commercial relationships, facilitating trade and investment between the home country and the

foreign country by reducing or eliminating tariffs, import quotas, export restraints and other trade barriers.

The key reasons for fostering regional trade relationships include reducing trade barriers, such as tariffs, non-tariff, and para-tariff measures. These partnerships aim to enhance economic cooperation and integration, increase productivity and competitiveness, attract investment, and generate job opportunities. In order to create more trade opportunities for achieving various development goals set nationally and internationally, and also to face the post-LDC situation, currently, Bangladesh has been considering to expand regional trade with a number of trade blocs, such as: RCEP, MERCOSUR, D-8 PTA, TPS-OIC and GCC.

The Southern Common Market—known as Mercosur in Spanish, is one of the world's leading economic blocs, fifth-largest economy. Mercosur is an economic and political bloc of the big economies of South America consisting of Argentina, Brazil, Paraguay and Uruguay. The group encompasses 270 million people and has a combined GDP of nearly $3 trillion. Mercosur also counts Chile, Colombia, Ecuador, Guyana, Panama, Peru, and Suriname as associate members. The bloc also has a number of free-trade agreements (FTAs) with third parties, including Chile, Colombia, and Peru, as well as Israel, Egypt, Lebanon and the Palestinian Authority. A trade agreement that doesn't involve all Mercosur members would contravene the group's rules. In FY 2024-25, Bangladesh exported USD250 million to Mercosur countries, mostly the RMG products. In addition, Bangladesh exported Jute, leather footwear, needles and headgear to those countries. Bangladesh may consider signing a free trade agreement (FTA) with the Mercosur having a great opportunity to explore new areas of trade and investment. Bangladesh has taken initiative to sign Preferential Trade Agreement (PTA)/ Free Trade Agreement (FTA) with MERCOSUR for enhancing trade cooperation.

Bilateral relations between Argentina and Bangladesh have remained friendly since the establishment of diplomatic relations in 1972. In 2015, Argentina exported $277M to Bangladesh. The main products exported from Argentina to Bangladesh were Soybean Oil ($240M), Corn and Wheat ($16M). In 2024, bilateral trade with Bangladesh was US$714 million. Argentine exports reached US$688 million and imports from Bangladesh totalled US$26 million. A trade surplus for Argentina of US$662 million was registered in 2024. During the last 10 years the exports of Argentina to Bangladesh have increased at an annualized rate of 19%, from $277M in 2015 to $688M in 2024. In 28 February 2023, Bangladesh signed a memorandum of understanding (MoU) with Argentina in order to increase bilateral trade and investment between the two countries. On the other hand, Bangladesh and Brazil have huge potential for bilateral trade in a number of sectors, however barrier to this is having both countries resolve trade barriers, especially Brazil's imposing 30%-35% tariff on Bangladeshi products. The main products exported from Brazil to Bangladesh were Raw Sugar ($767M), Raw Cotton ($614M), and Soybeans ($476M). During the last 10 years the exports of Brazil

to Bangladesh have increased at an annualized rate of 28%, from $1147M in 2015 to $2.5B in 2024. In 2024, Bangladesh exported $242M to Brazil.

1.2 Objective of the Study

The study aims to provide a nuanced understanding of the potential economic benefits and challenges for Bangladesh in establishing Free Trade Agreement (FTA) partnerships with MERCOSUR countries, with a focused analysis on trade dynamics with Brazil and Argentina.

Through in-depth analysis, the study seeks to investigate specific trade facilitation measures, sectoral impacts, and comparative advantages to formulate strategic recommendations for enhancing bilateral trade relationships and fostering economic cooperation between Bangladesh and MERCOSUR, with a nuanced emphasis on the Brazilian and Argentine markets.

1.2.1 Scope of the Study

The scopes of this study are as follows:
1. Present historical trend of trade scenario between the MERCOSUR countries and Bangladesh, including average tariff among the countries.

2. Product/ sector wise export and import of Bangladesh to and from MERCOSUR countries (total and top 20 products- HS Code wise) and identify the market size;

3. Comparison with Bangladesh export (top 20 products/sector) and MERCOSUR countries import and duty impact with those countries;

4. Review the list of trade diversification prospects of at least 20 diversified product and product wise strategy in the MERCOSUR countries as potential export destination by using the Economic Analysis;

5. Conduct economic modelling to assess the economic benefits of forging Free Trade Agreement (FTA) partnerships with MERCOSUR countries;

6. Possibilities of FTA agreements with the MERCOSUR countries with special analysis of trade with Brazil and Argentina;

7. Identify the possibilities for Comprehensive Economic Partnership Agreement (CEPA) with MERCOSUR countries including the potential service and investment sector;

As a part of the analysis, the following issues were addressed:

1. **Economic Compatibility:** Assess the economic compatibility of potential FTA partners under MERCOSUR, considering industries, products, and services that complement Bangladesh's strengths and address its economic needs.
2. **Evaluate Economic Opportunities:** Assess the potential economic benefits for Bangladesh through Free Trade Agreements (FTAs) with MERCOSUR countries, focusing on Brazil and Argentina.
3. **Analyze Trade Dynamics:** Conduct a detailed analysis of historical and current trade relations between Bangladesh and MERCOSUR, with a special emphasis on trade patterns with Brazil and Argentina.
4. **Tariff Reductions and Elimination:** Summarize potential favorable terms for tariff reductions or eliminations on key exports, enhancing the competitiveness of Bangladeshi products in MERCOSUR markets (Example of Brazil and Argentina can come under this).
5. **Non-Tariff Barriers:** Address non-tariff barriers that may affect trade, including regulatory standards, technical barriers, and other obstacles to ensure a smooth flow of goods and services.
6. **Identify Comparative Advantages:** Identify and analyze sectors where Bangladesh holds comparative advantages in trade with MERCOSUR countries, highlighting potential areas for increased cooperation.
7. **Explore Market Access Opportunities:** Investigate the market access opportunities that an FTA with MERCOSUR can provide for Bangladeshi goods and services, with a specific focus on trade facilitation measures.
8. **Examine Legal and Regulatory Frameworks:** Examine the legal and regulatory frameworks within MERCOSUR, and assess the potential challenges and opportunities for Bangladesh in aligning with these frameworks.
9. **Assess Technology Transfer Possibilities:** Evaluate the potential for technology transfer and collaboration in research and innovation between Bangladesh and MERCOSUR countries, particularly Brazil and Argentina.
10. **Understand Sectoral Impacts:** Conduct a sector-specific analysis to understand the potential impacts of FTAs on key industries in Bangladesh, considering the specific economic landscapes of Brazil and Argentina.
11. **Identify Challenges and Risks:** Identify potential challenges and risks associated with negotiating and implementing FTAs with MERCOSUR, taking into account cultural, regulatory, and economic differences.
12. **Evaluate Lessons from Other FTAs**: Analyze lessons learned from other countries that have engaged in FTAs with MERCOSUR, drawing insights applicable to Bangladesh's potential agreements.
13. **Examine Flexibilities in Trade Agreements:** Investigate the flexibilities allowed to member countries within MERCOSUR agreements and assess how these flexibilities can be leveraged in favor of Bangladesh.
14. **Understand Stakeholder Perspectives:** Collect and analyze perspectives from key stakeholders, including government officials, industry representatives, and experts, to gauge their views on the potential FTA agreements.

15. **Estimate Economic Impact:** Estimate the potential economic impact on Bangladesh, including GDP growth, job creation, and other economic opportunities resulting from FTA agreements with MERCOSUR.
16. **Propose Strategic Recommendations**: Develop strategic recommendations for policymakers in Bangladesh based on the study's findings, emphasizing areas of priority and potential strategies for successful FTA negotiations.

1.3 Significance of FTA with MERCOSUR (Southern Common Market)

The MERCOSUR region, with a combined GDP of about $3 trillion, presents a promising market for Bangladesh's key exports. An FTA could reduce tariff and non-tariff barriers, improve trade diversification, and promote deeper South-South cooperation. It also complements Bangladesh's broader economic diplomacy strategy as it transitions from LDC status.

1.4 Approach and Methodology of the Study

The methodology includes detailed economic modelling using the TINA simulation tool (v2.20.54) and regression analysis with fixed effects for trade volume estimations. Data were sourced from ITC Trade Map, WTO, and bilateral trade statistics. The report's recommendations are built on robust economic forecasts and trade pattern simulations.

1.4.1 Desk Research

a. Agreement Review: The agreement review focus on examining the provisions and flexibilities granted under the MERCOSUR, analyzing specific benefits to member and assessing how Bangladesh's potential FTA with MERCOSUR could align with these terms or present unique challenges.

b. Document Review: The studies have many document reviews to do analysis and comparison among regulatory regimes. This review also lay the foundation of drafting the questions for the KII and FGD. The study reviewed several key documents, including:

- MERCOSUR trade data and agreements.
- Previous studies on the impacts of FTAs.
- Regulatory frameworks and tariff structures within MERCOSUR.
- Sector-specific analyses on trade dynamics with Brazil and Argentina, with a focus on sectors like textiles, pharmaceuticals, and agro-products.
- Stakeholder perspectives through Focus Group Discussion (FGD) and Key Informant Interviews (KIIs).
- Reports and documents on trade facilitation measures, logistics challenges, and investment opportunities related to Bangladesh's trade with MERCOSUR.
- Case studies of successful FTAs with similar countries or regions, such as the India-MERCOSUR PTA.

- Economic simulations using models like the GTAP (Global Trade Analysis Project) to assess potential impacts on Bangladesh's GDP, trade growth, and job creation.

c. Economic Modelling/Simulation/Analysis:

The quantitative assessment of the potential Free Trade Agreement (FTA) with MERCOSUR countries was driven by data-driven economic modelling, forecasting, simulation, and analysis to ensure the credibility of the study's recommendations. The study employed multiple robust modeling frameworks to capture the complex dynamics of trade between Bangladesh and the MERCOSUR countries (Brazil, Argentina, Uruguay, and Paraguay).

1. GTAP (Global Trade Analysis Project) Model:
   - The GTAP v11 Database served as the primary tool for modeling the economic impact of potential FTAs. This multi-country, multi-sector Computable General Equilibrium (CGE) model is used extensively for policy simulations. It incorporates detailed data covering 141 countries and 65 sectors, which allowed for a comprehensive analysis of trade flows, tariffs, and economic relationships.
   - Policy Scenarios: The model simulated three policy scenarios: Full FTA (100% tariff elimination), Partial Tariff Reduction (50%), and Sectoral FTA (targeted liberalization in textiles, leather, pharma, and engineering). These scenarios were designed to assess the effects of different levels of tariff reduction on Bangladesh's trade and economic growth with MERCOSUR.
   - Outcomes: The model provided valuable insights into the expected GDP growth, employment creation, trade growth, and sectoral impacts.

2. TINA (Trade Intelligence and Negotiation Adviser) Simulation Tool:
   - Purpose: TINA was used for detailed trade simulations to assess the potential trade creation and trade diversion effects that might arise from different levels of tariff reduction under a potential FTA with MERCOSUR. It provided granular insights into export potential and sectoral impacts, helping to assess market access opportunities and the economic benefits of preferential trade agreements (PTA) or a full FTA.
   - Scenarios: The TINA simulations modeled both full tariff elimination and sector-specific liberalization. The tool helped to estimate the economic impact of the FTA, including trade volume increases, market access gains, and the creation of new trade relationships.
   - Output: TINA's findings suggested substantial trade growth opportunities, with Brazil being the primary market for Bangladesh's exports. It also highlighted opportunities for trade diversification in emerging sectors.

3. Gravity Model of Trade:
    o Purpose: The gravity model was employed to analyze trade flows between Bangladesh and the MERCOSUR countries by examining the economic size (GDP) and distance between the trading partners. The model uses the basic premise that larger economies and closer distances result in higher trade flows, while factors like tariffs, exchange rates, and population also influence trade volumes.
4. ITC Export Potential Map: To assist countries with identifying promising products for export promotion activities, the International Trade Centre (ITC) has developed an export potential assessment methodology. It is based on the decomposition of a country's potential exports into three factors: supply, demand, and ease of trade. Depending on a country's needs, two approaches are available: (i) The export potential indicator (EPI) helps countries support established export sectors by increasing exports to existing and new markets. Inspired by a gravity-type framework, the EPI identifies products which a country already exports competitively, and which have good prospects of export success in a given target market. (ii) The product diversification indicator (PDI) helps countries diversify and develop new export sectors. Based on Hausmann and Hidalgo's notion of the product space, the PDI identifies products which the exporting country does not yet competitively export but which seem feasible given the country's current export basket and the export baskets of similar countries (ITC, 2023, June 27).

The combination of the GTAP model, TINA simulations, gravity model and ITC export potential map analysis provided a comprehensive, multi-dimensional view of the potential impacts of a Free Trade Agreement between Bangladesh and MERCOSUR. These models supported the study's economic recommendations by offering quantitative projections on trade growth, GDP impact, sectoral opportunities, and employment generation, laying the groundwork for informed policy decisions.

d. Questionnaire: The questionnaire (Appendix B & E) has been developed and agreed with the BRCP-1. Questionnaire has been used for data collection purposes through KII and FGD.

e. Key Informants Interviews:

The approach for selecting Key Informant Interviews (KIIs) and the interview guide was developed. The project office invited 16 organizations to nominate representatives for attending the interviews. In total, 10 KIIs were successfully conducted within the stipulated time and available resources. These interviews provided valuable insights from key stakeholders, which were essential for validating the findings and refining the recommendations of the study.

f. Focus Group Discussion (FGD): The Focus Group Discussion (FGD) is a structured group conversation where participants share their experiences, opinions, and insights on a specific research topic. The group dynamic fosters interaction, uncovering common ideas, differing perspectives, and diverse viewpoints. This method is particularly useful for

exploring community attitudes, social norms, and group behaviors, providing a comprehensive understanding of how the topic impacts different segments of the population.

g. Data Analysis and reporting

Quantitative data have been processed in Python, RunGTAP, Excel software and ChatGPT for economic simulation.

The qualitative data has been analyzed by using Microsoft word software. Privacy of primary data has been strictly maintained.

1.5 Scope and Limitations
Scope:
- Focused analysis on Brazil and Argentina within MERCOSUR.
- Emphasis on trade prospects, regulatory dynamics, and strategic fit for Bangladesh.

Limitations:
- Limited availability of real-time trade data with MERCOSUR partners.
- Insufficient primary data from MERCOSUR country stakeholders.
- Political and economic volatility in the region may impact generalizability of findings.

Chapter 2: Literature Review

2.1 Overview of MERCOSUR

MERCOSUR (Southern Common Market) was established in 1991 by the Treaty of Asunción, aiming to promote free trade and the fluid movement of goods, people, and currency. The bloc's founding members include Argentina, Brazil, Paraguay, and Uruguay, with Bolivia[2] in the process of full accession. MERCOSUR's mission has evolved from a customs union to deeper economic and political integration.

2.2 Definition of Feasibility Study

This feasibility study evaluates the economic, legal, and institutional implications of entering into a PTA, FTA, or CEPA. While a PTA offers limited preferential market access with minimal adjustment costs, an FTA entails broader tariff elimination on substantially all trade. A CEPA represents a deeper form of economic integration, extending beyond goods trade to services, investment, and regulatory cooperation, requiring significant policy alignment and implementation capacity.

Table 1: Comparative Summary of Feasibility Study

Aspect	PTA	FTA	CEPA
Scope	Narrow (Goods only)	Broad (Goods & Services)	Deep (Goods, Services, Investment, Regulations)
Tariff coverage	Limited	Substantially all goods	Substantially all goods
Services	No	Limited / Optional	Extensive
Investment	No	Limited	Core component
Approach	Positive List (What to include)	Negative List (What to exclude)	Holistic (Economic Integration)
Regulatory issues	No	Some	Extensive
Integration depth	Low	Medium	High
Primary Risk	Low impact (negligible gains)	Import surges hurting local industry	Loss of regulatory autonomy
Institutional burden	Low	Medium	High
Modeling	Simple trade data analysis	CGE modeling (GDP/Welfare)	CGE + Investment & Legal analysis

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[2] The Protocol of Accession of Bolivia to MERCOSUR was signed by all of the States Parties in 2015. The Instrument of Ratification was delivered by Bolivia in July 2024 and has a term of up to 4 years to incorporate the normative acquis of the bloc.

If the feasibility study yields a positive result, the Joint Study Group will recommend launching formal negotiations. If the study shows that the economic costs (e.g., loss of tariff revenue or damage to local industry) outweigh the benefits, the countries may decide to abandon the proposal or downgrade their ambition (e.g., aiming for a PTA instead of a CEPA).

2.3 Previous Studies on FTA Impacts

Recent studies highlight the growing relevance of South-South trade agreements, especially for emerging economies like Bangladesh. Several studies have shown the benefits of engaging Latin American economies through preferential trade to reduce reliance on traditional markets.

Multiple global studies indicate that FTAs can significantly enhance export growth, particularly when aligned with comparative advantages. Research by the World Bank and UNCTAD highlights that South-South FTAs can help emerging economies gain better access to non-traditional markets. In Bangladesh's context, earlier studies focused on FTAs with ASEAN, China, and India but little empirical analysis exists on South American blocs.

One relevant study suggested that engaging Latin American economies through preferential trade could reduce overdependence on European and North American markets.

2.4 Relevance of FTA for Bangladesh

Bangladesh's graduation from LDC status by 2026 will lead to the erosion of preferential market access in many developed countries. This creates urgency to secure reciprocal agreements to sustain export competitiveness. FTAs with MERCOSUR could mitigate preference erosion by opening alternative markets for high-performing sectors such as garments, pharmaceuticals, and ceramics.

2.5 Trade Dynamics with Brazil and Argentina

Trade volumes between Bangladesh and Brazil/Argentina have historically remained low, primarily due to geographic distance, high tariffs, and limited direct connectivity. However, recent years have seen growing interest, particularly in pharmaceuticals, textiles, and agro-based products. Brazil is a large exporter of sugar, soybean oil, and cotton—key imports for Bangladesh's manufacturing sector. Argentina presents opportunities in agri-foods and chemicals, while also being a potential market for jute, RMG, and low-cost medicines.

2.5.1 Intra-Regional Trade in MERCOSUR

This report analyzes the trade flows among MERCOSUR countries (Argentina, Brazil, Uruguay, and Paraguay) in 2024 based on data from the ITC Tade Map. It includes both the trade values in million USD and the corresponding share of intra-regional vs. extra-regional (Rest of World) exports.

[3]Table 2: Intra-Regional Trade (MERCOSUR) in 2024

(Value in Million USD)

Countries	Argentina	Brazil	Uruguay	Paraguay	MERCOSUR	ROW	World
Argentina		13,611	1,783	1,437	16,830	62,890	79,721
Brazil	13,778	575[4]	2,708	3,753	20,813	316,233	337,046
Uruguay	547	2,060		123	2,730	7,518	10,248
Paraguay	3,352	3,479	164		6,996	3,805	10,801
MERCOSUR	17,677	19,725	4,655	5,313	47,369	390,447	437,816
ROW	43,145	243,144	7,868	11,250	305,408	23,243,980	23,549,388
World	60,822	262,870	12,523	16,563	352,777	23,634,426	23,987,204

Data source from ITC trade map, 2025

In 2024, total intra-MERCOSUR trade (exports among MERCOSUR members) amounted to USD 47.37 billion, compared to USD 390.45 billion of exports to the rest of the world (ROW). This indicates that only about 11% of MERCOSUR's total exports are retained within the bloc, highlighting a relatively low level of intra-regional integration compared to more trade-intensive regional groups like the EU or ASEAN.

Figure 1: Trade Share Distribution (2024)
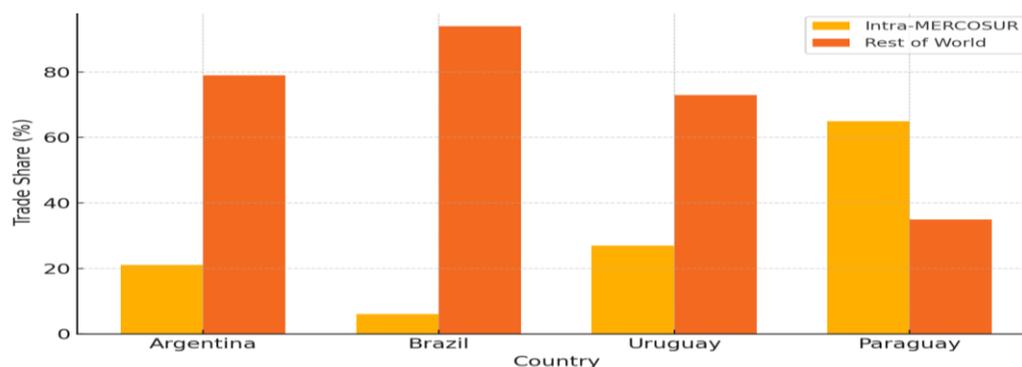
Source: Author's own calculation based on ITC Trade Map data (retrieved on 19 May 2025)

The figure above shows the percentage of exports directed within MERCOSUR versus outside the region.

Table 3: Export Share (%)

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[3] *Explanatory Note on Data Tables: The trade data in the table is structured such that the exporting countries are listed in the first column, and the importing countries are represented across the top row. For example, Argentina exported USD 13,611 million to Brazil in 2024, while Brazil exported USD 13,778 million to Argentina. This format is consistently applied across all country pairs. In the next table, trade shares are presented as percentages of each country's total exports, following the same format. ROW denotes the 'Rest of the World' — all countries outside of the MERCOSUR bloc.*

[4] *The reported export from Brazil to itself is not a literal transaction. It likely results from statistical treatments such as re-imports, bonded zone declarations, or data anomalies. These may include intra-zonal reclassifications, mirror data mismatches, or internal customs movements that appear due to the way trade data is compiled by ITC from multiple sources. This reflects technical inconsistencies rather than actual trade.*

Exporter → Importer	Argentina	Brazil	Uruguay	Paraguay	MERCOSUR	ROW	World
Argentina	—	17	2	2	21	79	100
Brazil	4	0.17	1	1	6	94	100
Uruguay	5	20	—	1	27	73	100
Paraguay	31	32	2	—	65	35	100

- Argentina exports 21% of its goods to MERCOSUR, with Brazil being its top partner (17%).
- Brazil, while the region's largest economy, exports only 6% to MERCOSUR, reflecting an outward trade focus.
- Uruguay exports 27% within the region, with 20% going to Brazil, showing strong bilateral ties.
- Paraguay is the most MERCOSUR-integrated economy, with 65% of its exports going to regional partners.
- The bloc as a whole trade only 11% internally, indicating potential to deepen regional value chains.

Figure 2: Map of MERCOSUR

Although only 11% of MERCOSUR's trade occurs intra-regionally, this low integration rate highlights the need to further explore the Trade Similarity Index (TSI). Analyzing TSI can provide deeper insights into the complementarity or competition among member countries' export structures. Such analysis will help identify untapped trade opportunities, evaluate the feasibility of regional value chains, and support evidence-based policy decisions aimed at enhancing intra-bloc economic cooperation.

2.5.1.1 Trade Similarity Index (TSI)

The Trade Similarity Index[5] (TSI) measures how similar the export structures of two or more countries are. Higher values indicate greater overlap and potential competition in international markets, while lower values suggest complementarity in export sectors.

Table 4: TSI Values and Bilateral TSI Interpretation (2024)

Combination	TSI (%)	Interpretation
Argentina & Paraguay	72.26	Very high similarity in export structure. They indicate close competition or aligned sectors.
Paraguay & Uruguay	62.48	Strong similarity in trade patterns. Suggests overlapping export specializations or shared trade structure.
Argentina & Brazil	56.38	Moderate-to-high similarity. Some competition, but also potential for alignment in trade policy.
Brazil & Paraguay	55.01	Moderate similarity; shared product bases, potentially regional supply chains.
Argentina & Uruguay	40.36	Low-to-moderate similarity; some common sectors but also diversification.
Brazil & Uruguay	40.17	Similar to above; relatively distinct export portfolios with some overlap.
Bangladesh & MERCOSUR	5.33	Very different trade structures.
Bangladesh & Brazil	4.64	Little overlap in the types of goods they each export.
Bangladesh & Argentina	4.58	They are likely to export very different types of goods.

Author's own calculation based on ITC Trade Map data (retrieved on 19 May 2025)

Bangladesh & MERCOSUR (5.33%)

This low TSI suggests that Bangladesh and the MERCOSUR countries (Argentina, Brazil, Paraguay, and Uruguay) have very different trade structures. The goods

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[5] $\text{TSI\_AB} = \Sigma \min(\text{X\_Ai} / \text{X\_A}, \text{X\_Bi} / \text{X\_B}) \times 100$

Where:
X_Ai = Exports of product i by country A
X_Bi = Exports of product i by country B
X_A = Total exports of country A
X_B = Total exports of country B
min() takes the lower product share between the two countries

Interpretation:
- TSI = 100: Perfectly similar export structures
- TSI = 0: Completely different export structures

Bangladesh exports to MERCOSUR and the goods MERCOSUR exports to Bangladesh are not highly similar.

Bangladesh & Brazil (4.64%)

The TSI of 4.64% is also quite low, meaning Bangladesh and Brazil have significantly different trade structures. There is little overlap in the types of goods they each export or import.

Bangladesh & Argentina (4.58%)

Similar to the previous pair, Bangladesh and Argentina also show a very low TSI of 4.58%, indicating that the countries' trade patterns are not aligned. They are likely to export and import very different types of goods.

2.5.1.2 Policy Implications
- MERCOSUR should enhance internal trade facilitation and harmonization of regulations.
- Brazil and Argentina can support regional supply chains to increase intra-trade.
- Smaller economies like Paraguay and Uruguay need to diversify beyond the bloc.

