

# International Trade and Trade Policy Challenges in Bangladesh

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## **Abstract**

Foreign trade plays a prominent role in achieving accelerated economic growth and development of a country whereas the growth of export can enhance the import capacity of a country which in turn increases output. Bangladesh, which was once called a "Bottomless Basket", has now been recognized as a "Basket full of Wonders" and the "Development Miracle" in the world. Despite many hurdles from its independence, the country has achieved unprecedented success in different areas including international trade. Today the "Made in Bangladesh" brand is a name of trust and confidence in the global fashion industry. In case of sourcing of apparels, the first choice of leading international brands is Bangladesh's apparels. From the overall analysis of the trade performance over the years, the observation is that the gap between export earnings and import payments is frighteningly widening for Bangladesh. Against this backdrop, the study identifies the overall challenges related to international trade and trade policies which disrupt the growth of trade in Bangladesh. In doing so, particularly, the impact of on-going global issues on international trade; excessive dependence on a few export items and markets; sector-specific major challenges and needs assessment; border and behind-the-border trade barriers; different non-tariff barriers; lack of synchronization among the trade policies; impediments in inclusion of women entrepreneurs and cottage, micro, small and medium enterprises (CMSMEs) in formal trade; and challenges of Bangladesh's graduation from LDC etc. have been addressed. Both qualitative and quantitative data analyses have been used while primary data has been collected through interviews from different stakeholders to address the challenges. To encounter these challenges, the study makes some recommendations such as utmost importance has been given on export diversification; major sector-wise recommendations; adequate infrastructural development; removal of NTBs; compliance issues; coherence in policies; introduction of One-Stop Service (OSS) facility; and effective negotiation for bilateral PTA, FTA etc. to facilitate trade, strengthen the performance of the Bangladesh's export sectors, and above all, to improve the country's overall trade balance.

**Key Words:** International Trade, Trade Policy, NTBs, Compliance, Post-LDC Graduation, Bilateral & Regional Trade Arrangements.

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## **1. Introduction**

It is undoubtedly accepted that the real strength of the external sector of a potential economy heavily lies in the export of goods and services. During the 1970s economic growth was slow and export growth was much less than expected. Since early 1980s, Bangladesh trade policy was shifted from import substitution to export promotion and Bangladesh adopted many export promotion measures to improve the country's trade balance. There has been a dramatic change in the structure of Bangladesh's trade whereas the change is quite impressive. After independence, in 1974-75, total export value was only US\$ 391.98 Million<sup>1</sup> while the value stood at US\$ 52.08 Billion in the just-concluded fiscal year 2021-22 that was the country's highest ever export earnings recorded due to record shipment by the readymade garments sector (US\$ 42.61 Billion came from RMG sector)<sup>2</sup>. On the contrary, total import payments amounted to US\$ 722.49 Million in 1974-75 whereas the value was US\$ 89.16 Billion in 2021-22 (Appendix 1: Figure 1.1). In case of import payments over the years, there has also been a drastic change. Jute Goods was the main contributor in export during 1974-75 while its percentage share was 59.27% of total export<sup>3</sup>. On the other hand, at present, readymade garments was the single biggest export earner and its percentage share was 81.82% of total export (Appendix 1: Figure 1.2). In 1978, RMG started its journey to export and the sector achieved remarkable success in 1984-85. Since then, this sector did not require to look back.

The country has taken a range of effective steps to promote export. Bangladesh has achieved success in export but import payments have also increased alongside export earnings. Unfortunately, trade deficit has been widening since its independence and it was the highest in FY 2021-22 (Appendix 1: Figure 1.1). From this perspective, the study focuses on international trade and trade policy related challenges, particularly current global geopolitical issues, extreme challenge in export diversification, Non-tariff Barriers (NTBs) and Non-Tariff Measures (NTMs), problems faced by exporters in borders in terms of infrastructural barriers, testing facilities, excessive documentation, country-

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<sup>1</sup> Export Promotion Bureau (EPB), Bangladesh Bureau of Statistics (BBS).

<sup>2</sup> Author's calculation based on data from the EPB.

<sup>3</sup> Author's calculation based on data from the EPB, BBS.

wise standard certification and testing requirements, non-acceptance of certification from local agencies, manual transaction instead of automated transaction, corruption, high cost of doing business, sector-specific impediments to trade, major barriers faced by SMEs in trade and business, post-graduation challenges, lack of bilateral and regional trade arrangements, challenges in policies related to trade, investment and FDI inflow etc. that hinder the overall trade performance globally.

To combat the challenges, some areas have been identified and recommended where particular emphasis has been given to sector-wise performance, high value-added products, removal of different NTBs, mutual recognition of certification, harmonization among policies and documentation, paperless trade instead of paper-based documentation, automated trade dealings, and bilateral and regional engagements etc.

## **2. Literature Review**

International trade and trade policy have been analyzed for a long time now. The main points of a few important studies are stated below.

One of the publications of BBS, Foreign Trade Statistics (FTS) which provides an overview of the foreign trade of Bangladesh during the five years, 2004-09. It is found that trade balance is very unfavorable. It shows that Bangladesh is highly dependent on consumer goods and industrial raw materials. It states that huge import of industrial raw materials is a positive sign to enhance production of an economy. Rahaman (2003) analyzes Foreign Trade of Bangladesh, its Composition, Performance and Trends during the twelve years, 1991-92 to 2002-03. It is found that export earnings increased with increased import payments during this period. Lastly, major issues & challenges are shown in the study and some policy recommendations are presented to improve the overall trade balance. Raihan (2003) examines the trade barrier index for 108 countries and makes a comparative analysis of Bangladesh's trade barrier indices in a global context. It is found that cross-country variations in trade barrier indices are much influenced by variations in per capita income, population, the ratio of FDI to GDP and literacy rate where Bangladesh has high trade barrier indices. Sharif and Uddin (2003) focus on the leather sector of Bangladesh. It is found that the total production of leather and leather goods showed an increasing trend

over the years and major leading importers of footwear are Japan, UK, Italy and France.

Moazzem (2009) analyzes Export Competitiveness of Bangladesh Apparels in Japanese Market. This study mainly examines Bangladesh's existing export structure to Japan to identify competitiveness, constraints and weaknesses in apparels sector and explores the opportunities for enhancing Bangladesh's export to the Japanese market. Hasan (2012) has conducted a research on Analysis of Leather Industry of Bangladesh. He presents the contribution of leather sector, trends of the development of leather industry, export earnings of leather and footwear during 2001-02 to 2005-06 and above all, overall scenario of leather industry. He also identifies the major problems in the sector.

Shah, Mazumder and Rhaman (2013) focus on the Bangladesh's Export Potentialities in the Indian market: An Analysis. This study analyzes the effect of increased market access in India on Bangladesh and opportunities to expand Bangladesh's trade with India's north eastern states. Khan (2013) has conducted a research which is based on the concept that Shrimp industry, an export oriented industry that has a comparative advantage in cheap labor and ample water resources in shrimp production. Sheshir (2013) identifies the strength and weakness of textile sector in Bangladesh. He shows that Bangladesh has attained tremendous success in RMG exports during the last 25 years. In spite of the global financial crisis this sector experienced phenomenal growth.

One of the publications of International Labour Organization, ILO which provides the report on "Bangladesh Country Report: Trade and Employment" (2013). It presents the overview of the export and import policies in Bangladesh that shows the significant changes in the country's overall trade policy environment (i.e., reductions in its protection for the domestic sectors, radical opening up of trade in many restricted items, decrease of import tariffs, and application of generous promotional measures for exports). It is found that RMG sector is the main beneficiary of the incentives given by the govt. and these facilities have been proved to be less effective for non-RMG sectors. It identifies a number of measures (i.e., analytical policy regime to efficiently support the growth of small enterprises and the informal sectors) for



diversifying export and removing policy barriers to improve the trade policy environment.

Hossain, et al. (2014) have conducted a research on the Pharmaceutical Sector of Bangladesh: Prospects and Challenges. They note that the pharmaceutical industry is one of the most technologically advanced sectors in Bangladesh and a noteworthy feature is that only 3% of the drugs are imported, the remaining 97% come from local companies. Lastly, they conclude that it can be an effective exporting sector of Bangladesh. Nowsher (2022) analyzes Export Diversification - The New Era of Possibilities for Bangladesh. He states that Bangladesh is highly dependent on RMG sector. He emphasizes on product and market diversification (facilities should be given in case of potential products in trade policies) to encounter the upcoming challenges after graduation from LDC.

One of the publications of the WTO and EIF Secretariats, issued in 2022, examines the impact of graduation from LDC status and reviews how graduation can affect LDCs' participation in the WTO. It analyzes the export structure of graduating LDCs and the changes in trade flows after graduation. It also investigates additional tariff costs of all graduating LDCs including Bangladesh due to loss of preferences after graduation.

