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Spotlight on economic disservice of BD trade-tariff regime

Gradual undoing of excessive industrial protectionism underscored

FE REPORT

A gradual shift away from excessive "industrial protectionism" is underscored by experts as they say policy chokehold undercuts export competitiveness, discourages investment and raises consumer costs.

Policy chokehold undercuts export competitiveness, discourages investment, raises consumer costs, experts tell PRI meet

Eventually, they opine, Bangladesh's current regulated trade and tariff regime constrains long-term economic growth at large.

Speaking at a roundtable organised by the Policy Research Institute of Bangladesh (PRI) in Dhaka on Monday, they called for a gradual shift away from excessive industrial protectionism towards a more open, competitive and execution-oriented policy framework.

Also highlighted by them in this regard are weak institutional coordination, policy fragmentation and governance challenges within the country's investment and trade administration.

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Bangladesh Investment Development Authority (BIDA) Executive Chairman Chowdhury Ashik Mahmud Bin Harun speaks at a roundtable organised by the Centre for Trade Policy and Protection Research of the Policy Research Institute of Bangladesh (PRI) at the PRI Conference Room in the capital on Monday. — FE Photo

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Gradual undoing of excessive industrial protectionism

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The speakers suggest modernisation of "trade governance", reduction of tariff distortions, greater institutional coordination and stronger emphasis on competitiveness, productivity and consumer welfare to sustain Bangladesh's long-term economic transition.

The roundtable, titled 'Trade Policy, Industrial Protection, Investment Impacts, and Consumer Welfare', was organised by PRI's Centre for Trade and Protection Policy Research (CTPPR) with support from the Foreign, Commonwealth and Development Office (FCDO) in PRI's conference room.

Speaking as chief guest, BIDA Executive Chairman Ashik Chowdhury acknowledges many of the structural concerns raised during discussion and says Bangladesh must gradually move away from long-standing protectionist policies as it prepares for post-LDC-graduation challenges.

He notes that the country's biggest challenge lies not necessarily in policy formulation but in implementation.

"At the principle level, there are policies regarding these problems but no execution," the investment promoters regrets.

Describing the state machinery as fragmented, Ashik, who was picked for the job by the post-uprising interim regime, says the government often functions as a "complex organism" where institutions operate independently instead of collectively.

He draws a metaphor to explain the situation: "It's like a forest where there are many tigers and many lions, and each has their own interests."

He says ministries and agencies connected to trade, investment and industrialisation frequently fail to coordinate effectively, making execution difficult for investors on the ground.

Referring to operational bottlenecks at Chittagong seaport, he says investors continue to face significant "rent-seeking behaviour" and logistical hassles when importing raw materials or transporting goods to factories.

"When an investor lands a product or raw material at Chittagong port and tries to take it to their factory, the kind of trouble they face is the real issue."

Ashik notes that the Prime Minister's Office is currently acting as the main coordinating authority across ministries and reveals that a 180-day performance-assessment initiative is underway within the government.

"The objective is to establish a more performance-driven culture in public administration."

He makes it clear that BIDA does not solely focus on foreign investors and reiterates the importance of domestic investment for Bangladesh's economy.

"The lion's share of total investment in Bangladesh comes from local investment and will continue to do so in the future."

While acknowledging the importance of foreign investment for technology transfer and efficiency gains, Ashik says employment generation has now become government's central economic priority.

He further discloses that investment-promotion agencies have submitted 46 recommendations to the revenue authorities, including 19 proposals related to deregulation and VAT reforms, aimed at reducing policy uncertainty for businesses.

The BIDA chief also identifies energy crisis as a major obstacle to attracting both domestic and foreign investment.

In his keynote address, Dr Zaidi Sattar describes Bangladesh's trade policy as a contradictory mix of inward-looking protectionism and outward-looking export promotion, arguing that the absence of a coherent strategy has hindered export diversification beyond the ready-made garments sector.

"The interest of these two groups diverges," he notes, referring to exporters and import-substituting industries. "The group that would like to see the domestic market protected wants high tariffs and restricted imports, while exporters need lower tariffs because high tariffs create anti-export incentives."

Warning against restrictive import policies, he says, "You can't boost exports by restricting imports."

Dr Sattar notes that Bangladesh's average nominal tariff stands at around 28 per cent, nearly four times higher than the average among lower-middle-income countries.

He criticises the growing use of supplementary and regulatory duties, describing them as hidden protectionist tools embedded within the revenue system. Tariff policy now accounts for nearly 75 per cent of the country's trade-policy framework.

He also cites a "crocodile tariff" structure, where output tariffs remain significantly higher than input tariffs, increasing protection for domestic industries while discouraging exports.

He cites a PRI research that shows nearly 39 per cent of Bangladesh's non-garment export products are globally competitive but face strong anti-export bias due to the tariff regime.

Dr Sattar deplores that Bangladesh attracts foreign direct investment equivalent to only around 1.0 per cent of GDP, far below Vietnam and Thailand.

