

Conference on  
**Recommendations by the Task Force on  
Re-Strategising the Economy**

**Session 1**

Strategic Policy Realignment to Boost Investment and Achieve  
Export Diversification

Monday, 24 February 2025, Dhaka

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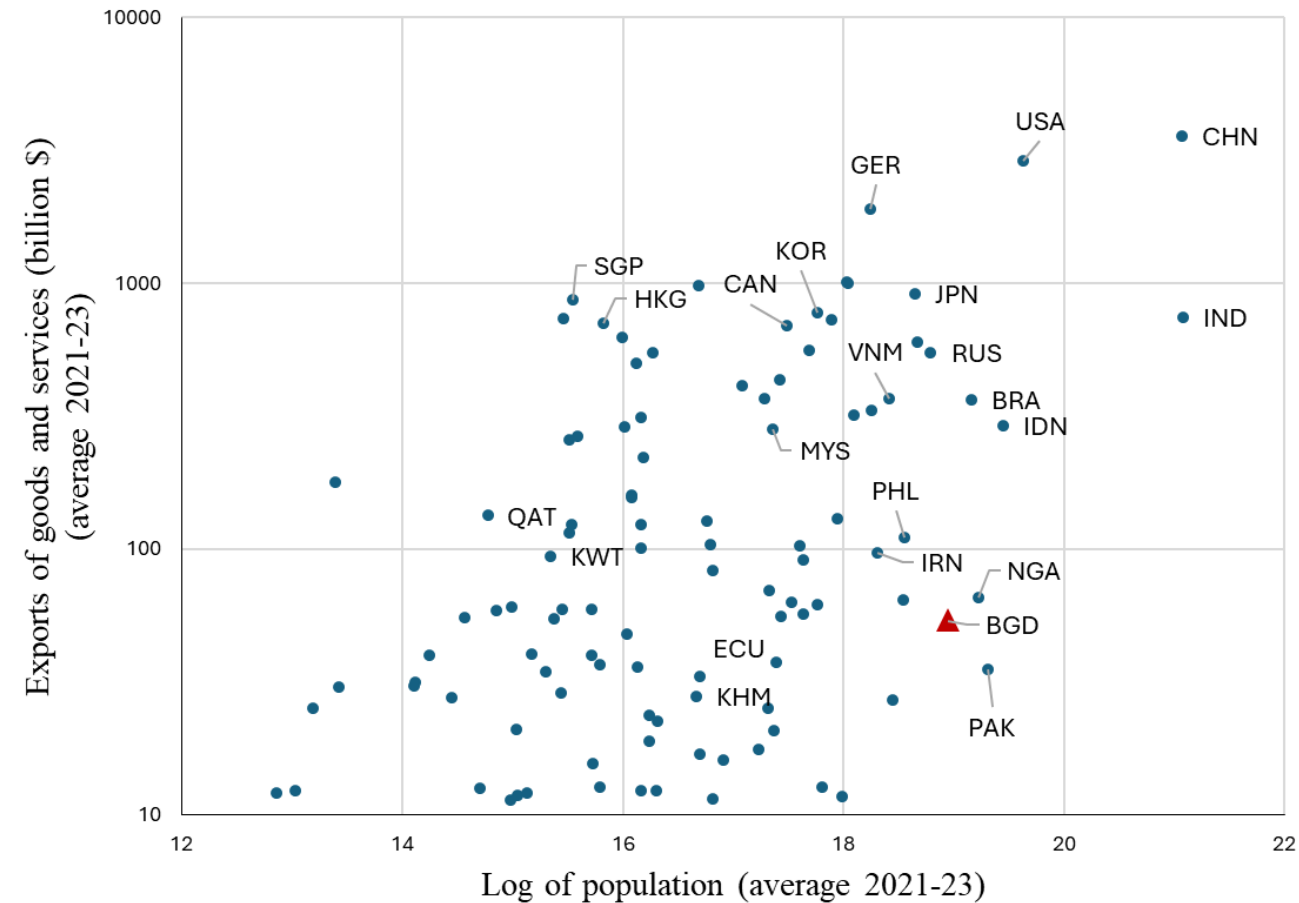
# Unlocking Export Potential for Economic Re-strategising

Dr M A Razzaque  
24 February 2025



## Policies to boost export competitiveness and drive diversification are critical to re-strategizing the economy and addressing pressing macroeconomic challenges.

