Bangladesh Economic Update

Trade Balance

March 2012

উন্নয়ন অন্বেষণ

Unnayan Onneshan

The Innovators

a centre for research and action on development

Bangladesh Economic Update
Volume 3, No. 3, March 2012

Acknowledgement:
Bangladesh Economic Update is an output of the Economic Policy Unit of the Unnayan Onneshan, a multidisciplinary research centre based in Dhaka, Bangladesh. The report is prepared by a team, under the guidance of **Rashed Al Mahmud Titumir** and **Palash Kanti Das**. The team comprises **Saikat Chandra Halder** and **A. Z. M. Saleh**.

For orders and request please contact:

Unnayan Onneshan - The Innovators
16/2, Indira Road, Farmgate
Dhaka-1215, Bangladesh
Tell: + (880-2) 8158274, 9110636
Fax: + (880-2) 8159135
E-mail: info@unnayan.org
Web: www.unnayan.org

01. INTRODUCTION

The economy in the current fiscal year has been experiencing an accelerated growth of import relative to export, resulting in an increased trade deficit. The trade deficit has widened by USD 5803.4 million in July 2011 to January 2012 due to soaring costs of oil import and a sluggish global economy sapping the demands for ready-made garments exports.

During the first seven months of the current fiscal year, imports have risen by 16.14 percent to USD 19728 million while exports have risen by 14.28 percent to USD 13924.6 million than that of the same period of the previous fiscal year.

During the first seven months of the current fiscal year, imports have risen by 16.14 percent to USD 19728 million while exports have risen by 14.28 percent to USD 13924.6 million than that of the same period of the previous fiscal year. For the current fiscal year, Bangladesh has set its export target at USD 26500 million, higher than nearly 16 percent from FY 2010-11. In FY 2011-12, under the business as usual scenario, export might reach at USD 24267.80 million, import at USD 35586.86 million and trade deficit at USD 11319.06 million. If the current trend continues, export might stand at USD 27346.66 million and import at USD 40011.98 million, which means that a widened trade deficit of USD 12665.32 million in FY 2014-15.

In FY 2011-12, Bangladesh has set its export target at USD 26500 million, higher than nearly 16 percent from FY 2010-11.

During the last decade, Bangladesh's export increased from USD 5986.1 million in FY 2001-02 to USD 22928.2 million in FY 2010-11. If the current trend continues, the export might increase to USD 24267.8 million in FY 2011-12. However, between FY 2001-02 and FY 2010-11 Bangladesh's import increased from USD 8540 million to USD 33657.5 million; and the import might increase to USD 35586.86 million in FY 2011-12. It is evident that during last ten years (from FY 2001-02 to FY 2011-12), export increased by 305 percent but at the same time import increased by 363 percent.

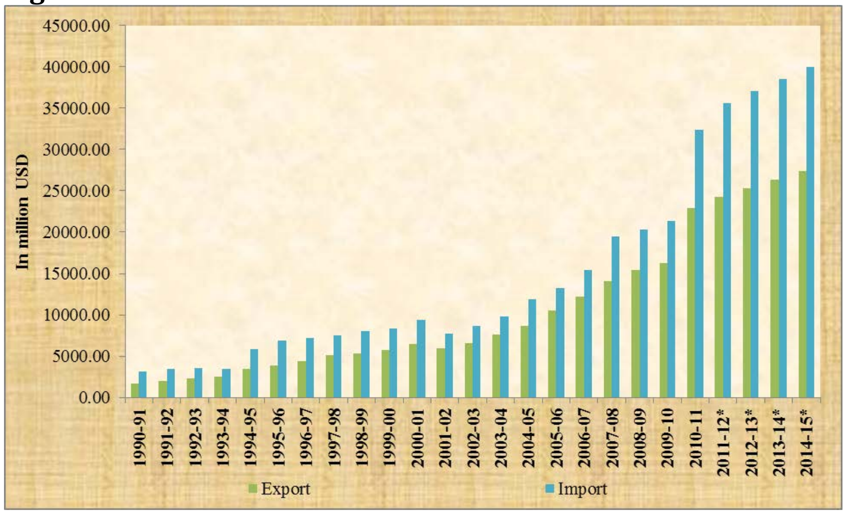
In FY 2011-12, under the business as usual scenario, export might reach at USD 24267.80 million, import at USD 35586.86 million and trade deficit at USD 11319.06 million.

In February 2012, the country received a recorded amount of USD 1133.01 million remittances, taking the total to nearly USD 8422.72 million since July 2011 that is 12.18 percent more than that the same period of FY 2010-11. In addition, it

If the current trend continues, export might stand at USD 27346.66 million and import at USD 40011.98 million, which means that a widened trade deficit of USD 12665.32 million in FY 2014-15.

is expected that the remittances will cross the USD 13069.45 million thresholds in the current fiscal year.

Figure 1: Total Trade Scenario



Source: Authors' calculation based on Bangladesh Bureau of Statistics, Bangladesh Bank and Export Promotion Bureau, 2012

The foreign exchange reserve has risen to USD 10066.8 million at the end of February 2012 but is expected to decline to USD 10004.86 million by the end of the fiscal year.

The foreign exchange reserve has risen to USD 10066.8 million at the end of February 2012 but is expected to decline by the end of the fiscal year. The trade deficit is likely to increase in the current fiscal year by June 2012, if import of non-essential items continues along with growing imports of petroleum products, which are pertinent to run oil-fired power plants of the country. Under the business as usual scenario, foreign exchange reserve might further decline to USD 10004.86 million by June of FY 2011-12.

Fuel import increased by 68 percent to USD 2.42 billion in first half of the current fiscal year, boosted by both increasing prices and higher volumes. The declining imports of grains with an expected bumper rice harvest and luxury goods may ease the trade deficit slightly in the rest of the fiscal year. The central bank has adopted measures to discourage luxury imports to ease pressure on the foreign exchange reserves of the country.

1.1 Overall Trade Scenario

1.1.1 Overall Trade Scenario between FY 1990-91 and FY 2014-15

Due to the increase in import at an increasing rate and export at a decreasing rate, trade deficit is increasing at an increasing rate over the years. In FY 2011-12, under the business as usual scenario, export might reach at USD 24267.80 million, import at USD 35586.86 million and trade deficit at USD 11319.06 million.

Bangladesh experienced double digit export growth in most of the years during the 1990s.