From the analysis of the relevant literature it is clear that there is a lack of empirical studies on International Trade and Trade Policy Challenges in Bangladesh. More specifically, no noteworthy analysis has been conducted on the issue. I believe this study will help to fill the gap. With this aim in mind, the main objective of this study is to focus on identification of the overall challenges related to International Trade and Trade Policy in Bangladesh and on making recommendations to combat existing and upcoming challenges the country may encounter in the future.

### **3. Methodology**

The study focuses on conducting an in-depth analysis of the challenges in the international trade and trade policies in Bangladesh at a glance. To conduct the study, the study used data obtained from both primary and secondary sources. With structured questionnaire, primarily data collection was based on qualitative approaches such as interviews from different stakeholders,

particularly, from producers, exporters, sector-experts and product group specific associations, processors, women entrepreneurs, MSMEs, market authorities, freight forwarders, business chambers, Bangladesh Accreditation Board (BAB), Bangladesh Standards and Testing Institution (BSTI), port authorities, and Customs etc. to find out major sector-wise trade-related challenges (sectors i.e., RMG, Leather, Leather Products, Leather Footwear, Frozen & Live Fish, Plastics, Jute and Jute Goods, Software and IT, Handicraft products, and Furniture etc.); to identify major barriers to trade (i.e., non-tariff barriers); to examine other challenges; and to make sector-specific recommendations. In addition, data collection on post-LDC graduation challenges related to trade and challenges on trade policies of Bangladesh has been conducted from policy makers, academia, different ministries, and government agencies / departments related to the product groups, etc.

The study conducted an extensive desk review of existing studies; reports; information; sector-wise case studies; documents and articles related to trade (i.e., country-wise specific requirements to export, mandatory certification, SPS, TBT, NTBs, NTMs, country-wise different guidelines for getting preferences); WTO legal texts; all relevant rules/regulations/policies; existing agreements; regulatory frameworks; published papers and policy documents of the govt., think-tank organizations and other international bodies; international best practices; Trade Policy Review of different countries; existing feasibility studies of other countries; different industry related policies such as National Industrial policy 2016 & 2022, Export policy 2021- 24, Govt.'s Five Year Plan, DTIS; and different acts including Customs Tariff Act etc.

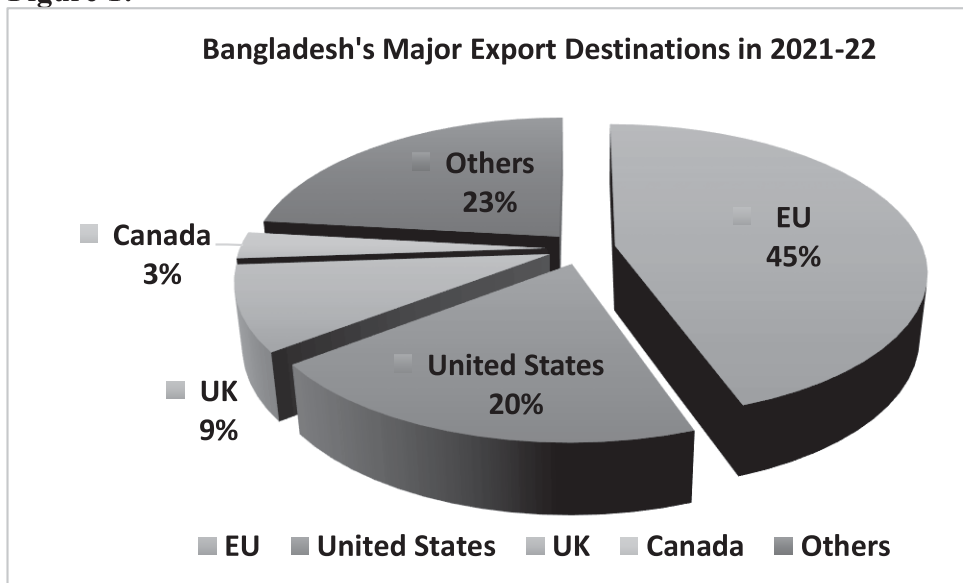
Quantitative analysis has also been done. As after graduation from LDC, Bangladesh would not be eligible to enjoy any LDC-specific special preferences, the country has to go for signing FTA/PTA with potential trade partners to retain these preferences. But the country may face revenue loss due to free trade agreements. In that context, quantitative analysis has been conducted to examine the effects of Total Import-related Taxes on Total Tax Revenue of the govt. due to signing Free Trade Agreements (FTA).

#### **4. International Trade and Trade Policy Challenges in Bangladesh: Description of Findings and Analysis**

##### **4.1 Limited product coverage:**

Concentrated export basket and dependency on a few export markets are the major limitations in the area of international trade in Bangladesh where only RMG accounts for almost 82% of total exports (44.64% of total exports of Bangladesh came from knitwear and 37.30% came from woven garments in FY 2021-22<sup>4</sup>). Moreover, the USA and the EU import 65 % of the total export of Bangladesh (Figure 1).

**Figure 1:**



**Source:** Author's calculation based on data from Export Promotion Bureau.

High dependence on a few export items and export destinations is never good for a country in terms of the sustenance of business although Bangladesh has a very strong presence in RMG sector.

- In fact, heavy dependence exists within sector, for instance, in case of RMG sector, t-shirts, shirts, trousers, sweaters, jackets, cover the major share of

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<sup>4</sup> Author's calculation based on data from EPB.

76 % of total export of RMG. These put the economy in a vulnerable position. The first reason is domestic supply side constraints which relate to infrastructure, proper governance, communications and ports (Rahman, 2003).

#### **4.2 Russia-Ukraine conflict, worldwide inflation and on-going dollar crisis:**

Fuel and food price hikes due to prolonged Russia-Ukraine conflict, on-going trade tensions and economic slowdown in major markets, and risk of the economic recessions are now certainly concerning for us. Besides, inflation uptick worldwide affects the demand for consumer goods including fashion items in the international market. Due to on-going dollar crisis, it has been difficult for traders to open Letters of Credit for importing essential products.

**4.3 Non-tariff Barriers (NTBs) and Non-Tariff Measures (NTMs):** NTMs, different types of NTBs and para-tariff barriers are the major challenges for the country that hinder the export to potential export destinations and create unnecessary burden for the exporters although countries (i.e., India) provide duty free market access to different products from Bangladesh.

- I. The country faces NTBs, i.e., different types of standard testing certification requirements; in some cases, non-recognition of local testing bodies, i.e., Department of Agricultural Extension (DAE), Bangladesh Food Safety Authority (BFSA), BSTI and its testing certificates; certification requirements from other testing bodies in foreign countries; inadequate warehouse and testing facilities at the border; and traceability issues etc. (findings from the interview).
- II. NTMs include Anti-Dumping Duty (ADD), Countervailing Duty (CVD), Sanitary and Phytosanitary Measures (SPS), Technical Barriers to Trade (TBT) issues, specific packaging requirements, labeling requirements in different languages, different patterns and sizes of cartons, and frequent changes in rules and regulations etc.
- III. Another major NTB is unnecessary trade documentation and processes. For instance, under SAFTA<sup>5</sup>, for every shipment to India, Bangladeshi exporters need to submit excessive documents, i.e., 15 copies of SAFTA

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<sup>5</sup> South Asian Free Trade Area (SAFTA).

certificate, 15 copies of commercial invoice and 15 copies of packaging list etc.<sup>6</sup>.

IV. In India, Bangladeshi exporters face different NTBs, NTMs, ADD on Bangladeshi jute goods, hydrogen peroxide and fishing net.

- India has allowed tariff and quota free access of Bangladeshi products to Indian market but in some cases there are still now non-tariff barriers in export of products. Recently, total exports to India have been increased but even after that the trade deficit with India is huge. It is disappointing for Bangladesh while India is the major trading partner of Bangladesh.

#### **4.4 Major sector-wise challenges in export:**

##### **Ready-made garment (RMG) Sector (HS Code:61&62):**

##### **(a) Knitwear (HS Code: 61) & (b) Woven Garments (HS Code: 62)**

- In spite of being the second largest exporter of RMG, the country is heavily dependent on imported raw materials, such as cotton, petro-chemicals and chemicals. Currently, value addition has been fluctuating due to high prices of raw materials.
- US\$ 100 Billion export target from RMG would not be easy as the country is set to lose duty-free export benefits from different destinations except EU after 2026.
- The country is getting highly LDC-friendly Rules of Origin (ROO), i.e., for the apparel sector, only a single stage conversion requirement in the EU and a flat 25 percent domestic value addition requirement<sup>7</sup>. After graduation, this ROO criteria is going to be more stringent. ROO system of GSP+ is much stricter than EBA, requiring double transformation of textile goods.
- Bangladesh, as an LDC, is getting DFQF facility for all products except arms and ammunition under EBA (Everything But Arms) in EU<sup>8</sup> and it will continue till 2029 for Bangladesh. Because of the regional trading

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<sup>6</sup> Findings from the Interview.