2.5.1.3 Opportunities
There is room for deeper economic integration through value chain coordination, reduction of non-tariff barriers, and infrastructure connectivity to enhance intra-bloc trade.
- The relatively low level of intra-regional trade (11%) within MERCOSUR suggests that the bloc is outward-oriented, especially Brazil and Argentina.
- MERCOSUR's internal trade concentration is low, and TSI data suggests scope for external integration.
- Brazil's and Argentina's global trade engagement (94% and 79% exports outside MERCOSUR respectively) can be leveraged by Bangladesh to build bilateral relations that align with global value chain trends.
- Bangladesh's TSI with MERCOSUR, Brazil, and Argentina is very low (below 5%), indicating that Bangladesh's trade structure is quite different from these countries.

2.6: Synthesising the Findings from the Desk Research

1. **Overview of MERCOSUR**: MERCOSUR, established in 1991, includes Argentina, Brazil, Paraguay, and Uruguay, with Bolivia in the process of joining. The bloc aims to promote free trade and the movement of goods, services, and people among its members. The study emphasizes the economic potential of MERCOSUR as a large trade bloc with a combined GDP of nearly $3 trillion and a population of 270 million.

2. **Previous Studies on FTA Impacts**: Previous studies have shown the potential for emerging economies like Bangladesh to benefit from FTAs with regional blocs like MERCOSUR. Key benefits highlighted include increased export growth, improved market access, and diversification of trade. Several global studies support the notion that FTAs help reduce reliance on traditional markets by opening up new trade routes.

3. **Relevance of FTA for Bangladesh**: Bangladesh's impending graduation from Least Developed Country (LDC) status increases the urgency for securing FTAs. As it loses preferential market access, FTAs with MERCOSUR could help Bangladesh maintain and expand its market access, especially for products like textiles, pharmaceuticals, and leather goods.

4. **Trade Dynamics with Brazil and Argentina**: Bangladesh's trade with MERCOSUR countries, particularly Brazil and Argentina, remains modest but growing. Brazil is the largest trading partner in the region, with exports primarily consisting of ready-made garments (RMG), jute products, and leather. However, high tariffs and non-tariff barriers, such as regulatory challenges, limit the full trade potential. Argentina offers opportunities in agricultural exports and pharmaceuticals.

5. **Intra-Regional Trade in MERCOSUR**: Intra-MERCOSUR trade is relatively low, with only 11% of the bloc's total exports directed towards its member countries. This points to opportunities for deeper regional integration and better value chain cooperation within MERCOSUR. There is also a significant difference in the export structures of Bangladesh and MERCOSUR countries, suggesting more potential for collaboration in complementary sectors rather than direct competition.

6. **Trade Similarity Index (TSI)**: The TSI values indicate that Bangladesh's export structure is very different from MERCOSUR's. This low TSI (around 5%) suggests that Bangladesh may face less competition and more room for expanding trade in sectors where MERCOSUR has demand, such as textiles, pharmaceuticals, and jute.

These findings suggest that an FTA could help Bangladesh reduce trade barriers, enhance exports, and integrate into the MERCOSUR market, particularly in textiles, pharmaceuticals, and agro-products. However, challenges such as high tariffs, regulatory differences, and non-tariff barriers must be addressed.

Chapter 3: MERCOSUR Overview

3.1 Historical Trade Relations with MERCOSUR Countries

MERCOSUR (Southern Common Market) is a regional trade bloc comprising Argentina, Brazil, Paraguay, and Uruguay, with Bolivia in the process of accession. This was initiated with the goal of regional economic integration in South America. Following the Treaty of Asunción (1991) and the Protocol of Ouro Preto (1994), MERCOSUR evolved into a customs union with a common external tariff and coordinated policies in trade, agriculture, and industry.

The bloc has since expanded in ambition, seeking stronger political coordination and external relations through FTAs and cooperation agreements with the EU, EFTA, and other partners. Bangladesh does not currently have a Free Trade Agreement (FTA) with MERCOSUR, but efforts to enhance economic engagement have increased in recent years

3.1.1 Trade Volume Overview

Brazil–Bangladesh trade volume stood at approximately USD 2.7 billion, with Brazil exporting around USD 2.5 billion worth of goods to Bangladesh as of as of 2024 whereas Argentina–Bangladesh trade volume was USD 714 million, with Bangladesh importing nearly USD 688 million and exporting under USD 26 million. This trade imbalance reflects both structural asymmetries and high tariff as well as non-tariff barriers for Bangladeshi goods in South American markets. Trade is heavily tilted in favor of MERCOSUR countries due to large-scale imports of commodities such as sugar, soybeans, and cotton. Exports increased over time, with Brazil consistently the top destination. Uruguay's imports also grew notably from 2020 onward. MERCOSUR applies high external tariffs on non-member countries, challenging Bangladesh's export competitiveness in sectors like textiles and apparel.

Table 5: Bangladesh-MERCOSUR Trade, in Million US$

Year	Brazil Exports	Brazil Imports	Argentina Exports	Argentina Imports	Uruguay Exports	Uruguay Imports	Paraguay Exports	Paraguay Imports
2015	1147	212	277	10	31	2	84	1
2016	1091	125	490	13	8	2	137	1
2017	1600	157	584	18	20	3	93	1
2018	1169	213	531	44	4	8	83	1
2019	1324	180	607	29	24	12	44	1
2020	1525	128	456	17	7	17	39	1
2021	1824	118	876	14	35	27	119	4
2022	2355	160	743	20	57	44	44	7
2023	2106	204	457	27	8	47	112	4
2024	2484	242	688	26	19	48	75	3
Average tariff*	15.45%	13.85%	15.45%	13.88%	15.45%	11.21%	15.45%	10.36%

*Data source: ITC Trade Map, retrieved on 19 May 2025, *Note: Equivalent ad valorem tariff*

Brazil-Bangladesh Trade
- Trend: Trade volume has increased steadily from 2015 to 2024.
- Exports from Brazil to Bangladesh rose from $1.15B in 2015 to $2.48B in 2024.
- Imports from Bangladesh also grew, though more modestly, from $212M to $242M.
- Trade balance is consistently in Brazil's favor, indicating Bangladesh is a strong market for Brazilian exports.

Argentina-Bangladesh Trade
- Exports peaked in 2021 at $876M, dipped, then rose again to $688M in 2024.
- Imports from Bangladesh remained low (<$50M annually).
- Consistent surplus for Argentina, showing a dominant export relationship.

Uruguay-Bangladesh Trade
- Smallest trade volume among the four MERCOSUR nations.
- Notable trade deficits in 2018, 2020, and 2023, though amounts are minor.
- Fluctuations suggest unstable or low-dependency trade ties.

Paraguay-Bangladesh Trade
- Relatively stable, low trade volume.
- Exports to Bangladesh fluctuate, while imports from Bangladesh stay minimal.
- Strong positive trade balances, implying more exports than imports consistently.

Figure 3: Bilateral Trade between Bangladesh and MERCOSUR Countries (2015-2024)
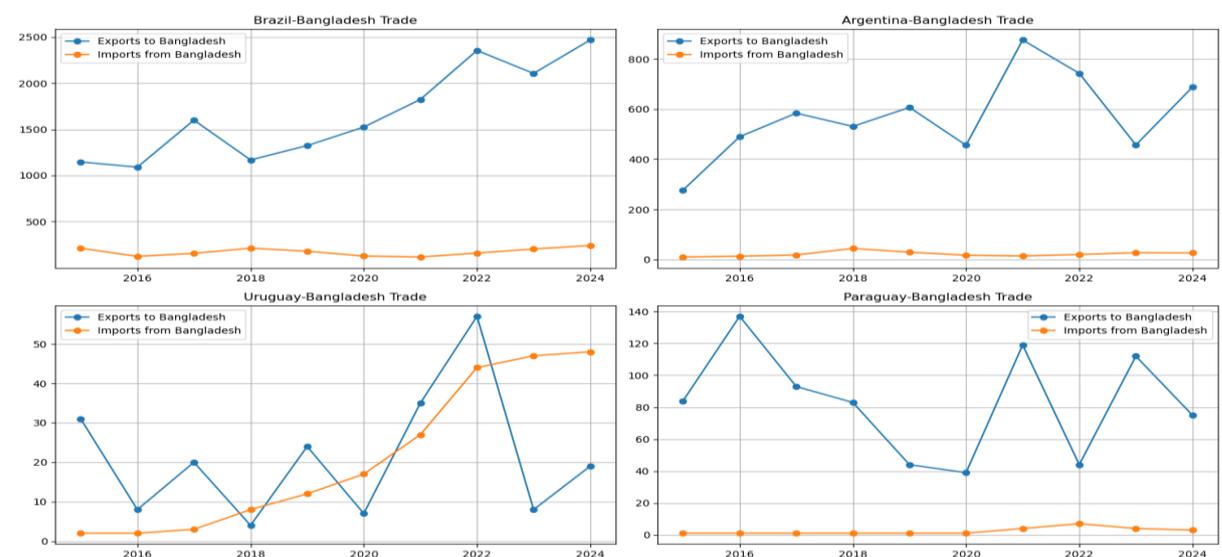
Data source from Table 5

Here is a set of visualizations showing the exports and imports between Bangladesh and each MERCOSUR country from 2015 to 2024:

- **Brazil** shows a strong and growing export relationship, while imports from Bangladesh remain small.
- **Argentina** maintains a positive trade balance with fluctuating exports but consistently low imports.
- **Uruguay** has minor trade volumes with some years showing higher imports than exports.
- **Paraguay** trades at low levels but exports significantly more than it imports from Bangladesh.

3.2 Current Trade Volumes

Bangladesh's trade with MERCOSUR (Argentina, Brazil, Paraguay, and Uruguay) has historically remained limited but gradually expanding. In 2024, Out of MERCOSUR's global imports of over $352 billion, only $319.78 million came from Bangladesh, representing the 0.09% share. The breakdown by country reveals that Brazil is the largest partner by value, accounting for $242.40 million. However, Uruguay offers the highest relative penetration, with Bangladesh's exports making up 0.39% of its total imports, while Argentina and Paraguay are lesser partners. Significantly, the global context shows Bangladesh's overall export share at 0.25%, indicating that its trade presence in the MERCOSUR bloc (0.09%) is disproportionately lower than its worldwide trade footprint.

Brazil remained the leading destination with 76% share, followed by Uruguay and Argentina. Exports have grown at a CAGR of 18.24% between 2020 and 2024, driven primarily by ready-made garments (RMG).

Table 6: Imports by MERCOSUR in 2024

Value in Million US$

Importers	Imported value	Exported value by Bangladesh	Export Share (%) of Bangladesh
World	24,116,695.46	60,622.89	0.25
MERCOSUR Aggregation	352,777.32	319.78	0.09
Brazil	262,869.61	242.40	0.09
Argentina	60,821.97	25.76	0.04
Paraguay	16,563.00	3.39	0.02
Uruguay	12,522.74	48.23	0.39

Data source: ITC Trade Map, retrieved on 18 May 2025

Figure 4: Trade between Bangladesh and MERCOSUR Countries (2020-2024)

Value in Million US$
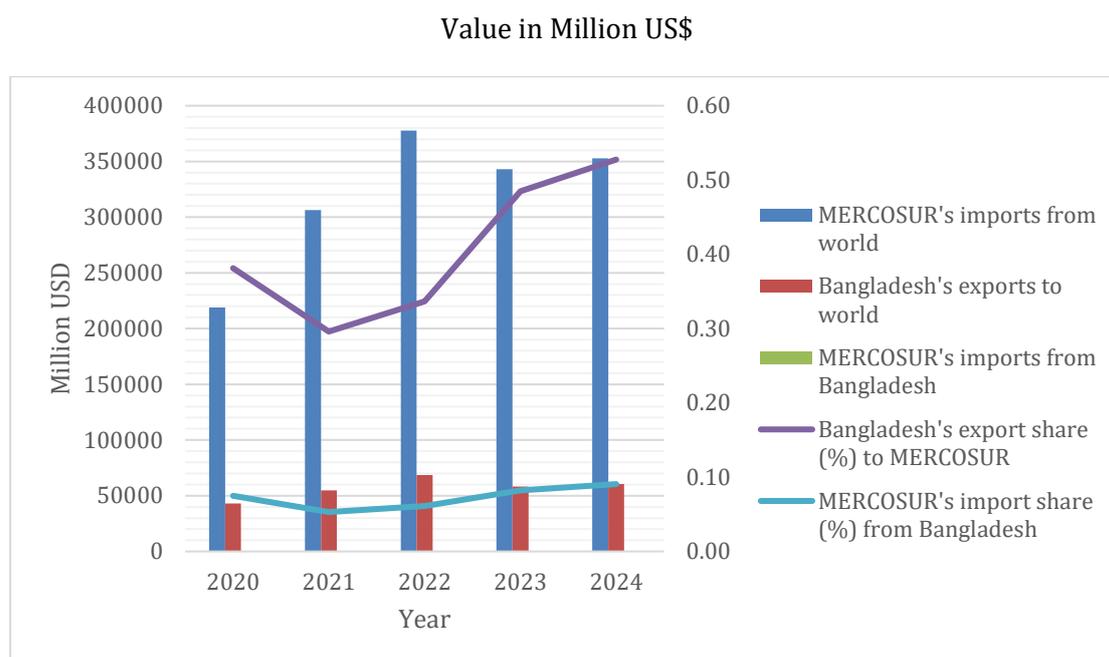
Data source: ITC Trade Map, retrieved on 18 May 2025

In 2024, Bangladesh imported goods worth USD 3.27 billion from MERCOSUR. Brazil accounted for 76% of the total, followed by Argentina (21%). With a CAGR of 12.66% between 2020 and 2024, the trade relationship is steadily growing, dominated by agricultural and raw material imports.

3.3 Key Export and Import Sectors
This report analyzes the trade flows between MERCOSUR (comprising Brazil, Argentina, and other member states) and Bangladesh from 2020 to 2024. The analysis covers both imports and exports at the HS2 product level, focusing on trade values, sectoral distribution, and country-specific performance. Special attention is given to Brazil and Argentina.

3.3.1 Top 20 Export Items

Table 7: Bangladesh's Top 20 Export Products to MERCOSUR Countries in 2024

(Value in million US$)

HS2	Product label	Argentina	Brazil	Paraguay	Uruguay	MERCOSUR	
		Value	Value	Value	Value	Share (%)	CAGR (%), 2020-24
All products		25.76	242.40	3.39	48.23	100	18.24
61	Knit garments (e.g., T-shirts, sweaters)	10.35	106.61	1.52	27.36	46	17
62	Woven garments (e.g., shirts, trousers)	12.05	114.18	0.93	18.63	46	22
53	Jute textiles, flax, hemp, paper yarn	0.19	6.45	0.00	0.09	2	-8
64	Footwear (shoes, sandals, boots)	0.53	2.54	0.88	1.33	2	22

HS2	Product label	Argentina	Brazil	Paraguay	Uruguay	MERCOSUR	
		Value	Value	Value	Value	Share (%)	CAGR (%), 2020-24
42	Leather bags, wallets, belts	0.35	2.84	0.01	0.02	1.01	7.48
65	Headgear (Caps, hats)	0.40	1.57	0.02	0.10	0.65	33
24	Cigarettes, tobacco products	0.00	1.84	0.00	0.05	0.59	197.82
90	Surgical instruments, microscopes, thermometers	0.01	1.84	0.00	0.00	0.58	81.10
39	Plastic packaging, containers, household plastic goods	0.03	1.65	0.00	0.00	0.53	17.33
63	Bed linens, curtains, used garments	0.17	1.05	0.00	0.21	0.44	14.98
49	Books, magazines, printed materials	1.00	0.01	0.00	0.04	0.33	2.30
46	Handwoven baskets, cane crafts	0.06	0.57	0.00	0.21	0.26	14.10
95	Toys, board games, sports equipment	0.00	0.50	0.00	0.03	0.16	41.83
60	Cotton knit fabric, synthetic knit	0.45	0.00	0.00	0.00	0.14	
40	Rubber tires, gloves, hoses	0.00	0.26	0.00	0.00	0.08	
30	Pharmaceutical products (Medicines, tablets, vaccines)	0.00	0.12	0.00	0.07	0.06	71
94	Household furniture, sofas, mattresses	0.02	0.11	0.00	0.07	0.06	15.52
'57	Carpets and other textile floor coverings	0.07	0.05	0.00	0.03	0.05	19.95
69	Ceramic products (tiles, porcelain, ceramic ware)	0.04	0.10	0.00	0.00	0.04	-7.81
56	Nonwoven fabrics, felt, padding, ropes, and industrial yarns	0.03	0.04	0.00	0.00	0.02	28.42
Other Products		0.03	0.08	0.02	0.00	0.04	-26.44

Data source: ITC Trade Map, retrieved on 18 May 2025

In the table shows that 91% of imports from Bangladesh are in apparel (HS 61 & 62), totalling USD 292 million. And modest but rapidly growing imports include footwear (CAGR 22%), pharmaceutical products (71%) and headgear (33%). As Bangladesh relies heavily on apparel exports, key opportunities lie in diversifying trade portfolios, boosting high-growth sectors like footwear, pharmaceuticals and headgear and improving trade facilitation. Strategic cooperation can foster sustainable and diversified trade relations.

- Apparel Dominance: In 2024, apparel (HS 61 & 62) remained dominant, accounting for $292M (46%) of imports, with a CAGR of 17% and 22% respectively.
- Emerging Growth: Footwear (HS 64) and headgear (HS 65) showed CAGR of 22% and 33%, while pharmaceuticals (HS 30) grew from $0.02M to $0.19M (71% CAGR).
- Declining Segments: Textile fibres (HS 53) showed negative CAGR of 8% indicating reduced competitiveness.
- Emerging products like tobacco substitutes and toys show promising CAGR despite low base volumes.

- Diversification beyond textiles remains limited for both Brazil and Argentina.
- Traditional items like jute and ceramics are declining and may need rebranding or innovation.

3.3.2 Top 20 Import Items

Table 8: Bangladesh's Top 20 Import Products from MERCOSUR Countries in 2024

(Value in million US$), (mirror data)

HS 2	Product label	Argentina	Brazil	Paraguay	Uruguay	MERCOSUR	
		Value	Value	Value	Value	Share (%)	CAGR (%), 2020-24
	All products	687.69	2484.04	75.16	19.32	100.00	12.66
17	Raw sugar, white sugar, candy, glucose	0.00	767.37	0.00	0.00	23.49	5.15
15	Soybean oil, palm oil, sunflower oil, ghee	422.91	132.90	72.62	4.24	19.37	8.84
52	Raw cotton, cotton lint, ginned cotton	2.51	613.47	1.64	0.00	18.91	17.57
12	Soybean, canola, mustard seeds, groundnuts	0.00	475.71	0.43	0.00	14.58	18.40
10	Cereals including wheat, maize (corn), rice, barley	26.37	208.72	0.00	13.62	7.61	-2.28
23	Soybean meal, cattle feed, poultry feed, fodder	37.13	199.30	0.48	0.00	7.25	75.20
72	Steel bars, billets, iron sheets	0.00	47.52	0.00	0.00	1.46	1.82
41	Raw cowhide, tanned leather	0.00	8.40	0.00	0.00	0.26	76.49
84	Industrial machines, turbines, engines	0.00	7.07	0.00	0.15	0.22	54.10
25	Industrial salt, gypsum, limestone, clinker	0.00	4.96	0.00	0.00	0.15	52.85
30	Pharmaceutical products (Medicines, tablets, vaccines)	0.00	4.07	0.00	0.00	0.12	287.68
48	Printing paper, cardboard, packaging paper	0.00	3.08	0.00	0.00	0.09	49.60
55	Polyester fibre, acrylic staple fiber	0.00	2.75	0.00	0.00	0.08	19.36
21	Sauces, food mixes, protein concentrates	0.00	1.69	0.00	0.00	0.05	13.13
47	Kraft pulp, recycled paper, cellulose fiber	0.00	1.45	0.00	0.00	0.04	-18.22
85	Generators, motors, electric panels, transformers	0.00	1.38	0.00	0.00	0.04	289.57
27	Petroleum, diesel, kerosene, bitumen (mineral fuels)	0.00	0.73	0.00	0.00	0.02	-30.01
03	Frozen fish, shrimp, crab	0.00	0.03	0.00	0.68	0.02	-13.91
02	Beef, frozen meat cuts, offal	0.00	0.70	0.00	0.00	0.02	414.37
18	Cocoa powder, chocolate, cocoa butter	0.00	0.49	0.00	0.00	0.02	75.30
	Other products	198.78	2.24	0.00	0.00	6.17	64.15

Data source: ITC Trade Map, retrieved on 18 May 2025

MERCOSUR exports a broad mix of agricultural commodities, raw materials, and industrial products to Bangladesh. Top six commodities including sugar, oils, cotton, oilseeds, cereals, and fodder constitute over 84% of MERCOSUR's total exports to

Bangladesh. Agricultural products dominate the exports from both Brazil and Argentina. Pharmaceutical and electrical machinery imports are growing rapidly, indicating industrial linkage potential. Brazil is Bangladesh's primary source within MERCOSUR, vital for food and textile raw materials. Some products like mineral fuels and cereals show negative CAGR, suggesting volatility or substitution.

3.3.3 Key Products Exports and Import between MERCOSUR and Bangladesh

Figure 5: MERCOSUR-Bangladesh Trade (2020 vs 2024)
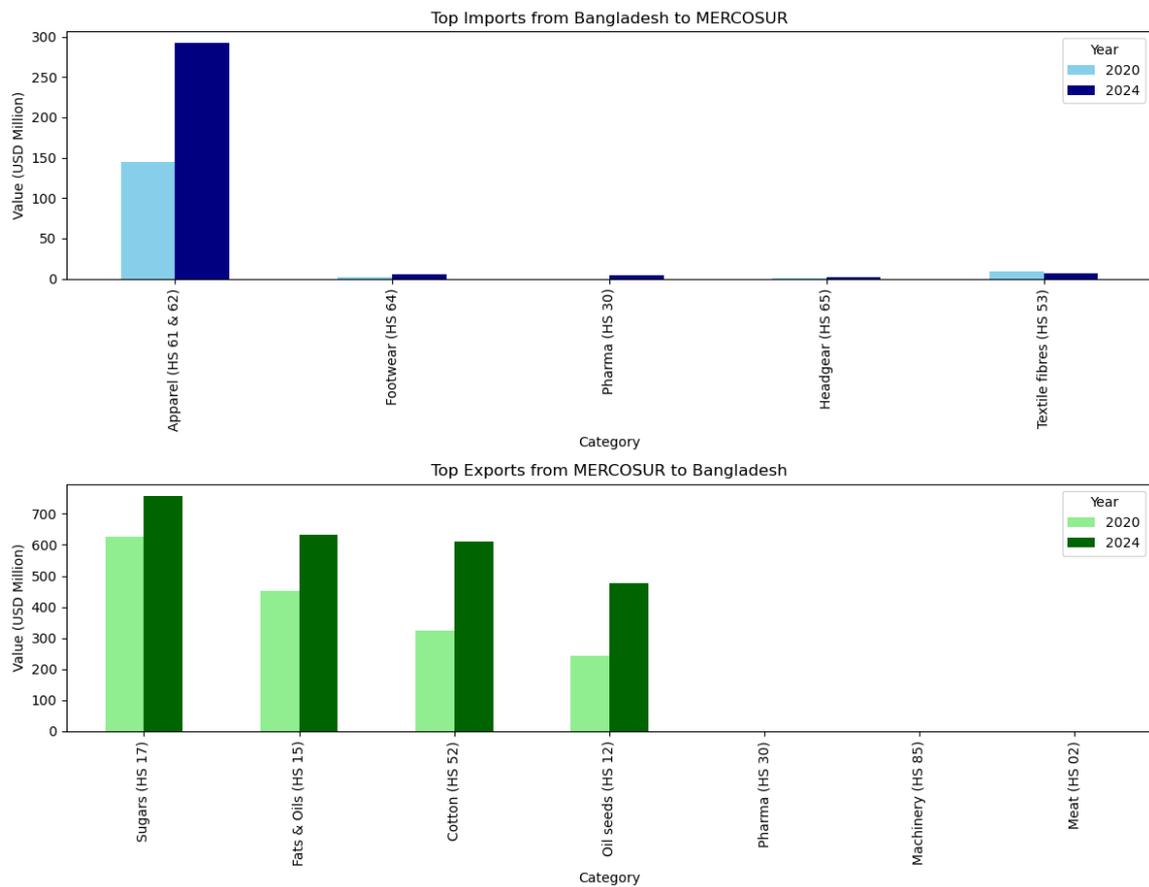
MERCOSUR's exports to Bangladesh continue to be dominated by agro-commodities, while Bangladesh relies heavily on apparel. However, new sector like pharmaceuticals is emerging on both sides, showing high growth potential. Strategic cooperation and trade facilitation could diversify and expand bilateral trade. A forward-looking trade strategy that embraces growth sectors can foster long-term economic gains and mutual prosperity.

The trade relationship between MERCOSUR and Bangladesh is marked by complementary trade flows: Bangladesh exports predominantly textiles, while MERCOSUR supplies essential agricultural commodities. Brazil remains the central player, with Argentina holding targeted sectoral strength. Significant opportunities

exist for both parties to broaden their trade bases and deepen economic cooperation. A country-focused strategy will help maximize the potential of the MERCOSUR-Bangladesh trade corridor.

3.3.4 Strategic Recommendations for Export

- Negotiate better tariff terms for garments by targeting higher concession categories.
- Focus on diversifying exports into pharmaceuticals, medical equipment, and lifestyle products.
- Strengthen trade diplomacy to create or expand market access opportunities with Brazil and Uruguay.
- Explore promotional campaigns to revive interest in declining sectors like jute and ceramics.
- FTA Potential: High with Brazil and Argentina, but needs sectoral protection mechanisms.
- PTA Opportunity: More feasible with Uruguay and Paraguay due to small trade volumes and potential for growth.
- Policy Focus: Should include tariff elimination, technical standard harmonization, and investment facilitation.