Bangladesh experienced double digit export growth in most of the years during the 1990s. The gap between export and import widened from USD 1791 million in FY 1990-91 to USD 2867.7 million in FY 2000-01, although the share of export earnings in import payments steadily rose from 31 percent in FY 1980-81 to 67 percent in FY 1999-00. The openness of the economy as measured by total external trade as a proportion of GDP went up from around 22 percent in FY 1990-91 to nearly 30 percent in FY 1990-00 with the share of export in GDP rising from 7 percent to 12 percent during the same period.

Table 1: Overall Trade Scenario between FY 1990-91 and FY 2014-15

	1990-91	2000-01	2010-11	2014-15*
Export (in million USD)	1718	6467.3	22928.2	27346.66
Import (in million USD)	3510	9335	33657.5	40011.98
Trade Deficit (in million USD)	1792	2867.7	10729.3	12665.32
Export as Percentage of Import (Terms of trade)	48.9	69.28	68.12	68.19
Export as Percentage of GDP	7.3	13.67	20.47	22.02
Import as Percentage of GDP	15	12.41	30.06	32.22
Openess of Economy	22.3	26.18	50.53	54.24

If the current trend continues, export might at USD 27346.66 million and import at USD 40011.98 million, which means that there might be a widened trade deficit of USD 12665.32 million in FY 2014-15.

1.1.2 Trade Deficit Situation

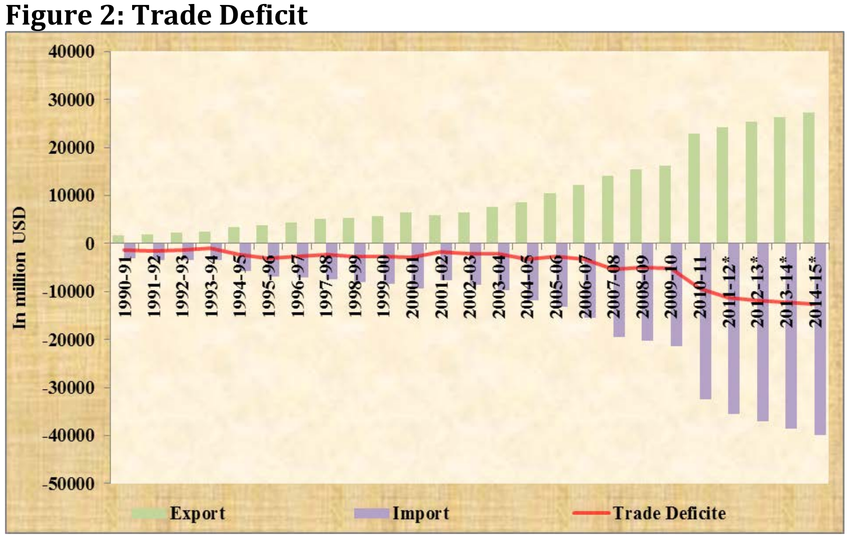
During the first seven months of the current fiscal year, trade deficit of Bangladesh have widened by 20.86 percent to USD 5803.4 million, while import has risen by 16.14 percent to USD 19728 million and export has increased by 14.28

During July-February of FY 2011-12, Bangladesh received a total of USD 8422.72 million remittances that is 12.18 percent more than that of same period of the previous fiscal year.

percent to USD 13924.6 million. The main reason behind it is the soaring fuel import costs and a sapping demand for its key garment exports.

The central bank tightened credit growth, curbing imports of luxury items and the flow of remittance is upward in recent months. During July-February of FY 2011-12, Bangladesh received a total of USD 8422.72 million remittances that is 12.18 percent more than that of same period of the previous fiscal year. In addition, it is projected that the receipt of remittances might cross USD 13 billion by the end of the current fiscal year. The foreign exchange reserve was USD 10066.8 million in February 2012 that is 9.78 percent less than that of reserve of the same period of the previous fiscal year. Under the business as usual scenario, foreign exchange reserve might further decline to USD 10004.86 million by June of FY 2011-12.

Figure 2: Trade Deficit



Source: Authors' calculation based on Bangladesh Bureau of Statistics, Bangladesh Bank and Export Promotion Bureau, 2012

The trade deficit is likely to increase to USD 11319.06 million at the end of June 2012, if import of non-essential items continues along with growing imports of petroleum products, which are pertinent to run oil-fired power plants of the country.

Bills for imports, notably fuel for power generation, have soared, while demand for exports such as ready-made garments was slowed down by the global economic slump. The trade deficit is likely to increase to USD 11319.06 million at the end of June 2012, if import of non-essential items continues along with growing imports of petroleum products, which are pertinent to run oil-fired power plants of the country.

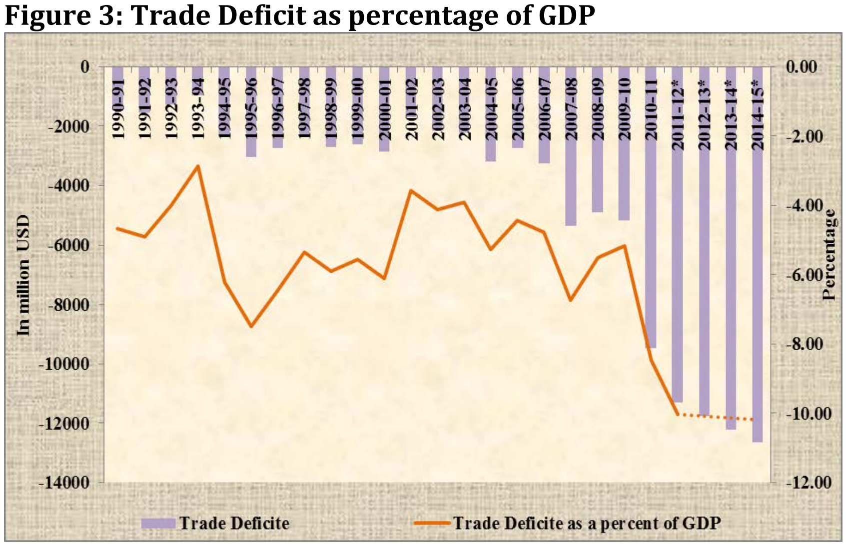
1.1.3 Review of Trade Balance

During the last decade, Bangladeshi exports shifted from the sale of agricultural products and raw and processed natural resources to labour-intensive manufactured goods (including clothing, footwear and textiles), but the country unlike neighbouring India, could not catch up with the exporters of skill-intensive products.