<sup>7</sup>“*Trade impacts of LDC graduation*” World Trade Organization (WTO), Enhanced Integrated Framework (EIF),  
Retrieved from [https://www.wto.org/english/news\\_e/news20\\_e/rese\\_08may20\\_e.pdf](https://www.wto.org/english/news_e/news20_e/rese_08may20_e.pdf)

<sup>8</sup> Regulation (EU) No 978/2012 of the European Parliament and of the Council, 25 October 2012, applying a scheme of generalised tariff preferences and repealing Council Regulation (EC) No 732/2008.

arrangements (RTAs), i.e., Viet Nam-EU FTA<sup>9</sup> (which allows a major competitor of Bangladesh, i.e., Viet Nam, a non-LDC developing country, to get duty free access in the European market), the Bangladeshi apparel sector faces stiff competition from Viet Nam. After 2029, apparels made by Bangladesh would have to pay duty to enter into the EU market while Vietnam's apparels would get duty-free access to the EU market due to Viet Nam-EU FTA. That would create serious hurdle for the RMG sector of the country as EU is the largest export destination for Bangladesh's RMG sector.

- Other major barriers are energy crisis; inadequate supply of gas; long lead time; high transport costs; high cost of production; absence of innovative design centres; deficiency of creativity in producing design; lack of - product diversification, high-value added products, investment, new technology, R&D both on product and market; and lack of enough facility for internationally accredited testing facility. On the other hand, graduating out from LDC and fulfilling conditions for EU GSP Plus are now threats for the sector. Bangladesh's trade preference is being marginalized with increasing number of RTAs and FTAs among other countries that would also create challenge in the days ahead (findings from the interview).

**Leather (HS Code: 41), Leather Products (HS Code: 42-43),**

**Leather Footwear (HS Code: 6403):**

Due to lack of effective management and non-compliance issues, raw leather is being imported to make leather products though this most potential sector makes 100 % value addition.

**Major barriers** are lack of capacity in using Central Slaughtering House during Eid-ul-Azha; unskilled seasonal butchers; lack of availability of upgraded technology and technical knowledge in using cooling techniques to preserve hides; lack of physical infrastructure at the Savar Tannery Estate; absence of international standard compliance; poor traceability; lack of mandatory LWG (Leather Working Group) certification for export due to non-compliance issues (Very few are LWG certified, i.e., Apex Footwear Ltd., Tannery Unit, and exporters get 30 to 40 per cent lower prices for that); lack of finance in

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<sup>9</sup> European Commission

([https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/vietnam/eu-vietnam-agreement\\_en](https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/vietnam/eu-vietnam-agreement_en))



compliance ensuring infrastructure; and shortage of skilled workforce (Inadequate training programmes on buyers' quality requirements, waste management, cooling techniques and health safety issues of the workers at tannery etc.)<sup>10</sup>. Flay cuts in hides and skins are also created as manual ways are followed. **Main threats** for the sector are absence of a fully functional Central Effluent Treatment Plant (CETP) at Savar (Very few have own Effluent Treatment Plant, i.e., Bay Footwear Ltd., Apex Footwear Ltd. due to high cost) and dumping of solid waste that pollutes near the Dhaleshwari.

**Agricultural Products (HS Code: 04-24): Vegetables (HS Code: 07), Fruits (HS Code: 08), Spices (HS Code: 0910), Dry Food (HS Code: 19)**

Developed countries are now conscious on quality issues. Standard testing certification is required for every stage from production to freight agricultural and food products, according to buyers' requirements.

- Good Agricultural Practices (GAP) Policy was formulated in 2020 in line with International Standard requirements, but not implemented yet.
- Different tests have been done from a third country, i.e., Singapore as local testing bodies do not have the testing facility. In some cases, vegetables are being exported with the mark of our neighbouring countries<sup>11</sup>.
- According to one of the country's leading vegetable and potato exporters, this sector cannot supply according to the demand due to shortage of vessels dedicated to transporting agricultural products, as most of the vessels are now busy in carrying Europe-bound RMG.
- Another major concerning issue is notable hike in freight charges. Freight cost for each container (28 tonnes) of potato or cabbage is US\$ 800- US\$ 1,200 from the beginning of FY 2021-22, which was US\$ 500- US\$ 600 earlier<sup>12</sup>.
- Exporters cannot comply with international standard quality requirements in export:

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<sup>10</sup> Findings from the Interview.

<sup>11</sup> Findings from the interview.

<sup>12</sup> The financial Express, *Vessel, freight problems hit potato export*, February 12, 2022. Interview findings.

- a) Very recently, puffed, chinigura rice from Bangladesh have been banned by the Sweden due to the presence of two chemicals (carbendazim and tricyclazole), elements found in pesticides.
- b) Japan found Aflatoxin contamination in exported chanachur from Bangladesh.
- c) According to the BFSA, buyers do not want to import potatoes from Bangladesh due to the presence of a harmful bacteria<sup>13</sup>.
- d) Buyers do not recognize the testing certificates of the local testing bodies. Most of the testing labs are not well equipped to detect harmful materials in food products mainly in processed and imported foods. Only 50 out of around 1,500 laboratories in the country have the capacity to a limited number of food tests<sup>14</sup>. They do not have enough technical capabilities to detect food adulteration by toxic chemicals or radioactive materials.
- e) Procedural obstacles and compliance with SPS standards in the EU and US remain a challenge and a heavy burden for Bangladeshi agro-processing exporters, specifically, for SMEs.
- f) Lack of comprehensive plan for contract farming to ensure uniform quality of the produce and to comply with the requirements of the importing countries.
- g) Other major barriers are high testing costs, high airfreight charge for vegetable exports, high transportation costs, transportation related delays, poor transportation facility, shortage of workers in packaging, temperature control system, access to finance, access to cash incentives, subsidy provided by the Govt., lack of- international standard testing labs, GAP, modern technology, traceability, and lack of modern storage facility and warehouses for storage (findings from the interview).
- h) Testing facilities at the border, i.e., to export to India, exporters are asked to test the products in their nearby testing labs. In most cases, there is no modern testing facility at the border and near any land port, in that case exporters need to test the vegetables, fruits in a long

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<sup>13</sup> The Business Standard, *Potato export disrupted due to presence of harmful bacteria: BFSA*, 10 September, 2022. Findings from the interview.

<sup>14</sup> The Financial Express, *Food testing labs need major improvement*, Jan 20, 2021.

distance. In doing so, quality of perishable fresh fruits and vegetables is deteriorated<sup>15</sup>. That ultimately not only increases costs for Indian importers, but also results in harassment for Bangladeshi exporters. In fact, importers based in northeast India face more difficulties as most labs are in the western India<sup>16</sup>.

**Frozen & Live Fish (HS Code: 01-03):**

Very recently, China banned exported live crabs and eels from Bangladesh due to the presence of excessive harmful substances. Saudi Arabia has continued its restriction on farm-raised fishes. EU banned shrimps exported from Bangladesh. Due to health hazardous bacteria and the shipment suspension of various sea-foods from Bangladesh (i.e., fish, shrimp, squid, mussels, oysters, etc.) to Qatar in 2022, exporters faced huge loss for the past couples of months and faced difficulties in export of such foods to other countries of the Middle East region.

**Other barriers:** There has been a radical change in the shrimp export as 'Vannamei' or king prawn variety replaced traditional 'black tiger' or 'Bagda' species of shrimp. But to date, the Govt. did not allow to start commercial farming of it while Vannamei, the 'king prawn' now contributes 80 per cent of the global market share<sup>17</sup>.

**Plastics (HS Code: 39):**

Major difficulties faced by the sector are absence of standard testing lab, absence of parametres testing facilities, shortage of skilled manpower, higher testing costs, lack of- knowledge on raw material sourcing, traceability system, and lack of use of modern technology and machinery. In some cases, tests are being done from 3<sup>rd</sup> party service providers (i.e., Bureau Veritas, Intertek, SGS etc.) in foreign countries (i.e., China, India and Singapore) instead of doing these tests in these 3<sup>rd</sup> party service providers in home country, according to buyers' requirements<sup>18</sup>.

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<sup>15</sup> Findings from the Interview.

<sup>16</sup> The Financial Express, *Challenges for Bangladeshi exports to India*, August 14, 2018. Interview findings.

<sup>17</sup> The Financial express, *Recovering lost shrimp market*, Apr 25, 2022.

<sup>18</sup> Findings from the interview.

- **Suspension of GSP facility in USA:** The US government suspended the GSP (Generalized System of Preferences) facility for Bangladesh exports, and potential export sectors including plastic and ceramic sectors are affected for that.

**Jute and Jute Goods (HS Code: 53, 630510):**

Anti-dumping duty (ADD) and other non-tariff barriers, frequent change in rules and regulations imposed by India pose threat for the exporters of the sector.