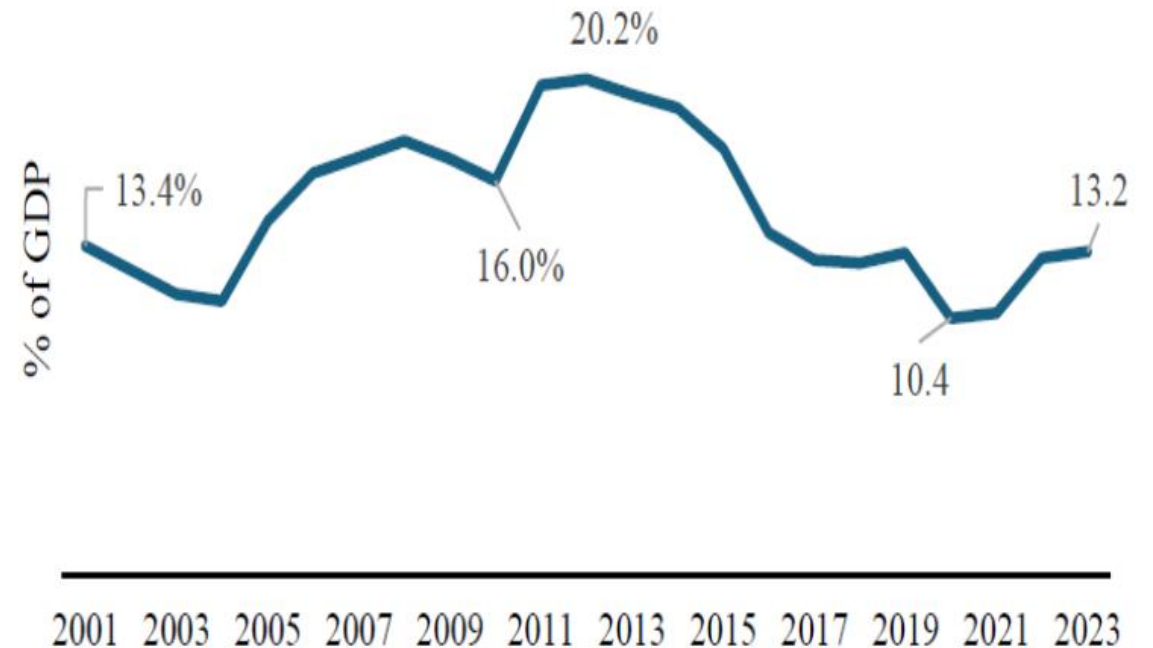
- Despite RMG exports, the lack of diversification has kept the overall export small.
- Overwhelming reliance on RMG means Bangladesh's export concentration is much higher than the LDC average
- Trade policy distortions have become a much more profound obstacle than commonly perceived.
- The impending LDC Graduation should be an urgent call for undertaking strategic policy reform



# Bangladesh: Export growth-led economy?

- Despite policy rhetoric of export-led economic growth, Bangladesh has neither demonstrated the intent nor achieved the outcomes associated with such a strategy
  - Policy intent: Bangladesh remains one of the most protectionist economies in the world
  - Outcome: the export-to-GDP ratio has steadily declined—from above 20% in 2012 to 13.16% in 2023
- While some protection is important for domestic industrial development, an excessively protective regime disfavours export-orientation.
  - Picking winners or targeting specific sectors for export did not work (why?)
  - Protective elements: tariffs, para-tariffs, weaker standards for the domestic market, lack of compliance for non-export sectors