In FY 2011-12, trade deficit as a percent of GDP might be increased from the FY 2010-11 to FY 2011-12 respectively at 8.46 and 10.02 percent.

Bangladesh has a long history of maintaining a negative trade balance, importing more goods than its exportation. If the recent business scenario remains as usual, trade deficit might be doubled as USD 11319.06 million in the next fiscal year (FY 2011-12). At the same time, trade deficit as a percent of GDP might be increased from the FY 2010-11 to FY 2011-12 respectively at 8.46 and 10.02 percent.

Figure 3: Trade Deficit as percentage of GDP



Source: Authors' calculation based on Bangladesh Bureau of Statistics, Bangladesh Bank and Export Promotion Bureau, 2012

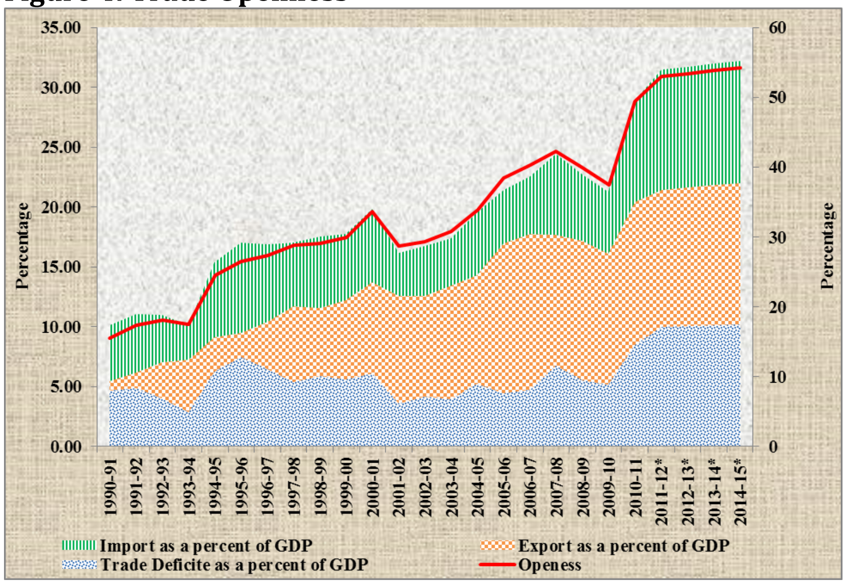
The matter of concern is that export is increasing at a decreasing rate while import is increasing at an increasing rate resulting into increasing trade deficit. Moreover, government has to make a payment of USD 893 million to the Asian Clearing Union (ACU) by the end of March 2012 due to the import of last two months from its member countries. Foreign exchange reserve is not increasing as it is expected. In recent times, the flow of FDI and foreign aid follow a negative trend. At the same time, export might not increase up to the expected level. There was a huge import pressure as increased of crude oil for quick rental power plant.

In FY 2010-11, the trade openness was 49.41 percent in which, 20.47 percent was export related openness and 28.93 percent import related openness.

1.1.4 Trade Openness

In FY 2010-11, the trade openness[1] was 49.41 percent in which, 20.47 percent was export related openness and 28.93 percent import related openness against only 15.56 percent trade openness in FY 1990-91. Continuation of the current trend suggests that trade openness might increase to 52.97 percent in FY 2011-12.

Figure 4: Trade Openness



Source: Authors' calculation based on Bangladesh Bureau of Statistics, Bangladesh Bank and Export Promotion Bureau, 2012

Continuation of the current trend suggests that trade openness might increase to 52.97 percent in FY 2011-12.

It is a matter of concern that openness mainly occurred due to the increasing import, though at the same time, the rate of export is also increasing but at a deceasing rate. Bangladesh only uses its cheap labour to transform those input into final commodity, as readymade garments cover around 60 percent of the total export and most of the input of the garments are also imported from abroad.

1.1.5 Terms of Trade[2]

Terms of trade is following a nose dive in the recent fiscal years and might follow the trend in the forthcoming fiscal

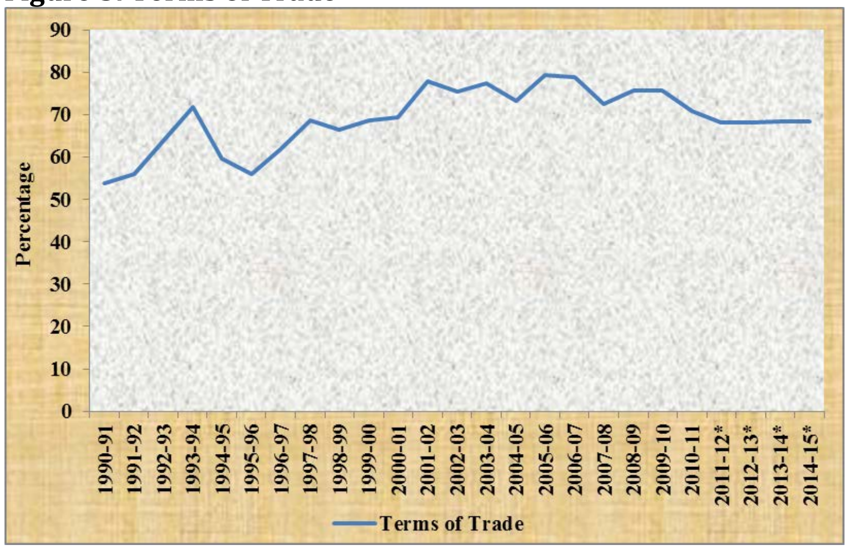
[1] Trade openness means {(X/GDP) + (M/GDP)}

[2] 'Terms of trade'[2] is an index of the price of a country's exports in terms of its imports.

In the FY 2010-11, terms of trade were 70.77 percent, which may also decline further, in the current fiscal year at 68.19 percent.

years due to the dependency on import compared to the total export of the country. In the FY 2010-11, terms of trade were 70.77 percent, which may also decline further, in the current fiscal year at 68.19 percent.

Figure 5: Terms of Trade



Source: Authors' calculation based on Bangladesh Bureau of Statistics, Bangladesh Bank and Export Promotion Bureau, 2012

When the index slides down, the country is said to have 'deteriorating terms of trade.' In FY 1990-91, the terms of trade was 53.58 percent. In the FY 2005-06, terms of trade reached at the highest level in last two decades at 79.31 percent. However, it followed a negative trend in the next couple of fiscal years.

