

The New Export Policy 2021-2024: How it would Boost up the Export Target of Bangladesh

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Introduction

Bangladesh, the 33rd largest economy in the world, has been experiencing a balanced economic growth over the last two decades having a remarkable growth in annual GDP (over 6%) based on compatible trade and macroeconomic track record. Considering her viable progress and resilient economy, the World Bank has recently recognized Bangladesh as a middle-income country. Credit goes to its dynamic export sector to achieve such admirable economic progress and international recognition. Export contributes to 20% of the annual GDP growth of Bangladesh, made remarkable progress, around 120%, during the last decade. A number of steps have taken to modernize the export sector and liberalize trade. To consolidate the country's position in the global market, accelerate economic activities, and promote trade capacity, the incumbent government has formulated a new export policy setting US\$80 billion export target from the existing \$60 billion to be attained by FY 2024.

On the way of implementing Bangladesh's vision-2041 and achieving the milestone of a higher middle-income country by 2031, the export policy is expected to play a key role by inducting momentum in export. The adoption and execution of the renewed export policy help Bangladesh boosting up its export trade. Amidst the constant variation of Covid-19 virus and severe abruption of the global supply chain, exports from Bangladesh have surged remarkably in the first half of FY 21-22, receiving \$30 billion, 28.41 % higher than the corresponding FY 2020-21. However, the high competition among countries in the free market zone, several tariff and non-tariff barriers, recent events like the unusual rise of the raw materials price, shortage of containers, increase of shipment charges, advent of new the variant of virus are the key challenges for the export sector to maintain the current growth.

Major Export Partners of Bangladesh

The EU and the North American countries are the major export destinations from Bangladesh sourcing respectively 57% and 17% of its total export. Among Asian countries, Bangladeshi products also find the market in Japan, China, India, Turkey, and the Korea Republic. The

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table below shows the export earnings of Bangladesh from 12 major export partners during the last six fiscal years: (Volume in million US\$)

Countries	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
U.S.A	6220.64	5846.64	5983.31	5983.31	5832.39	6974.01
Germany	4988.08	5475.73	5890.72	6173.16	5099.19	5953.51
U.K	3809.7	3569.26	3989.12	4169.31	3453.88	3751.27
Spain	1998.91	2024.59	2457.98	2554.82	2189.03	2343.99
France	1852.16	1892.55	2004.97	2217.56	1703.58	1962.14
Italy	1385.67	1462.95	1559.92	1643.12	1282.81	1308.62
Canada	1112.88	1079.19	1118.72	1339.80	1000.49	1164.01
Japan	1079.55	1012.98	1131.90	1365.74	1200.78	1183.64
China	808.14	949.41	694.97	831.20	600.11	680.66
India	689.62	672.40	873.27	1248.05	1096.38	1279.67
Turkey	661.89	631.63	528.27	404.45	453.46	499.79
Korea Republic	280.09	238.23	254.84	370.65	352.82	398.67

Source: Annual Report of the Export Promotion Bureau, Bangladesh.

The New Export Policy 2021-24

Currently, Bangladesh is prioritizing an export-led growth strategy to retain the momentum of ongoing economic development. To this end, the ministry of commerce has recently formulated a new export policy for the FY 2021-2024, emphasizing Bangladesh's transformation to developing nations club, the challenges of the Fourth Industrial Revolution (4IR), and offsetting the potential impacts on the economy posed by the pandemic. The policy has been adopted aiming to bring dynamism in trade through providing fiscal and policy support for product and market diversification, strengthening the country's position in the highly competitive global market, and attracting Foreign Direct Investment (FDI) in the export sector of high-value products.

The draft policy proposed uniform facilities for all export-driven sectors to provide stability to exporters in the new normal of global order brought by the pandemic. To offset the

negative impact on the business caused by the Covid-19, the policy intends to reduce corporate tax for some sectors, extend the bonded warehouse facility to numerous industries, and provide incentives to promising sectors. To facilitate product diversification, the policy identifies ICT, Software, BPO, freelancing, and tourism as the most potential sectors. It offers special incentives for women and small entrepreneurs to expand their businesses further.

The policy emphasizes maintaining compliance and standard and ensuring best business practices. It further focuses on innovation, recycling, research, and development to attain the goal. The government also encourages the export of halal food, the production of intermediary and recycled goods, and the promotion of the brand of 'Made-in-Bangladesh.' The government further plans to provide the necessary support to promote the production of man-made fiber, personal protective equipment (PPE), and medical costumes.

How to Achieve the Target?

The government adopted diverse policy mechanisms to boost the export volume including extended periods of bonded warehouse facilities, easy and low-interest capital raise for raw materials imports, duty drawback, incentives to exporters to encourage export, national recognition and award to top rank exporters, improve ease of doing business, capacity building and automation of trade related bodies to ensure faster services. The government also encourages the expansion of labor-intensive and high-productivity industries by providing numerous incentives and tax benefits. To recover from the various fall out brought by the pandemic, the government of Bangladesh elongated the validity of the previous export policy of 2018-21 till June 2022.