In 2017, India imposed ADD on import of jute products including jute yarn, twine, hessian fabric and jute sacking bags from Bangladesh for five years. Again India extended ADD ranging from \$19 to \$351.72 a tonne on 30<sup>th</sup> December, 2022.

In addition, India initiated an anti-subsidy investigation to impose **CVD** on imports of jute products from Bangladesh. But it is not supported by the WTO rules, a country cannot impose both anti-dumping and countervailing duties on the same product.

- As per *Sub section 5 under Article VI of the GATT of the WTO rules*, ‘No product of the territory of any contracting party imported into the territory of any other contracting party shall be subject to both anti-dumping and countervailing duties to compensate for the same situation of dumping or export subsidization’<sup>19</sup>.
- India itself has adopted the principle in *SECTION 9B (a) of its Customs Tariff Act, 1975*, which says that “no article shall be subjected to both countervailing duty and anti-dumping duty to compensate for the same situation of dumping or export subsidization”<sup>20</sup>.

In addition to that

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<sup>19</sup> WTO, Analytical Index of The GATT.

[https://www.wto.org/english/res\\_e/booksp\\_e/gatt\\_ai\\_e/art6\\_e.pdf](https://www.wto.org/english/res_e/booksp_e/gatt_ai_e/art6_e.pdf)

<sup>20</sup> India, THE CUSTOMS TARIFF ACT amended upto may, 2017 by Act 18 of 2017.pdf

<https://www.cbic.gov.in/resources/htdocs-cbec/customs/cs-act/THE%20CUSTOMS%20TARIFF%20ACT%20amended%20upto%20may,%202017%20by%20Act%2018%20of%202017.pdf>

- As per the WTO rules, Bangladesh could offer subsidy to a sector as an LDC and the govt. has been giving subsidy to the sector in compliance with the WTO rules. India claimed that Bangladesh's jute export to India had increased while sales of their jute products along with the market share had declined due to the subsidy. These claims were not true.

In case of Bangladesh, exporters are suffering due to anti-dumping duty on finished goods but in case of India, they are taking raw jute from Bangladesh for their own mills<sup>21</sup>. Other major obstacles are unpredictability of raw material prices, shortage of skilled workforce, higher production costs, lower export prices, and corruption and mismanagement.

**Software and IT sector:** Major challenges are foreign exchange regulation and revenue issues, access to funding, poor internet connectivity and infrastructure, and lack of skills for high-end IT products.

**Handicraft products (HS Code: 46):** Producers are producing a large variety of handicraft products in Bangladesh but unfortunately, the numbers of exportable products in the sector are not many. Major barriers are lack of incentives to use technology, capabilities in producing large volume, inadequate information of current market trends, and an absence of marketing facilities.

**Fishing trawlers (HS Code: 89):** Fishing trawlers are being produced in Bangladesh. But there are now more benefits in importing these trawlers than in making these domestically. This new domestic industry survives only for its own product quality.

**Furniture (HS Code: 94):** Its global market size is US\$ 700 Billion and it meets 95% of domestic demand. Exporters are now eyeing to boost its global market share. Major impediments:

- Heavy dependence on imported raw materials including hardware, lacquer and fabrics. 70% of the raw materials in the furniture industry has to be imported. Though 15 per cent cash incentives is provided as an alternative to duty drawback, but the support is inadequate given heavy duties and taxes on raw materials for furniture. In many cases, the duty, tax and VAT

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<sup>21</sup> Findings from the interview.

combined are over 100% and 20% supplementary duty<sup>22</sup> on several furniture raw materials create hurdles to flourish the sector. Backward linkage industry has not developed as compared to Viet Nam (its backward linkage is very strong).

- High interest rates on bank loans and absence of bonded warehouse facility.

**4.5 Discontinued products in export basket:** Based on export data analysis over the last 4 years, it is found that every year new products enter into export basket and disappear also (i.e., fresh vegetables, plastic products, and chemical products etc.<sup>23</sup>).

**4.6 Challenges in active participation of SMEs, women and young entrepreneurs in formal trade:** In some cases, products exported by SMEs face challenges in complying international rules and regulations relating to the standard and quality, troublesome trade processes, online documentation, trade transaction, finance, and market access related information and knowledge etc. Eventually, in most cases, they are compelled to drop out from the stiff competition.

**4.7 Bonded warehouse facility (Duty free facility given on imported raw materials of export oriented industries):** Due to absence of monitoring cell, in some cases, exporters used imported raw materials under bonded warehouse facility in case of domestic sale.

**4.8 Country-wise high tariffs:** Some products face high import tariffs in non-traditional markets, i.e., Africa.

**4.9 Post-LDC graduation challenges:**

Bangladesh is standing on the threshold of a formal graduation from the LDC status to a developing nation in 2026. After graduation, the country will no longer be entitled to enjoy any LDC-specific special benefits<sup>24</sup>. For instance:

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<sup>22</sup> The Business Standard, *Heavy taxes an impediment for furniture export growths*, 06 October, 2022.

Findings from the Interview.

<sup>23</sup> Author's calculation based on export data from EPB.

<sup>24</sup> World Trade Organization.



**(i) Duty-Free-Quota Free (DFQF) market access either under GSP or EBA from 52 countries<sup>25</sup>:**

- a) As an LDC, Bangladesh is getting DFQF facility in all the developed countries except the USA and it is one of the major reasons behind the increase in export earnings of the country (Around 70 per cent of Bangladesh's export is carried on under the DFQF facilities). After 2026, the country would not be able to enjoy this facility from developed nations except EU.
- b) The country, as an LDC, is also getting special market access facilities in different RTAs such as SAFTA, APTA<sup>26</sup> etc. For instance, under SAFTA, Bangladesh, as an LDC, is getting duty-free access to India for all products except 25 (i.e., tobacco and alcohol)<sup>27</sup>. Under APTA, 98% of Bangladesh products has been eligible under DFQF access in China. After 2026, the country will lose these preferences.

**Table 1: In case of Bangladesh Additional tariff costs due to loss of preferences following graduation:**

(Partial Equilibrium Analysis by WTO, EIF)

Value (US\$ '000)	% of Total Exports of Bangladesh
2,427,896	6.5

**Source: Trade impacts of LDC graduation, WTO, EIF.**

- c) According to the UN rules, 'a country having a population of 75 million or more is not allowed to, officially, revert to the status of an LDC **once it comes out of that status**'. So, Bangladesh with its more than 160 million population, cannot go back to LDC again even if it fails to sustain its performance.

<sup>25</sup> Bangladesh Investment Handbook, A guide for investors, Bangladesh Investment Development Authority (BIDA).

<sup>26</sup> Asia-Pacific Trade Agreement (APTA).

<sup>27</sup> Trade Policy Review, India, Report by the Secretariat, WTO.

**(ii) Exemptions in Trade-Related Intellectual Property Rights (TRIPS):** Bangladesh, as an LDC, has been exempted from providing protection to IPRs on pharmaceutical products under the WTO TRIPS Agreement. After 2026, the country would not be entitled to the exemptions in TRIPS facilities.

**(iii) Rules of Origin (ROO) Criteria:** The country, as an LDC, is getting privileges in terms of ROO in different RTAs (i.e., SAFTA, APTA etc.) and for instance, ROO criteria under SAFTA, is 30% value addition for Bangladesh but after 2026, this would be 45%. ROO criteria under APTA, is 35% value addition for Bangladesh and this would be 45% after graduation<sup>28</sup>. Bangladesh might face difficulties in satisfying the value-addition criteria.

**(iv) Loans at concessional rates of interest:** After graduation in 2026, credits and loans at concessional rates of interests from international sources, including the multilateral donor agencies- World Bank, ADB, IMF, and Japan International Cooperation Agency (JICA), would not be available and that would be replaced by their normal chargeable rates.

**(v) Difficulties in providing cash assistance and subsidies:** According to the WTO policies, after 2026, it would not be possible for Bangladesh to provide cash incentives/subsidies to the export oriented goods or services.

**(vi) Technical assistance and trade-related capacity building support under EIF, WTO:** Bangladesh, as an LDC, is getting the support from the EIF of the WTO in terms of the technical assistance and trade-related capacity building including addressing critical supply-side constraints that would ultimately increase participation in the international trading system. These will no longer be available after 2026.

**(vii) Trade Facilitation Agreement (TFA) under the WTO:** In terms of measures relating to the TFA, Bangladesh is getting some flexibilities (Specifically in Category A, B, C) as an LDC which would not be available after 2026.

**(viii) WTO-led Aid-for-Trade Initiative:** It supports LDCs who face a range of supply-side and trade-related infrastructure barriers to engage in international trade.