1.1.6 Exchange Rate and Trade

In FY 2011-12, the government might have to import about 7.0 million tonnes of fuel for USD 8.8 billion, which was 3.5 million tonnes (for USD 4.0 billion) in the last fiscal year.

The recent withdrawal of upper limit of interest rate of the commercial bank and the increase of policy interest rate (repo rate and reverse repo rate) may add more fuel to the depreciation of local currency against the foreign currency. Like increasing fuel import, import of capital machinery for power plant is also keeping pressure on the USD. In FY 2011-12, the government might have to import about 7.0 million tonnes of fuel for USD 8.8 billion, which was 3.5 million tonnes (for USD 4.0 billion) in the last fiscal year.

The on-going trajectory of current account balance and balance of payment (BoP) is also heating up the price (exchange rate) of the dollar. Declining trends about foreign credit, aid, grants and foreign direct investment (FDI), especially the suspension of the World Bank credit for the proposed Padma Bridge and delay in finalising IMF's ECF (Extended Credit Facility) fund for USD 1.0 billion have also been exerting pressure on the external value of BDT.

The ongoing soaring inflationary pressure has to be taken care of as the non-food inflation stood at 13.16 percent in January-2012, which was the highest in the last 15 years.

The current gloomy economic environment in European Union (EU) and the USA might affect the supply side of USD and the external trade of Bangladesh as well. As Bangladesh is an import-based country, the appreciation of the USD might help boost its export as well as remittance. However, the ongoing soaring inflationary pressure has to be taken care of as the non-food inflation stood at 13.16 percent in January-2012, which was the highest in the last 15 years.

02. EXPORT SECTOR

2.1 Export Growth

In FY 2011-12 (July-January), Bangladesh earned USD 13924.6 million from export that is 14.28 percent more than that of the same period of the previous fiscal year.

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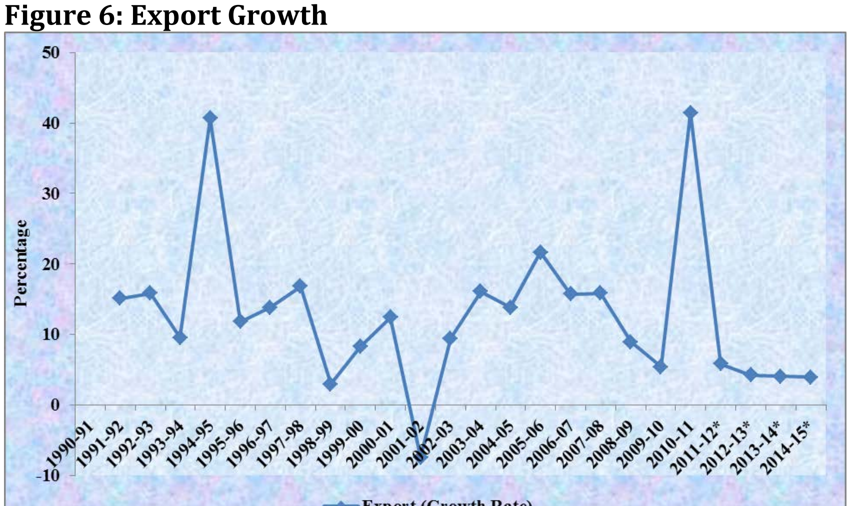
Figure 6: Export Growth



Source: Authors' calculation based on Bangladesh Bureau of Statistics, Bangladesh Bank and Export Promotion Bureau, 2012

Export share in GDP was 20.07 percent in FY 2010-11 which might increase further in FY 2011-12, FY 2012-13 and FY 2013-14 at 21.48, 21.67 and 21.85 percent respectively.

2.2 Export Shares to GDP

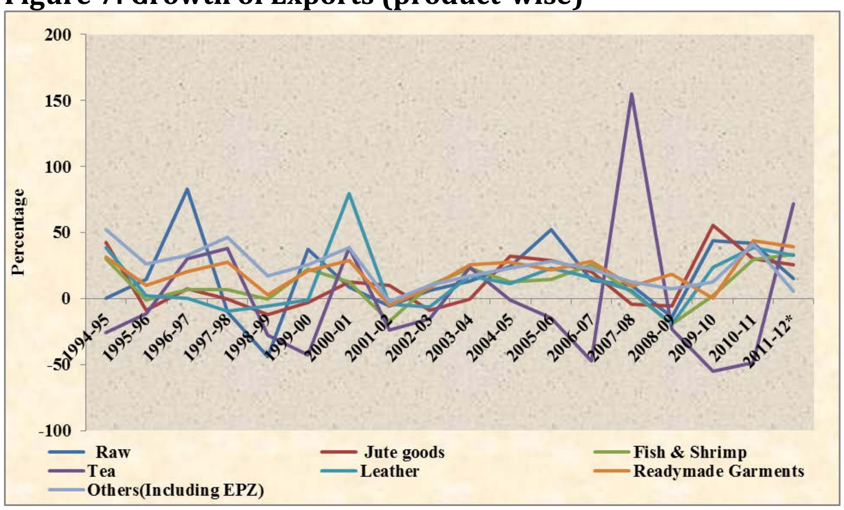
The contribution of the export sector to Bangladesh's GDP has been gradually increasing over the years. Export share in GDP was 5.45 percent in FY 1990-91 while this share reached at 20.07 percent in FY 2010-11, reflecting an increase of 15.02 percent in GDP contribution within twenty years. This contribution might increase further in FY 2011-12, FY 2012-13 and FY 2013-14 at 21.48, 21.67 and 21.85 percent respectively.

The annual average growth rate of export might be 14.31 percent during the FY 2010-11 to 2014-15, if the current business scenario remains as usual.

2.3 Growth of Exports

Total export of Bangladesh got a significant boost with an annual average growth rate of 14.53 percent during FY 1990-91 to FY 1999-2000, compared to an annual average growth rate of below 10 percent (in nominal US dollar terms) over the earlier period of FY 1972-73 through FY 1984-85. The annual average growth rate might be 14.31 percent during the FY 2010-11 to 2014-15, if the current business scenario remains as usual.