Bangladesh: Export-to-GDP ratio



# Trade policy regime: Garments versus others

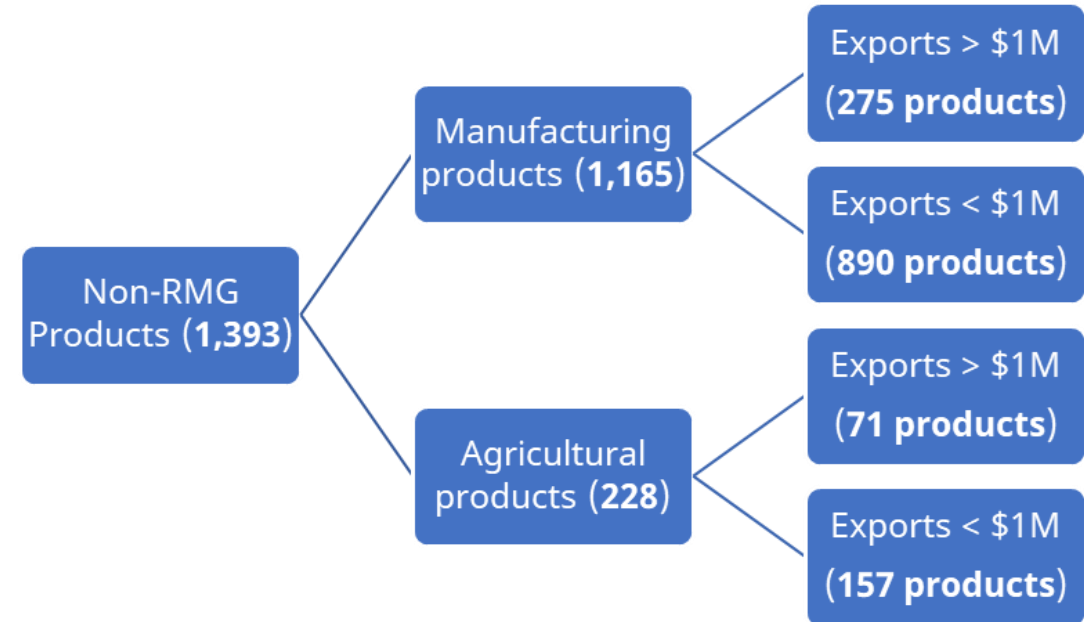
## The RMG sector

- Favourable global trade policy regime (MFA quotas)
- Born-to-export firms that did not have a domestic market
- Tariffs on clothing imports in importing countries are much higher with Bangladesh enjoying duty-free market access
- Supporting government policies supporting the RMG sector

## Non-RMG products

- Global trade policy regime—much more competitive
- Very low tariffs in major importing countries so the margin of ‘duty-free’ access is too small
- Bangladesh domestic policy regime makes exporting less lucrative
- Discrimination in various policy supports

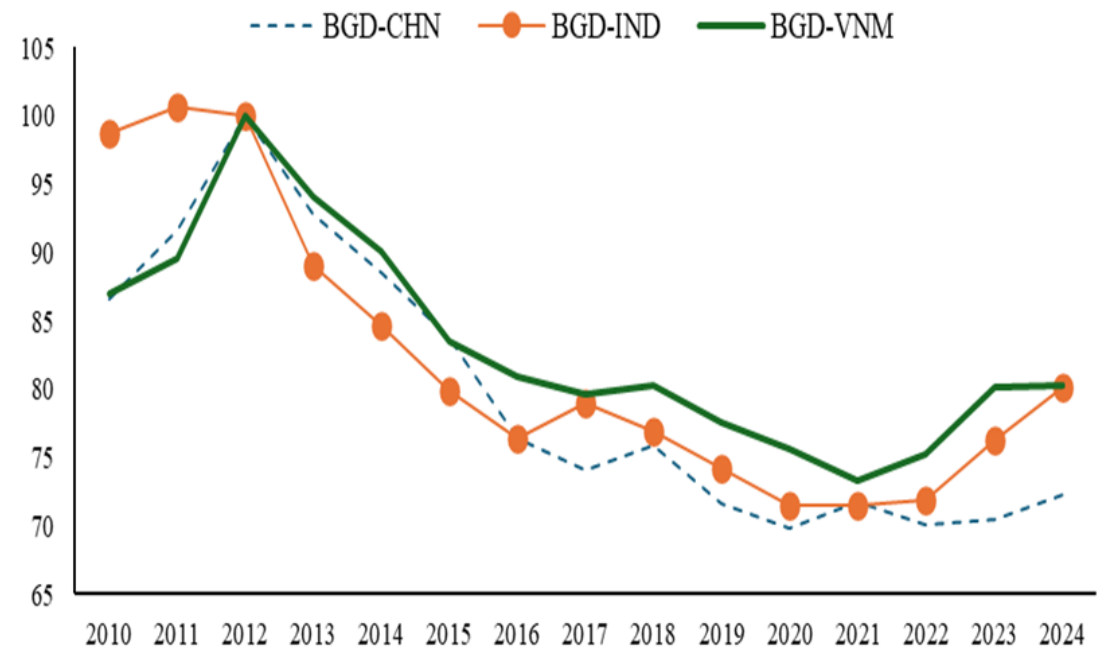
There are many non-garment export items, apparently highly competitive, globally. But their exports are not expanding.