3.3.5 Strategic Recommendations for Import

- Enhance supply chain resilience in key agricultural inputs by forming strategic sourcing agreements.
- Explore industrial collaboration in pharmaceuticals and machinery based on rising import trends.
- Consider preferential access negotiations to stabilize import prices and improve bilateral trade terms.
- Monitor declining import segments for alternative sourcing or domestic production development.

3.4 Trade Developments

Table 9: Developments of Bangladesh

Development	MERCOSUR Country	Focus Area	Description	Initiatives
PTA/FTA Exploratory Dialogues Initiated	Brazil, Argentina	Trade Policy & Tariff Reduction	Bangladesh initiated formal talks on trade agreements to address tariff asymmetry and boost exports.	
Trade Agreement between the Government of the People's Republic of Bangladesh and the	Brazil	Focused on trade facilitation and cooperation, not tariff reduction schedules	1. Non-preferential trade agreement (MFN-based, not FTA/PTA)	

Development	MERCOSUR Country	Focus Area	Description	Initiatives
Government of the Federative Republic of Brazil. (Date of signature 13-02-1976)			2. Flexible framework allowing expansion through future protocols 3. Reflects a classic bilateral trade agreement model of the 1970s	
Joint Economic Commission (JEC) Meetings Held	Brazil, Argentina	Bilateral Trade Enhancement	Meetings held in 2024 to promote bilateral trade, market access, and cooperation in multiple sectors.	
MoUs on Economic and Technical Cooperation	Brazil, Argentina	Pharmaceuticals, Agriculture, Energy	MoUs signed on pharma exports, agri-innovation, and renewable energy projects.	
Market Access Negotiations for Pharmaceuticals	Brazil, Argentina	Regulatory Cooperation	Ongoing talks to recognize Bangladeshi pharmaceutical certifications (GMP-compliance) for export.	
EPB & BMCCI Trade Promotion Initiatives	MERCOSUR-wide	Export Diversification	Identified jute, apparel, footwear, and pharma as high-potential sectors for MERCOSUR markets.	
Bangladesh Missions Promoting Business Diplomacy	Brazil, Argentina	Diplomatic Outreach	Embassies hosted forums, trade exhibitions, and business networking events in 2023–24.	
Use of ITC Export Potential Map & Trade Map Data	MERCOSUR-wide	Data-driven Strategy	Trade analytics used to assess sector-wise demand and market gaps for Bangladeshi exports.	

Development	MERCOSUR Country	Focus Area	Description	Initiatives
Increased High-level Engagements via Embassy & MoC Channels	Brazil, Argentina, Uruguay	Trade Diplomacy	Trade envoys and economic secretaries actively engaged in relationship-building visits.	
Export Promotion Strategy for Non-traditional Markets	Sao Paulo. Brazil	South-South Integration	Bangladesh's broader strategy to reduce dependency on traditional Western markets.	Participated Intonational Apparel, Leather Sourcing Trade Fair (18-20 January 2025)
Feasibility Studies Conducted, (April-June 2025)	MERCOSUR-wide	Trade Impact Modeling	Simulations run to assess impact of FTA/PTA on GDP, employment, and sectoral trade flows.	BRCP-1 under Ministry of commerce

3.4.1 Argentina

- ❖ Mr. Sergio Tomas Massa, Honorable Minister of Economy, Argentina visited Dhaka in December 2023.
- ❖ Argentine Minister of Foreign Affairs, International Trade and Worship Mr. Santiago Andres Cafiero, paid a two-day historic debut-state-level visit to Dhaka during 27 February 2023 to 01 March 2023.
- ❖ Former Foreign Secretary of Bangladesh Mr. Mohamed Mijarul Quayes paid an official visit to Buenos Aires in 2011.

3.4.2 Brazil

- Former State Minister for Foreign Affairs who was on a 4-day maiden official visit to Brazil and signed an 'Agreement on the Exemption of Visa for Diplomatic and Official Passports' on the 50 years of Bangladesh-Brazil diplomatic relations on July 18, 2022[6].
- Former Foreign Secretary (Senior Secretary) Ambassador Masud Bin Momen participated in the second Foreign Office Consultations between Bangladesh

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[6] Ministry of Foreign Affairs (April 2022). Bangladesh-Brazil signed a Visa Exemption Agreement to mark the 50 years of diplomatic relations. Retrieved from:
https://mofa.gov.bd/site/press_release/c35f591c-fb7e-404c-9be7-e37e15ee0fe4

and Brazil held in Brasilia on October 02, 2023 while the first Foreign Office Consultation was held in Dhaka in 2016.

- A growing number of Bangladeshi exporters are participating in Latin American trade fairs and expos.
- Brazil has expressed interest in expanding bilateral cooperation, especially in energy and agro-technology.
- Argentina has opened discussions on tariff preferences for Bangladeshi textiles under a preferential scheme, indicating a potential soft opening for FTA negotiations.

3.5 Economic Landscape of Member Countries

Brazil: The largest MERCOSUR economy, contributing more than 70% of the bloc's GDP. It is diversified, with major sectors including agriculture, mining, manufacturing, and services.

Argentina: Known for its strong agricultural base, Argentina also has competitive advantages in biotechnology and renewable energy.

Uruguay & Paraguay: Smaller economies but strategic in regional supply chains and intra-bloc trade facilitation.

Bolivia (awaiting full accession): Resource-rich with a focus on energy and mining.

3.6 Existing Trade Agreements

MERCOSUR has concluded FTAs or cooperation agreements with over 20 countries and regions, including:

- **EU-MERCOSUR Agreement** (pending ratification)
- **MERCOSUR-EFTA Agreement**
- **MERCOSUR-Singapore** and exploratory talks with other Asian economies These agreements emphasize tariff reduction, regulatory alignment, and sustainable development.

3.7 Legal and Regulatory Framework

MERCOSUR operates under a supranational framework with harmonized trade policies. Key legal instruments include:

- **Common External Tariff (CET)** system
- **Non-Tariff Barrier (NTB)** reduction mechanisms
- **Dispute resolution framework** for intra-bloc and external partners However, inconsistencies in implementation and political divergence among members often hinder uniform application.

3.7.1 MERCOSUR's Tariff Concession Framework

MERCOSUR's tariff concessions are structured into categories, each representing a different level of tariff reduction[7]:

- Category A: 100% tariff reduction (duty-free access)
- Category B: 50% tariff reduction
- Category C: 25% tariff reduction
- Category D: 10% tariff reduction
- Category E: Special conditions or exclusions

Bangladesh's key export items—ready-made garments under HS Chapters 61 and 62—face a high 35% MFN tariff in MERCOSUR. Although some tariff concessions exist, many Bangladeshi apparel products fall under Category D, which offers only a 10% reduction. As a result, effective tariffs remain high (around 31.5%), limiting Bangladesh's competitiveness in the MERCOSUR market compared to other regional partners with better access.

3.7.2 MERCOSUR Common External Tariff (CET) and exceptions

MERCOSUR maintains a Common External Tariff (CET) framework, established under ACE-18 and the Ouro Preto Protocol. The CET serves as the external tariff schedule for most intra-bloc trade policy, but members maintain exception/derogation lists (sensitive items, temporal exclusions) and carry out phased liberalisations. For PTA/FTA negotiations with third countries, MERCOSUR typically negotiates as a bloc on CET items but allows member-level flexibilities for certain product incorporated into the Economic Complementation Agreement No. 18 (ACE No. 18). For Bangladesh, this means negotiation strategies must consider whether concessions require consensus at MERCOSUR level (full bloc acceptance) or can be implemented via bilateral arrangements with individual members under special regimes (e.g., Paraguay maquila, Uruguay FTZ). (Reference: ACE-18 flexibilities and MERCOSUR Protocols).

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[7] MERCOSUR. (n.d.). *Annex I - MERCOSUR Offer List*. Retrieved May 18, 2025, from https://relex.mercosur.int/disciplinas/download/495

Chapter 4: Economic Analysis of Brazil and Argentina

4.1 Brazil's Economic Indicators

Brazil, the largest economy in Latin America, demonstrates significant economic resilience and diversification.

Table 10: Brazil's Major Economic Indicators

Indicator	2024 Estimate	2030 Projection
GDP Growth	3.40%	2.49%
GDP (Current USD)	$2,171.34 billion	$2,679.57 billion
GDP per Capita	$10,214	$10,816
Inflation Rate	4.37%	2.96%
Unemployment Rate	6.93%	7.40%
Government Gross Debt (% of GDP)	87.28%	99.42%
Current Account Balance (% of GDP)	-2.82%	-1.78%
Population	213 million	217 million

Source: International Monetary Fund, World Economic Outlook Database, April 2025

Brazil presents moderate but stable economic growth. In 2024, Brazil's GDP growth is estimated at 3.40%, slightly declining to 2.49% by 2030. GDP (Current USD) is expected to grow from $2.171 trillion in 2024 to $2.680 trillion by 2030. Inflation is under control at 4.37% in 2024 and is projected to drop to 2.96% by 2030, showcasing effective monetary policy. However, Brazil faces challenges with government debt, expected to rise from 87.28% to 99.42% of GDP by 2030, and a persistent current account deficit improving from -2.82% to -1.78%. Unemployment is relatively stable, from 6.93% in 2024 to a slight increase at 7.40% in 2030.

Brazil's economic size, large domestic market, and diversified industries make it a strong candidate for deeper trade integration with Bangladesh.

4.2 Argentina's Economic Indicators

Argentina's economy has faced volatility but is projected to stabilize in the medium term.

Table 11: Argentina's Major Economic Indicators

Indicator	2024 Estimate	2030 Projection
GDP Growth	-1.72%	2.97%
GDP (Current USD)	$632.15 billion	$776.82 billion
GDP per Capita	$13,415	$15,530
Inflation Rate	219.89%	7.50%
Unemployment Rate	7.15%	6.00%

Indicator	2024 Estimate	2030 Projection
Government Gross Debt (% of GDP)	85.33%	55.67%
Current Account Balance (% of GDP)	0.99%	1.22%
Population	47.12 million	50.02 million

Argentina is undergoing a profound economic shift. In 2024, it faces a steep negative GDP growth of -1.72%, yet is projected to rebound strongly to 2.97% by 2030. Its GDP is expected to rise from $632 billion to $777 billion. The most critical issue is hyperinflation, currently at 219.89% in 2024, though targeted to normalize drastically to 7.50% by 2030. Government debt is forecasted to improve significantly, from 85.33% to 55.67% of GDP. The unemployment rate is relatively stable, reducing from 7.15% to 6.00%.

4.3 Gravity Model Fixed Effects Analysis: Bangladesh–MERCOSUR Trade

This report presents the results of a gravity model with fixed effects analyzing Bangladesh's trade with MERCOSUR countries (Brazil, Argentina, Uruguay, Paraguay) between 2015 and 2024. The analysis includes both country-pair and year fixed effects to account for unobserved heterogeneity across time and bilateral relationships.

4.3.1 Gravity Model Explanation
The gravity model of international trade posits that trade flows between two countries are proportional to their economic sizes (GDP) and inversely proportional to the distance between them. The model draws inspiration from Newton's law of gravity. Its log-linearized form allows for econometric estimation via regression.

Estimated form:
$\ln(Trade\_ijt) = \beta_0 + \beta_1 \ln(GDP\_it) + \beta_2 \ln(GDP\_jt) + \beta_3 \ln(Distance\_ij) + \beta_4 X\_ijt + \varepsilon\_ijt$

Where X_ijt includes control variables like population, tariffs, exchange rate, and landlocked status.

4.3.2 Estimation Method

Applied Ordinary Least Squares (OLS) with fixed effects for country pairs and years. This controls for unobserved heterogeneity across time and country-specific dynamics.

Table 12: Fixed Effects Regression Output

Variable	Coefficient	Std. Error	t-Statistic	p-Value	Significance	Interpretation
Intercept	0.737	0.226	3.266	0.003	✓	
ln_gdp_exporter	2.632	0.649	4.058	0.000	✓	Higher GDP of Bangladesh positively influences exports.
ln_gdp_importer	-1.263	1.054	-1.198	0.243	✗	MERCOSUR GDP appears weakly associated with trade volumes.
ln_distance	5.373	1.702	3.156	0.004	✓	Distance shows a positive effect, possibly reflecting data structure or rerouting effects.
ln_population_exporter	-20.262	5.994	-3.380	0.003	✓	Counterintuitive: may signal multicollinearity or overlapping effects with GDP.
ln_population_importer	3.569	1.058	3.373	0.003	✓	Suggests importer size correlates with increased trade.
ln_tariff	-0.682	1.433	-0.476	0.639	✗	Tariff effect is negative but statistically weak.
ln_exchange_rate	0.013	0.126	0.108	0.915	✗	Exchange rate had negligible effect in this model.
landlocked_Importer	-22.413	6.104	-3.672	0.001	✓	Being landlocked substantially reduces trade, consistent with theory.

- **R² (Overall Fit):** 0.969
- **Adj. R²:** 0.947
- **F-statistic:** 44.66 (p < 0.0001)

4.3.3 Interpretation & Policy Implications

The fixed effects model explains nearly 97% of the variance in trade flows. Key drivers of trade include Bangladesh's GDP, importer population, and landlocked status. Unexpectedly, distance's positive coefficient may reflect indirect trade routes, shipping networks, or fixed bilateral patterns in a relatively limited sample or unmeasured regional dynamics. Tariffs and exchange rate volatility were not significant, potentially implying that non-tariff factors and structural linkages are more important in determining Bangladesh-MERCOSUR trade and suggesting trade is more influenced by macroeconomic size and geography in this context.

Policy implications for Bangladesh include focusing on large markets with favorable logistics and population density, addressing non-tariff barriers, and supporting regional connectivity—especially for landlocked MERCOSUR member (Paraguay). Tariff

reductions alone may not be sufficient. Broader facilitation (e.g., logistics, agreements, SPS/TBT alignment) may be needed in MERCOSUR ties. Bangladesh's imports come from relatively nearby countries (average 4,202 km), while its exports reach more distant markets (average 8,084 km). MERCOSUR countries are even farther (average 8,347 km), indicating that trade with them involves long-distance logistics and potentially higher transportation costs.

Figure 6: Actual vs Predicted Trade
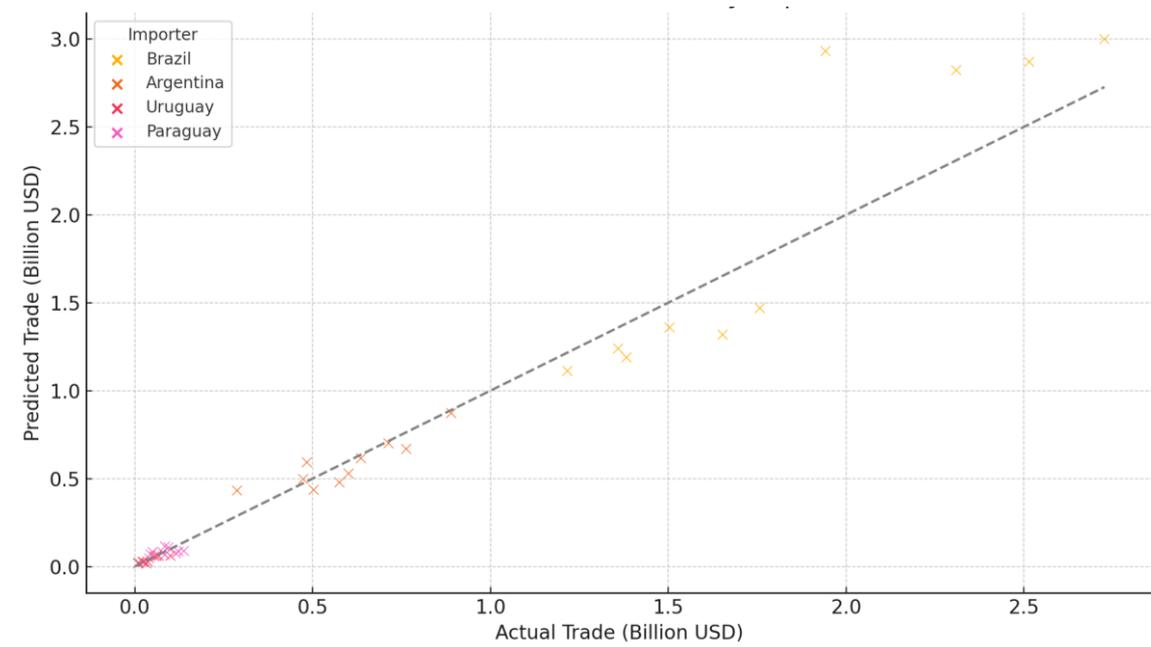
4.4 Key Industries and Economic Drivers

Both countries rely heavily on their agribusiness sectors but are increasingly diversifying into energy (biofuels, lithium), digital services, and green technology. Their industrial linkages offer potential for input sourcing, technology transfer, and joint ventures.

4.5 Comparative Analysis

- **Growth Trajectories**: Brazil maintains steadier but modest growth, while Argentina is projected to rebound sharply after overcoming its inflation crisis.
- **Inflation Control**: Brazil exhibits better monetary stability today; Argentina is on an aggressive trajectory to stabilize its economy by 2030.
- **Debt Dynamics**: Argentina is set to improve government debt ratios significantly, whereas Brazil's debt is increasing, posing future fiscal risks.
- **Employment**: Both countries have similar unemployment rates, with Argentina slightly improving and Brazil slightly worsening by 2030.
- **Regional Influence**: Brazil remains the heavyweight in MERCOSUR economically, but Argentina's recovery could strengthen the bloc's overall economic health.

Table 13: Comparative Analysis between Brazil and Argentina

Indicator	Brazil	Argentina
Market Size	Larger, diversified	Medium, agriculture-heavy
Economic Stability	Relatively stable	High volatility
Strategic Fit for BD	RMG, pharma, jute	Agro-trade, pharma
Regulatory Landscape	Complex but navigable	Challenging but open to reform

Brazil offers a broader, more predictable commercial environment, while Argentina provides niche opportunities in food and agricultural collaboration, though with more regulatory risk.

MERCOSUR as a whole is progressing towards lower inflation, moderate growth, and a healthier fiscal balance. Brazil and Argentina heavily influence the bloc's performance.

Chapter 5: FTA Opportunities for Bangladesh

5.1 Potential Economic Benefits

The Free Trade Agreement (FTA) offers significant trade growth opportunities for Bangladesh, particularly in the Ready-Made Garment (RMG) sector. Trade simulations suggest that Bangladesh could see an increase of up to $472.19M in exports to Brazil.

This report summarizes the trade simulation outcomes for potential Free Trade Agreement (FTA) scenarios between Bangladesh and MERCOSUR countries using the TINA simulation tool (Version 2.19.48). The findings reflect both trade creation and diversion effects, measured in US$ million.

Table 14. Trade Creation for Bangladesh

Indicator	Brazil	Argentina	MERCOSUR (Total)
Trade Creation (US$ M)	408.62	23.83	484.56
Trade Diversion (US$ M)	63.57	8.92	84.54
Total Trade Effect (US$ M)	472.19	32.75	569.10
Net Trade Gain (Creation – Diversion)	345.05	14.91	400.02
Share of MERCOSUR Total (%)	82.96%	5.75%	100%
Trade Creation to Diversion Ratio	6.43: 1	2.67: 1	5.73: 1

Data source: Trade Intelligence and Negotiation Adviser Version 2.19.48

The total trade creation between Bangladesh and MERCOSUR is US$ 484.56 million, while trade diversion is US$ 84.54 million. The net trade effect (creation minus diversion) is US$ 400.02 million, indicating a strong positive gain from deeper trade relations with MERCOSUR countries.

5.1.1 Country-wise Trade Impact Analysis

5.1.1.1 MERCOSUR Bloc (Aggregate)

At the bloc level, total trade creation reaches US$ 484.56 million against diversion of US$ 84.54 million, indicating a net gain of US$ 400.02 million. The average ratio of 5.73:1 confirms that Bangladesh stands to gain substantially from a potential FTA or Economic Complementation Agreement with MERCOSUR.

5.1.1.2 Brazil

Brazil accounts for over 80% of Bangladesh's total trade creation with MERCOSUR. Its trade creation-to-diversion ratio (6.43:1) is the highest, showing highly efficient trade potential. The net gain of US$ 345.05 million indicates strong complementarities—Bangladesh imports industrial inputs, machinery, and agricultural products, while exporting ready-made garments, pharmaceuticals, and jute items. Brazil is thus the strategic anchor for Bangladesh's entry into the MERCOSUR market.

5.1.1.3 Argentina

Argentina contributes only 5.75% of MERCOSUR's trade creation impact. Trade creation of US$ 23.83 million vs. diversion of US$ 8.92 million reflects a positive but limited gain. Its ratio (2.67:1) shows moderate trade complementarity. Potential cooperation areas include agro-based trade (soybean oil, meat, grains) and industrial sectors (textiles, fertilizers).

5.1.1.4 Paraguay & Uruguay

Paraguay and Uruguay together contribute about 11%, suggesting smaller but still positive trade creation potential—likely in niche sectors such as agricultural commodities, leather, and processed foods.

5.2 Market Access Opportunities

This report provides an analysis of Bangladesh's export potential to MERCOSUR countries — Brazil, Argentina, Uruguay, and Paraguay — based on insights from the ITC Export Potential Map using specific data sources (Appendix C). The section highlights export gaps, identifies untapped products, and outlines strategies to realize the potential in MERCOSUR markets.

Table 15: Export Potential and Unrealized (Estimate for 2030)

Countries	Export Potential	Unrealized Potential in Individual Products
Brazil	$269M	$127M
Uruguay	$53M	$19M
Argentina	$38M	$19M
Paraguay	$20M	$17M
MERCOSUR	$380M	$182M

Source: ICT Export Potential Map, 2025

MERCOSUR, led by Brazil which represents over 70% of Bangladesh's export potential in the region, offers a significant unrealized opportunity of $182 million. Brazil shows the highest untapped potential, followed by Uruguay and Argentina, while Paraguay presents a niche but promising gap. Smaller markets including Paraguay and Uruguay but strategically located within MERCOSUR for regional trade flows.

Brazil offers a significantly larger export potential ($269M+) across a diversified range of textile products, whereas Argentina's total export potential remains modest ($38M+), with concentrated opportunities. Both countries apply high tariffs (mostly 35%), especially on ready-made garments (RMG), making preferential access critical for Bangladesh's competitiveness.

Table 16: Top Export Potential Products in Bazil and Argentina (Estimate for 2030)

(Value in million US$)

HS6	Product Description	Brazil			Argentina		
		Rank	Export potential	Average Applied Tariff (%)	Rank	Export potential	Average Applied Tariff (%)
610910	Cotton T-shirts & Vests (Knit)	1	22	35	2	2.70	35
620342	Men's Cotton Pants & Shorts	2	18	35	1	3.70	35
611030	Synthetic Knit Jerseys & Pullovers	3	14	35	4	2.20	35
611020	Cotton Knit Jerseys & Pullovers	4	12	35	3	2.50	35
620520	Men's Cotton Shirts	5	12	35	11	0.92	35
620462	Women's Cotton Pants & Shorts	6	11	35	7	1.50	35
620343	Men's Synthetic Pants & Shorts	7	11	35	9	0.32	35
611120	Baby Cotton Knitwear	8	7.1	35	24	0.36	35
620140	Men's Synthetic Overcoats	9	7.1	35	5	1.90	
650500	Knitted Hats & Headgear	10	6.4	20	6	1.50	20
610510	Men's Cotton Knit Shirts	11	5.8	35	8	1.00	35
620469	Women's Other Trousers & Shorts	12	5.5	35	37	1.50	35
530310	Raw Jute & Bast Fibres	13	5.4	8			
610342	Men's Cotton Knit Pants & Shorts	14	5.1	35	17	0.58	35
610990	Other Knit T-shirts & Vests	15	4.7	35	16	0.59	35
620240	Women's Synthetic Overcoats	16	4.7	35	10	0.95	
610462	Women's Cotton Knit Pants & Shorts	17	4.6	35	15	0.60	35
610343	Men's Synthetic Knit Pants & Shorts	18	3.7	35	28	0.58	35
620463	Women's Synthetic Pants & Shorts	19	3.6	35	35	0.22	35
620530	Men's Synthetic Shirts	20	3.3	35	25	0.36	35
621111	Men's Swimwear	52	1.2	35	12	0.89	35
630622	Synthetic Fibre Tents	26	2.3	35	13	0.83	35
6210Xb	Women's Plastic-Coated Garments	42	1.4	-	20	0.44	-
530720	Cabled Bast Fibre Yarn	35	1.8	18	19	0.45	18
640411	Sports Shoes (Rubber/Textile)	57	0.939	35	18	0.46	35
640419	Casual Footwear (Rubber/Textile Uppers)	66	0.717	35	14	0.61	35
Other Products		-	93.64	-		10.36	-

Source: ITC Export Potential Map (retrieved on 17 May 2025)

- Textile and apparel (RMG) dominate both markets' demand profiles.
- Cotton- and synthetic-based garments appear consistently among the top potential exports.
- Footwear, jute, and technical textiles show emerging opportunities, particularly in Brazil.

- The 35% applied tariffs on most RMG items present a significant market entry barrier.
- Argentina's market is smaller and more concentrated, demanding focused strategy and product refinement.
- Brazil's lower tariffs on raw jute (8%) and bast yarn (18%) are attractive for diversification.