Figure 7: Growth of Exports (product-wise)



Source: Authors' calculation based on Bangladesh Bureau of Statistics, Bangladesh Bank and Export Promotion Bureau, 2012

2.4 Changes in Composition of Exports and Imports

Exports of goods like jute, jute goods, tea and leather, fish & shrimp constituted most of the total exports of Bangladesh at around 30.94 percent in FY 1993-94. These exports precipitously fell to less than 10 percent in FY 2010-11. At present, the dominance of raw jute and jute goods in the export trade of Bangladesh has weakened considerably, and some other items have made inroads. For example, between

The share of raw jute and jute goods in total export earnings may decline to 1.07 and 2.94 percent respectively in the current fiscal year.

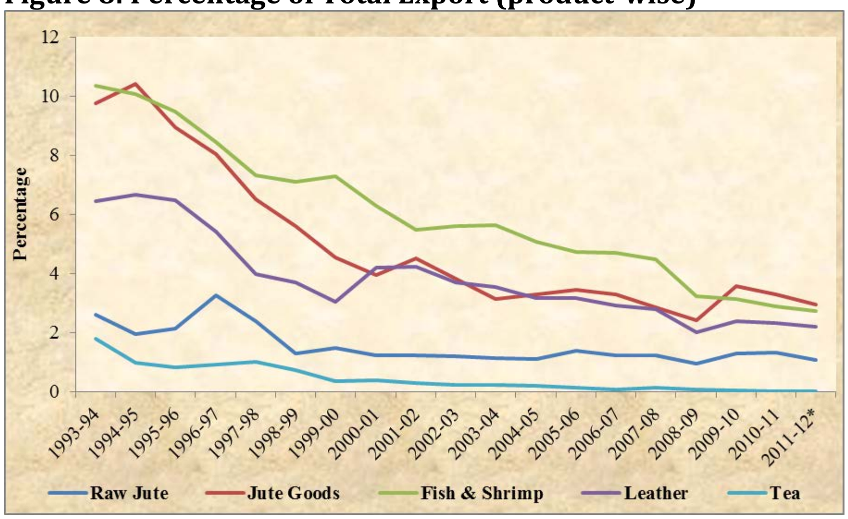
FY 1993-94 and FY 2010-11, the share of raw jute in total export earnings declined from 2.61 percent to 1.31 percent. The share of raw jute in total export earnings may decline to 1.07 percent in FY 2011-12. Over the same period, the share of jute goods declined from 9.75 percent in FY 1993-94 to 3.288 percent in FY 2010-11 and might decline further to 2.94 percent in the current fiscal year.

Export of tea declined from 1.79 percent to 0.1 percent during the period of FY 1993-94 to FY 2011-12.

Export of tea declined from 1.79 percent to 0.1 percent during the period of FY 1993-94 to FY 2011-12. Relative export share of the tea increased in some of the years in the 1980s but it declined sharply in the later fiscal years. Leather's share in total exports showed a significant decrease from 10.34 percent in FY 1993-94 to 2.32 percent in the FY 2010-11 and it might decline to 2.19 percent in FY 2011-12.

Leather's share in total exports showed a significant decrease from 10.34 percent in FY 1993-94 to 2.32 percent in the FY 2010-11 and it might decline to 2.19 percent in FY 2011-12.

Figure 8: Percentage of Total Export (product-wise)



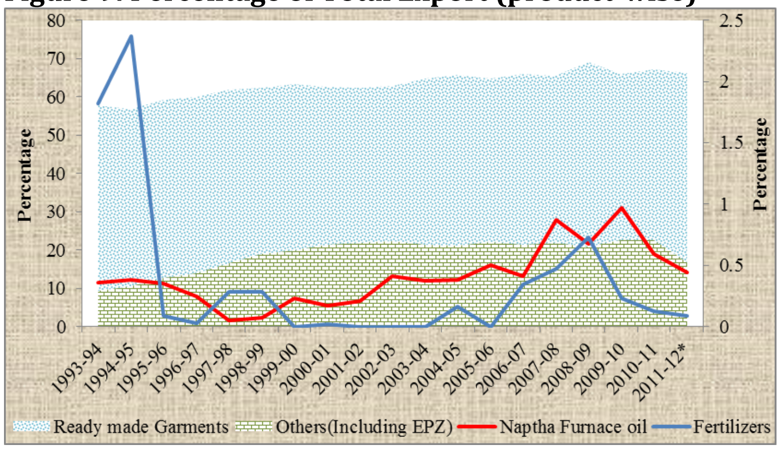
Source: Authors' calculation based on Bangladesh Bureau of Statistics, Bangladesh Bank and Export Promotion Bureau, 2012

The export share of ready-made garments in the total export might increase to 67.05 percent in the current fiscal year.

Exports of ready-made garments, naphtha, furnace oil & bitumen, fertilisers and others goods (including EPZ) increased from 3 percent of total exports in FY 1972-73 to around 69.05 percent in FY 1993-94 and 90.18 percent in FY 2010-11. Continuation of the current trend might witness an increase of the share of exports in the total export of these items to 90.26 percent in FY 2011-12. The export share of ready-made garments in the total export might increase to 67.05 percent in the current fiscal year. In the FY 1993-94, the share of export of other goods including EPZ in total export was 9.26 percent but in FY 2010-11, the share increased to 22.51 percent.

Other goods like naphtha, furnace oil and bitumen, newsprint and fertilisers have no remarkable share in the total export. It is obvious that naphtha, furnace oil and bitumen, newsprint and fertilisers had only a share of 2.17 percent of total export in FY 1993-94 but this share decreased to 0.72 percent in FY 2010-11. The share of these goods might also decline in the upcoming fiscal years.

Figure 9: Percentage of Total Export (product-wise)



Source: Authors' calculation based on Bangladesh Bureau of Statistics, Bangladesh Bank and Export Promotion Bureau, 2012

There is no diversification on the exported goods as Bangladesh exports only a few product including read-made garments, leather. Here, the diversification of export basket of Bangladesh is needed along with exploration of new markets.