**(ix) Double graduation challenges:** The impact and challenges for Bangladesh in the coming days are even more significant as it is experiencing

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<sup>28</sup> “Trade impacts of LDC graduation”, WTO, EIF.

double graduation. First is the graduation from the LDC status to a developing one, and the second and also very significant one is the graduating to a Lower Middle Income Country (LMIC) from low income country. The LMIC status is specified under the World Bank criteria which determines the conditionality of financing provided by the WB. The LMIC status has already been exposed Bangladesh to blended loans instead of soft loans or IDA which will soon be converted to a total un-concessional or hard loans. These also have impacts on the overall trade competitiveness.

**(x) Bi-lateral or Regional Trade Agreements:** Since Bangladesh will be losing out on many of the unilateral preferences which are non-reciprocal in nature, for retaining preferential access to different markets, the country would have to enter into bi-lateral arrangements. Bi-lateral arrangements, i.e., PTA<sup>29</sup> or FTA would mean that Bangladesh would also have to provide tariff<sup>30</sup> preferences and other preferences to the partner countries and, therefore, would have some implications for itself such as revenue loss. Based on data from BER 2022 and NBR, about 29.69 % of total tax revenue came from import related taxes<sup>31</sup> in 2020-21 that indicates high revenue loss if it grants duty-free market access to other countries' products i.e., Chinese products by signing the FTA deal (**Appendix 2**).

Here, Causal research design is used to examine the impact on dependent variable from variations in independent variable (Ahamad, 2017). Causal research examines cause-effect relationship (Ahamad & Das, 2018). Dependent variable is Total Tax Revenue and independent variable is Total Import-related Taxes where Total Import-related Taxes = Import Duty+ VAT (at import level) + Supplementary Duty (import level).

### **Model Specification:**

The data analysis method used was based on simple linear regression model. The regression model took the form of:  $Y = \beta_0 + \beta_1 X_1 + u$ .

$$\begin{aligned}\text{Total Tax Revenue} &= \alpha + \beta_1 \text{Total Import Related Taxes} + u \\ \text{ttltxrvn} &= \alpha + \beta_1 \text{ttlimportx} + u\end{aligned}$$

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<sup>29</sup> Preferential Trade Agreements (PTA).

<sup>30</sup> The average tariff of Bangladesh is above 14%.

<sup>31</sup> Import Duty, VAT (at import level) & Supplementary Duty (import level).

And sample regression line equation:  $ttltxrvn_i = \hat{\beta}_0 + \hat{\beta}_1 ttlimprtx_i + \hat{u}_i$

**Hypothesis:** Null and alternative hypotheses are developed as follows:

Null Hypothesis,  $H_0: \beta_1 = 0$

Alternative Hypothesis,  $H_1: \beta_1 \neq 0$

### **Results and Discussion: Regression Analysis:**

There is a linear relationship between dependent (Total Tax Revenue) and independent variable (Total Import-related Taxes) (Appendix 3: Figure 3.1).

#### **Regression Result:**

Here, result,  $P > |t| = 0.001$  indicates Null Hypothesis is rejected. Coefficient is statistically significant at 1 % level of significance. It indicates that Total Import-related Taxes have a significant positive impact on Total Tax Revenue (Appendix 3: Table 3.1).

#### **Post-estimation Diagnosis:**

##### **1. A. Heteroscedasticity test (Graphically):**

Here, the plots of the residuals against the fitted values and the pattern show the model is clearly homoscedastic (Appendix 3: Figure 3.2).

##### **B. White's General Heteroscedasticity Test:**

Here,  $p\text{-value} = 0.3326 > 0.05$  that indicates  $H_0$  is accepted and there is no heteroscedasticity problem in the model (Appendix 3: Table 3.2).

##### **C. Breusch-Pagan Test:**

Here,  $p\text{-value} = 0.7750 > 0.05$  that indicates  $H_0$  is accepted and there is no significant evidence of heteroscedasticity in the model (Appendix 3: Table 3.3).

##### **2. Specification Error Tests:**

##### **A. Omission of a relevant variable (s): RAMSEY's RESET Test:**

Here,  $p\text{-value} = 0.7829 > 0.05$  that indicates  $H_0$  is accepted and the model has no omitted variables (Appendix 3: Table 3.4).

## **B. Adopting the wrong functional form:**

Here, p-value of the variable,  $\_hatsq = 0.825 > 0.05$  that is insignificant that indicates the model has appropriate functional form (Appendix 3: Table 3.5).

### **4.10 Challenges in FDI inflow in Bangladesh:**

There are still substantial barriers in doing business, i.e., it takes an average of 271 days to transfer a property title in Bangladesh while almost six times longer than the global average of 47 days. According to the World Bank, to get electricity connection in Bangladesh, a new business needs 150.2 days, whereas in Vietnam it takes 31 days, in Singapore 30 days, in Malaysia 24 days and in neighbouring India 55 days<sup>32</sup>. Other reasons that have seriously impact on the cost of doing business<sup>33</sup> are:

- inability to repatriate earnings; bureaucratic tangles in business operations and obtaining various licenses; challenges of payment methods; non-transparent rules and inadequate enforcement of property rights; red tape and corruption; hidden costs relating to procedure, policy, law and infrastructure; poor immigration and customs; and lack of skilled labour etc.

### **4.11 Land Customs Infrastructure:**

There are still many challenges in the land port, i.e., in case of electronic tracking of truck entry and exit, electronic queuing and smart parking, and harmonization of the customs process and trading arrangements. Case 1: Most land customs stations in the Indian side do not have warehouse facilities for imported goods. In that case, before completion of customs formalities for clearance, products from Bangladesh are kept in the open space that eventually damages the products<sup>34</sup>. Case 2: ‘At first, from India, when a truck reaches at the port it needs to be unloaded, then the products require to be loaded on to another truck in Bangladesh, then it heads for its final destination. This trading

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<sup>32</sup> The Daily Star, *Why is foreign direct investment so low in Bangladesh and how to increase it?* August 23, 2021. Findings from the interview.

<sup>33</sup> Interview Findings.

<sup>34</sup> Findings from the interview.

procedure is highly costly and time consuming'. Case 3: 'In the case of exporting or importing, it requires to go through the customs processing twice, i.e., first someone has to go through customs processing in India, then again in Bangladesh. That increases costs of doing business. The end, for that, the consumers have to pay the price'<sup>35</sup>. To meet the challenges, the Govt. is going to approve a project to modernize the country's major customs stations in Chattogram, Dhaka and Benapole at a cost of Tk1,686.46 crore.

#### **4.12 Challenges in policy formulation, policy analysis and implementation:**

- Over the years, in different policies, almost same benefits and incentives (duty drawbacks, cash incentives) are being provided to different sectors (i.e., same facilities are given to both highest priority sectors and special development sectors in Export Policy 2015-18 and Export Policy 2021-24<sup>36</sup>). But these facilities should be specific and category-wise different.
- Sectors which are being provided with various preferences as highest priority and special development sectors in policy for a very long time but are not being able to perform satisfactorily (Appendix 4: Table 4.1).

#### **4.13 Absence of Coherent Trade Policy: A Major Challenge in the Trade Policy of Bangladesh:**

Lack of coherence can be labelled to be the major challenge in the Trade Policy of Bangladesh. It is often seen that the policies are not focused to a specific vision. If the policies are not in coordination, the desired outcomes are not attained in most cases. This also creates confusion among businessmen and ultimately the policies do not work as facilitators, rather they create constraints. To diversify both export items and markets, various cash assistance, subsidized rate in credit, utilities, and special economic zones etc. facilities are given to encourage 14 highest priority sectors in Export Policy 2021- 24. However, to facilitate the overall trade, other policies such as Import Policy Order, Investment Policy, and Customs Act etc. are also vital.

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<sup>35</sup> Source: The Business Standard, 21 August, 2022.

<sup>36</sup> Author's analysis based on information from the Export Policies: 2015-18 & 2021-24 and EPB.



To diversify exports, imports must be given equal significance as exports and imports go hand in hand for the case of Bangladesh. In the import policy order, necessary imports for these sectors have not been given flexibilities and facilities in most cases, i.e., high duties are imposed on imported raw materials for making furniture and on the contrary, facilities are also given in furniture export. This creates obstacle in terms of operationalizing the incentives provided in the Export Policy by creating an anti-export bias.

Similarly, trade and investment go hand in hand. To attract investment, Investment Policy must focus on these sectors and provide necessary support to facilitate investment. However, only 7 sectors are considered as high priority sector in the Investment Policy 2016, which includes only 6 of the highest priority sector quoted in the Export Policy 2021-24. Lack of harmonization among policies is visible here. In addition, Customs Act, VAT and Tax structures must also be in line with other trade-related policies. Bangladesh must look into the matter seriously.

## **5. Recommendations**

Based on the analysis made in the preceding section, the study provides some concrete recommendations to facilitate trade and to increase export from Bangladesh.