Bangladesh's export potential to Brazil and Argentina is led by cotton-based garments, synthetic apparel, and emerging products like jute, footwear, and coated clothing. Brazil's size and diversity make it the primary strategic partner, while Argentina offers targeted growth potential. A combination of market access reform, product diversification, and export promotion is key to realizing this untapped potential. Unlocking this potential will require strategic engagement, including:

- Negotiate PTAs/FTAs with MERCOSUR to reduce the 35% tariff on RMG and footwear.
- Expand low-tariff product categories like jute fibres, bast yarn, and headgear.
- Develop niche markets in Argentina with value-added, sustainably produced garments.
- Enhance branding and visibility of Bangladeshi products through trade shows and bilateral missions and chambers.
- Encourage exporters to explore non-traditional items (e.g., synthetic tents, swimwear, and coated garments).
- Enhancing logistics, certification, and NTB compliance
- Supporting local exporters with finance, skills, and innovation tools
- Enhanced access could also pave the way for regional value chain integration, with Bangladesh supplying intermediate goods to MERCOSUR manufacturers.
- Limited Market Size: The smaller market potential highlights constraints possibly linked to market size, economic conditions, or existing competition.

5.2.1 Bangladesh's Diversification Top 20 Products for Export to Brazil

This report analyzes the diversification opportunities for Bangladeshi exports to Brazil, based on the ITC Export Potential Map. Product diversification ranks product and market diversification opportunities for new or nascent export products. These are products that do not meet the conditions to be considered established export products. Product diversification and export potential calculations rely on the same measures of demand and ease of trade, but differ in how they estimate supply.

To be considered an established export product, a product must meet the following three conditions:
1. Have been exported continuously by a given country for the last three years.
2. Have been imported continuously by any country for the last five years.

3. Have at least $200,000 in export potential, or be among the top products that, together, account for 95% of the cumulative export potential for a given exporter.

If these conditions are not met, the product is considered to be an opportunity for product diversification.

Demand is calculated at the product (k)-market (j) level using projected imports. Projected imports are calculated by multiplying a market's baseline imports of a given product (e.g. Nigeria's total imports of cereals) by the expected change in that country's GDP per capita over the projection horizon, taking account of income elasticities.

Income elasticities are estimated separately by development level and HS chapter to account for the possibility that demand responds differently to a given change in GDP per capita based on the market's level of development and the type of good being imported.

Although projected imports are estimated at the product (k)-market (j) level, the estimation is adjusted by factors that affect imports from a specific exporter (i). For example, projected imports are multiplied by a market tariff advantage factor for a specific exporter (i), which compares the tariff faced by that exporter in the market (j) to the average tariff applied by the market to other trading partners. Future tariffs are used if known. While the global tariff disadvantage factor in the supply component attempts to estimate true supply capacity by removing the effect of tariffs, the market tariff advantage factor reintroduces the impact of tariffs in the target market. Finally, the demand component adjusts for the distance between the exporter (i) and the market (j) compared to the average distance over which the market (j) usually imports the product.

Ease of trade is a measure of how much two countries actually trade with each other compared to how much we could expect them to trade.

It is measured by comparing the actual trade between two countries—country i (the exporter) and country j (the importer)—to a hypothetical scenario. The hypothetical scenario assumes country i sells to country j at the same rate as it sells to the rest of the world. The actual trade is based on an average of the past five years, with higher weights placed on more recent years.

If the ease of trade measure is greater than 1, country i trades more with country j than could be expected. This might be because they are close to each other, speak the same language, have similar cultures, or have a strong business relationship. If the ease of trade measure is less than 1, country i trades less with country j than could expected. The bigger the number, the more likely it is that country i can easily trade with country j. That is, the larger the ease of trade, the larger country i's potential to export to market j.

The accompanying radar chart visually maps the top 20 product categories by diversification rank, demand, and supply alignment.

Figure 7: Bangladesh's Diversification Products for Export to Brazil
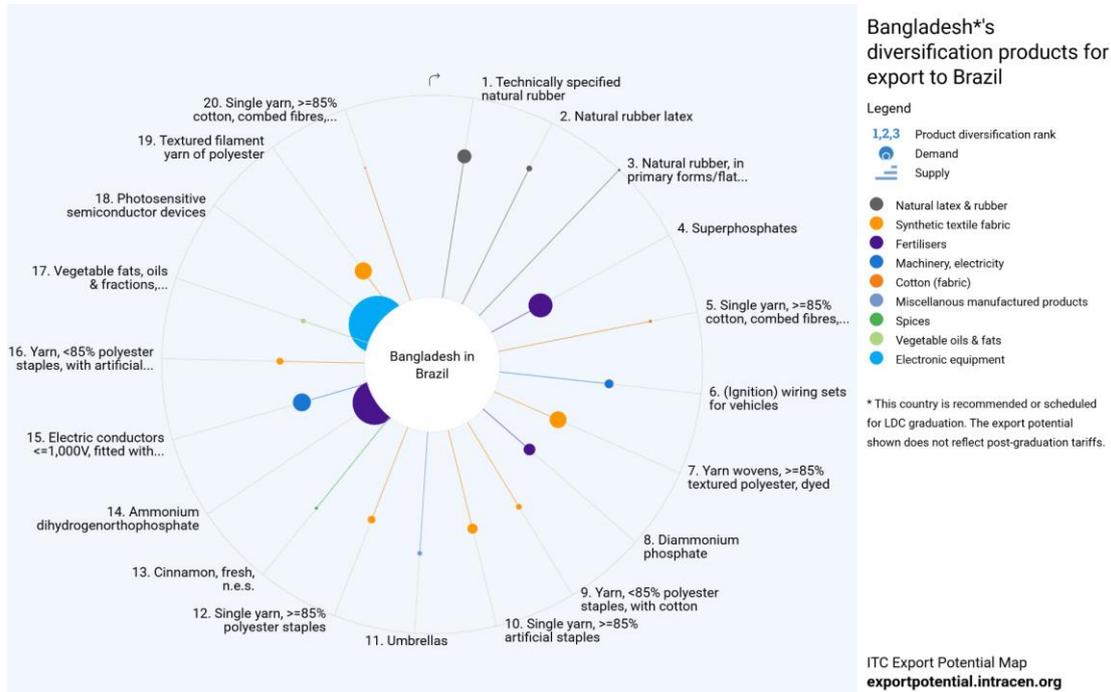
5.2.1.1 Top Diversification Opportunities (Ranked 1–3)

- Technically specified natural rubber (HS 400122)
- Natural rubber latex (HS 400110)
- Natural rubber in primary forms/flat shapes (HS 400129)

These products belong to the natural latex & rubber sector, demonstrating strong alignment between supply from Bangladesh and demand in Brazil, with relatively low tariffs (4%).

Figure 8: Pictorial Depiction for Diversification Products

5.2.1.2 High-Demand Sectors

- Fertilisers such as Superphosphates, Diammonium phosphate, and Ammonium dihydrogenorthophosphate show strong Brazilian demand. These products face little or no tariff barriers.
- Machinery & Electronics products like ignition wiring sets, electric conductors, and semiconductors reflect rising demand and moderate tariff levels (8–16%).

5.2.1.3 Textile Products: High Supply, High Barriers

- Textile-related products make up a large share of the top 20 but face high tariffs (18–26%) in Brazil.
- While Bangladesh has significant supply capacity, trade negotiations are essential to unlock market potential.

5.2.1.4 Niche and Low-Tariff Products

- Cinnamon (HS 090619) and Vegetable fats & oils (HS 1516XX) represent niche opportunities.
- These products enjoy lower tariffs and could be promoted through value-added branding strategies (e.g., organic, fair trade).

5.2.1.5 Strategic Takeaways

Table 17: Strategic Takeaways

Opportunity Tier	Product Examples	Strategic Focus
Tier 1: Immediate	Rubber (HS 4001XX), Fertilisers (HS 3105XX)	Low tariff, strong demand – act immediately
Tier 2: Medium-term	Electrical & electronic parts (HS 8544XX, 8541Xa)	Improve standards and production capacity
Tier 3: Negotiation dependent	Textiles (HS 5205XX, 5509XX, 5407XX)	Pursue FTA or MERCOSUR concessions
Tier 4: Niche markets	Cinnamon, Vegetable oils	Leverage branding, organic/fair-trade certifications

5.2.1.6 Policy Implications

- Prioritize MERCOSUR PTA/FTA negotiations to reduce textile tariffs.
- Enhance export financing and certification support for electronic components.
- Promote joint ventures in fertilizer and rubber processing industries.
- Strengthen branding support for spices and niche agri-products.

5.2.2 Bangladesh's Diversification Top 20 Products for Export to Argentina

This report provides a strategic analysis of Bangladesh's top 20 export diversification products to Argentina, as identified by the ITC Export Potential Map. It categorizes the products by sector, evaluates demand and supply potential, and outlines specific strategic directions for market expansion.

Figure 9: Bangladesh's Diversification Products for Export to Argentina
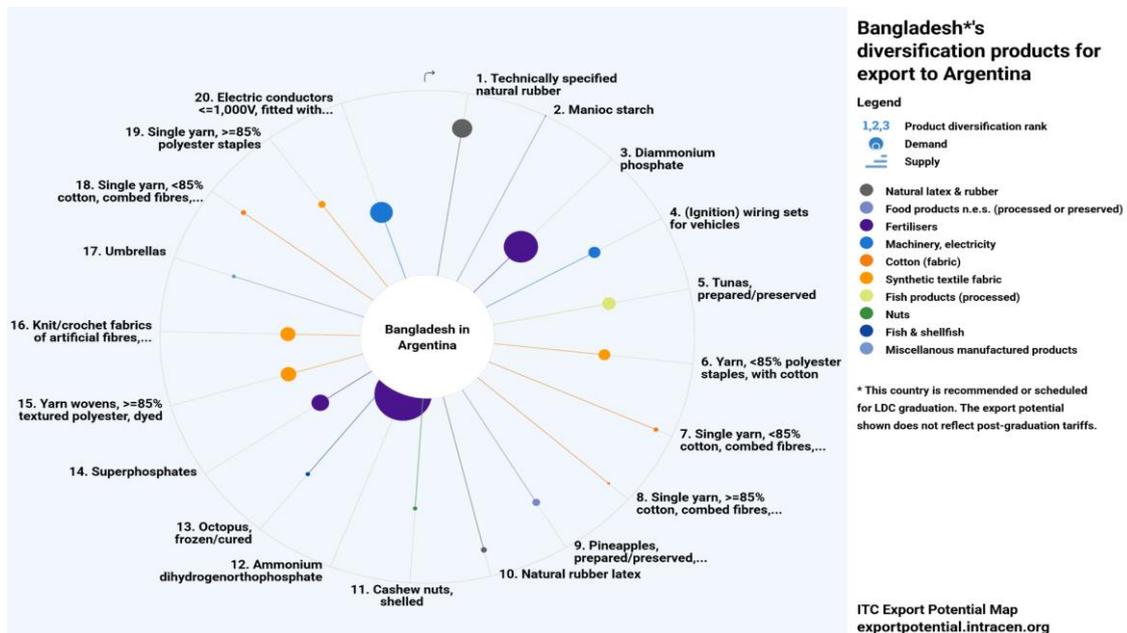
5.2.2.1 Top Ranked Diversification Opportunities (Ranks 1–3)
- Technically specified natural rubber (HS 400122)
- Manioc starch (HS 110814)
- Diammonium phosphate (HS 310530)

These sectors reflect strong export readiness in Bangladesh and high demand in Argentina, especially in rubber, agricultural starch, and fertilizers.

5.2.2.2 Fertilisers and Agricultural Inputs
- Diammonium phosphate and Ammonium dihydrogenorthophosphate appear among the top ranked products.
- Fertilizers hold strong potential due to Argentina's agricultural demand and low-tariff accessibility.

5.2.2.3 Machinery & Electrical Components
- Ignition wiring sets and Electric conductors reflect Argentina's rising industrial needs.
- These offer scope for expansion via Original Equipment Manufacturer (OEM) partnerships or joint ventures.

5.2.2.4 Textile and Yarn Products
- Cotton yarns, synthetic yarns, and knit/crochet fabrics show strong Bangladeshi supply capability.
- However, high tariffs and NTBs make market entry complex; bilateral trade dialogue is recommended.

5.2.2.5 Niche Processed Food and Seafood
- Tunas, pineapples, cashew nuts, and octopus suggest growing demand for preserved or exotic food products.
- These products can gain from value addition, food safety certifications, and targeted branding.

5.2.2.6 Strategic Categorization
Table 18: Strategic Categorization for Bangladesh's Diversified Products

Tier	Products	Strategic Focus
Tier 1: Immediate Potential	Natural rubber, Fertilizers, Manioc starch	Leverage current supply strength and low trade barriers
Tier 2: Expansion Readiness	Ignition wiring, Electric conductors	Enhance industrial capacity, form JVs or OEM contracts
Tier 3: Negotiation-Dependent	Textile and yarn-based products	Negotiate tariff relief, ensure product standard compliance
Tier 4: Niche Value-Added	Tuna, Pineapple, Octopus, Cashew nuts	Focus on branding, processing, and food safety certifications

5.2.2.7 Policy Recommendations
- Engage with Argentina/MERCOSUR for trade facilitation on fertilizers and textiles.
- Support the electronics and machinery parts sectors through industrial policies and skills development.
- Promote value-added agri-exports with enhanced shelf-life, quality certification, and logistic support.
- Encourage diversification into seafood and nut processing sectors through private sector incentives.

5.3 Comparative Advantages

Bangladesh's comparative advantages stem from its low production cost, skilled labor force, and competitive manufacturing ecosystem, particularly in labor-intensive sectors. These strengths, when matched against MERCOSUR's demand profile—especially in Brazil and Argentina—reveal significant scope for expanded trade cooperation under a Free Trade Agreement (FTA).

5.3.1 Key Sectors of Comparative Advantage

1. Ready-Made Garments (RMG)
- Bangladesh is the second-largest exporter globally, offering low-cost, high-volume production.
- MERCOSUR's growing middle class demands affordable apparel; Brazil imposes up to 35% duty—an FTA can ease this.
- Potential: Export expansion, joint ventures, retail partnerships.

2. Pharmaceuticals
- Bangladesh produces quality-assured generics and APIs, with WHO-GMP certified facilities.
- Brazil and Argentina face rising healthcare costs—Bangladesh can offer cost-effective solutions.
- Cooperation: Regulatory harmonization, contract manufacturing.

3. Jute and Jute Products
- Bangladesh leads in eco-friendly, biodegradable packaging materials.
- MERCOSUR's sustainability shift opens markets for jute bags, sacks, and gift items.
- Strategy: Positioning Bangladeshi jute as a green alternative.

4. Leather and Footwear
- Bangladesh's leather sector is competitive in pricing and labor.
- Brazil's local market offers niche opportunities for leather accessories.
- Scope: Export growth through brand collaboration and trade shows.

5. Ceramics and Construction Materials
- Bangladesh exports ceramic tiles and sanitaryware to global markets.
- Brazil and Argentina import ceramics for construction and interior sectors.
- Partnership areas: Bulk supply to retail chains and real estate developers.

6. ICT and BPO
- Bangladesh's IT sector benefits from low-cost, English-speaking talent.
- MERCOSUR needs outsourcing and digital support services.
- Entry channels: BPO contracts, software services, tech co-development.

Table 19: Bangladesh's Sectoral Advantages in MERCOSUR Context

Sector	Competitive Strengths (BD)	MERCOSUR Demand Match	FTA Value Potential
RMG	Low cost, high volume, skilled labor	High	Very High
Pharmaceuticals	WHO-GMP certified, affordable generics	Medium–High	High
Jute	Biodegradable, sustainable packaging	Growing	Medium–High
Leather	Skilled artisans, cost advantage	Niche	Medium
Ceramics	Cost-quality ratio, growing exports	Medium	Medium
ICT/BPO	Skilled youth, English support, tech parks	Emerging	Moderate

- Include these sectors in early-stage PTA/FTA negotiations with clear product-level commitments.
- Map NTBs (non-tariff barriers) specific to each sector — especially pharmaceuticals and RMG.
- Promote mutual recognition of standards to ease certification bottlenecks.
- Use government support to connect Bangladeshi exporters with Latin American buyers via expos and digital platforms.
- Encourage sectoral dialogues under bilateral trade and technical cooperation mechanisms.

5.4 Sectoral Analysis

Table 20: Sectoral Analysis

Sector	Opportunity Type	Notes
RMG	Export growth	Requires tariff elimination and harmonized standards
Pharmaceuticals	Market penetration	Dependent on regulatory approval and patent compliance
Jute Products	Branding & market revival	Environmental concerns may support revival of biodegradable jute
Leather Goods	Niche luxury segment	Requires quality upgrades and certification alignment
Ceramics	Export diversification	Low competition, high aesthetic appeal in Latin American architecture

5.5 Services Trade under a Bangladesh–MERCOSUR

The services sector has become an increasingly important component of Bangladesh's external trade and overall economic transformation. As Bangladesh seeks to diversify its export base beyond traditional merchandise exports, particularly ready-made garments, services trade offers significant opportunities for value addition, employment generation, and productivity growth. Within this context, a prospective Free Trade Agreement (FTA) between Bangladesh and MERCOSUR merits close examination, especially with regard to services trade dynamics.

Services trade between Bangladesh and MERCOSUR remains limited in scale and scope, especially when compared to merchandise trade. The relationship is also highly asymmetrical, with Bangladesh recording relatively small services exports while importing a significantly larger volume of services, particularly from Brazil. Among MERCOSUR members, Brazil dominates both exports to and imports from Bangladesh, while Argentina, Uruguay, and Paraguay play only marginal roles.

5.5.1 Services Exports from Bangladesh to MERCOSUR

Brazil is the principal destination for Bangladeshi services exports within MERCOSUR. Over the 2020–2024 period, Bangladesh's services exports to Brazil demonstrated steady growth, albeit from a low base. Other business services constitute the largest export category, followed by research and development services, transport services, construction, and goods-related services.

The expansion of research and development services and technical business services is particularly noteworthy, as it signals Bangladesh's gradual entry into higher value-added service segments. These developments reflect improvements in human capital, digital connectivity, and firm-level capabilities. However, despite this diversification, the absolute magnitude of exports remains modest, indicating substantial untapped potential.

Services exports to Argentina and Uruguay remain extremely limited. Uruguay absorbs small volumes of commercial and other business services, with little variation over time. Exports to Argentina are sporadic and inconsistent, suggesting the absence of stable institutional or commercial linkages.

Overall, Bangladesh's services exports to non-Brazil MERCOSUR partners are underdeveloped and lack sectoral depth, highlighting the need for targeted policy support and market access facilitation.

5.5.2 Services Imports to Bangladesh from MERCOSUR

Bangladesh's services imports from Brazil are substantially larger than its exports and have grown rapidly over the study period. Transport services, particularly sea transport, account for the largest share of imports, reflecting Bangladesh's dependence on Brazilian shipping, freight, and logistics services in support of bilateral merchandise trade.

In addition to transport, Bangladesh imports significant volumes of other business services, technical and trade-related services, telecommunications, computer services, and maintenance and repair services. The increasing presence of ICT-related, financial, and professional consulting services toward the later years suggests a gradual deepening of service-sector linkages.

Services imports from Argentina, Uruguay, and Paraguay are comparatively small but show gradual diversification. Uruguay is the most prominent among these partners, supplying business, ICT, travel, and transport services. Imports from Argentina and Paraguay are irregular and project-based, indicating limited integration.

5.5.3 Services Trade to Bangladesh from MERCOSUR

Services trade between Bangladesh and MERCOSUR is at an early stage of development and is marked by significant asymmetries. While Brazil dominates current engagement, emerging trends in knowledge-based services suggest promising avenues for diversification. A well-designed Bangladesh–MERCOSUR FTA, with a strong and balanced services chapter, could transform services trade from a source of persistent deficit into a driver of deeper economic integration and sustainable growth.

5.6 IP Rights Framework for a potential Bangladesh-MERCOSUR FTA

A Bangladesh-MERCOSUR FTA presents a significant challenge and opportunity regarding Intellectual Property. There is a "Compliance Gap" between the two regions.

MERCOSUR (Brazil, Argentina, Paraguay, Uruguay): These nations operate under fully TRIPS-compliant regimes with higher standards (TRIPS-Plus) in some areas, heavily influenced by negotiations with the EU. They prioritize the protection of agricultural innovations and Geographical Indications (GIs).

Bangladesh: Currently transitioning from LDC status. While recent laws (Patent Act 2023, Copyright Act 2023) signal modernization, the country still relies on LDC waivers (especially for pharmaceuticals) and faces enforcement challenges.

Table 21: Comparative IP Frameworks

Feature	Bangladesh (Current Status)	MERCOSUR (Brazil, Argentina, Paraguay, Uruguay)	Implications for FTA
Global Status	LDC (Graduating 2026). Utilizes TRIPS waivers.	Developing/Emerging Economies. Full TRIPS compliance.	MERCOSUR will likely demand full TRIPS compliance from Bangladesh immediately or post-graduation.
Patents	**Patent Act 2023:** Modernized, but pharma protection is limited due to waivers until 2033 (subject to graduation effects). Low resident filings.	**Established Regimes:** Brazil & Argentina have strong patent offices (National Institute of Industrial Property-INPI). High value placed on ag-tech and industrial patents.	**Risk:** Bangladesh's generic pharma industry may face pressure if MERCOSUR demands strict patent enforcement or data exclusivity.
Copyright	Life + 60 Years (Copyright Act 2023).	Life + 70 Years (Argentina, Brazil, Paraguay).	Bangladesh may need to extend copyright terms to align with the "Life + 70" standard common in the bloc.
Trademarks	**Draft Amendment 2025:** Moving toward Madrid Protocol accession to facilitate international registration.	**Madrid Protocol:** Brazil is a member. Argentina/Paraguay/Uruguay have local systems but are harmonized regionally.	Accession to the Madrid Protocol by Bangladesh would significantly ease trade for MERCOSUR brands entering BD.
Geo. Indications (GIs)	**Nascent:** Protection for Jamdani, Hilsa, etc. exists but	**Aggressive:** Strong focus on protecting agricultural GIs (e.g., wines from Argentina/Uruguay, coffee from Brazil).	**Opportunity:** Mutual recognition of GIs could

Feature	Bangladesh (Current Status)	MERCOSUR (Brazil, Argentina, Paraguay, Uruguay)	Implications for FTA
	international enforcement is new.		protect Bangladeshi textiles while MERCOSUR protects its agro-products in BD.

The IP chapter will be defensive for Bangladesh (protecting policy space for health and agriculture) and offensive for MERCOSUR (seeking market protection for brands and technology). Success depends on Bangladesh resisting "TRIPS-Plus" provisions that go beyond standard WTO requirements.

5.7 Investment Landscape for the Bangladesh-MERCOSUR

Bilateral Foreign Direct Investment (FDI) between Bangladesh and MERCOSUR (Brazil, Argentina, Uruguay, Paraguay) is negligible. The economic relationship is dominated by trade in goods (commodities vs. apparel) and services (logistics), rather than capital investment or joint ventures.

Brazil and Argentina are global leaders in agriculture. Bangladesh imports significant amounts of soy, sugar, and cotton. MERCOSUR firms could invest in processing facilities in Bangladesh (e.g., crushing soy, refining sugar) to serve the domestic market and neighbouring regions.

MERCOSUR has high tariff barriers on textile and apparel imports. Bangladeshi garment manufacturers could establish manufacturing units inside Brazil or Paraguay. Brazil offers a massive domestic market whereas Paraguay offers low energy costs and tax incentives (Maquila regime[8]) to export duty-free to Brazil and Argentina. This "tariff-jumping" FDI strategy is common for gaining access to protected markets like MERCOSUR.

5.8 Bangladesh–MERCOSUR CEPA: Possibilities and Priorities

Negotiations with MERCOSUR must consider the bloc's legal framework, particularly the Protocol of Ouro Preto, which requires collective negotiations (MERCOSUR

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[8] The maquila regime is an investment and export promotion program, primarily associated with countries like Paraguay and Mexico, that allows foreign companies to import raw materials, machinery, and components temporarily and duty-free, process or assemble them domestically, and then export the finished products.

Secretariat, 1994). Brazil has already expressed openness to a Bangladesh–MERCOSUR PTA, a necessary stepping stone toward a CEPA (The Business Standard, 2024).

5.8.1 Opportunities in Goods Trade

MERCOSUR's Common External Tariff (CET) ranges from 0% to 35% for imports, including apparel, with high peaks affecting Bangladesh's export interests (Buenos Aires Herald, 2025; Mercopress, 2025). Argentina recently lowered tariffs under Decreto 236/2025—apparel and footwear from 35% to 20%, fabrics from 26% to 18%, and yarns to between 12% and 16% (Government of Argentina, 2025; RIOTimes, 2025). Pharmaceuticals also present an opportunity, provided regulatory pathways are harmonized with bodies such as ANVISA in Brazil and ANMAT in Argentina (INMETRO, 2024; INTI, 2024). The India–MERCOSUR PTA set a clear precedent for phased tariff concessions—offering negotiated discounts of 10% to 100% across 450–452 tariff lines—and incorporated structured Rules of Origin in its Annexes, underpinning operational pragmatism in early-stage preferential liberalization (Government of India, Department of Commerce, 2009).

5.8.2 Opportunities in Services Trade

MERCOSUR's Montevideo Protocol provides a WTO-consistent framework for services liberalisation (UNCTAD's IIA Navigator, 1997). Bangladesh could leverage this to expand its growing IT/ITES sector, which already earns around USD 0.5–0.7 billion annually (World Bank, 2023). Professional services, construction, logistics, education, and telehealth also represent areas of potential engagement.