2.6 Export Target and Performance

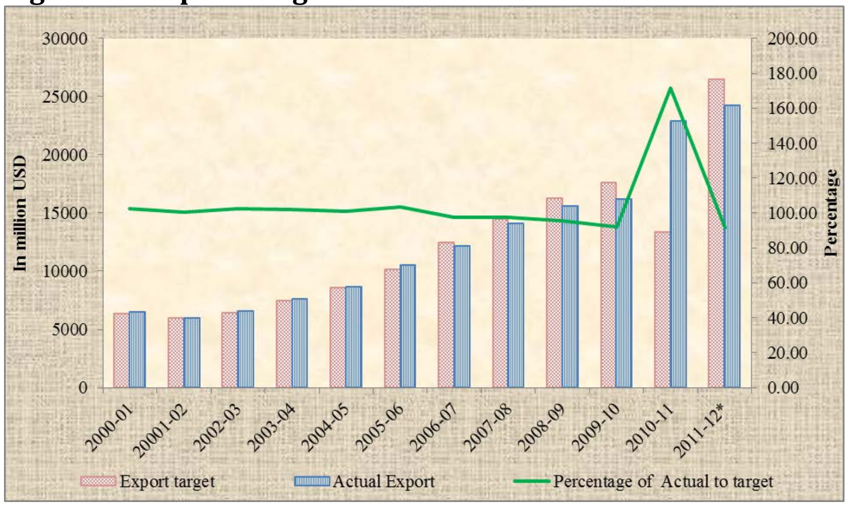
In the budget of 2011-12, *government set an export target of USD* 26500 *million.*

Bangladesh achieved its export target in most of the fiscal years between FY 2000-01 and FY 2005-06. During FY 2006-07 to FY 2009-10, Bangladesh could not maintain the pace and remain behind the target.

If the recent trend continues, only 91.58 *percent (USD* 24267.80 *million) of the target might be achieved at the end of the fiscal year.*

In the previous fiscal year (FY 2010-11), the export target was set at USD 13370 million, however, actual export was USD 22928.22 million that is 171.49 percent of the target. That represents an imprudent estimation of the government. In the budget of 2011-12, government set an export target of USD 26500 million. If the recent trend continues, only 91.58 percent (USD 24267.80 million) of the target might be achieved at the end of the fiscal year.

Figure 10: Export Target and Performance



Source: Authors' calculation based on Bangladesh Bureau of Statistics, Bangladesh Bank and Export Promotion Bureau, 2012

03. IMPORT SECTOR

3.1 Merchandise Import

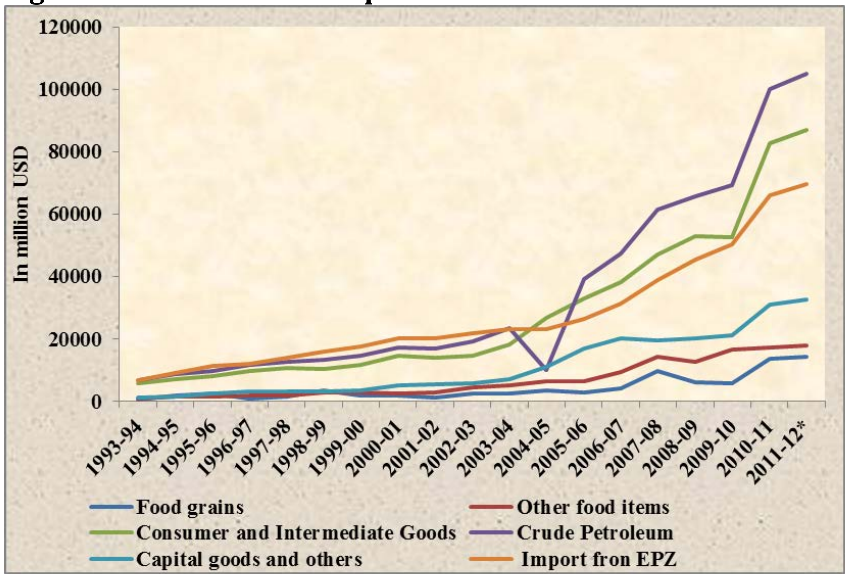
Bangladesh mostly imports food grains, other food items, consumer and intermediate goods, and capital goods.

The import of petroleum increased by 67.72 percent to USD 2.42 billion in the first six months of FY 2011-12 than that of USD 1.44 billion during the same period of FY 2010-11.

In recent time, crude petroleum, petroleum products are imported in a huge amount. The cost of imported petroleum products (net) has been estimated at around USD 6.80 billion for the FY 2011-12 against USD 3.60 billion of the previous fiscal year. The estimated cost for petroleum may exceed by the end of the current fiscal year because of the rising trend in petroleum products in the global market. The import of petroleum increased by 67.72 percent to USD 2.42 billion in the first six months of FY 2011-12 than that of USD 1.44 billion during the same period of FY 2010-11. The import of petroleum may rise further in the coming months to meet the increasing demand of oil-based power plants and irrigation purposes.

In FY 2010-11, import of consumer and intermediate goods was 45.68 percent of the total import. Import of consumer and intermediate goods only increased by 2.42 percent during the last two decades. However, import of food grains and other commodity increased by mostly 9 percent during the same period. At the same time, import of capital machinery only increased by 3.81 percent but import by EPZ and other goods decreased in a great extant by 12.39 percent.

Figure 11: Merchandise Import



Source: Authors' calculation based on Bangladesh Bureau of Statistics, Bangladesh Bank and Export Promotion Bureau, 2012

3.2 Import Financing

3.2.1 Export as a percent of Import

Under the business as usual scenario, export as percentage of import might decline further at 68.19 percent in the current fiscal year, where export might increase at USD 24267.80 million and import at USD 35586.86 million.

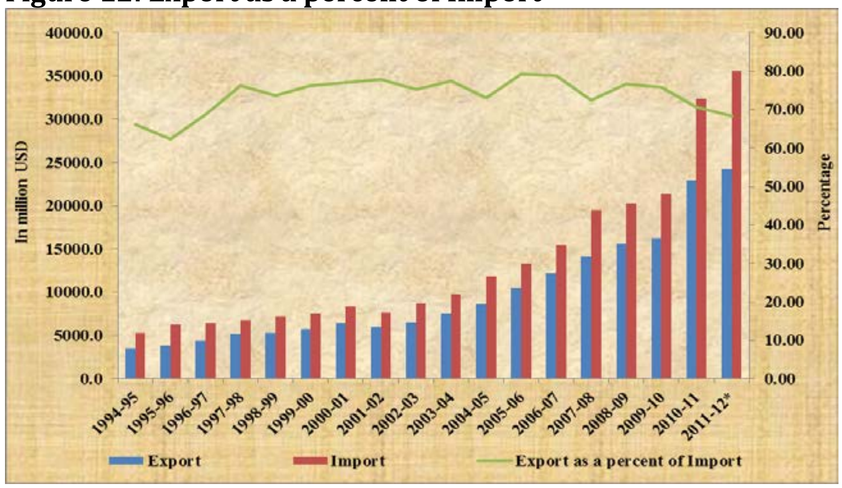
Though import payments are always higher than that of export earnings in absolute terms, the percentage of Bangladesh's export to import was impressive in FY 2005-06 and FY 2006-07 at 79.31 and 78.87 percent respectively. After that, it followed a negative trend and reached at 72.43 percent in the FY 2007-08, at the time of world economic recession. In FY 2010-11, the value of Bangladesh's exports was USD 22928.2 million and the corresponding figure for import was USD 32398.4 million that represents an export-import ratio of 70.77 percent. However, under the business as usual scenario, export as percentage of import might decline further at 68.19 percent in the current fiscal year, where export might increase at USD 24267.80 million and import at USD 35586.86 million.