He argues that consumers ultimately bear the cost of "industrial protection" through higher prices, criticizing weak coordination among the Ministry of Commerce, the NBR and Bangladesh Bank in trade policymaking.

AHM Shafiquzzaman, president of the Consumers Association of Bangladesh (CAB), told the meet that excessive protectionism benefits a small group of producers while burdening nearly 180 million consumers through higher prices.

"We are protecting three hundred thousand salt farmers, but consumers are paying Tk 40 per kilogramme for salt. If the market were opened, perhaps consumers could buy it within Tk 10," he says.

Former NBR member Md Farid Uddin argues Bangladesh's tax system places excessive burdens on consumers through indirect taxation and calls for separating tax-policy formulation from implementation to ensure fairness and transparency.

Dr M Masrur Reaz, chairman of Policy Exchange Bangladesh, told the audience that the country's revenue-centric fiscal framework failed to support investment, competitiveness and economic diversification.

"If you increase tax burden by 1.0 per cent, your FDI goes down by 3.7 per cent," he observes.

Rasheda K Chowdhury criticises the absence of consumer voices in trade-policy discussions and says rising prices are affecting access to technology, education and healthcare.

Former Dhaka Chamber of Commerce and Industry (DCCI) president Taskeen Ahmed says Bangladesh must gradually abandon protectionist approaches as the country transitions beyond LDC status.

"Whenever you tried to become more protective, you restricted growth in the process," he adds.

Former trade negotiator Taufiq Ali argues that trade policy should function as a tool to support a clearly defined national industrial policy rather than operate independently.

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Govt to support not only closed mills but also ailing ones

INDUSTRIES – BANGLADESH

ABUL KASHEM

PM seeks written proposals after meetings with exporters

Prime Minister Tarique Rahman has assured garment exporters that the government will reopen all closed public and private factories across the country and provide support to struggling factories to prevent further closures.

However, state-owned closed factories will not be run directly by the government. Instead, they will be reopened through interested Bangladeshi entrepreneurs.

Leaders of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) and the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) shared the information with TBS after separate meetings with the prime minister at the Secretariat yesterday.

After the meetings, top executives of BGMEA and BKMEA said the prime minister had asked for written proposals, after consulting factory owners, outlining what policy support is needed to reopen closed factories and rescue those on the verge of closure.

The two associations are expected to submit their written proposals after Eid-ul-Azha.

They said the prime minister placed the highest emphasis on employment generation. For that reason, he wants all closed factories in both the public and private sectors to reopen and also wants policy I SEE PAGE 2 COL 2

Govt to support not only closed mills but also ailing one

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support for factories facing closure.

BKMEA Senior Vice-President Fazlee Shamim Ehsan, who attended the meeting, said the prime minister clearly mentioned two conditions for reopening state-owned factories through private management: they must be operated by Bangladeshi entrepreneurs, and they must produce the same products previously manufactured there.

There is no exact data on how many factories remain closed nationwide. After taking office, the BNP government initiated a Tk40,000 crore fund through Bangladesh given access to the fund.

They said the prime minister also wants to ensure no additional factories shut down and confirmed that vulnerable factories would receive assistance.

"The prime minister clearly told us that all closed factories will be reopened, and the government will provide every possible policy support to prevent any new closures. He also informed us of plans to reopen closed state-owned factories through privatisation," said BKMEA Senior Vice-President Fazlee Shamim Ehsan.

BKMEA President Mohammad and raw materials used in locally produced auxiliary chemicals.

The BGMEA delegation, led by President Mahmud Hasan Khan, met the prime minister first, followed by the BKMEA delegation led by President Mohammad Hatem. Each meeting lasted around an hour.

They informed the prime ministe that identical support measures fo all closed factories would not work as each factory faces different prob lems. In response, the prime minis ter asked them to speak with facto ry owners individually and subm written reports detailing each case.

BGMEA President Mahmud Hasa

power supply

ENERGY – BANGLADESH

REZAUL KARIM

The government has decided to asses able energy projects, cancelled by the while under implementation, can be in a bid to increase electricity generati

On 6 May, the Ministry of Power, Resources issued an office order form examine whether activities under the intent (LoIs) could legally proceed.

The committee is headed by Bangl opment Board (BPDB) Chairman Rezau er Division Joint Secretary Md Mahafu as a member.

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Solar equipment, batteries to be fully duty-free

Govt to support not only closed mills but also ailing ones

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There is no exact data on how many factories remain closed nationwide. After taking office, the BNP government initiated a Tk40,000 crore fund through Bangladesh Bank to help reopen closed factories. Around 300 garment factories are reportedly at risk of closure.

After the meeting, BGMEA President Mahmud Hasan Khan and BKMEA President Mohammad Hatem told TBS they had requested that factories on the verge of closure also be given access to the fund.