**5.1** The proposed Comprehensive Trade Policy must come into force as soon as possible.

**5.2** Regular policy reforms should be carried out. Benefits should be more specific for different sectors in different policies. Extensive studies along with stakeholders' consultations is necessary before selecting the sectors under different categories. Sectors which are given facilities, should be seriously examined to understand the reasons behind unsatisfactory export figures and those issues should also be addressed while framing the upcoming policy.

**5.3** Elimination of non-tariff barriers of trade in goods has to be solved as early as possible through effective negotiation.

**5.4** Specific area should be identified to provide OSS<sup>37</sup> facility. Efforts must be undertaken to integrate services with OSS facility of BIDA and to include those which are not included in BIDA.

**5.5** As the country will graduate in 2026, increase in FDI is crucial to keep the economy vibrant; to develop existing infrastructure in transport services and ports; and to meet the growing need for the development especially in diversified industries ranging from apparel to healthcare, backward linkage industry and logistics<sup>38</sup> (Appendix 4: Table 4.2).

**5.6** The Bangladesh Bank must take effective measures independently to ensure appropriate macroeconomic policies including price stability and an appropriate exchange rate (Rahman, 2003).

**5.7 Sector-wise Recommendations:**

**Readymade garments and leather, leather products, footwear:**

In case of RMG, special emphasis should be placed on -

- developing a backward linkage industry for woven segment;
- ensuring policy supports, including cash incentive for non-cotton or manmade fibre (MMF)-based garments;
- ensuring uninterrupted supply chain and free flow of energy and power;
- introducing joint venture in textile and fashion design institute; and
- exploring high value added items and new markets<sup>39</sup>.

In case of leather, leather products and footwear, strong efforts should be made to -

- obtain the LWG's certification through ensuring compliance and standards;
- ensure fully functional CETP in Savar;
- develop efficient supply chain and backward linkage;

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<sup>37</sup> One Stop Service (OSS).

<sup>38</sup> More FDI is needed for establishing warehouse and cold-storage facilities to preserve fresh vegetables, fish, meat and frozen food in country's all types of port areas. Interview Findings.

<sup>39</sup> Findings from the Interview.

- establish cold storages and modern slaughter houses at district levels;
- ensure that hides would be machine-pulled instead of manual ways to avoid flay cuts in hides and skins, and well-trained butchers; and
- organize trainings on standard quality requirements, waste management, cooling techniques and health safety issues of the workers etc.<sup>40</sup>.

### **Agricultural products and shrimp:**

Technical support is required to meet SPS requirements. It has to ensure cold storage facilities and easy access to get incentives, generate skilled workforce through training, improve capacity of local testing agencies, and to establish global standard testing lab etc. Based on the results from the pilot projects, if the government allows commercial cultivation of vannamei species of shrimp<sup>41</sup>, export earnings would double in five years<sup>42</sup>.

### **Software and IT Sector:**

Skilled manpower with expertise in block chain, 3D technology and virtual reality; development of IT infrastructure - High-Tech Park, Software Technology Park; favourable environment for tech startups; and high-speed internet service everywhere, must be given precedence over other areas within sector.

### **Furniture:**

Separate Economic Zone; development of backward linkage industry; decreasing rate of customs, supplementary and regulatory duties on the imported raw materials<sup>43</sup>; bonded warehouse facility; supply of certified timber;

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<sup>40</sup> Findings from the Interview.

<sup>41</sup> The Daily Star, *Govt. to allow commercial farming of vannamei*, Jan 6, 2023. Findings from the Interview.

<sup>42</sup> In 2023, very recently Qatar has lifted its temporary ban on import of Bangladesh seafood. Requirements related to quality control and issuance of certificates have been maintained according to the Fish and Fish Products (Inspection and Quality Control) Rules-1997 (amendments 2008, 2014 and 2017).

<sup>43</sup> Findings from the Interview.

and reduction of lead time are important to promote export and should be given priority.

**5.8** Reasons behind discontinued products in export basket for the last 5 years, should be properly examined and export basket should be monitored also at a time<sup>44</sup>.

**5.9** Inclusion of potential sectors under digital platform is necessary for sharing updated information about export market and technology to the exporters. It was done only for four sectors including leather, leathergoods and light engineering.

**5.10** In diversifying products, it is required to promote women entrepreneurs and CMSMEs through improved access in terms of financial, infrastructural, and technical support (i.e., online business registration and online customs valuation).

**5.11** Introducing electronic system for all kind trade and Customs transactions along with eliminating red tape and simplifying business procedures, should be accentuated. It is must to expedite the movements, releases and clearance of goods across borders that will help to reduce the cost of trade and business<sup>45</sup>.

**5.12** Foreign diplomatic missions and commercial wings can play pivotal role to organize buyer-seller meet and trade fairs to find new markets. If it can be done properly domestic producers will be benefitted.

**5.13** The country has to negotiate with trading partners (including EU to obtain GSP+ facility) to continue its market access. It is also required to explore the possibility of signing FTA with potential countries and regional alliances. It is must to sign bilateral FTAs (i.e., Bangladesh-EU FTA) and PTAs with EAEU & MERCOSUR Countries<sup>46</sup>. The whole process takes years to conclude and at

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<sup>44</sup> Some products, neither provided with cash incentive nor getting any benefit as highest priority or special development sectors, performed better than many other sectors in recent years (i.e., Optical, Photographic, and Medical Instruments etc. Chapter 90). Utmost importance should be given to these products and to promote infant industries (i.e., fishing trawlers, boiler, handicrafts industry etc.).

<sup>45</sup> DHL and essDOCS (now available in 72 countries) provide paperless trade solutions.

<sup>46</sup> Feasibility studies have been completed by the Bangladesh govt. to sign FTAs and PTAs with 23 countries (including India, Nepal, Indonesia, Sri Lanka, Japan, Singapore, USA, Canada, China and Malaysia). Till date, the country has only bilateral PTA with Bhutan (Findings from the interview).

least negotiations should be open now. In this connection, topmost priority should be given:

- (i) to increase export share from non-traditional high potential sectors<sup>47</sup> and markets, i.e., Asia, South America and Oceania.
- (ii) to comply all compliance-related issues<sup>48</sup> as these issues will be strict and major impediments in the post-LDC era.
- (iii) to introduce mutual recognition of standards, harmonization of trade procedures and documentation among trade partners, and to establish modern trade facilitation system.

## **6. Policy Implications**

The findings of the study represent a relevant resource for policymakers and government to take decisions in trade and business of the economy, assuming that the relevant authorities take effective action to address the barriers faced by traders and others to facilitate international trade. The study also provides valuable insights into understanding the rules, regulations, Acts, policies, and bilateral and regional agreements related to trade. The study findings would be very useful and credible for policymakers and relevant authorities to make plans and actions; to reform policies in specific areas and to design appropriate policies; to gauge possible solutions to problems that hinder the trade and business; to ease the process of business and trade; and to train workforce more efficiently in relevant areas. Besides, the study findings emphasize that the government should initiate negotiations for signing the bilateral and regional free trade agreements (FTAs) with major trading partners on a priority basis for trade benefits.

## **7. Concluding Remarks**

As trade is considered to be the engine of growth for a nation, any distortion in the area of trade might have adverse multiplier effect on the economy.

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<sup>47</sup> Light engineering (bike, bicycle and electronic products), IT, medicine, home textiles, agricultural and food processing, biscuits and confectionery items, rubber, juice, terry towel, ceramics, ocean-going ships, and numerous labour-intensive products.

<sup>48</sup> i.e., labour, workplace safety, environmental issues, standard quality, packaging and presentation of the products.

Bangladesh needs to be well prepared for countering the challenges, especially in the area of trade as it provides the major base to the economy. The study has been carried out to identify key challenges related to international trade and trade policies in Bangladesh. From the overall analysis it is observed that the key barriers to trade are high dependence on a very few products and markets, major sector-wise difficulties faced by the exporters, different types of non-tariff barriers and measures, lack of modernisation of customs process and trading arrangements, absence of coherent trade policy, and post-LDC graduation challenges for Bangladesh (specifically challenges in getting DFQF market access either under GSP or EBA from 52 countries and special market access facilities in different RTAs such as SAFTA, APTA, and strict ROO criteria after 2026 etc.). All these changes are expected to put significant impact on the overall trade as these may seriously affect the trade and business competitiveness.

From the analysis it is also observed that the country has to go for signing bilateral PTA and FTA with potential countries to combat the challenges after graduation from LDC and to retain the facilities under EBA or GSP. On the other hand, till date, the country has no bilateral FTA as it is now getting these facilities as an LDC. It has to face high revenue loss, that is about 29.69 % of total tax revenue if it grants duty-free market access to other countries' products by signing the FTA deal. Based on the regression results, it is also found that total import-related taxes have a significant positive impact on total tax revenue. Despite, the country has to enter into bilateral FTA to remain competitive globally. As Bangladesh is dreaming to graduate from the LDC status by 2026, we need to explore every possible option.