Bangladesh has to make payment of USD 893 million to the Asian Clearing Union (ACU) by the end of March 2012 due to the import of last two months from its member countries.

Foreign exchange reserve of the country are facing yet another pressure, as it has to make payment of USD 893 million to the Asian Clearing Union (ACU) by the end of March 2012 due to the import of last two months from its member countries. The amount of reserve in February 2012 was at USD 10066.8 million. The amount of import bills has increased at USD 893 million in January-February, 2012 against import bill of USD 746 million of November-

December, 2011, mainly due to higher imports, particularly of capital machinery and textile from ACU member countries. The foreign exchange reserve of the country has been going under pressure in recent months because of higher import payments, particularly for the petroleum products.

Figure 12: Export as a percent of Import

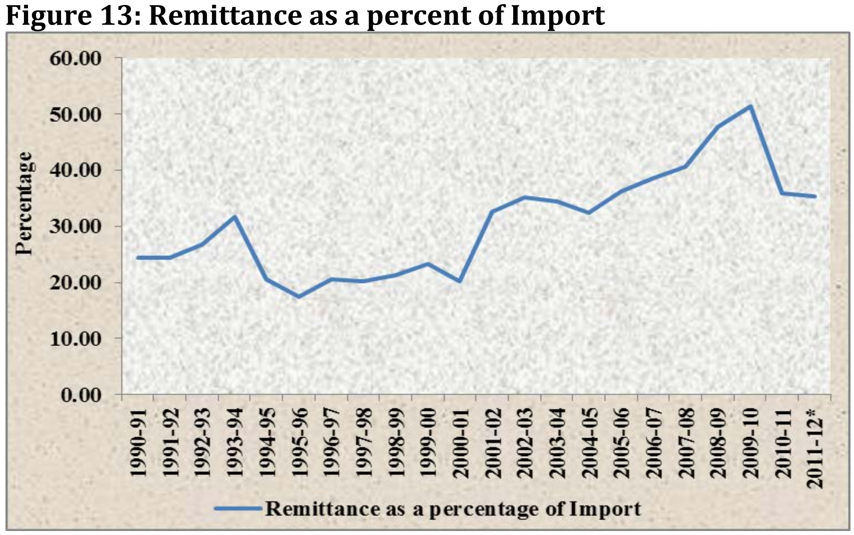


Source: Authors' calculation based on Bangladesh Bureau of Statistics, Bangladesh Bank and Export Promotion Bureau, 2012

3.2.2 Remittance as a percentage of Import

In FY 2009-10, remittance as a percentage of import was 51.37 but after that remittance as a percentage of import decreased significantly. In FY 2010-11, it decreased by 15.41 percent than that of the previous fiscal year while remittance as a percentage of import was 35.96.

Figure 13: Remittance as a percent of Import



Source: Authors' calculation based on Bangladesh Bureau of Statistics, Bangladesh Bank and Export Promotion Bureau, 2012

In the current fiscal year, the import might increase at 35586.86 million while the country might receipt an amount of USD 12565.24 million as remittance, if the current trend continues which indicate that the share of remittance in import financing might be at 35.31 percent only.

3.3 Total Debt Service as Percentage of Total Export Earnings

In FY 2010-11, total debt services and export earnings were USD 903.95 million and USD 22928.22 million respectively.

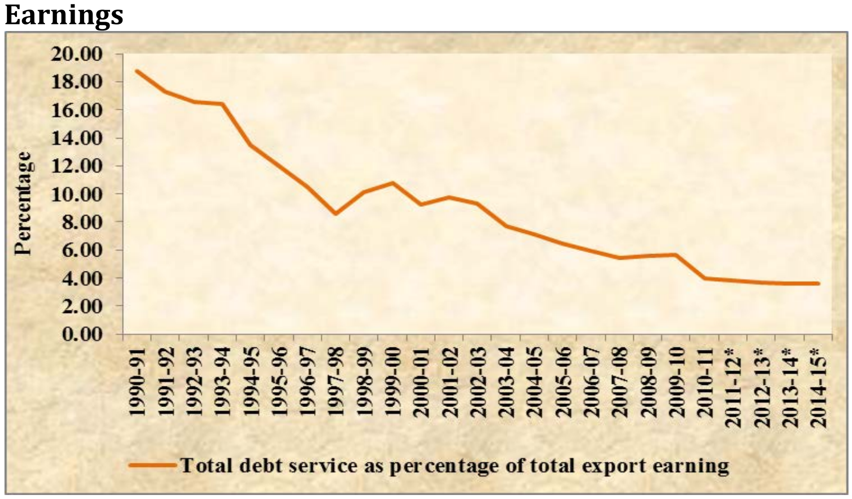
In FY 2010-11, total debt services and export earnings were USD 903.95 million and USD 22928.22 million respectively. At the same time, total debt service as a percentage of export earning was 3.94 percent which was 1.72 and 1.62 percent lower than that of FY 2009-10 and FY 2008-09 respectively. In the current fiscal year, total debt service as a percentage of export earnings might reduce to 3.84 percent, if the current trend prevails.

In FY 2011-12, total debt service as a percentage of export earnings might reduce to 3.84 percent, if the current trend prevails.

Total debt service as a percentage of export earning is decreasing over the year. In FY 1990-91, it was 18.76 percent of export earning when total debt service was USD 317 million and export earning was USD 1689.47 million. Total debt service as a percentage of export earning is declining since FY 1997-98 while it was 8.60 percent and export earning was USD 5161.2 million. The global economic recession had an adverse effect on export earnings. If the current trend continues, in FY 2014-15, total debt service as a percentage of export earning might be only 3.60 percent where total debt service and export earning might stand at USD 1015.75 million and USD 28222.72 million respectively.