They said the prime minister also wants to ensure no additional factories shut down and confirmed that vulnerable factories would receive assistance.

"The prime minister clearly told us that all closed factories will be reopened, and the government will provide every possible policy support to prevent any new closures. He also informed us of plans to reopen closed state-owned factories through privatisation," said BKMEA Senior Vice-President Fazlee Shamim Ehsan.

BKMEA President Mohammad Hatem told the prime minister that no entrepreneur would expand investment or bring in new investment unless gas and electricity supply improves.

He also requested removal of complexities surrounding the import of raw materials for man-made fibre and raw materials used in locally produced auxiliary chemicals.

The BGMEA delegation, led by President Mahmud Hasan Khan, met the prime minister first, followed by the BKMEA delegation led by President Mohammad Hatem. Each meeting lasted around an hour.

They informed the prime minister that identical support measures for all closed factories would not work, as each factory faces different problems. In response, the prime minister asked them to speak with factory owners individually and submit written reports detailing each case.

BGMEA President Mahmud Hasan Khan said, "The government cannot waive taxes or hand out money. But the prime minister asked us to submit written proposals on what type of policy support each factory needs so they can continue operations and preserve jobs. We will submit these after Eid."

He added that all duties and taxes on imports of equipment and batteries used for solar power generation and storage would be fully withdrawn.

BKMEA Senior Vice-President Fazlee Shamim Ehsan said, "The prime minister does not want foreign companies to run closed state-owned factories. He wants local entrepreneurs to operate them. But they must produce the same goods as before and meet international standards. Through this, the prime minister wants export diversification."

BKMEA President Mohammad Hatem said that during discussions on export diversification and reopening closed factories, the prime minister said anyone interested in reopening the Rajshahi silk factory should inform him.

He said the factory could be modernised to produce world-class silk products for export.

BGMEA President Mahmud Hasan Khan said the prime minister also stressed building export-oriented market networks, improving the business environment and diversifying exports.

"We told the prime minister that several Bangladesh Bank policies are pushing many operating factories towards closure. There are complications in accessing bonded warehouse facilities, and many factories are facing audit-related problems. We also highlighted barriers to simplifying import-export procedures.

"After receiving our written recommendations, the prime minister assured us that policies would be revised to simplify import-export procedures and improve the overall business climate," said BKMEA President Mohammad Hatem.

Commerce Minister Khandaker Abdul Muktadir, Housing and Public Works Minister Zakaria Taher, and Education Minister Ehsanul Haque Milon were present at the meetings.

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Garment exporters press for uninterrupted power, customs reforms

BGMEA, BKMEA leaders sit with the premier in separate meetings

STAR BUSINESS REPORT

Garment exporters yesterday urged the government to ensure uninterrupted power and energy supply, quick release of export receipts from banks, reopening of closed factories, and easing of customs rules.

Leaders of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) and the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) made the demands at a meeting with Prime Minister Tarique Rahman at his secretariat office in Dhaka.

In separate meetings with the two trade bodies, the prime minister listened to the problems and challenges they face in running their businesses.

After the meeting, BGMEA President Mahmud Hasan Khan said they discussed export diversification within the garment sector, reopening of closed factories, and the struggles many factories face for survival.

Regarding factory reopening, Khan said a total of 104 factories have informed the BGMEA about their closure so far. The BGMEA will scrutinise the cases of closed factories to identify the genuine reasons for the shutdowns. Following the scrutiny, the association will send recommendations for reopening those factories, as the government is working to open a Tk 20,000 crore fund to assist in their revival.

BKMEA President Mohammad Hatem said they thanked the prime minister for taking the initiative to defer Bangladesh's graduation from the least developed country (LDC) category for three more years. The BKMEA also welcomed the government's amendment of the labour law to meet international standards, as demanded by global stakeholders.

CONCERNS

Delayed export receipts hurting factories

Banks blamed for many factory closures

Exporters worried over misuse of bond facility

They seek easier customs rules

CLOSURES AND REVIVAL

400 factories shut in three years, an industry leader says

Govt plans Tk 20,000cr revival fund

LDC SHIFT, LABOUR LAW

Exporters welcome bid for LDC graduation deferment

They praise amendments to labour law

Hatem noted that some 400 factories were closed in the last three years, nearly 300 of them due to non-cooperation from banks. He explained that banks release export receipts to exporters' lien accounts, but delays in payment often force loans into default, leaving exporters unable to pay suppliers on time.

He also demanded uninterrupted supply of power and gas to industrial units, as recent shortages of fuel oil have severely affected productivity. Hatem further raised concerns about the misuse of the bond facility and urged action against violators of bond licences.

Additionally, he called for easing National Board of Revenue (NBR) rules, particularly customs procedures, to smooth export and import processes and reduce lead times. He stressed that complex and time-consuming customs procedures have deterred both domestic and foreign direct investment.

Commerce Minister Khandakar Abdul Muktadir was present in both the meetings.