Special attention is also given to enhancing the production capacity of the export-oriented industries, improving the quality of the products, and exploring potential markets. The policy further emphasizes economic diplomacy- to capitalize the role of the missions in abroad, negotiate for market access, exploit the existing Free Trade Agreements, and to enter new trade zones. The policy also recommends reforming the current tax structure to bring uniformity and improve the tax-GDP ratio. The government also encourages the local firms to participate in international trade fairs and focuses on the exchange of business delegation to acquaint with 'Made in Bangladesh' brand products.

Export Structure and Recent Export Trend of Bangladesh

Bangladesh, one of the fastest-growing economies of the world, has reshaped its character from an aid-dependent and agriculture-based economy to a manufacturing and export-oriented country. It enjoys extensive overseas trade with many countries around the world, and its geographical location, flexible tax policy, cheap labor, and convenient working atmosphere help rapid industrial growth. Exports from Bangladesh have achieved a milestone with an annual average growth rate of 11 % since 2001. A great portion of the export economy is dominated by ready-made garments, amounting to 85% of merchandise export. Selling of pharmaceutical, footwear, and agricultural processed products to foreign partners has also increased to a noticeable level. Other important items include leather & leather goods, jute products, shrimps, tea, and ceramic products. The potentials of some sectors like light engineering, shipbuilding, information and communication technology, and construction materials are also rising.

Bangladesh earned US\$ 45,367.19 million by exporting goods and services in the last FY 2020-21 while it was US\$ 39,755.27 million during FY 2019-20, showcasing the progress of US\$ 5611.92. The figures represent a 14.12% rise in export earnings within a single fiscal year. The data shown in the table indicates the growth of export in seven consecutive years:

Fiscal Year	Export earnings(Million US\$)		Total	Growth
	Goods	Service		
2014-2015	31208.94	3210.85	34419.79	
2015-2016	34257.18	3494.90	37752.08	9.68
2016-2017	34846.84	3653.71	38500.55	1.98
2017-2018	36668.17	4586.31	41254.48	7.15
2018-2019	40535.04	6492.68	47027.72	13.99
2019-2020	33674.09	6081.18	39755.27	-15.46
2020-2021	38,758.31	6,608.88	45,367.19	14.1

Source: Export Promotion Bureau of Bangladesh

After the peak of the pandemic, the export trade of Bangladesh has rebounded strongly making the government confident about reaching the target by 2024. During the first half of

the running fiscal year 2021-22, foreign sales received US\$30 billion which is 28.41% more than last year. Bangladesh sets a \$51 billion export target for FY 2021-22, almost 60% of it has already achieved. The country created another history of exporting \$4.91 worth of products in December 2021, the highest ever single month foreign sale income.

The shipment of agricultural products was around \$ 620 million during July-December of FY 2022 which was close to \$497 million at the same period of FY 2021. This sector witnessed a strong growth of 26% within the first half of the current fiscal year. The government is expecting to earn \$1109.2 million from exporting agricultural products in the running fiscal year. This sector made the maiden record of \$1 billion foreign income in the last fiscal year. To encourage the export of agricultural products, the government has been providing several benefits including tax rebates and 20% cash incentives on the export of agricultural and processed foods.

The latest data published by the Bangladesh Export Promotion Bureau shows that the country earned \$4.85 billion by shipment of goods in January 2022, making 41.13% year-on-year growth. Income from the apparel sector and other potential sectors like light engineering, agriculture, home textiles, leather and leather goods are also rising which bears a positive sign of export diversification. If the ongoing momentum continues, Bangladesh will touch the \$55 billion export target of the current fiscal year by the end of June 2022. The surge in export trade is visible in the chart below:



Challenges to Overcome

There are several obstacles to overcome before reaching the target set in the recent export policy of Bangladesh. Among others maintaining constant growth is the biggest challenge. In the current fiscal year at least 25% of the export progress will have to be maintained till the end of June 2022. The COVID-19 has changed the global order and disrupted the supply chain severely. If another wave of Covid-19 appears, it will be an uphill task for the exporters to reach the goal. Another crucial issue is the unusual rise of the raw materials price in the international market. Other events like shortage of containers, increase of carrier charges, delay in the shipments due to disruptions of the global supply chain may hamper the growth rate in export.

If the upturn rate of raw materials does not slow down, it will pose a serious threat for the exporters. In addition, to sustain the upward growth rate of export, the local infrastructures like seaports and airports must be improved and modernized. The supply of gas and electricity to the industries must be uninterrupted. Furthermore, the excessive dependency on RMG and textiles could upset the goal of Bangladesh on the emergence of her rival Vietnam and India in this field.

Conclusion

Despite the adverse impact on leading economies of the world brought by the pandemic, and international pressure for compliance, the export growth of Bangladesh is impressive. The consistent growth of the export earnings is the outcome of the formulation and proper implementation of the previous export policies. The initiatives that were taken in light of the export policy helped decentralize the export trade and improve the shipping rates of both traditional and non-traditional goods and sell of services.

However, the existing policy tools are not sufficient enough to compete with other developing countries. More attention is required for improving the quality of products and bolstering potential sectors. Developing the trade infrastructure, formulating business-friendly policies, and improving ease of doing business will help flourish the export-driven industries in the future. Experts predict that if Bangladesh can sustain the current export growth and execute the updated export policy 2021-24, it will not be difficult to reach the \$80 billion export target by 2024.

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