The key findings of the study also suggest that policymakers should pay attention to comprehensive trade policy to attain the potential benefits of international trade. Proper analysis, extensive studies and stakeholders' consultations should be taken into account while framing policies. Besides, trade-related infrastructure development, trade and investment co-operation, quality and compliance standards, contribution of other vibrant industries along with RMG, and effective negotiations will certainly play a crucial role in materialising the dream to graduate from the LDC status. A detailed roadmap needs to be formulated and implemented for the next 3 years. Without proper



preparation and execution of efficient national strategies, schemes, and policies, trade and economic situation can be significantly distorted, putting Bangladesh in an undesirable position. This paper can be further extended to identify challenges and to explore prospects of trade in services of Bangladesh.

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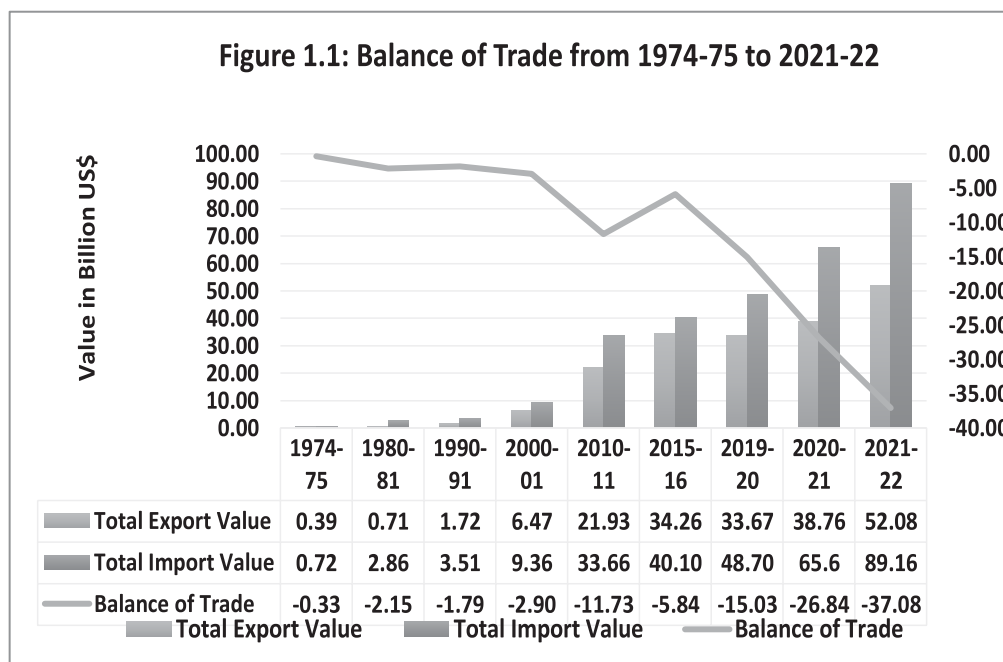
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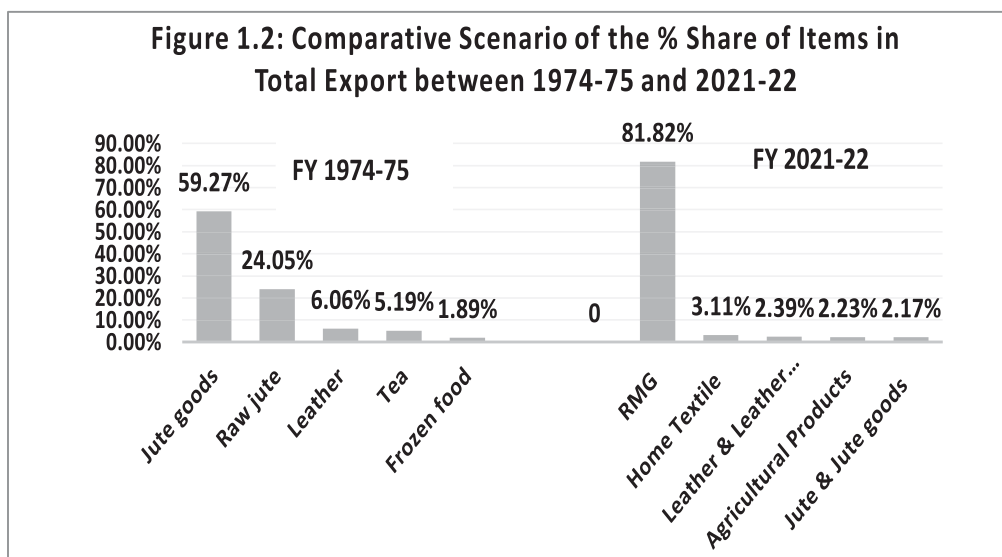
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## Appendices:

### Appendix 1:



Source: Author's Calculation based on data from the Export Promotion Bureau (EPB), Bangladesh Bank (BB), Bangladesh Bureau of Statistics (BBS).



Source: Author's Calculation based on data from the Export Promotion Bureau, Bangladesh Bureau of Statistics.

## Appendix 2:

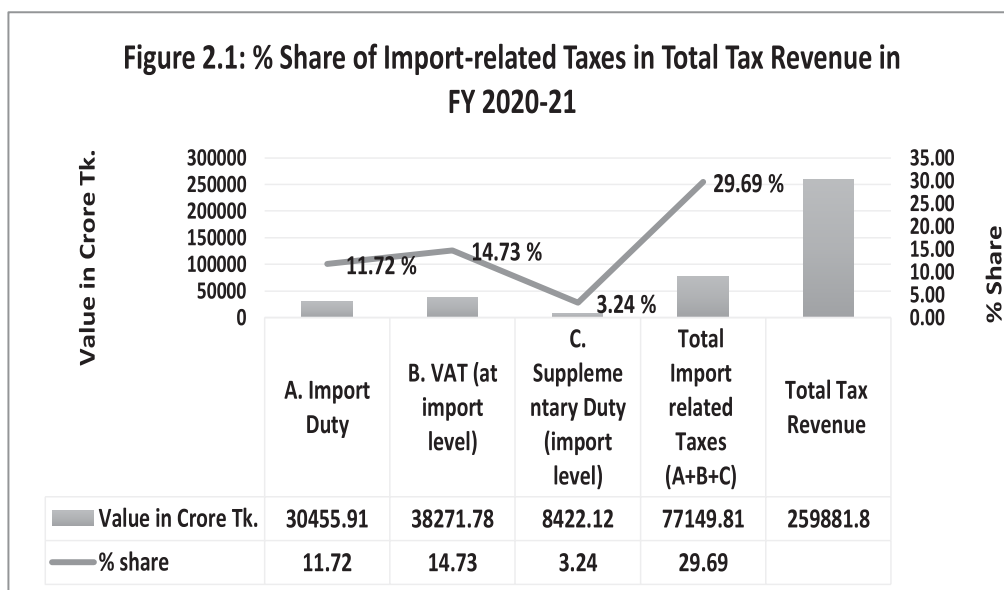
**Table 2.1: Total Import-related Taxes and Total Tax Revenue over the Years**

(Value in Crore Tk)

Year	A. Import Duty	B. VAT (at import level)	C. Supplementary Duty (import level)	Total Import- related Taxes = (A+B+C)	Total Tax Revenue	% share of Total Import- related Taxes in Total Tax Revenue
2015-16	18011.8	20587.14	6560.33	45159.27	153627	29.40
2016-17	21069.19	25561.09	7628.89	54259.17	171656.4	31.61
2017-18	24319.78	29049.78	7873.11	61242.67	202312.9	30.27
2018-19	24269.52	31400.83	7665.01	63335.36	220771.6	28.69

<b>2019-20</b>	23559.5	30016.64	6975.15	60551.29	216451.8	27.97
<b>2020-21</b>	30455.91	38271.78	8422.12	77149.81	259881.8	29.69

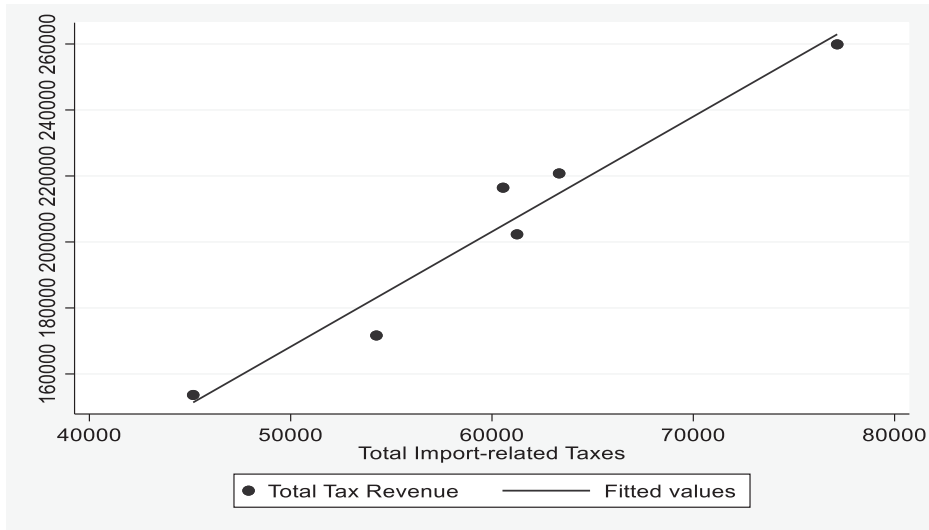
Source: Author's Calculation based on data from the Bangladesh Economic Review (BER)  
2022 and National Board of Revenue (NBR)