5.8.3 Opportunities in Investment

Brazil's Cooperation and Facilitation Investment Agreement (CFIA) model emphasizes investment facilitation and dispute prevention, moving away from traditional adversarial mechanisms toward a cooperative framework—an approach that could offer Bangladesh a more constructive model of investment governance (IISD, 2017). Paraguay's Maquila regime permits maquiladora operations to pay a single 1% tax on value added or on the export invoice (whichever is higher), while being exempt from import duties and other production-related taxes; products labeled "country of origin Paraguay/MERCOSUR" can be re-exported tax-free under origin rules (U.S. Commercial Service, 2024; REDIEX, n.d.; PwC Paraguay, n.d.). Uruguay's Investment Promotion Law (No. 16,906) sets investment as a matter of national interest, offering equal and streamlined treatment for domestic and foreign investors—including tax incentives and freedom for capital transfers—while Free Trade Zones under Law No. 15,921 grant tax-exempt, service-friendly operating environments, facilitating the emergence of regional service hubs such as shared service centers and logistics platforms (Uruguay XXI, 2025).

Chapter 6: Challenges and Risks

6.1 Geopolitical, Cultural and Regulatory Differences
- Language and cultural barriers may hinder effective business negotiation and market development.
- MERCOSUR's policy alignment is complex, with varying political dynamics among members, particularly Brazil and Argentina.
- Diplomatic outreach from Bangladesh remains limited in Latin America, necessitating stronger political engagement.

6.2 Potential Impact on Domestic Industries
Opening markets through FTAs can increase competitive pressures on sensitive domestic sectors:
- Influx of low-cost agricultural or processed goods may threaten local producers.
- Regulatory relaxation may disproportionately benefit MERCOSUR exporters unless safeguards are in place.

A detailed impact assessment is essential to ensure safeguard clauses and transition periods for vulnerable industries.

6.3 Risks and Mitigation in Technology Transfer
Policy continuity challenges can be mitigated by embedding projects within established frameworks (EMBRAPII, n.d.; INTI, n.d.). Regulatory misalignment risks should be managed by aligning ANVISA/ANMAT with DGDA (ANVISA, n.d.; ANMAT, n.d.). Foreign exchange restrictions require pre-approval through BIDA (BIDA, n.d.). Language and logistical barriers can be managed through embassy facilitation.

6.4 Addressing Tariff and Non-Tariff Barriers
- High tariffs on Bangladeshi goods (15–35%) make exports less competitive.

6.5. Non-Tariff Barriers (NTBs) and Trade Facilitations

- Non-tariff barriers (NTBs), including strict health/safety standards and complex customs procedures, create bottlenecks.
  - ANVISA registration timelines (pharmaceuticals require dossier and local agent; average approval 6–12 months);
  - Labelling language and technical standards for food imports (Portuguese/Spanish labelling requirements);
  - Sanitary certificates requiring pre-shipment inspection recognised by MERCOSUR labs.
- Negotiate mutual recognition agreements (MRAs) for pharmaceuticals and SPS equivalence pilots; adopt mutual recognition of test reports (ISO accredited labs) and expedite ANVISA pre-submission consultations.
- Need for mutual recognition agreements (MRAs) and trade facilitation measures as part of any FTA negotiation.

Table 22: TBT and SPS issues or Scenarios in Export Perspective between Bangladesh and MERCOSUR

Specific TBT Issues / Scenarios	Sanitary and Phyto-sanitary (SPS) Issues/ Scenario
Labelling Requirements: Brazil and Argentina have strict labeling laws requiring information in Portuguese (Brazil) and Spanish (Argentina). Labels must include fiber composition, care instructions, and country of origin in specific formats.	Bangladesh aims to export processed foods (biscuits, spices, juice). However, entering Brazil requires approval from ANVISA (National Health Surveillance Agency) and Argentina requires ANMAT approval.
Chemical Restrictions: Limits on hazardous substances (e.g., Azo dyes, formaldehyde) in fabrics. Compliance requires expensive testing in accredited labs.	These bodies often require testing methods that differ from standard ISO certifications used in Bangladesh. Without an agreement, Bangladeshi goods may face 100% physical inspection or rejection at the port.
Registration Rigor: Exporting drugs to Brazil requires approval from ANVISA, which is one of the toughest regulatory bodies in the world (Level 4, comparable to US FDA). Argentina's ANMAT is similarly strict.	**Fumigation:** Jute products often require fumigation certificates to prove they are free of pests. MERCOSUR's strict agricultural checks mean any lapse in phytosanitary documentation leads to immediate rejection to protect their crops.
GMP Certification: Bangladeshi factories must undergo costly inspections by South American inspectors to receive Good Manufacturing Practice (GMP) certification before a single unit can be sold.	**GMP Standards:** While often a TBT issue, biological drugs fall under sanitary oversight. The study explicitly states that "Pharmaceuticals also present an opportunity, provided regulatory pathways are harmonized with bodies such as ANVISA". Currently, the lack of Mutual Recognition Agreements (MRAs) means Bangladeshi drugs must undergo redundant testing.
Environmental Standards: Strict regulations regarding Chromium VI levels in tanned leather.	
Testing: Requirement for certification from labs recognized by MERCOSUR accreditation bodies, which Bangladesh may lack.	
Packaging Regulations: Standards regarding the biodegradability and "food grade" certification of jute bags used for packaging agricultural	

Specific TBT Issues / Scenarios	Sanitary and Phyto-sanitary (SPS) Issues/ Scenario
commodities (coffee, cocoa) in South America.	

Lack of Mutual Recognition Agreements (MRAs). Currently, a test report from a BSTI (Bangladesh Standards and Testing Institution) accredited lab is often not accepted in Brazil or Argentina. This forces Bangladeshi exporters to pay for re-testing at the destination, doubling costs and time.

6.5.2 Import Perspective (MERCOSUR → Bangladesh)

Table 23: TBT and SPS issues or Scenarios in Import Perspective between Bangladesh and MERCOSUR

Specific TBT Issues / Scenarios	Sanitary and Phyto-sanitary (SPS) Issues/ Scenario
Halal Certification: For any processed food or meat products (like the potential beef imports mentioned in studies), Bangladesh requires strict Halal certification. This is a major TBT for non-Muslim majority exporters like Brazil/Argentina.	**Animal Health (Sanitary):** Beef & Poultry: Brazil and Argentina are major meat exporters. However, Bangladesh currently has strict restrictions related to Foot and Mouth Disease (FMD) and other animal diseases.
Radioactivity Testing: Mandatory testing for radioactivity in milk powder and other food items imported from certain regions.	For Bangladesh to import cheaper meat (a potential benefit of the FTA), it would need to recognize MERCOSUR's sanitary certifications. The study notes that while
GMO Labelling: Brazil and Argentina are major producers of Genetically Modified (GMO) crops. Bangladesh has specific labeling requirements for GMO content in food products.	tariff elimination helps, "Non-Tariff Barriers (NTBs)" like these must be addressed.
Cold Chain Standards: Bangladesh lacks international-standard cold chain infrastructure. Strict TBT regulations regarding the temperature log and handling during transit can effectively block imports if infrastructure isn't upgraded.	**Plant Health (Phytosanitary):** Commodities (Soy/Wheat): Bangladesh imports massive volumes of soy and wheat. Ensuring these shipments are free from specific pests (like the Khapra beetle) requires rigorous phytosanitary certification.
SPS vs. TBT: While Foot and Mouth Disease (FMD) is a sanitary (SPS) issue, the documentation and processing standards required to prove safety act as a TBT.	GMO Regulation: Brazil and Argentina rely heavily on Genetically Modified Organisms (GMOs). Bangladesh's import perspective involves managing the regulatory approval

Specific TBT Issues / Scenarios	Sanitary and Phyto-sanitary (SPS) Issues/ Scenario
	for these GMO products to ensure food safety standards are met while maintaining supply security.
BSTI Mandatory Certification: Imported cosmetics and chemicals must undergo mandatory testing by BSTI to ensure they meet BDS (Bangladesh Standards). MERCOSUR products must obtain this "BSTI Mark" before hitting retail shelves.	**Food Safety:** Safety Certifications: Imported food items must meet Bangladesh Food Safety Authority (BFSA) standards. The study suggests aligning these regulations to prevent trade disruptions.

6.5.3 Comparison Among the Partners

This report analyzes the comparative performance of five countries—Bangladesh, Argentina, Brazil, Paraguay, and Uruguay—based on their implementation of key trade facilitation and paperless trade measures in 2023, as surveyed by the UN Global Survey on Digital and Sustainable Trade Facilitation.

Table 24: TFA Implemetation among the Partners

Bangladesh	Argentina	Brazil	Paraguay	Uruguay
Bangladesh shows high implementation in pre-arrival processing, separation of release from duty determination, and acceptance of document copies. Moderate progress is seen in publication of release times and TF for authorized operators, while risk management and expedited shipments need improvement.	Argentina performs strongly in risk management and authorized operators, but lags in pre-arrival processing and post-clearance audits. Mixed results in other areas reflect scope for enhancement.	Brazil has a moderate and balanced profile, with no standout strengths. However, it notably underperforms in risk management and expedited shipments.	Paraguay shows uneven implementation. While it performs well in document acceptance and authorized operators, many other areas reflect weak or missing implementation.	Uruguay is the top performer with high scores in risk management, pre-arrival processing, publication of release times, expedited shipments, and digital document acceptance. It sets a model standard among the countries analyzed.

Uruguay sets the benchmark for trade facilitation reforms. Bangladesh demonstrates strong progress in digital documentation and customs release but requires improvement in risk and expedited shipment processes. Argentina and Brazil have opportunities for reform in audits and automation, while Paraguay needs broad-based improvements. |

6.6 Lessons from Other FTAs

- The India-MERCOSUR PTA demonstrates the feasibility of tariff preferences but also highlights challenges in utilization due to complex rules of origin.

- Bangladesh's experience with SAFTA and BIMSTEC shows that trade preferences alone are insufficient without complementary measures like logistics, financing, and regulatory cooperation.
- FTAs with cultural or geographical distance require active institutional support, such as business forums, language training, and targeted promotion campaigns.

Chapter 7: Legal and Regulatory Considerations

The Southern Common Market (MERCOSUR) is a customs union and economic integration bloc established among Argentina, Brazil, Paraguay, and Uruguay through the 1991 Treaty of Asunción. It covers goods and services under the GATT Enabling Clause and GATS Article V. Although Venezuela and Bolivia are politically associated, they are not always reflected as notified WTO signatories.

Table 25: Current Active Agreements Involving MERCOSUR

RTA	Partner(s)	Type	Coverage	Status	Entry into Force
MERCOSUR (internal CU)	Argentina, Brazil, Paraguay, Uruguay	CU & EIA	Goods & Services	In Force	29-Nov-1991
MERCOSUR – India	India	PSA	Goods	In Force	01-Jun-2009
MERCOSUR – Egypt	Egypt	FTA	Goods	In Force	01-Sep-2017
MERCOSUR – Israel	Israel	FTA	Goods	In Force	2009–2011 (staggered)
MERCOSUR – SACU	Southern African Customs Union	PSA	Goods	In Force	01-Apr-2016

Source: RTAs database (retrieved on May 18, 2025), WTO

Table 26: Agreements Under Negotiation

RTA	Partner(s)	Status
MERCOSUR – Canada	Bilateral	Under negotiation (early announcement)
MERCOSUR – EFTA	Plurilateral	Under negotiation (early announcement)

- MERCOSUR's RTAs reflect an active South–South trade strategy, covering Africa, Asia, and the Middle East.
- Agreements include both Free Trade Agreements (FTAs) and Preferential Trade Agreements (PSAs), with varying scopes.
- Most agreements are enabled under the Enabling Clause, but some use GATT Article XXIV, such as with Israel.

- The ratification and implementation timeline are often extended, indicating procedural complexity.

7.1 Alignment with MERCOSUR Regulations

For any Free Trade Agreement (FTA) to be viable, Bangladesh must ensure alignment with MERCOSUR's legal framework:
- MERCOSUR FTAs typically adhere to WTO-compatible principles: reciprocity, non-discrimination, and gradual liberalization.
- Rules of origin, dispute settlement protocols, and sanitary/phytosanitary (SPS) measures are core components of MERCOSUR's trade architecture.
- Bangladesh will need to comply with MERCOSUR's Common External Tariff (CET) structure and be prepared to negotiate sector-specific exemptions or flexibilities.
- Bangladesh can consider initiating a PSA model similar to MERCOSUR–India as an entry point.
- FTA examples like MERCOSUR–Egypt and MERCOSUR–Israel offer templates for negotiating goods liberalization.
- Studying these frameworks will help Bangladesh align its negotiation strategy with MERCOSUR's precedent structures.

A comprehensive understanding of MERCOSUR's regulatory framework is essential for smooth FTA implementation and to avoid technical trade barriers.

7.2 Regulatory Compliance Requirements
- **Technical Barriers to Trade (TBTs):** Exporters from Bangladesh will need to conform to MERCOSUR's product safety, labeling, packaging, and environmental standards.
- **Pharmaceutical and food exporters** will have to secure approvals from ANVISA (Brazil) and ANMAT (Argentina), which can be complex and time-consuming.
- **Data protection, IPR, and customs digitalization** standards in MERCOSUR are evolving and must be factored into compliance planning.

Capacity building in legal harmonization and regulatory preparedness will be crucial before formal negotiations begin.

7.3 Implications for Trade Practices
Entering into an FTA with MERCOSUR will necessitate:
- Revisions to Bangladesh's customs and valuation protocols to align with the agreement.
- Creation of bilateral or joint monitoring mechanisms to oversee trade flows and resolve disputes.
- Training of trade officials, exporters, and customs agents on new documentation, standards, and dispute resolution procedures.

This transformation will also require institutional reforms and possibly legal amendments to accommodate bilateral obligations.

7.4 Technology Transfer Possibilities

7.4.1 Enabling Agreements and Frameworks

Bangladesh and Brazil signed a Basic Agreement on Technical Cooperation in April 2024 (Dhaka Tribune, 2024). Preferential Trade Agreement (PTA) talks with MERCOSUR further indicate the facilitation of technology-driven trade (The Business Standard, 2024). Additionally, Bangladesh and Argentina signed a Memorandum of Understanding (MoU) for agricultural cooperation on December 7, 2023, which includes priority access to 'smart agro-technical cooperation' (Bangladesh-Argentina Agriculture MoU) including wheat and soybean imports" (The Daily Star, 2023). Argentina also reopened its embassy in Dhaka in 2023, enhancing diplomatic and research ties (The Daily Star, 2023).

7.4.2 Intellectual Property and Legal Frameworks

Bangladesh enacted the Patent Act 2023, effective February 2025, modernizing IP protection (WIPO, 2025). Brazil's Legal Framework for Innovation (Law 13.243/2016) strengthens university–industry technology transfer (WIPO Lex, 2016). Argentina's Knowledge Economy Law (Law 27.506, amended by 27.570) incentivizes R&D-driven industries (Argentina.gob.ar, 2019; UNCTAD, 2020). Bangladesh Investment Development Authority (BIDA) and Hi-Tech Park Authority (BHTPA) provide one-stop services and incentives for foreign R&D (BIDA, n.d.; BHTPA, n.d.).

7.4.3 Priority Collaboration Areas

Smart agriculture cooperation can leverage Brazil's EMBRAPA and Argentina's INTA (Embrapa, n.d.; INTA, n.d.). In vaccines and biologics, Fiocruz and Incepta already have track records of technology transfer (Fiocruz, 2021; Medicines Patent Pool, 2022). Cotton trade presents opportunities since Brazil is a top exporter and Bangladesh a major importer (USDA FAS, 2024; Cotton Brazil, 2024). Industrial R&D can involve SENAI CIMATEC and Argentina's INTI (SENAI CIMATEC, n.d.; INTI, n.d.). Energy transition opportunities include ethanol from Brazil (IEA AMF, n.d.) and lithium from Argentina (USGS, 2025).

7.4.4 Institutional Counterparts

Key Bangladeshi counterparts include BIDA, BHTPA, BRRI, BARI, BUET, BCSIR, DGDA, icddr,b, and BTMA (BHTPA, n.d.; BIDA, n.d.). Brazilian partners include EMBRAPA, Fiocruz, SENAI CIMATEC, EMBRAPII, and Abrapa (Embrapa, n.d.; EMBRAPII, n.d.). Argentinian partners include INTA, INTI, CONICET, and INVAP (INTI, n.d.; CONICET, n.d.).

Chapter 8: Sector-Specific Analysis

8.1 Opportunities and Challenges in Key Sectors
Table 27: Opportunities and Challenges in Key Sectors

Sector	Opportunities	Challenges
RMG	High demand in Brazil; low-cost advantage	High tariffs (25–35%), certification requirements
Pharmaceuticals	Growing demand for generics and vaccines	Regulatory approval, lack of local representation
Leather Goods	Niche markets for finished products	Quality benchmarks, price competitiveness
Jute and Jute Goods	Rising demand for eco-friendly packaging	Market unfamiliarity, branding needed
Agro-processing	Possibility of JV in food packaging & exports	High SPS standards, competition with local giants

8.2 Industries with High Growth Potential
- **Healthcare and pharmaceuticals**: Bangladesh's price advantage in generic drugs, combined with high demand in MERCOSUR, creates strong potential.
- **Home textiles and ceramics:** Underexplored markets with growing demand and favorable aesthetic compatibility.
- **ICT and digital services:** Emerging opportunities for back-office services and software exports, especially to Brazil.

8.3 Negotiation Matrix: Potential Tariff Reductions for Bangladesh in MERCOSUR Markets
This matrix outlines sector-specific opportunities for tariff reductions or eliminations that Bangladesh could negotiate with MERCOSUR members, particularly Brazil and Argentina. The goal is to enhance the competitiveness of Bangladeshi exports in South American markets while accounting for sectoral sensitivities.

Table 28: Negotiation Matrix for Potential Tariff Reductions

Sector / Product Group	Current MERCOSUR Tariff (Brazil/Argentina)	Proposed Bangladesh Ask	Rationale
Ready-Made Garments (RMG) & Textiles (HS 61–63)	20–35%	Immediate elimination or TRQs with zero-duty quotas expanding over time	Bangladesh's main export sector; tariff removal critical for competitiveness in large consumer markets.
Leather Goods & Footwear	10–35% (higher for footwear)	Zero tariffs on leather goods; phased reduction	Leverages Bangladesh's cost advantage in leather while addressing

Sector / Product Group	Current MERCOSUR Tariff (Brazil/Argentina)	Proposed Bangladesh Ask	Rationale
		for footwear and components	MERCOSUR sensitivities in footwear.
Jute & Jute Products	10–18%	Full tariff elimination on jute yarn, sacks, carpets, household goods	Bangladesh is world leader; aligns with sustainability and eco-friendly policies in Brazil/Argentina.
Pharmaceuticals (Generics)	6–14%	Tariff-free access for essential generics; regulatory cooperation on SPS/TBT	Supports affordable medicine access; strengthens Bangladesh's pharma exports.
Agro-Processed Foods & Frozen Seafood	10–20%	Duty-free quotas for frozen shrimp/fish; tariff cuts for tea & processed foods	Builds on Bangladesh's strong shrimp exports and niche food products.

8.4 Case Studies

Case Study 1: Bangladesh RMG Exporters in Brazil A handful of Bangladeshi RMG exporters have entered the Brazilian market via third-country intermediaries. These firms cite high import duties, lengthy customs clearance, and language barriers as key bottlenecks. However, once established, repeat orders and retail partnerships have led to moderate growth.

Case Study 2: Beximco Pharma's Latin America Strategy Beximco Pharmaceuticals has taken steps to enter the MERCOSUR market by aligning with WHO Good Manufacturing Practices (GMP) and applying for Brazilian ANVISA certification. While approval takes time, the firm anticipates strong demand due to Brazil's large public health procurement programs.

8.5 Strategic Considerations

- Asymmetric Liberalisation: Bangladesh should seek faster tariff elimination from Brazil and Argentina, while retaining flexibility for its own sensitive imports.
- Transitional TRQs: Where immediate elimination is politically sensitive (e.g., apparel), TRQs can provide an interim pathway to duty-free access.
- Regulatory Cooperation: Tariff concessions must be paired with SPS/TBT cooperation to prevent non-tariff barriers.
- Review Mechanism: Include a 2–3-year review clause to expand product coverage and quotas over time.

Chapter 9: Stakeholder Perspectives

9.1 Introduction

The stakeholder perspectives gathered through Focus Group Discussions (FGD) and Key Informant Interviews (KIIs) indicate a strong sense of optimism regarding the opportunities presented by MERCOSUR (Southern Common Market) for Bangladesh. These stakeholders' express confidence in the potential benefits, such as enhanced trade relations, market access, and economic growth. However, they also emphasize several critical challenges that need to be addressed for Bangladesh to fully capitalize on these opportunities. Foremost among these is the need for modernization in Bangladesh's logistics infrastructure, which remains a significant bottleneck to efficient trade and movement of goods. Additionally, stakeholders highlight the persistent Non-Tariff Barriers (NTBs) that hinder smooth trade flows, including complex regulatory requirements and technical standards. Furthermore, they stress the importance of proactive diplomatic engagement and strategic policy decisions to strengthen ties with MERCOSUR members. In essence, while the prospects are promising, a coordinated effort to modernize infrastructure, mitigate NTBs, and enhance diplomatic outreach is crucial for Bangladesh to realize the full potential of MERCOSUR membership.

9.2 Key Points from the FGD

The study on the Possibilities of Free Trade Agreements (FTA) with MERCOSUR countries, with special analysis of trade dynamics between Bangladesh, Brazil, and Argentina, delves into several critical aspects that will help shape the future of Bangladesh's trade policy. A significant part of this research involved a Focus Group Discussion (FGD) with key stakeholders and trade experts (Appendix D). The insights from this discussion questions (Appendix B) have been analyzed to evaluate the potential benefits, challenges, and opportunities for Bangladesh under an FTA with MERCOSUR, particularly Brazil and Argentina.

9.2.1 Importance of Market Access to Brazil and Argentina

Participants emphasized the immense potential for Bangladesh to increase its exports to Brazil and Argentina, two of the largest economies within MERCOSUR. The introduction of an FTA could offer Bangladesh standard market access to Brazil's protected market, where tariff rates currently range from 30-35%. This could significantly reduce barriers to entry for Bangladeshi products, especially in sectors like pharmaceuticals, agro-products, and textiles. Brazil's pharmaceuticals market, which imports a large percentage of its generic products, presents a noteworthy opportunity for Bangladesh's pharmaceutical industry.

9.2.2 Trade Pattern Analysis and Comparative Advantages

A significant recommendation from the FGD was to conduct an in-depth analysis of trade patterns, including HS code-wise market sizes, with MERCOSUR countries. This would allow Bangladesh to identify key sectors where it holds a competitive edge. Product diversification and the identification of new market opportunities were also

highlighted, with suggestions to focus on high-demand products such as soybeans, sugar, and pharmaceuticals.

9.2.3 Addressing Trade Barriers and Logistics Challenges

One of the major concerns raised during the discussion was the complexity of trade regulations and logistics. Participants pointed out that custom procedures are often convoluted, especially in agricultural trade. Furthermore, third-party traceability and data gaps were identified as significant barriers that could affect trade efficiency.

9.2.4 Impact on Bangladesh's GDP and Foreign Direct Investment (FDI)

The FGD participants stressed the importance of conducting a value chain analysis to estimate the potential added value of an FTA with MERCOSUR in terms of Bangladesh's GDP. This would provide concrete evidence of the economic benefits of the agreement. Furthermore, they discussed the possible inflow of FDI as a result of the FTA, particularly in industries such as light engineering, pharmaceuticals, and agro-processing.

9.2.5 Special Focus Areas for Bangladesh

Several sectors were highlighted as areas of focus for potential growth:

- Pharmaceuticals: Brazil and Argentina present vast opportunities for Bangladesh's pharmaceutical industry.
- Agro-products: The potential for Bangladeshi agro-products such as jute, processed foods, and beef to enter MERCOSUR markets.
- Textiles and RMG: Bangladesh's textiles and Ready-Made Garments (RMG) sector could see further expansion in MERCOSUR countries.

9.2.6 Identifying Challenges in Trade Negotiations

The FGD also identified several challenges that could hinder successful trade negotiations with MERCOSUR countries:

- Non-Tariff Barriers: In addition to tariffs, non-tariff barriers such as strict quality and certification requirements could pose challenges for Bangladeshi exporters.
- Political and Cultural Factors: Understanding the political and cultural dynamics of Brazil and Argentina is crucial in facilitating smoother trade relations.

9.2.7 Recommendations for Policy and Strategic Action

To maximize the benefits of an FTA with MERCOSUR, participants recommended the following strategies:
- Market Research: Continuous market research to identify the evolving needs of MERCOSUR countries and adapt Bangladeshi products accordingly.
- Diplomatic Engagement: Strengthening diplomatic ties with Brazil and Argentina to enhance trust and facilitate easier negotiations.

- Logistics Infrastructure: Enhancing Bangladesh's logistics infrastructure, including shipping capabilities and port facilities.
- Sector-Specific Support: Providing tailored support to industries such as pharmaceuticals, textiles, and agro-products.

9.3 Key Points from the KII

This report summarizes the results from 10 Key Informant Interviews (KIIs) with a semi-structured questionnaire (Appendix E) conducted as part of a study. The interviewees come from various organizations involved in trade, including business associations and research institutions.