If the current trend continues, in FY 2014-15, total debt service as a percentage of export earning might be only 3.60 percent where total debt service and export earning might stand at USD 1015.75 million and USD 28222.72 million respectively.

Figure 16: Total Debt Service as Percentage of Total Export Earnings



Source: Economic Relation Division, Ministry of Finance (Up to April 2011), 2012

04. COMPETITIVENESS

4.1 Bangladesh in Ease of Doing Business

Bangladesh has gone down four steps and ranked 122 among 183 economies according to Doing Business Report-2012 while the rank was 118 in the previous Doing Business Report-2011.

The required days for export and import in Bangladesh are 25 and 31 respectively that is very high in comparison with the rest of the world.

Bangladesh has gone down four steps and ranked 122 among 183 economies according to Doing Business Report-2012 while the rank was 118 in the previous Doing Business Report-2011. In the ranking of trading across border, the ranking position of Bangladesh is deteriorating and it ranks 115 in 2012, while the rank was 112 and 107 in 2011 and 2010 respectively. The required days for export and import in Bangladesh are 25 and 31 respectively that is very high in comparison with the rest of the world, whereas Pakistan needs 21 and 18 days, India needs 16 and 20 days and Singapore needs 5 and 4 days only. Cost of export and import per container is USD 965 and USD 1370 in Bangladesh but only USD 456 and USD 439 in Pakistan. A total of six necessary documents are needed for export and eight for import in Bangladesh whereas in Singapore, only 4 documents are needed for both import and export.

Table 2: The Position of Bangladesh in Trading (Across Border)

		Trading Across Borders (Rank)	Time to Export (Days)	Cost to Export (USD per Container)	Time to Import (Days)	Cost to Import (USD per Container)
Doing Business Report 2012	**Bangladesh**	115	25	965	31	1370
	Singapore	1	5	456	4	439
	India	109	16	1095	20	1070
	Pakistan	75	21	660	18	705
Doing Business Report 2011	**Bangladesh**	112	25	915	31	1390
	Singapore	1	5	456	4	439
	India	100	17	1055	20	1025
	Pakistan	81	21	611	18	680

4.2 Position of Bangladesh in South Asian Countries

Bangladesh ranks fifth among the eight economies of South Asia. This index was prepared on 10 categories, made up of variety indicators, giving equal weight to each category. Maldives ranks the top followed by Sri Lanka, Pakistan and Nepal. In trading across border, the ranking position of Bangladesh is 4th whereas Sri Lanka is in 1st position, Pakistan is 2nd and India is 3rd.

Name of the Economy	Trading Across Borders
Sri Lanka	1
Pakistan	2
India	3
Bangladesh	4
Maldives	5
Nepal	6
Bhutan	7
Afghanistan	8

4.3 Obstacles Behinds Exports

Share of agriculture on the GDP declined in a great extent during last 40 years.

In FY 2010-11, the contributions of agriculture, industry, and services to GDP are 19.95, 30.33, and 49.72 percent respectively.

The export pattern of the country is shifting from agro based to manufacture since 1980s. Share of agriculture on the GDP declined in a great extent during last 40 years. In FY 2010-11, the contributions of agriculture, industry, and services to GDP are 19.95, 30.33, and 49.72 percent respectively. Some major export oriented industries such as garments, leather and others (Including EPZ) are developing in recent decades. Now-a-days, garment sector is covering around 60 percent of total export. There are many scopes for investment in some export oriented sectors such as ship building, pharmaceuticals, electronics and small & cottage industries.

Despite having many opportunities for the investors, there also exist some obstacles that hinder the process of investment in the country resulting into lower export compared to similar economies. One of the major obstacles is energy and power crisis. Moreover, political instability, infrastructures and shortage of skilled labours are also worsening the opportunities of investment.

05. POLICY RECOMMENDATIONS

The ever-increasing trade deficit of Bangladesh economy exposes several risk factors including pressure on current account balance. The economy may not revive from these shortfalls if the current trend persists. Moreover, most of the policies taken by government are adhoc in nature. Therefore, a mix of medium to long-term policies should be taken that boosts exports, generates employment and accelerates development.

The nose dive in recent months in terms of trade due to high incremental growth of import as opposed to deceleration in export has already been putting excessive pressure on the current account balance of the country and my lead to further contraction in national output as the GDP growth in recent years have been contingent upon current account balance. While keeping an eye on continuation of growth in remittance may alone not serve the purpose a prudential management of import financing is required without hurting the import of capital machineries and intermediate goods. There is an immediate need to locate the pressure of such import growth and as could be understood such is mostly generated by the chaotic policy carried out in energy sector due to quick rental power stations. The government should immediately entirely do away with such adhocism of quick rental power system. Furthermore the government could move to other efficient sources of energy such as combined cycle generation system. This points out as to how the government could minimize policy incoherence. Therefore, the government should make policy coherence between sectors of economy such as trade, energy, agriculture and industry.

The government has mostly focused in ensuring remittance to be channeled through official sources in order to ensure positive current account balance, it is high time to come out with feasible policies and mechanisms as to how such flows could be invested in labour-incentive productive sectors for creating employment generation which might add value for the economy.

Another lacuna in the current policy regime is the lack of harmonization of fiscal and monetary policies, particularly in the backdrop of rising fiscal and trade deficits, growing inflationary pressure and possibility of contraction in growth. The current rise in the trade deficit is partly internal (e.g. the decision of installing oil-based quick rental power plants) and partly global (e.g. the downturn in export destinations) and hence, a coordinated monetary and fiscal policies is the need of the hour to stave off further deterioration of terms of trade, current account balance and national output.

There is no denying the fact that the persistent trade deficit demonstrates the structural deficit of the economy in terms of concentration of destination of exports in a few countries and a few products. Despite recognition of such shortfalls, a little has been done in the forms of strategies and implementation for finding new markets and new products. The country needs such a strategy by way of fiscal incentives, subsidies and tax breaks.

Unnayan Onneshan - The Innovators
16/2, Indira Road, Farmgate
Dhaka-1215, Bangladesh
PO Box: 2251, G.P.O Dhaka
Tell: + (880-2) 8158274, 9110636
Fax: + (880-2) 8159135
E-mail: info@unnayan.org
Web: www.unnayan.org