Source: Author's Calculation based on data from the Bangladesh Economic Review (BER)  
2022 and National Board of Revenue (NBR)

### Appendix 3: Regression Analysis:

Figure 3.1:



Regression Result: Table 3.1:

Source	SS	df	MS	Number of obs	=	6
Model	6.8072e+09	1	6.8072e+09	F(1, 4)	=	80.52
Residual	338177353	4	84544338.3	Prob>F	=	0.0009
Total	7.1454e+09	5	1.4291e+09	R-squared	=	0.9527
				Adj R-squared	=	0.9408
				Root MSE	=	9194.8

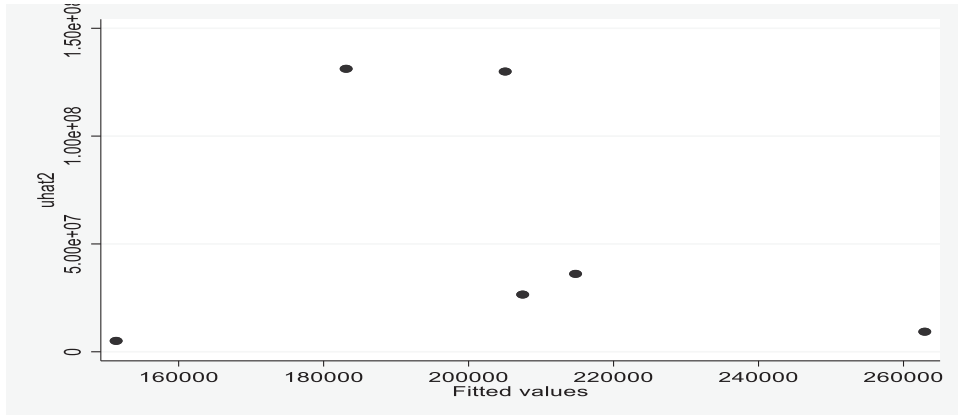
  

ttltxrvn	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
ttlimportx	3.487099	.3886161	8.97	0.001	2.408128	4.56607
_cons	-6095.609	23725.75	-0.26	0.810	-71968.85	59777.63



**Post-estimation Diagnosis:**

**1. A. Heteroscedasticity test: Graphically: Figure 3.2:**



**B. White's General Heteroscedasticity Test: Table 3.2:**

White's test for $H_0$ : homoskedasticity			
against $H_a$ : unrestricted heteroskedasticity			
Chi2 (2) = 2.20			
Prob > chi2 = 0.3326			
Cameron & Trivedi's decomposition of IM-test			
Source	chi2	df	p
Heteroskedasticity	2.20	2	0.3326
Skewness	0.48	1	0.4874
Kurtosis	0.61	1	0.4363
Total	3.29	4	0.5105

**C. Breusch-Pagan Test: Table 3.3:**

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity	
$H_0$ : Constant Variance	
Variables: fitted values of ttltxrvn	
Chi2(1) = 0.08	
Prob > chi2 = 0.7750	

## 2. Specification Error Tests:

### A. Omission of a relevant variable (s): RAMSEY's RESET Test: Table 3.4:

Ramsey RESET test using powers of the fitted values of $\text{ttltxrvn}$	
$H_0$ : model has no omitted variables	
$F(3,1) = 0.41$	
$\text{Prob} > F = 0.7829$	

### B. Adopting the wrong functional form: Table 3.5:

Source	SS	df	MS	Number of obs	=	6
Model	6.8137e+09	2	3.4068e+09	F(2, 3)	=	30.81
Residual	331745304	3	110581768	Prob>F	=	0.0100
Total	7.1454e+09	5	1.4291e+09	R-squared	=	0.9536
				Adj R-squared	=	0.9226
				Root MSE	=	10516

$\text{ttltxrvn}$	Coef.	Std. Err.	t	P >  t	[95% Conf. Interval]	
_hat	1.306205	1.275986	1.02	0.381	-2.754552	5.366962
_hatsq	-7.37e-07	3.06e-06	-0.24	0.825	-.0000105	8.99e-06
_cons	-30953.49	131021.6	-0.24	0.828	-447922.6	386015.6

## Appendix 4:

### Table 4.1: Sectors treated as Highest Priority/ Special Development in Export Policy 2021-24 - Registering Negative Growth

(Value in Million US\$)

<b>Highest Priority/ Special Development Sector</b>	<b>Sector Name</b>	<b>FY 2021- 22 Export Value</b>	<b>Growth Rate (%)</b>
<b>Highest Priority Sector</b>	Jute Yarn & Twine (5307)	697.80	-12.67
	Jute Sacks & Bags (630510)	119.23	-14.01
<b>Special Development sector</b>	Frozen Fish (0300, 0302, 0303)	91.87	-20.51

Source: Author's calculation based on data from EPB and Export Policy 2021-24.

**Table 4.2:**

<b>Export facilities enjoyed by the exporters of Bangladesh</b>	<b>Investment facilities enjoyed by the investors in Bangladesh: Foreign investors are interested in Bangladesh due to</b>
<ol style="list-style-type: none"> <li>1. Cash incentives and export subsidy against export of goods and services</li> <li>2. Duty drawback facilities for the exporters</li> <li>3. Bonded warehouse facilities for the exporters and deemed exporters</li> <li>4. Market access facilities for Bangladeshi products in terms of DFQF access in GSP schemes of developed members and</li> </ol>	<ol style="list-style-type: none"> <li>1. Padma Bridge connecting the south-west of the country to the northern and eastern regions</li> <li>2. Bangabandhu Tunnel, the first under-river tunnel in South Asia</li> <li>3. Self-sufficient in electricity coverage</li> <li>4. 100 economic zones</li> <li>5. Matarbari deep sea port</li> <li>6. Establishment of 28 hi-tech and software parks</li> <li>7. Location of the half of the top 100 environment-friendly factories of the</li> </ol>

<p>preferential ROO (Rules of Origin)</p> <p>5. Successful accommodation of larger vessels at Chattogram port that will significantly lessen import costs</p> <p>6. Started direct routes from Chattogram to Europe and Direct shipment of garments export from Bangladesh to Europe</p>	<p>world in Bangladesh<sup>1</sup>, 187 environment-friendly apparel factories in Bangladesh</p> <p>8. On-going road and rail projects</p> <p>9. LDC specific DFQF facility and relaxation of the ROO</p> <p>10. 100% foreign ownership<sup>2</sup></p> <p>11. Double Taxation Prevention<sup>3</sup></p> <p>12. Bonded warehousing facilities</p> <p>13. Tariff Refund:</p> <p style="padding-left: 40px;">a. Tariff (if paid) refund on import of raw materials for export</p>
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<sup>1</sup> Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

<sup>2</sup> Bangladesh Investment Development Authority (BIDA).

<sup>3</sup> Bangladesh has Double Taxation Treaties or DTTs with 34 countries.



# COVID-19's Impact on the Livelihoods of Informal Service Sector Workers: A Case Study of Housemaids and Rickshaw Pullers of Chattogram City

Tonmoyee Hasan \*

## Abstract

*The COVID-19 pandemic has severely impacted global health and well-being. In Bangladesh, measures to prevent the virus's spread, such as lockdowns and social isolation, have profoundly affected millions. This has led to declining domestic demand, rising unemployment, and decreasing incomes. Many workers in both the formal and informal sectors have lost their livelihoods. Our study surveyed the socioeconomic consequences of COVID-19 on two vulnerable groups in Chattogram: rickshaw pullers and housemaids, who were among the most brutal hit. The findings underscore the urgent need for social support and policy interventions to mitigate the pandemic's economic impact. As policymakers, NGOs, healthcare professionals, and individuals interested in the socioeconomic impact of COVID-19, your role is crucial in addressing this issue. The government-enforced lockdown forced these individuals into a near stay-at-home situation, drastically reducing their income and access to essential goods. Many risked working during the pandemic and experienced numerous COVID-19-related symptoms as a result, along with severe financial difficulties. The analysis indicates that COVID-19 would cause significant economic hardship without social support. The study includes insights from respondents, such as local policymakers, NGO staff, doctors, and the affected workers. Data was collected through key informant interviews (KIIs) and a structured survey targeting rickshaw pullers and housemaids, providing qualitative and quantitative insights.*

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