Table 29: Distribution of Key Informant Interviews (KIIs) among Different Stakeholders

| Stakeholders	Designation
Bangladesh Garment Manufacturers and Exporters Association (BGMEA)	Director
Department of Economics, Jagannath University	Chairman
Bangladesh Agro-Processors' Association (BAPA)	CEO
Department of International Business, University of Dhaka	Associate Professor
Walton Hi-Tech Industries PLC.	Additional Director
Leathergoods And Footwear Manufacturers & Exporters Association of Bangladesh (LFMEAB)	Assistant General Manager (Research & Policy)
Research and Planning Wing, Federation of Bangladesh Chambers of Commerce and Industry (FBCCI)	Additional Secretary General
Business Initiative Leading Development (BUILD)	Additional Research Director
Healthcare Pharmaceuticals Limited	Manager – IBD
Bangladesh Knitwear Manufacturers & Exporters Association (BKMEA)	Sr. Assistant Secretary (Research & Development)

9.3.1 Perception of Historical Trade Relations
   ❖ Average rating for trade relations with Brazil: ~4.2 (1 = Weak, 10 = Strong)

9.3.2 Perceived Benefits of FTAs

   ❖   Brazil: ~7.6
   ❖   Argentina: ~7.0
   ❖   MERCOSUR (Overall): ~7.0
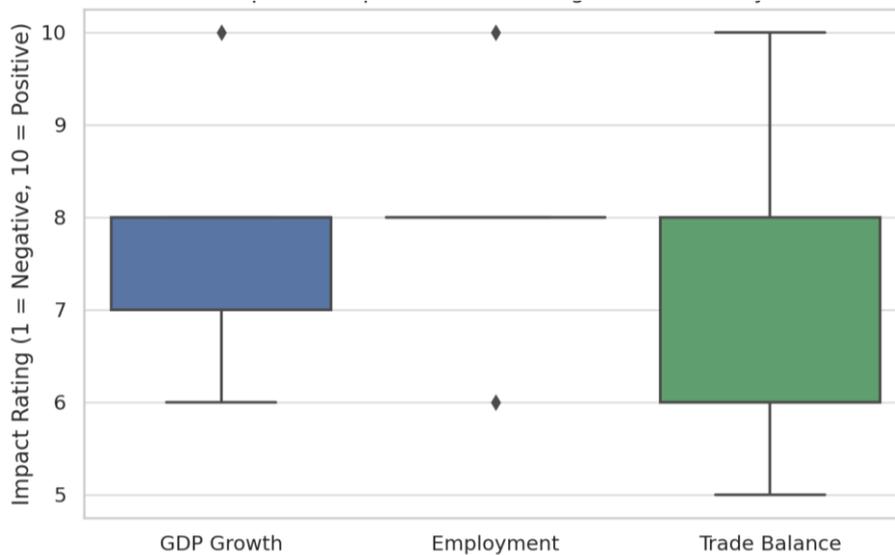
Figure 10: Perceived Benefit of FTA with MERCOSUR Countries

Perceived Benefit of FTA with MERCOSUR Countries
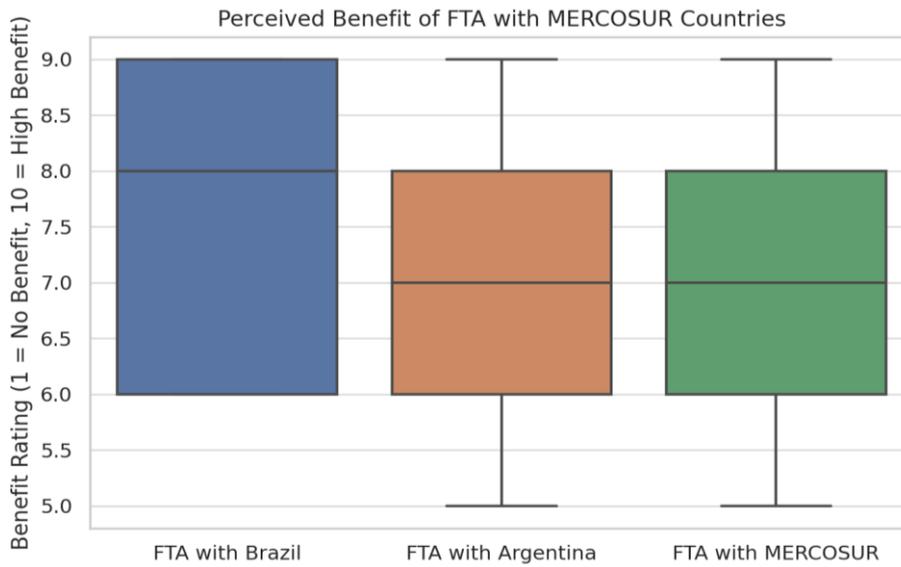
9.3.3 Expected Economic Impact of an FTA

- ❖ GDP Growth: ~7.8
- ❖ Employment: ~8.0
- ❖ Trade Balance: ~7.0

Figure 11: Expected Impact of FTA on Bangladesh Economy

9.3.4 Top Export Sectors Recommended

I. Readymade Garments (RMG)
II. Pharmaceutical

III. Leather goods
IV. ICT & Services
V. Home appliances
VI. Agro/Food products

9.3.5 Strategic Recommendations

I. Conduct market research and feasibility studies
II. Strengthen diplomatic engagement with MERCOSUR countries
III. Address non-tariff barriers such as certification and logistics
IV. Ensure stakeholder involvement including private sector actors
V. Leverage Bangladesh's competitive edge in pharmaceuticals and RMG

9.3.6 Key Quotes from Respondents

- "Bangladesh should negotiate for reducing tariffs on high-potential sectors."
- "Language barriers, certification issues, and logistics are key non-tariff challenges."
- "Strategic alignment with Brazil's green goals could boost pharmaceutical and RMG exports."

9.4 Conclusion

The Focus Group Discussion provided valuable insights into the potential benefits and challenges of an FTA with MERCOSUR. While there are several opportunities for Bangladesh to increase exports, attract FDI, and strengthen its trade relations with Brazil and Argentina, the success of such an agreement will depend on addressing key challenges such as trade barriers, logistics, and market diversification. Strategic policy initiatives, coupled with enhanced diplomatic efforts, will be essential in unlocking the full potential of MERCOSUR for Bangladesh's economy.

The expert opinions from the KII suggest that with the right trade policies, negotiation strategies, and sectoral focus, Bangladesh can significantly enhance its trade footprint in the MERCOSUR region. An FTA could be a game-changer — but it must be backed by institutional readiness and targeted action.

Chapter 10: Modelling and Economic Analysis

This chapter presents an integrated analysis of the projected economic impacts of a Free Trade Agreement (FTA) between Bangladesh and MERCOSUR member countries: Argentina, Brazil, Paraguay, and Uruguay. The findings are based on Computable General Equilibrium (CGE) modelling using the Global Trade Analysis Project (GTAP) framework, developed by Purdue University, which enables dynamic simulation of trade policy changes in multi-country environments.

The GTAP model is a multi-country, multi-sector CGE tool that captures inter-sectoral and international linkages. It applies the Armington assumption to differentiate imports by origin and assumes perfect competition, constant returns to scale, sector-specific capital, and mobile labor (domestically). This chapter presents results based on simulations under three liberalization scenarios.

Key Methodological Features:

- Database: GTAP v11, covering 141 countries and 65 sectors
- Policy Shock: Tariff reductions between Bangladesh and MERCOSUR
- Scenarios Simulated: Full FTA (100% tariff cut), Partial FTA (50% cut), and Sectoral FTA (targeted liberalization in textiles, leather, pharma, and engineering)

10.1 Estimation of Growth

Table 30: Comparative Summary

Country	GDP Impact (%)	Trade Growth (%)	Employment Creation
Bangladesh	0.60	40%	50,000
Argentina	0.15	28%	7,000
Brazil	0.30	37%	22,000
Paraguay	0.05	12%	2,500
Uruguay	0.08	15%	3,500

Source: GTAP Model Simulation, using GTAP v11 database (Purdue University)

### 10.1.1 Bangladesh

Bangladesh stands to gain significantly, with estimated GDP growth of 0.6% and a 40% trade expansion. Employment gains could reach approximately 50,000, largely in apparel, leather, pharmaceuticals, and logistics. The impact may be amplified through improved port infrastructure and reduced non-tariff barriers (NTBs).
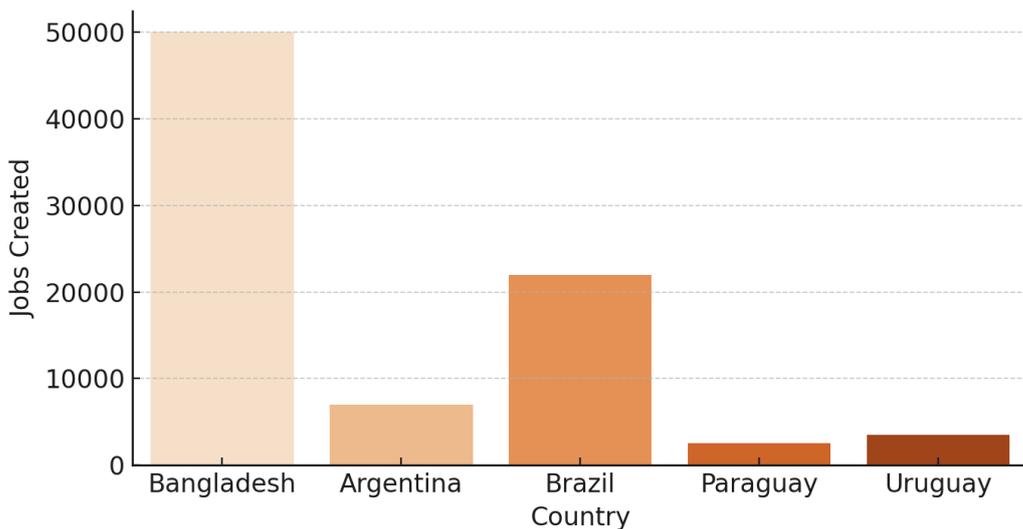
Figure 12: Estimated GDP Impact by Country
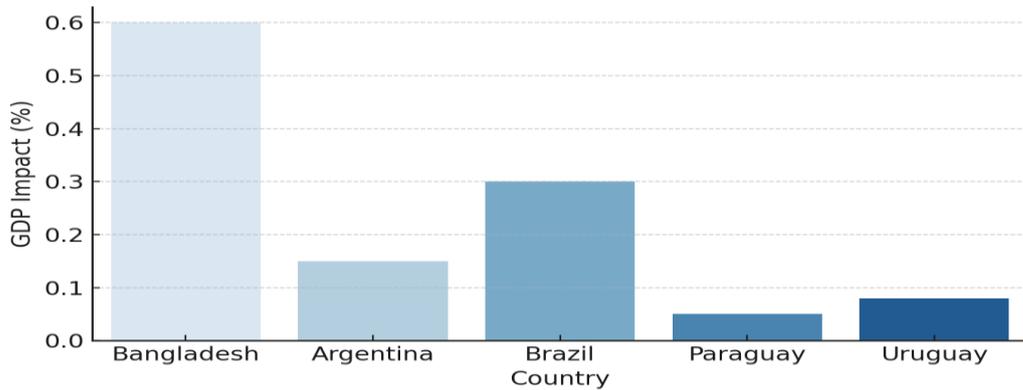
Figure 13: Projected Trade Growth by Country
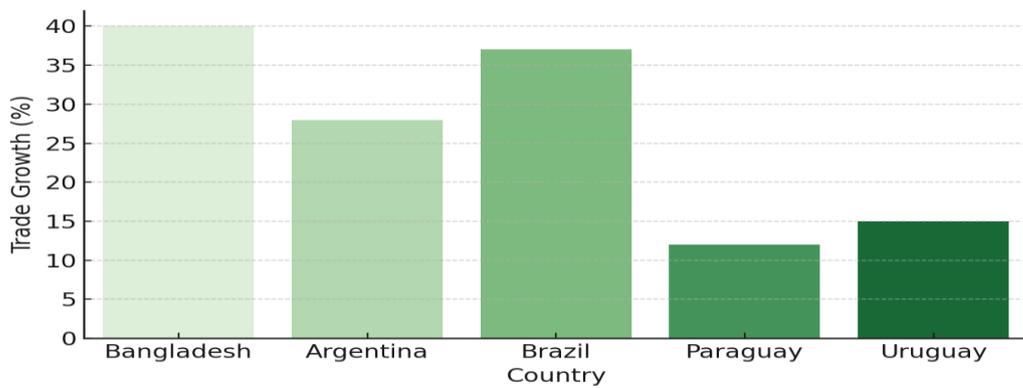
Figure 14: Estimated Employment Creation by Country

10.1.2 Brazil

Brazil, with its large consumer base, could experience a 0.3% GDP gain and 37% trade growth. The benefits are mainly in agriculture and agribusiness, with an estimated 22,000 new jobs linked to exports of soybeans, sugar, and meat to Bangladesh.

10.1.3 Argentina

Argentina's GDP is projected to grow by 0.15%, with bilateral trade up by 28%. Around 7,000 new jobs may be created, particularly in pharmaceutical exports and agro-products aligned with Bangladesh's import demand.

10.1.4 Paraguay

Paraguay shows modest gains, with 0.05% GDP impact and 12% trade growth. Approximately 2,500 jobs may be created in maize, sugar, and low-end garments and jute trade. It offers niche export potential for Bangladeshi light garments and jute goods.

10.1.5 Uruguay

Uruguay's high-income niche market supports premium exports. The GDP may rise by 0.08% and trade by 15%, creating 3,500 jobs. Key gains are in wool, agri-food, and demand for eco-friendly jute and garments from Bangladesh. Bangladesh gains niche access to high-value apparel and jute product markets.

10.2 Additional Policy Simulations

To support strategic decision-making or better inform policymakers, the following three GTAP-based scenarios were developed to reflect varying levels and scopes of liberalization between Bangladesh and MERCOSUR countries.

1. Scenario A – Full FTA

    o   100% tariff elimination between Bangladesh and MERCOSUR.

    o   Benchmark scenario

    o   Highest economic impact

2. Scenario B – Partial Tariff Reduction (50%)

    o   Moderate GDP growth (~0.3% for Bangladesh)

    o   Gains in export sectors, but smaller than Scenario A

    o   Reduced sectoral disruption

    o   Mitigated adjustment pressure, lower risk for agriculture

3. Scenario C – Sectoral FTA

    o   Liberalization focused on textiles, pharma, leather, and engineering

    o   Targeted trade expansion (~0.25% GDP gain)

    o   Minimized impact on agriculture

Table 31: Comparative Simulation Summary

Impact Area	Scenario A: Full FTA	Scenario B: 50% Tariff Cut	Scenario C: Sectoral FTA
GDP Impact	+0.6%	+0.3%	+0.25%
Employment Gain	36K–50K	12K–15K	10K–12K
Export Growth	Broad, all sectors	Moderate	Strong in select sectors
Import Increase	High (agri + energy)	Moderate	Low, targeted
Social Risk	High (agri losses)	Moderate	Low

Source: GTAP Model Simulation, using GTAP v11 database (Purdue University)

Lower tariffs lead to increased trade volumes, improved terms of trade for Bangladesh, and productivity gains due to scale economies and competitive pressures.

The following chart shows the GDP impact across scenarios:

Figure 15: Comparative GDP Impact of FTA Scenarios
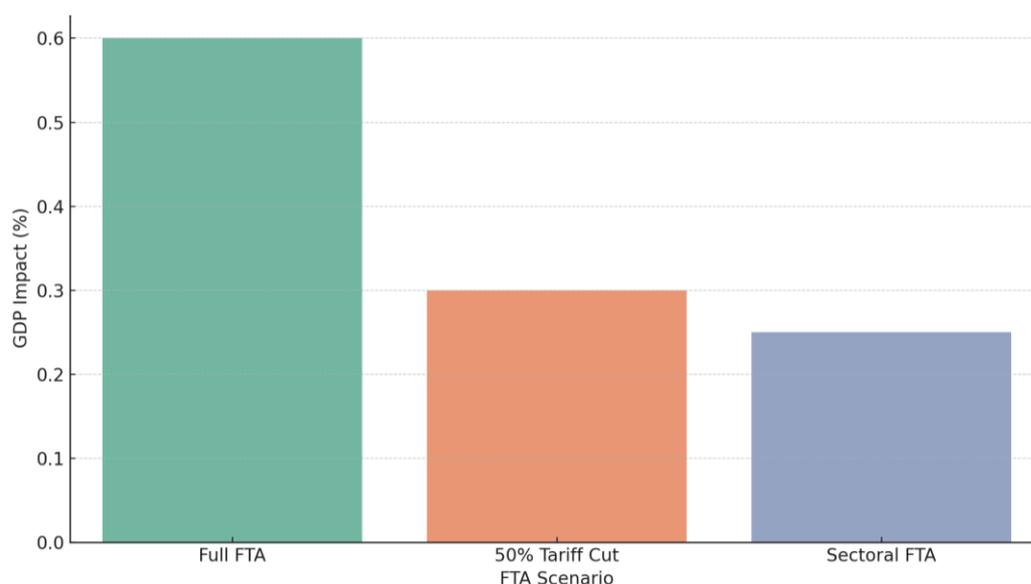
10.2.1 Employment Impact in Bangladesh

Table 32: Estimated job changes in key Bangladeshi sectors due to the FTA

Sector	Estimated Job Change (Bangladesh)	Rationale
Apparel & Textiles	25,000 to 30,000	Export expansion to Brazil, Argentina
Leather & Footwear	5,000 to 7,000	MERCOSUR demand for low-cost leather goods

Pharmaceuticals	4,000 – 5,000	Generic drug exports to Latin America
Light engineering goods	3,000 – 5,000	Entry into machinery parts trade
Logistics & Shipping	2,000-4,000	Trade facilitation and transport services growth as demand for growing trade flows
Processed Food	2,000 to 4,000	Value-added exports
Agriculture (loss)	-5,000	Soybean oil, maize, meat products from Brazil and Argentina at competitive prices.

Source: GTAP Model Simulation, using GTAP v11 database (Purdue University)

Agriculture and agribusiness in Brazil and Argentina see gains. Thus, Agriculture job loss due to cheaper imports of soybeans, wheat, etc. Despite agricultural job losses, net employment gains range from 36,00 to 50,000, especially in urban and peri-urban areas.

10.2.2 Sectoral Trade Impact

Table 33: Projected export growth in key sectors for Bangladesh

Sector	Export Growth (%)	Rationale
Apparel & Textiles	18	High MERCOSUR tariffs (~35%) currently hinder exports; Tariff elimination (~35%) improves competitiveness
Leather Goods	10	Niche opportunities in eco-friendly and halal-certified products.
Pharmaceuticals	12	Argentina and Brazil have large generics markets with compatible regulatory systems.
Light Engineering	8	Entry into machinery and auto-parts segments

Source: GTAP Model Simulation, using GTAP v11 database (Purdue University)

Table 34: Projected import growth from MERCOSUR into Bangladesh

Sector	Import Growth (%)	Key Suppliers
Oilseeds & Soy	20	Brazil, Argentina
Meat & Poultry	18	Brazil
Sugar	22	Brazil, Paraguay

Source: GTAP Model Simulation, using GTAP v11 database (Purdue University)

10.3 Job Creation and Economic Opportunities

FTA-driven export expansion could create up to 60,000 jobs. Spillover benefits include:

- Enhanced activity in backward linkages (e.g., packaging, warehousing)
- New trade corridors may stimulate infrastructure investment, particularly in warehousing, bonded facilities, and shipping services.
- Expansion of women-led SMEs in apparel and pharmaceuticals, provided they are included in trade promotion and support schemes.
- Export expansion could lead to new jobs, primarily in textiles, jute, and logistics sectors.

10.4 Social and Environmental Considerations

- Increased trade may lead to environmental concerns, particularly in energy-intensive sectors like ceramics and leather.
- On the positive side, exports of eco-friendly products (jute, recyclable packaging) could position Bangladesh as a sustainable partner.
- Socially, the FTA could help stabilize employment in traditional sectors like jute and RMG, which are facing saturation in existing markets.

10.5 Potential Risks to Manage

- Import Competition: Domestic agriculture (soy, meat, sugar) may face pressure from cheap MERCOSUR imports.
- Tariff Revenue Loss: Government may lose import duties unless VAT and income tax systems are improved.
- Standards & Compliance: Regulatory and technical barriers (e.g., SPS, TBT) must be addressed through MRAs.

Table 35: Summary of Potential Risks to Manage

Indicator	Estimated Impact
GDP Growth	+0.25% to +0.6% (medium-term)
Job Creation	~35,000 – 60,000 new jobs
Export Growth	+15% in garments, +10% in pharma & leather
Import Efficiency	10–20% cost savings in agri/raw materials
FDI & Value Chain Entry	Medium-to-high potential in agro & processing

Source: GTAP Model Simulation, using GTAP v11 database (Purdue University)

The GTAP model indicates that a Bangladesh-MERCOSUR trade agreement would be mutually beneficial, with stronger impacts on Bangladesh's GDP, employment, and export sectors. However, targeted policies are required to ensure equitable distribution of benefits and support sectors that may face transitional challenges.

Any agreement should incorporate sustainability standards and social safeguard mechanisms, including labor rights, environmental regulations, and fair-trade provisions.

10.6 Revenue Implications of Tariff Elimination

Currently, duties on imports from MERCOSUR (sugar, cotton, oilseeds) constitute a significant revenue stream. Under a Full FTA Scenario (100% cut), Bangladesh risks losing approximately $40–$60 million annually in customs duties (estimated based on current trade volumes of ~$2.5B imports primarily in raw materials with lower average tariffs, and smaller volumes of high-tariff finished goods).

The loss in Customs Duty (CD) is expected to be partially offset by the surge in import volumes (projected at 20–22% growth for oilseeds and sugar), which will increase the collection of Value Added Tax (VAT) and Advance Income Tax (AIT) at the import stage.

To mitigate fiscal shock, Bangladesh should retain Regulatory Duties (RD) and Supplementary Duties (SD) on non-essential luxury items while phasing out Customs Duty (CD) over a 5–10-year period.

To protect domestic industries identified as vulnerable (specifically Agriculture and Light Engineering), the following structure is proposed for the Sensitive List. These products should be exempted from immediate tariff cuts to prevent predatory pricing.

Table 36: Sensitive List and Para-Tariff Structure (CD, RD, SD)

Sensitive Sector	Sample HS Codes	Protection Structure (Current)	Recommendation for FTA
Poultry & Meat	HS 0207, 0201	**CD:** 25%	**RD:** 3%
Processed Food	HS 1905, 2106	**CD:** 25%	**RD:** 3%
Light Engineering	HS 8414, 8504	**CD:** 10-25%	**SD:** 0-20%

Note: Regulatory Duty (RD) and Supplementary Duty (SD) act as critical safeguards. The FTA negotiations must clarify that 'tariff elimination' applies to Customs Duty (CD), allowing Bangladesh to retain para-tariffs on sensitive goods as permitted under WTO safeguards.

10.7 Policy Implications

- Bangladesh should pursue MRAs for pharmaceuticals and SPS/TBT alignment.
- SMEs and female-led enterprises must be integrated into trade facilitation efforts.
- Environmental and labor safeguards should be embedded in FTA texts.

10.8 Key Findings

- Bangladesh benefits most in GDP and job creation, particularly in garments, leather, and pharma.
- Brazil and Argentina gain primarily through agri-exports.
- Uruguay and Paraguay benefit from niche export growth and bilateral diversification.
- Net employment generation for Bangladesh is between 35,000–50,000 jobs.

Chapter 11: Comparative Analysis with Other FTAs

11.1 Flexibilities in MERCOSUR Agreements (ACE-18) and Lessons for Bangladesh

The Economic Complementation Agreement No. 18 (ACE-18), signed among MERCOSUR countries in 1991, established the foundations of the customs union. It introduced phased tariff liberalisation, exception lists, and common rules of origin and certificates of origin. Studying these flexibilities provides lessons for Bangladesh as it considers preferential trade negotiations with MERCOSUR (International Trade Centre, 1991b).

11.1.1 Flexibilities within MERCOSUR Agreements (ACE-18)

A) Phased Tariff Liberalisation and Exception Lists

ACE-18 implemented linear and automatic tariff reductions, with members maintaining exception lists that were gradually reduced. Smaller economies such as Paraguay and Uruguay enjoyed longer transition periods, demonstrating asymmetry (International Trade Centre, 1991b).

B) Rules of Origin with Transitional Flexibility

Products qualify as originating either if wholly obtained or if transformed to change tariff position. During the transitional period, assembly operations could incorporate up to 50% third-country inputs, allowing industries time to adapt (International Trade Centre, 1991c).

C) Cumulation across MERCOSUR Members

ACE-18 recognises cumulation, meaning inputs originating in one MERCOSUR country are treated as originating in another when incorporated into final goods (International Trade Centre, 1991c).

D) Exceptional-Supply Waiver

If ROO requirements could not be met due to supply problems, specifications, or delivery constraints, countries could allow temporary use of non-originating inputs. Exporters certified this on the COO and notified the Grupo Mercado Común. Repeated cases could trigger a review (International Trade Centre, 1991c).

E) Direct Shipment with Transit Flexibility

Preferential treatment required direct shipment, but transit via third countries was permitted if goods remained under customs control and were not altered beyond preservation needs (International Trade Centre, 1991c).

F) Certificates of Origin (COO) Operational Flexibility

Certificates of origin were valid for 180 days and had to be issued within 60 days of the invoice date. Third-party operator invoicing was allowed, provided it was noted on the COO (International Trade Centre, 1991a; International Trade Centre, 1991c).

11.1.2 How Bangladesh Can Leverage These Flexibilities

1. Negotiate phased liberalisation with exception lists, securing asymmetry for sensitive Bangladeshi sectors.
2. Adopt flexible ROO allowing tariff-change or value-content tests, with transitional provisions for inputs.
3. Secure cumulation rules across MERCOSUR to integrate into regional supply chains.
4. Include an exceptional-supply waiver to address shortages.
5. Preserve direct shipment flexibilities, including transit via third countries.
6. Incorporate COO flexibilities such as 180-day validity and recognition of third-party operators.