# Trade policy reform has proven to be one of the most difficult tasks

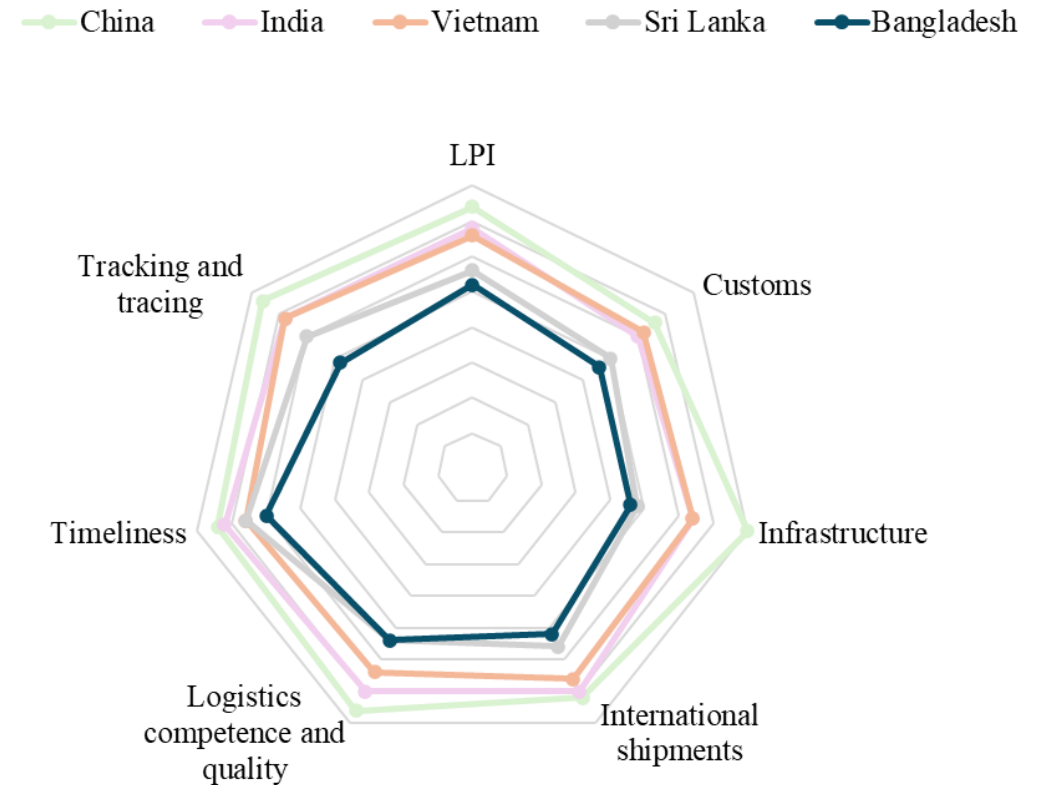
- High tariff protection is in great demand, but weak non-RMG export sectors mean, the cost of such a policy choice is usually overlooked.
- Dependence on tariff revenue(almost 30% of government revenue) complicates the task of tariff rationalisation
- Lack of quality and standards in the domestic market further incentivises domestic industry

## Persistent appreciation of the exchange rate (falling bilateral exchange rate in this chart) affecting export competitiveness



## Barriers to Export Competitiveness: Given their small size, non-RMG sectors are disproportionately affected.

- Infrastructural bottlenecks—such as energy shortages, inefficient ports, underdeveloped transport networks, and inadequate industrial facilities
- Investment and business climate faces persistent challenges—inefficient land management, complex taxation, administrative complexities and corruption, skill shortages, labour issues, and trade facilitation inefficiencies



# LDC graduation implications

- 73% of Bangladesh exports benefit from LDC-related duty-free market access
- Tariffs could rise significantly in the most important market, EU
- Discontinuation of export subsidies
- Emerging issues CBAM, CS3D, ESG compliance, and geopolitical competition weakening the WTO system

Countries	Current tariffs on Bangladesh garments as an LDC	Post-graduation tariff rates (avg)
EU	0%	<b>11.5%</b>
UK	0%	0% but with more stringent RoO
Canada	0%	17% (or GPT+ provisions)
China	0% (in 98 percent products)	6.2%
India	0%	<b>20%</b>
Japan	0% (in 98% products)	<b>8.71%</b>



# Policy actions



## Dealing with policy disconnects

Developing a unified trade and investment policy framework



## Tariff rationalization

A time-bound implementation of the National Tariff Policy (NTP)



## Strengthening domestic revenue mobilisation

for enabling tariff rationalisation and achieving the trade policy flexibility necessary to secure free trade agreements



## Attracting FDI and strengthening the investment climate

for driving export competitiveness and diversification



## Addressing infrastructure and logistics challenges

Low-hanging fruit for enhancing competitiveness

# Policy actions



**Engaging proactively with the EU to secure enhanced GSP+ benefits including duty-free access for garments**

Under the existing GSP+ provision, Bangladesh's garments won't get duty free access.



**Establishing WTO-compatible export support mechanisms**

To provide support to the exporters in a compliant way



**Enhancing product quality and ensuring compliance**

Important determinants of export success



**Timely implementation of the Smooth Transition Strategy (STS)**

As preparation for LDC graduation and beyond



**Securing an FTA with Japan**

Can enhance Bangladesh's trade policy credibility



**Establishing a Chief Trade Negotiators Office**

To manage negotiations, coordinate policies, and develop capacity

**Thank you!**