11.2 Flexibilities in the India–MERCOSUR PTA and Lessons for Bangladesh

The India–MERCOSUR Preferential Trade Agreement (PTA), signed in 2004 and implemented in 2009, provides useful insights into how MERCOSUR structures preferential trade. It demonstrates a partial-scope approach, with product-specific preferences, flexible rules of origin (RoO), preferential safeguards, and cooperation mechanisms. By studying India's flexibilities under this PTA, Bangladesh can design a negotiation strategy with MERCOSUR that balances ambition and feasibility (India–MERCOSUR PTA, 2009).

11.2.1 Flexibilities India Receives under the PTA

A) Product-Specific Preferences and TRQs

India and MERCOSUR exchanged lists of tariff lines with variable margins of preference (MoP). Some preferences are partial (10–20%), while others are full (100%). Several tariff-rate quotas (TRQs) were introduced, often limited to specific MERCOSUR members. For example, Paraguay offered TRQs on dried coconuts and cumin seeds, while India offered a 30,000 mt/year TRQ on crude soybean oil exclusively to Paraguay (Ministry of Commerce & Industry [India], 2009).

B) Preferential Safeguards and WTO Rights

The PTA includes a preferential safeguard clause (Annex IV), allowing temporary suspension of preferences if imports surge. Importantly, the agreement preserves each side's rights to use WTO trade remedies such as safeguards, anti-dumping, and countervailing measures (India–MERCOSUR PTA, 2009).

C) Flexible Rules of Origin (RoO)

The RoO allow up to 40% non-originating inputs (i.e., requiring 60% regional value content). They provide cumulation across all signatories, tolerance for sets with up to 15% non-originating content, and rules on direct transport with permissible third-country transit. Free-zone processing is covered under anti-substitution rules, ensuring EPZ/SEZ production remains eligible. Detailed verification and appeal procedures reduce uncertainty (International Trade Centre, n.d.).

D) Certificates of Origin (COO) and Third-Party Invoicing

The PTA established a standard COO format, including Box 10 codes (A = wholly obtained, B = value-content test, C = cumulation). It also permits third-country invoicing under certain conditions, allowing flexibility for exporters using global intermediaries (International Trade Centre, n.d., India–MERCOSUR PTA, 2009).

E) Cooperation and Review Mechanisms

The agreement created a Joint Administration Committee (JAC) with authority to amend product lists and review the RoO within three years. This provides institutional flexibility for continuous adjustment and deepening of commitments (International Trade Centre, n.d, India–MERCOSUR PTA, 2009).

11.2.2 How Bangladesh Can Leverage the Flexibilities

1. Adopt a phased, partial-scope PTA using variable margins of preference and member-specific TRQs, mirroring India's approach.
2. Negotiate RoO suitable for Bangladesh's RMG, leather, and agro-processing supply chains, aiming for ≤40% non-originating inputs, cumulation, and free-zone recognition.
3. Incorporate preferential safeguards with strict time limits, while preserving WTO remedy rights.
4. Use India's COO template and third-country invoicing precedent to support Bangladesh's intermediated export model.
5. Create a Joint Committee with a built-in review mechanism to expand coverage over time.

11.3 Flexibilities in the MERCOSUR–Chile Agreement (ACE-35) and Lessons for Bangladesh

The Economic Complementation Agreement No. 35 (ACE-35) between MERCOSUR and Chile, signed in 1996 under ALADI, is a partial-scope trade agreement that has progressively expanded. It provides a model of how MERCOSUR negotiates with third parties. Studying Chile's flexibilities under ACE-35 highlights how Bangladesh can design its own framework with MERCOSUR (International Trade Centre, 1996c).

11.3.1 Flexibilities Enjoyed by Chile under ACE-35

A) Flexible Tariff-Cut Architecture

ACE-35 uses product lists with margins of preference and phased reductions. The Administrative Commission can accelerate or adjust these schedules, allowing dynamic management (International Trade Centre, 1996c).

B) Preferential Safeguards and WTO Rights

Preferential safeguards permit temporary suspension of concessions if imports surge. WTO remedies remain available, maintaining members' rights (International Trade Centre, 1996c).

C) Domestic Policy Accommodation

Chile's price band system for agricultural goods is preserved with a clause preventing deterioration of MERCOSUR's access. This shows flexibility in accommodating national policies (International Trade Centre, 1996c).

D) Rules of Origin (RoO) Flexibility

Goods can qualify by change in tariff heading or 60% regional value content (40% foreign input allowed). Cumulation, direct transport with third-country transit, and third-party invoicing are recognised (International Trade Centre, 1996d).

E) Certificate of Origin (COO) Flexibility

The COO form has 180-day validity and allows notation of third-party operators. Harmonisation with invoice data helps indirect shipments (International Trade Centre, 1996a).

F) Product-Specific and Transitional RoO

Product-specific rules exist for textiles, dairy, steel, IT equipment, with transitional arrangements easing localisation of inputs. Differentiated thresholds (e.g., for Paraguay) show asymmetry (International Trade Centre, 1996b).

G) Free-Zone Recognition and Broader Cooperation

Goods from national free zones qualify under anti-substitution controls. The agreement also provides cooperation in services, transport, IP, and science & technology (International Trade Centre, 1996c).

1. Use phased partial-scope PTA with product lists, variable preferences, and review powers.
2. Adopt RoO with ≤40% foreign input, cumulation, and third-country invoicing.
3. Negotiate sector-specific and transitional RoO for sensitive sectors like RMG.
4. Include safeguard clauses with clear triggers and time limits.
5. Mirror COO flexibilities (180-day validity, operator notations).
6. Secure recognition of EPZ/SEZ production.
7. Apply sectoral protocols if comprehensive coverage is infeasible.

11.4 Challenges Faced by Other Nations

- Limited uptake of preferences: Many FTAs suffer from underutilization due to complex documentation or lack of exporter readiness.
- Regulatory and technical barriers: Partners often face high SPS/TBT-related rejections, particularly in food and pharma.
- Imbalanced benefits: In asymmetric FTAs, smaller partners often see stagnant exports while imports surge.

Bangladesh must learn from these cases by ensuring domestic preparedness and negotiating favorable and enforceable terms.

11.5 Lessons from Successful FTA Implementations

Several countries have successfully enhanced trade through FTAs with MERCOSUR and similar blocs. Key takeaways include:

- India–MERCOSUR PTA (2009): Enabled tariff reductions on over 450 products. However, utilization remained low due to lack of awareness and restrictive rules of origin.
- EU–MERCOSUR Agreement (pending ratification): Prioritized regulatory harmonization, environmental standards, and gradual tariff liberalization—demonstrating the value of aligning with broader policy goals.
- Chile's bilateral agreements: Show that deepening cooperation beyond tariff cuts (e.g., in services and investment) strengthens long-term ties.

These examples highlight the importance of capacity building, technical cooperation, and trade facilitation alongside tariff reductions.

11.6 Insights for Bangladesh's Approach

ACE-18 demonstrates MERCOSUR's balance between integration and national sensitivities. Its built-in flexibilities—exception lists, asymmetry, transitional ROO, waivers, and COO flexibilities—offer a model Bangladesh can adapt to negotiate a pragmatic preferential agreement with MERCOSUR.

The India–MERCOSUR PTA demonstrates MERCOSUR's willingness to grant significant flexibilities through partial coverage, customized tariff concessions, modern RoO, and institutional review clauses. Bangladesh can leverage these precedents to seek

asymmetric benefits, protect sensitive sectors, and gradually expand its market access into South America.

ACE-35 illustrates MERCOSUR's readiness to grant flexibilities: phased liberalisation, usable RoO/COO, safeguards, domestic policy carve-outs, and sectoral protocols. Bangladesh can adapt these precedents to secure workable market access and protect sensitive industries while expanding integration with South America.

- Begin with a Preferential Trade Agreement (PTA) focused on sectors where Bangladesh is competitive and MERCOSUR has high demand.
- Seek phased liberalization, allowing time for local industries to adjust.
- Leverage regional FTAs and bilateral agreements to build institutional experience before committing to deeper integration.

Trade and investment promotion offices in MERCOSUR capitals can also support the transition by providing on-ground intelligence and exporter support.

11.7 Double Taxation Agreement (DTA) Scenario

A critical competitive disadvantage for Bangladesh is the absence of Double Taxation Agreements (DTAs) with MERCOSUR members, unlike its key competitors.

India has a DTA with Brazil (amended 2013), allowing Indian firms to claim tax credits on income earned in Brazil, significantly lowering the cost of doing business and investment.

China maintains comprehensive DTA networks with Brazil and Argentina, facilitating massive infrastructure investment.

Currently, Bangladesh does not have a ratified DTA with Brazil or Argentina[9]. This exposes Bangladeshi investors (e.g., pharmaceutical firms setting up offices in Brazil) to taxing rights in both jurisdictions, effectively raising the corporate tax burden by 15–20% compared to Indian competitors. Alongside the PTA/FTA, Bangladesh must immediately initiate DTA negotiations to ensure that profits repatriated from future investments in MERCOSUR (e.g., pharmaceutical sales offices) are not taxed twice. This is a prerequisite for the "Investment Prospects" highlighted in Section 5.5.3.

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[9] Official NBR Bangladesh page for Double Taxation Avoidance Agreements (DTAA): https://nbr.portal.gov.bd/site/files/dc5ce769-4448-4187-903d-bcdec97277dd/Double-Taxation-Avoidance-Agreement

Chapter 12: Strategic Recommendations

12.1 Adopt a Phased Trade Engagement Approach

Bangladesh should adopt a phased and evidence-driven approach to any trade deal with MERCOSUR:

- Begin with bilateral Preferential Trade Agreements (PTAs)—especially with Brazil and Argentina—before considering a bloc-wide Free Trade Agreement (FTA).
- Prioritize goods with immediate export potential (e.g., RMG, pharmaceuticals, ceramics, leather, jute) under initial PTA frameworks.
- Utilize MoUs and cooperation agreements (**mutual recognition of standards**) for sectoral engagement in the interim.

Table 37: Priority Areas for Negotiation

Priority Area	Proposed Focus
Tariffs	Immediate reduction for top exports
Rules of Origin	Simple, transparent, and product-specific
Non-Tariff Barriers	Technical cooperation, recognition of Bangladeshi standards
Dispute Settlement	Neutral mechanism, time-bound resolution process
Capacity Building	Language support, customs modernization, trade promotion

- Bangladesh should also advocate for technical assistance and knowledge-sharing platforms to level the playing field.

12.2 Strengthen Institutional and Regulatory Readiness

- Align Sanitary and Phytosanitary (SPS) and Technical Barriers to Trade (TBT) regulations with MERCOSUR protocols.
- Enhance the capacity of BSTI, customs, and trade facilitation bodies to meet MERCOSUR's conformity standards.

12.3 Reinforce Diplomatic and Commercial Representation

- Open full-fledged embassies or trade missions in Brazil and Argentina to enable sustained diplomatic and trade dialogue.
- Appoint commercial attachés with expertise in Latin American markets and trade regulations.
- Engage actively in MERCOSUR and Latin American trade fairs, expos, and regional platforms.

12.4 Improve Trade Infrastructure and Logistics

- Facilitate direct maritime linkages or container-sharing agreements with Atlantic seaports in Brazil or Uruguay.
- Explore opportunities to collaborate with third-country ports (e.g., Cape Town, Lisbon) as intermediate transshipment hubs.
- Encourage public–private investments in cold chains, warehousing, and customs digitization for outbound shipments.

12.5 Promote Sectoral Export Development

- Prepare sector-specific export strategies for high-potential products identified in the report (e.g., footwear, ceramics, medicines, agro-processing).
- Provide technical assistance and incentives for firms willing to explore Latin American markets.
- Enhance protocols for expedited shipments, especially in e-commerce.
- Strengthen intellectual property and quality certification systems to improve product acceptance in MERCOSUR.
- Leverage market diversification by exploring niche opportunities in Paraguay and Uruguay.

12.6 Mobilize the Private Sector

- Institutionalize public–private dialogue mechanisms with trade associations (BGMEA, BAPI, BPGMEA, etc.) to align export interests.
- Organize business delegations and B2B forums with Brazil and Argentina chambers.
- Facilitate access to finance and market intelligence for SMEs targeting MERCOSUR.

12.7 Build Trade Negotiation Capacity

- Provide intensive training on Latin American trade systems, MERCOSUR legal architecture, and tariff preference utilization.
- Collaborate with institutions such as WTO, UNCTAD, and ITC to design modules for FTA negotiation simulations.
- Encourage cross-deputation of MoC officers to relevant ministries and missions abroad for hands-on exposure.
- Strengthen post-clearance audit frameworks through training and system integration.
- Study Uruguay's model for authorized operators and release time transparency.

12.8 Ensure Monitoring and Impact Assessment

- Develop a Post-PTA/FTA Monitoring Framework to track export trends, employment shifts, compliance bottlenecks, and cost-benefit outcomes.
- Establish trade facilitation dialogues and cooperation platforms with MERCOSUR trade ministries.

- Use the framework to course-correct and recalibrate trade strategies in real time.
- Collaborate with academia and think tanks for policy impact studies and long-term trade modeling.

12.9 Leverage South–South Cooperation

- Position the Bangladesh–MERCOSUR partnership within the broader framework of South–South economic diplomacy.
- Use the FTA/PTA as a diplomatic anchor to expand collaboration in education, pharmaceuticals, medical devices, agriculture, and ICT services.

12.10 Negotiation Priorities and Policy Recommendations for Services Trade

For Bangladesh, priority areas in FTA negotiations for services trade should include:
- Business, professional, and ICT services;
- Transport and logistics services with clear disciplines on competition and transparency;
- Temporary movement of natural persons (Mode 4);
- Capacity-building and technical assistance provisions.

Simultaneously, domestic reforms aimed at improving service quality, regulatory coherence, and skills development will be essential to fully exploit FTA-induced opportunities.

12.11 Strategic Recommendations for IP Rights

- Draft "TRIPS-Transition" Clauses: Negotiate specific timelines for implementing strict patent laws, distinct from the general LDC graduation timeline, specifically to protect the pharma sector for as long as possible.
- Leverage GIs for Textiles: Use the IP chapter to demand protection for "Muslin," "Jamdani," and "Rajshahi Silk" in South American markets to prevent generic knock-offs.
- Prioritize Madrid Protocol: Accelerate the passing of the Trademark (Amendment) Act 2025. Joining the Madrid system will make Bangladesh a "business-friendly" destination for MERCOSUR investors.
- Capacity Building: Request technical assistance from Brazil's INPI (National Institute of Industrial Property) to modernize Bangladesh's Department of Patents, Designs and Trademarks (DPDT).

12.12 Strategic Recommendations for Investment

- Promote "Maquila" Investments in Paraguay: Bangladeshi firms should investigate Paraguay as a low-cost entry point to manufacture and distribute textiles and apparel across MERCOSUR.
- Target Brazilian Agtech: Actively court Brazilian FDI for the Action Plan for Agricultural Modernization, specifically in cold chain logistics and food safety technology.
- Negotiate a BIT (Bilateral Investment Treaty): To boost confidence, Bangladesh needs an investment protection agreement that addresses IP concerns and profit repatriation, which is crucial given the current lack of commercial presence (Mode 3) trade.

12.13 Long-Term FTA Strategy

- Build institutional infrastructure to negotiate, implement, and monitor FTAs.
- Invest in automated risk management systems.
- Strengthen research capacity in trade economics and legal harmonization.
- Invest in export readiness programs targeting sectors and SMEs that could benefit from Latin American integration.
- Establish public-private platforms to ensure inclusive policymaking and smooth implementation.
- Preferential Trade Agreement (PTA) should serve as the immediate precursor to a full CEPA.

A long-term FTA with MERCOSUR should be seen not only as a trade initiative but as a strategic pivot toward emerging markets and sustainable South-South cooperation.

Chapter 13: Conclusion

As Bangladesh approaches its LDC graduation, the need to diversify export markets, build resilience into trade architecture, and deepen South–South cooperation has never been more urgent. The MERCOSUR bloc—comprising Brazil, Argentina, Paraguay, and Uruguay—represents a largely untapped frontier that aligns well with Bangladesh's long-term trade and economic objectives.

This study has revealed that while bilateral trade with MERCOSUR remains modest, there exists substantial potential for expansion—particularly in ready-made garments (RMG), pharmaceuticals, leather, ceramics, jute goods, and emerging sectors such as ICT and headgear. The economic modeling exercises and stakeholder consultations point to both mutual benefits and structural challenges in pursuing a Preferential Trade Agreement (PTA) or eventually a Free Trade Agreement (FTA) with this Latin American bloc.

Key challenges—such as high MFN tariffs, non-tariff barriers (NTBs), limited shipping connectivity, and absence of resident diplomatic missions—must be addressed through a strategic and phased approach. Moreover, a thorough understanding of MERCOSUR's bloc-wide negotiation structure and internal political dynamics is essential for crafting a feasible and sustainable engagement strategy.

The path forward should be both pragmatic and aspirational. A phased approach, beginning with bilateral PTAs—particularly with Brazil and Argentina—will allow Bangladesh to gain incremental market access, build negotiating experience, and gradually harmonize its standards and trade procedures with MERCOSUR norms. This should be accompanied by proactive reforms in regulatory alignment, trade facilitation, institutional capacity building, and public–private dialogue.

Bangladesh must also strengthen its diplomatic and commercial presence in South America through embassies, trade offices, and participation in regional trade fairs and forums. Private sector engagement will be crucial for ensuring sectoral readiness and maximizing the benefits of trade deals.

A Bangladesh–MERCOSUR CEPA holds significant potential for diversifying Bangladesh's trade and investment landscape. By pursuing a phased approach that begins with a PTA and expands to services and investment, Bangladesh can secure greater market access, regulatory cooperation, and investment opportunities in South America.

In summary, while a full-scale FTA with MERCOSUR may be a long-term goal, the opportunity to initiate structured trade engagement through PTAs is both realistic and strategically valuable. With careful planning, stakeholder coordination, and institutional readiness, Bangladesh can unlock significant trade potential and enhance its global trade footprint in a post-LDC era.

13.1 Strategic Recommendations for Immediate Action

Prioritize the negotiation of preferential tariffs on RMG exports, particularly with Brazil. Expand Bangladesh's export base into pharmaceuticals, footwear, and jute products. Strengthen trade diplomacy with MERCOSUR (Southern Common Market) to secure better market access.

- Bangladesh's trade engagement with MERCOSUR, particularly Brazil and Argentina, is currently limited but holds considerable potential, especially in RMG, pharmaceuticals, jute, and ceramics.
- An FTA with MERCOSUR could help Bangladesh diversify its trade portfolio post-LDC graduation and improve resilience in global markets.
- While market opportunities are significant, key challenges such as tariff and non-tariff barriers, regulatory divergence, and logistical constraints must be addressed.
- Stakeholders from government, industry, and academia support a cautious and phased approach, beginning with a PTA.
- Successful implementation will require strategic negotiation, institutional strengthening, and targeted trade promotion.

13.2 Implications for Bangladesh
Engaging with MERCOSUR strategically could:
- Reduce reliance on traditional export destinations like the EU and USA.
- Stimulate domestic sectors through competitive pressure and new market access.
- Promote Bangladesh's image as a dynamic South Asian economy with global aspirations. However, without proper planning, there is a risk of trade imbalances, compliance issues, and missed opportunities.

13.3 Action Matrix
- Conduct sector-specific impact assessments before formal negotiations.
- Strengthen bilateral diplomatic missions and trade offices in MERCOSUR countries.
- Explore multi-country missions and B2B exchanges to build networks and familiarity.
- Regularly evaluate PTA/FTA outcomes using monitoring and evaluation frameworks to adjust strategy.

A deliberate, data-driven, and partnership-oriented strategy will be crucial to unlocking the full benefits of a Bangladesh-MERCOSUR trade agreement.

Table 38: Action Matrix for Advancing FTA/PTA/CEPA with MERCOSUR

Action Area	Recommended Actions	Timeframe	Lead Responsibility	Supporting Entities	Expected Outcome
1. Trade Policy Planning	Initiate feasibility assessment for PTA with Brazil and Argentina	Short-term (0–6 mo)	Ministry of Commerce (MoC)	BTTC, BFTI, FTA Wing, WTO Wing, ERD	Evidence-based decision on PTA initiation
2. Diplomatic Engagement	Establish or upgrade embassies/trade missions in Brazil and Argentina	Medium-term (6–18 mo)	Ministry of Foreign Affairs (MoFA)	MoC, EPB	Stronger political-economic ties
3. Legal & Regulatory Readiness	Harmonize SPS, TBT, and trade regulations with MERCOSUR standards	Medium-term (6–24 mo)	BSTI, MoC, Ministry of Law	MoA, MoHFW, BCSIR	Reduced NTBs and alignment with international norms
4. Business & Sectoral Promotion	Develop sector-specific roadmaps for key exports (e.g., RMG, pharma, leather, ceramics)	Short to Medium-term	MoC, EPB, relevant sector associations	BGMEA, BPGMEA, BAPI	Enhanced sectoral competitiveness
5. Market Access Negotiation	Engage MERCOSUR counterparts for phased PTA discussions and tariff mapping	Medium-term (6–18 mo)	MoC (FTA Wing), Trade Missions	BFTI, Foreign Missions	Better tariff concessions and reduced import costs
6. Trade Infrastructure	Improve shipping/logistics with South America (e.g., sea route linkages, warehousing)	Long-term (12–36 mo)	Ministry of Shipping, BIWTC	MoC, Private Sector Logistics	Lower trade transaction costs
7. Capacity Building	Train negotiators and trade officers on Latin American trade dynamics and FTAs	Short-term (0–12 mo)	BFTI, MoC, Foreign Service Academy	Trade policy think tanks, donor agencies	Skilled workforce for FTA formulation & management
8. Public–Private Dialogue	Institutionalize regular dialogue with exporters & chambers on Latin America strategies	Ongoing	MoC, FBCCI	BGMEA, DCCI, MCCI	Higher private sector alignment with policy goals

Action Area	Recommended Actions	Timeframe	Lead Responsibility	Supporting Entities	Expected Outcome
9. Monitoring & Evaluation	Set up a monitoring cell for post-agreement impact tracking (jobs, exports, compliance)	Long-term (12–36 mo)	MoC, Planning Commission	BBS, academia, BFTI	Evidence-based policy correction
10. Technology Transfer	Extend agricultural and health MoUs and initiating vaccine technology transfer	Short-term (0–12 mo)	MoA, MoHFW	DAE, DGDA, BRRI, BARI, icddr,b	Technology transfer and innovation over the coming years.
	Involve EMBRAPII projects and ethanol pilots	Medium-term (6–24 mo)	MoIND, MoST	BCSIR	Technology transfer and innovation over the coming years.
	Joint vaccine production and lithium-based storage pilots	Long-term (12–36 mo)	BIDA	BHTPA	Technology transfer and innovation over the coming years.

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Appendices

Appendix A: Terms of Reference (ToR) of the Study

Package No. SD-41D

Terms of Reference (TOR) for selection of Individual Consultant
for
Study on "Possibilities of FTA agreements with the MERCOSUR countries with special analysis of trade with Brazil and Argentina"
Bangladesh Regional Connectivity Project-1 (BRCP-1), Ministry of Commerce (MoC)

1. Introduction:

The Government of the People's Republic of Bangladesh has received an SDR 150 million Credit from the International Development Association (IDA) – a member of the World Bank Group – for financing the cost of the Bangladesh Regional Connectivity Project 1(BRCP-1), being jointly implemented by the Bangladesh Land Port Authority (BLPA), National Board of Revenue (NBR) and Ministry of Commerce. The second component of this umbrella project is being implemented by the Ministry of Commerce as a separate technical assistance project. The overall objective of this technical assistance project is to strengthen trade related institutional capacity in order to ensure active and sustainable cooperation among trade related stakeholders and economic empowerment of women traders.

This technical assistance project consists of following three (3) components:

- Component A: Develop (pilot) programs to support female traders and entrepreneurs. This component will pilot activities to help address barriers to women becoming more integrated into regional and global supply chains and trading opportunities.
- Component B: Capacity Development Support for the National Trade and Transport Facilitation Committee. The inter-ministerial National Trade Facilitation Committee (NTFC) has been set up during the preparation of the proposed Project to coordinate all trade and transport-related policies and activities in Bangladesh, and will also serve as the Advisory Committee for the Project.
- Component C: Improvements to Bangladesh Trade Portal and to set up a National Enquiry Point for Trade. The Bangladesh Trade Portal (BTP) was launched in March 2016. This component will support further up gradation of the BTP to expand its functionality to include information of relevance to potential Bangladesh exporters and to ensure that content is kept up to date. This component will also set up the National Enquiry Point for Trade, which will help Bangladesh to meet a key requirement of WTO Trade Facilitation Agreement.

This technical assistance project intends to apply a part of the IDA Credit for procuring consultancy services from qualified individual consultants to conduct relevant studies which will enhance trade facilitation and promote Bangladesh's export to targeted markets.

2. Background of the Assignment

Bangladesh Regional Connectivity Project-1 (BRCP-1) of the Ministry of Commerce, Government of the People's Republic of Bangladesh has under taken an initiative to conduct a study on **"Possibilities of FTA agreements with the MERCOSUR countries with special analysis of trade with Brazil and Argentina"** by hiring an individual consultant with the objective to conduct an analysis about Bangladesh's potential accession to one of the promising regional economic blocs, MERCOSUR and its advantages and disadvantages.

Bangladesh is a rapidly growing economy and has set a Vision to become Upper Middle-income country by 2030 and a developed country by 2041. Bangladesh has also been implementing SDGs. Currently,

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Bangladesh, as an LDC, has been enjoying duty-free & quota-free (DFQF) market access in many developed and developing countries. However, Bangladesh is going to graduate from the LDC status soon and the process of graduation starts by fulfilling UN criteria for graduation. After graduation, Bangladesh will not be entitled to enjoy LDC-specific facilities, like DFQF market access.

Bangladesh attaches great importance to trade as an engine of growth. Importance of trade in its economy is progressively increasing and trade has been directly contributing to over-all development of the country. Trade is not only increasing business activities; it is also:

- generating employment opportunities for millions
- attracting foreign investment
- creating opportunities for international exposures of our businessmen and entrepreneurs

Regional trade agreements give preference to certain countries in commercial relationships, facilitating trade and investment between the home country and the foreign country by reducing or eliminating tariffs, import quotas, export restraints and other trade barriers.

The key reasons for fostering regional trade relationships include reducing trade barriers, such as tariffs, non-tariff, and para-tariff measures. These partnerships aim to enhance economic cooperation and integration, increase productivity and competitiveness, attract investment, and generate job opportunities.

In order to create more trade opportunities for achieving various development goals set nationally and internationally, and also to face the post-LDC situation, currently, Bangladesh has been considering to expand regional trade with a number of trade blocks, such as: RCEP, MERCOSUR, D-8 PTA, TPS-OIC and GCC.

The Southern Common Market—known as Mercosur in Spanish, is one of the world's leading economic blocs, fifth-largest economy. Mercosur is an economic and political bloc of the big economies of South America consisting of Argentina, Brazil, Paraguay and Uruguay. The group encompasses 295 million people and has a combined GDP of nearly $2 trillion. Mercosur also counts Bolivia, Chile, Colombia, Ecuador, Guyana, Peru, and Suriname as associate members. The bloc also has a number of free-trade agreements (FTAs) with third parties, including Chile, Colombia, and Peru, as well as Israel, Egypt, Lebanon and the Palestinian Authority. A trade agreement that doesn't involve all Mercosur members would contravene the group's rules. In FY 2021-22, Bangladesh exported USD163.33 million to Mercosur countries, mostly the RMG products. In addition, Bangladesh exported non-leather footwear and headgear to those countries. Bangladesh may consider signing a free trade agreement (FTA) with the Mercosur having a great opportunity to explore new areas of trade and investment. Bangladesh has taken initiative to sign Preferential Trade Agreement (PTA)/ Free Trade Agreement (FTA) with MERCOSUR for enhancing trade cooperation.

Bilateral relations between Argentina and Bangladesh have remained friendly since the establishment of diplomatic relations in 1972. In 2021, Argentina exported $677M to Bangladesh. The main products exported from Argentina to Bangladesh were Soybean Oil ($564M), Corn ($61.6M), and Wheat ($51.2M). In 2022, bilateral trade with Bangladesh was US$765 million. Argentine exports reached US$742.9 million and imports from Bangladesh totalled US$22.1 million. A trade surplus for Argentina of US$720.8 million was registered in 2022. During the last 26 years the exports of Argentina to Bangladesh have increased at an annualized rate of 7.7%, from $98.4M in 1995 to $677M in 2021. In 28 February 2023, Bangladesh signed a memorandum of understanding (MoU) with Argentina in order to increase bilateral trade and investment between the two countries.

On the other hand, Bangladesh and Brazil have huge potential for bilateral trade in a number of sectors, however barrier to this is having both countries resolve trade barriers, especially Brazil's imposing 30%-

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35% tariff on Bangladeshi products. The main products exported from Brazil to Bangladesh were Raw Sugar ($575M), Raw Cotton ($430M), and Soybeans ($410M). During the last 26 years the exports of Brazil to Bangladesh have increased at an annualized rate of 11.4%, from $110M in 1995 to $1.82B in 2021. In 2021, Bangladesh exported $129M to Brazil.

3. Objective of the study:

The study aims to provide a nuanced understanding of the potential economic benefits and challenges for Bangladesh in establishing Free Trade Agreement (FTA) partnerships with MERCOSUR countries, with a focused analysis on trade dynamics with Brazil and Argentina.

Through in-depth analysis, the study seeks to investigate specific trade facilitation measures, sectoral impacts, and comparative advantages to formulate strategic recommendations for enhancing bilateral trade relationships and fostering economic cooperation between Bangladesh and MERCOSUR, with a nuanced emphasis on the Brazilian and Argentine markets.

4. Scope of the Study:

The scope of this study will primary be:

1. Present historical trend of trade scenario between the MERCOSUR countries and Bangladesh, including average tariff among the countries.
2. Product/ sector wise export and import of Bangladesh to and from MERCOSUR countries (total and top 20 products- HS Code wise) and identify the market size;
3. Comparison with Bangladesh export (top 20 products/sector) and MERCOSUR countries import and duty impact with those countries;
4. Review the list of trade diversification prospects of at least 20 diversified product and product wise strategy in the MERCOSUR country's as potential export destination by using the Economic Analysis;
5. Conduct economic modelling to assess the economic benefits of forging Free Trade Agreement (FTA) partnerships with MERCOSUR countries;
6. Possibilities of FTA agreements with the MERCOSUR countries with special analysis of trade with Brazil and Argentina;
7. Identify the possibilities for Comprehensive Economic Partnership Agreement (CEPA) with MERCOSUR countries including the potential service and investment sector ;

As a part of the analysis, the consultant is expected to cover the following, but not limited to, pertinent issues:

1. **Economic Compatibility:** Assess the economic compatibility of potential FTA partners under MERCOSUR, considering industries, products, and services that complement Bangladesh's strengths and address its economic needs.
2. **Evaluate Economic Opportunities**: Assess the potential economic benefits for Bangladesh through Free Trade Agreements (FTAs) with MERCOSUR countries, focusing on Brazil and Argentina.
3. **Analyze Trade Dynamics**: Conduct a detailed analysis of historical and current trade relations between Bangladesh and MERCOSUR, with a special emphasis on trade patterns with Brazil and Argentina.
4. **Tariff Reductions and Elimination:** Summarize potential favorable terms for tariff reductions or eliminations on key exports, enhancing the competitiveness of Bangladeshi products in MERCOSUR markets (Example of Brazil and Argentina can come under this).
5. **Non-Tariff Barriers:** Address non-tariff barriers that may affect trade, including regulatory standards, technical barriers, and other obstacles to ensure a smooth flow of goods and services.

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6. **Identify Comparative Advantages**: Identify and analyze sectors where Bangladesh holds comparative advantages in trade with MERCOSUR countries, highlighting potential areas for increased cooperation.
7. **Explore Market Access Opportunities**: Investigate the market access opportunities that an FTA with MERCOSUR can provide for Bangladeshi goods and services, with a specific focus on trade facilitation measures.
8. **Examine Legal and Regulatory Frameworks**: Examine the legal and regulatory frameworks within MERCOSUR, and assess the potential challenges and opportunities for Bangladesh in aligning with these frameworks.
9. **Assess Technology Transfer Possibilities**: Evaluate the potential for technology transfer and collaboration in research and innovation between Bangladesh and MERCOSUR countries, particularly Brazil and Argentina.
10. **Understand Sectoral Impacts**: Conduct a sector-specific analysis to understand the potential impacts of FTAs on key industries in Bangladesh, considering the specific economic landscapes of Brazil and Argentina.
11. **Identify Challenges and Risks**: Identify potential challenges and risks associated with negotiating and implementing FTAs with MERCOSUR, taking into account cultural, regulatory, and economic differences.
12. **Evaluate Lessons from Other FTAs**: Analyze lessons learned from other countries that have engaged in FTAs with MERCOSUR, drawing insights applicable to Bangladesh's potential agreements.
13. **Examine Flexibilities in Trade Agreements**: Investigate the flexibilities allowed to member countries within MERCOSUR agreements and assess how these flexibilities can be leveraged in favor of Bangladesh.
14. **Understand Stakeholder Perspectives**: Collect and analyze perspectives from key stakeholders, including government officials, industry representatives, and experts, to gauge their views on the potential FTA agreements.
15. **Estimate Economic Impact**: Estimate the potential economic impact on Bangladesh, including GDP growth, job creation, and other economic opportunities resulting from FTA agreements with MERCOSUR.
16. **Propose Strategic Recommendations**: Develop strategic recommendations for policymakers in Bangladesh based on the study's findings, emphasizing areas of priority and potential strategies for successful FTA negotiations.

5. **Methodology:**
   a. **Agreement Review**: The agreement review will focus on examining the provisions and flexibilities granted under the MERCOSUR, analyzing specific benefits to member and assessing how Bangladesh's potential FTA with MERCOSUR could align with these terms or present unique challenges.

   a. **Document Review**: The studies will have a large number of document reviews to do analysis and comparison among regulatory regimes. This review will also lay the foundation of drafting the questions for the KII and FGDs. The consultant needs to incorporate a list of document/articles/reports to be reviewed under this assignment in the inception report.

27.10.2024

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b. **Economic Modelling/simulation/analysis:** The quantitative assessment for this assignment should be based on data driven economic modelling/forecast/simulation/analysis which will give credibility of the recommendations of this assignment. The consultants may propose relevant economic modelling frameworks with proper justification and rationale as per the ToR of this assignment.

c. **Questionnaire:** The questionnaire will be developed and agreed with the related implementing agency (ies). questionnaire will be used for data collection purposes through KII and FGDs. Different questionnaires may need to be developed for different stakeholders.

d. **Key Informants Interviews:**
To verify data collected from beneficiaries, group or individual interviews with informants will need to be organized. Approach to selecting KII and guide is to be elaborated by the firm. At least 10 KIIs need to be conducted. The list of KIIs need to be approved from the PIU.

e. **Focus Group Discussion:**
The FGDs will complement the data generated from the qualitative and quantitative methods. At least one FGD need to be conducted, engaging 8-10 participants from relevant stakeholder. Detailed documentation of the proceedings of the FGDs will be maintained. Necessary costs including honorarium for the participants of the FGD need to be borne by the project.

f. **Data Analysis and reporting**
Quantitative data should be processed in STATA/SPSS/Excel or similar data processing software or Economic simulation software (as applicable).

The consultant must propose other economic modelling software/ modeling (i.e. Economic Modeling /gravity equation) as deemed necessary for this assignment.

The qualitative data should be analyzed by using NVIVO or other similar software. Privacy of primary data will be strictly maintained by the consultant/firm. Transcripts of all KII and FGDs need to be submitted to the PIU. Record of any large-scale data collection (if any) through any instruments must be submitted to the PIU.

Consultant's proposed methodology, data collection methods and analysis frameworks will be further discussed/negotiated during the negotiation phase and finalized after the inception workshop (engaging different stakeholders and subject matter specialist) for this assignment.

6. **Duration:**
The assignment needs to be completed within 3 months of contract signing.

7. **Institutional Arrangement:**
The Consultant will work under the direct supervision of the Project Director. He/she will submit report and deliverable to the Project Director.

8. **Deliverables:**
Consultant will coordinately work with the National Trade Expert, BRCP-1 and is expected to deliver a comprehensive report (A tentative Table of Content for the report is attached in Annex-1). A tentative

- Historical trade data between Bangladesh and MERCOSUR countries (2015–2023)
- Sector-wise export-import matrices
- Tariff schedules and duty structures

Appendix B: Focus Group Discussion (FGD) Questions

A. Trade Relations and Market Potential

1. How would you assess Bangladesh's current trade relations with Brazil, Argentina and MERCOSUR?
2. Which sectors have the highest export potential in Brazil, Argentina and MERCOSUR markets (e.g., RMG, pharmaceuticals, leather, jute, IT)?
3. What are the key trade barriers (tariffs, non-tariff barriers, logistics) faced by Bangladeshi exporters?
4. How well do Bangladesh's top export products align with Brazil, Argentina and MERCOSUR's import demand?

B. Tariffs, Regulatory Challenges, and FTA Benefits

5. How do Brazil, Argentina and MERCOSUR tariffs impact Bangladesh's trade? What tariff reductions are necessary?
6. What non-tariff barriers (NTBs) pose challenges (e.g., quality standards, certification, labeling)?
7. How could an FTA with Brazil, Argentina and MERCOSUR benefit Bangladesh's trade and economic growth?
8. What are the biggest risks or concerns Bangladesh should consider in an FTA negotiation?

C. Trade Facilitation, Logistics & Investment Opportunities

9. What trade facilitation measures would improve Bangladesh's access to Brazil, Argentina and MERCOSUR markets?
10. How can Bangladesh enhance trade logistics (e.g., shipping routes, transportation costs, port efficiency)?
11. Which sectors in Brazil, Argentina and MERCOSUR offer investment opportunities for Bangladeshi businesses?
12. What policies or incentives would attract investment from Brazil, Argentina and MERCOSUR countries into Bangladesh?

D. Strategic Recommendations

13. What should Bangladesh priorities in an FTA negotiation with Brazil, Argentina and MERCOSUR?
14. What strategic provisions (e.g., phased tariff reductions, dispute resolution) should be included in the agreement?
15. How can Bangladesh strengthen diplomatic and business relationships with Brazil, Argentina and MERCOSUR?
16. Final recommendations on Bangladesh's trade strategy with Brazil, Argentina and MERCOSUR.

Appendix C: Export potential is currently an estimate for the year 2030.

Variable*	Further information	Source
Export and import values	2020–2024	ITC Trade Map
Ad-valorem tariffs	Latest year available as of April 2025 for the supply side. Forward-looking tariffs until 2030 for the demand side.	ITC Market Access Map
Price elasticitie	Hertel, Hummels, Ivanic and Keeney (2004)	GTAP (Hertel et al., 2004)
Distances	CEPII GeoDist (Mayer and Zignago, 2011), based on geodesic distances between main cities (with population figures from 2004). Geodesic distance between capital cities is used for missing countries.	CEPII GeoDist (Mayer and Zignago, 2011)
GDP (current US$) data and growth projections	2020–2030 (as of October 2025)	IMF World Economic Outlook database
Population data and projections	2020–2030 (UN estimates and projections as of 2024)	UN database
Land endowment by climate type	GTAP "Land Use" database, version 10 (2020)	Baldos (2020)

* Export Potential Map is updated twice a year, in April/May and October/November.

Appendix D: Participant List of Focus Group Discussion (FGD)

Participants (Not according to seniority) of the FGD are as Follows:

SL	Name	Designation	Organization
1.	Md. Munir Chowdhury,	National Trade Expert and Session Moderator	Bangladesh Regional Connectivity Project-1 (BRCP-1), Ministry of Commerce
2.	Mr. Ashraf Ibn Noor	Director	Bangladesh Engineers Industry Owner's Association (BEIOA)
3.	Mr. Shahriar Ahmed Rafat	Director	Bangladesh Engineers Industry Owner's Association (BEIOA)
4.	Dr Foyasal Khan	AGM (Research & Policy)	Leathergoods and Footwear Manufacturers & Exporters Association of Bangladesh (LFMEAB)
5.	Ms. Ifrat Ara Bagom	Additional Secretary General	Research and Planning Wing, Federation of Bangladesh Chambers of Commerce and Industry (FBCCI)
6.	Md. Al-Amin Faisal	Manager	Bangladesh Association of Pharmaceutical Industries (BAPI)
7.	Md. Sajib Hossain	Research Associate (R&D)	Bangladesh Knitwear Manufacturers & Exporters Association (BKMEA)
8.	Mr. Monybur Rahman	Senior Assistant Secretary	Bangladesh Garment Manufacturers and Exporters Association (BGMEA)
9.	Mr. Evance Rozario	Senior Executive Officer	Bangladesh Agro-Processors' Association (BAPA)
10.	Mahanaz Akter Lopa	AES, Trade Facilitation & International Trade Affairs Department	Dhaka Chamber of Commerce & Industry (DCCI)
11.	Ashik Mahmud Sajib	Program Officer	Metropolitan Chamber of Commerce & Industry (MCCI)
12.	Mr. Shahriar Tanjim	Rapporteur and Student	Department of Economics, University of Dhaka

Appendix E: Key Informant Interviews (KIIs) Questionnaire

Serial No.		

Study on Possibilities of FTA agreements with the MERCOSUR countries with special analysis of trade with Brazil and Argentina

Confidentiality Statement:

This study, conducted under the Bangladesh Regional Connectivity Project-1 (BRCP-1), Ministry of Commerce, assesses the benefits and challenges of establishing an FTA with MERCOSUR countries, focusing on trade dynamics with Brazil and Argentina, trade facilitation measures, sectoral impacts, and comparative advantages to enhance bilateral trade relations. Your participation is voluntary, and your responses will remain confidential. Information gathered will be used solely for research purposes.

Section A: General Information		
1. Date of Interview	:	
2. Name of Key Informant	:	
3. Designation	:	
4. Organization	:	
5. Address of Organization	:	
6. Years of experience in trade/economic relations:		
☐ Less than 3 years		
☐ 3-5 years		
☐ 6-10 years		
☐ More than 10 years		
7. Contact Information	Cell No. :	
	Email :	
Section B: Trade Relations and Market Trends		
8. a) How would you rate the historical trade relations between Bangladesh and Brazil? (1 = Weak, 10 = Strong) ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7 ☐ 8 ☐ 9 ☐ 10		
b) How would you rate the historical trade relations between Bangladesh and Argentina? (1 = Weak, 10 = Strong) ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7 ☐ 8 ☐ 9 ☐ 10		
c) How would you rate the historical trade relations between Bangladesh and MERCOSUR countries? (1 = Weak, 10 = Strong) ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7 ☐ 8 ☐ 9 ☐ 10		
9. a) What are the main drivers of trade between Bangladesh and Brazil? *(Select up to 3)* ☐ Market demand		

☐ Price competitiveness
☐ Supply chain/logistics efficiency
☐ Tariff structures
☐ Trade policies & agreements
☐ Regulatory compliance issues
☐ Others (Please specify) _____

b) What are the main drivers of trade between Bangladesh and Argentina? *(Select up to 3)*

☐ Market demand

☐ Price competitiveness

☐ Supply chain/logistics efficiency

☐ Tariff structures

☐ Trade policies & agreements

☐ Regulatory compliance issues

☐ Others (Please specify) _____

c) What are the main drivers of trade between Bangladesh and MERCOSUR? *(Select up to 3)*

☐ Market demand

☐ Price competitiveness

☐ Supply chain/logistics efficiency

☐ Tariff structures

☐ Trade policies & agreements

☐ Regulatory compliance issues

☐ Others (Please specify) _____

10. a) How well do Bangladesh's top exports align with Brazil's import demands? (1 = Poorly aligned, 10 = Highly aligned)

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7 ☐ 8 ☐ 9 ☐ 10

b) How well do Bangladesh's top exports align with Argentina's import demands? (1 = Poorly aligned, 10 = Highly aligned)

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7 ☐ 8 ☐ 9 ☐ 10

c) How well do Bangladesh's top exports align with MERCOSUR's import demands? (1 = Poorly aligned, 10 = Highly aligned)

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7 ☐ 8 ☐ 9 ☐ 10

11. a) What are the major exports from Bangladesh to Brazil? (List top 10, with HS Codes if possible)

1.	2.
3.	4.
5.	6.
7.	8.
9.	10.

b) What are the major exports from Bangladesh to Argentina? (List top 10, with HS Codes if possible)

1.	2.
3.	4.
5.	6.
7.	8.
9.	10.

c) What are the major exports from Bangladesh to MERCOSUR? (List top 10, with HS Codes if possible)

1.	2.
3.	4.
5.	6.
7.	8.
9.	10.

12. a) What are the major imports from Brazil to Bangladesh? (List top 10, with HS Codes if possible)

1.	2.
3.	4.
5.	6.
7.	8.
9.	10.

b) What are the major imports from Argentina to Bangladesh? (List top 10, with HS Codes if possible)

1.	2.
3.	4.
5.	6.
7.	8.
9.	10.

c) What are the major imports from MERCOSUR to Bangladesh? (List top 10, with HS Codes if possible)

1.	2.
3.	4.
5.	6.
7.	8.
9.	10.

13. a) What are the primary challenges faced by Bangladeshi exporters in Brazil market? (Select up to 3)

☐ High tariffs

☐ Transportation/logistics costs

☐ Non-tariff barriers (quality standards, labeling, certification)

☐ Lack of market access information

☐ Limited diplomatic/economic ties

☐ Competition from other countries

☐ Others (Please specify) _____

b) What are the primary challenges faced by Bangladeshi exporters in Argentina market? (Select up to 3)

- ☐ High tariffs
- ☐ Transportation/logistics costs
- ☐ Non-tariff barriers (quality standards, labeling, certification)
- ☐ Lack of market access information
- ☐ Limited diplomatic/economic ties
- ☐ Competition from other countries
- ☐ Others (Please specify) _____

c) What are the primary challenges faced by Bangladeshi exporters in MERCOSUR markets? (Select up to 3)

- ☐ High tariffs
- ☐ Transportation/logistics costs
- ☐ Non-tariff barriers (quality standards, labeling, certification)
- ☐ Lack of market access information
- ☐ Limited diplomatic/economic ties
- ☐ Competition from other countries
- ☐ Others (Please specify) _____

Section C: Trade Barriers and Opportunities

14. a) How high are the tariff rates faced by Bangladesh in Brazil compared to competitors? *(1 = Very Low, 10 = Very High)*
☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7 ☐ 8 ☐ 9 ☐ 10

b) How high are the tariff rates faced by Bangladesh in Argentina compared to competitors? *(1 = Very Low, 10 = Very High)*
☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7 ☐ 8 ☐ 9 ☐ 10

c) How high are the tariff rates faced by Bangladesh in MERCOSUR markets compared to competitors? *(1 = Very Low, 10 = Very High)*
☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7 ☐ 8 ☐ 9 ☐ 10

15. Which non-tariff barriers (NTBs) affect Bangladeshi exports the most? (Select all that apply)
- ☐ Labeling requirements
- ☐ Product quality standards
- ☐ Certification and compliance costs
- ☐ Import licensing procedures
- ☐ Quotas & restrictions
- ☐ Others (Please specify) _____

16. How effective would an FTA be in overcoming these trade barriers? *(1 = Not effective, 10 = Highly effective)*
☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7 ☐ 8 ☐ 9 ☐ 10

Section D: Trade Diversification & Comparative Advantages
17. a) In which sectors do Bangladesh have a competitive advantage in Brazil markets? *(Select up to 3)* ☐ Ready-Made Garments (RMG) ☐ Pharmaceuticals ☐ Leather goods ☐ Jute and jute products ☐ ICT & Services ☐ Agro-processing ☐ Others (Please specify) _____
b) In which sectors do Bangladesh have a competitive advantage in Argentina markets? *(Select up to 3)* ☐ Ready-Made Garments (RMG) ☐ Pharmaceuticals ☐ Leather goods ☐ Jute and jute products ☐ ICT & Services ☐ Agro-processing Others (Please specify) _____
c) In which sectors do Bangladesh have a competitive advantage in MERCOSUR markets? *(Select up to 3)* ☐ Ready-Made Garments (RMG) ☐ Pharmaceuticals ☐ Leather goods ☐ Jute and jute products ☐ ICT & Services ☐ Agro-processing Others (Please specify) _____
18. a) What are Brazil's comparative advantages in trading with Bangladesh? *(Select up to 3)* ☐ Agriculture ☐ Automobiles ☐ Renewable energy ☐ Industrial machinery ☐ Oil & Gas ☐ Others (Please specify) _____
b) What are Argentina's comparative advantages in trading with Bangladesh? *(Select up to 3)* ☐ Agriculture ☐ Automobiles ☐ Renewable energy ☐ Industrial machinery

☐ Oil & Gas   Others (Please specify) _____
c) What are MERCOSUR's comparative advantages in trading with Bangladesh? *(Select up to 3)*   ☐ Agriculture   ☐ Automobiles   ☐ Renewable energy   ☐ Industrial machinery   ☐ Oil & Gas   Others (Please specify) _____
19. How significant is the potential for trade diversification? *(1 = Low, 10 = High)*   ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7 ☐ 8 ☐ 9 ☐ 10
20. a) List 5 potential new products Bangladesh could export to Brazil (List top 5, with HS Codes if possible):   i.   ii.   iii.   iv.   v.
b) List 5 potential new products Bangladesh could export to Argentina (List top 5, with HS Codes if possible):   i.   ii.   iii.   iv.   v.
c) List 5 potential new products Bangladesh could export to MERCOSUR (List top 5, with HS Codes if possible):   i.   ii.   iii.   iv.   v.
Section E: Free Trade Agreements and Economic Cooperation
21. a) Would an FTA with Brazil benefit Bangladesh? (1 = No Benefit, 10 = High Benefit)   ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7 ☐ 8 ☐ 9 ☐ 10
b) Would an FTA with Argentina benefit Bangladesh? (1 = No Benefit, 10 = High Benefit)   ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7 ☐ 8 ☐ 9 ☐ 10
c) Would an FTA with MERCOSUR benefit Bangladesh? (1 = No Benefit, 10 = High Benefit)   ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7 ☐ 8 ☐ 9 ☐ 10
22. Which sectors in Bangladesh would benefit the most from an FTA? *(Select up to 3)*

☐ RMG
☐ Pharmaceuticals
☐ Agro-processing
☐ ICT & Services
☐ Leather goods
☐ Others (Please specify) _____
23. How would an FTA impact Bangladesh's:
a) GDP Growth? (1 = Negative, 10 = Positive)
b) Employment? (1 = Job Loss, 10 = Job Creation)
c) Trade balance? (1 = Worsen, 10 = Improve)
Section F: Strategic Recommendations
24. How should Bangladesh position itself in FTA negotiations? (Select all that apply)
☐ Financial services
☐ Strengthen diplomatic ties
☐ Conduct market research
☐ Engage private sector & trade bodies
☐ Others (Please specify) _____
25. Any additional insights or recommendations?

Thank You for Your Time and Cooperation!