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Bangladesh Regional Connectivity Project-1
Probashi Kollayan Bhaban
Eskaton Garden, Dhaka-1000

Policy Review/Policy Study/Policy Paper Preparation
on
Export Policy 2018-21



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on

The Export Policy 2018-21

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Project Director

Bangladesh Regional Connectivity Project-1
WTO cell, Ministry of Commerce
Level-12 (Westside), Probashi Kallyan Bhaban,
Eskaton Garden, Dhaka 1000

Submitted by



South Asian Network on Economic Modeling (SANEM)
Flat K-5, House 1/B, Road 35, Gulshan 2
Dhaka 1212, Bangladesh
Phone: +88-02-58813075
Email: sanemnet@yahoo.com
<http://www.sanemnet.org>

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Team of Consultants

S.N.	Team Members	Position in the Team
1	Dr. Bazlul Haque Khondker	Team Leader
2	Dr. Selim Raihan	Co-Team Leader, Trade Expert
3	Mahtab Uddin	Policy Analyst
4	Mohammad Golam Sarwa	Legal Expert
5	Recardo Saurav Antor Halder	Senior Research Associate
6	Sakil Ahmed	Research Associate
7	Zareen Tasnim	Research Associate
8	Afia Mubasshira Tiasha	Research Assistant

Preface

The final report intends to respond to the requirement according to the provision of the contract agreement signed between Bangladesh Regional Connectivity Project-1 (BRCP 1) and South Asian Network on Economic Modeling (SANEM) for conducting “**Policy Review/Policy Study/Policy Paper Preparation under the Bangladesh Regional Connectivity Project 1)**” in collaboration with International Development Association (IDA), The World Bank. The objective of this technical assistance project is to review the existing government policies related to trade to strengthen cooperation in trade, transport, and transit facilities and facilitate the economic empowerment of women traders. The ongoing context and challenges are compared with the existing policies. It has also analyzed the best practices of regional comparators to promote and improve trade-related activities as well as the relevance of SHE trade with the existing policies. Finally, based on the findings, the recommendation for future policy has been identified.

Consultancy services for conducting the “**Policy Review/Policy Study/Policy Paper Preparation under the Bangladesh Regional Connectivity Project 1)**” was provided by the South Asian Network on Economic Modeling (SANEM), Bangladesh. The study team consists of four senior-level experts. The major objective of the study is to depict a clear picture of the current state of the implementation of the policies, challenges and to provide the suggestion for future policies. Furthermore, Reviewing and identifying the gaps in the existing policies were also aimed to be found out for this study.

The review of the **Export Policy 2018-21** has identified some specific areas including export diversification, export promotion, enhancing the participation of women entrepreneurs, supporting existing exporters, promoting potential exporters, improving product quality and testing standards, LDC graduation, capacity building, skill development, and legal enforcement.

We are hopeful about the policy recommendations which would be beneficial for policymakers and other stakeholders for the improvement of the export sector including the empowerment of women in export trading.

Md. Mijanur Rahman

Project Director (Joint Secretary)

Bangladesh Regional Connectivity Project-1

Ministry of Commerce

Acknowledgements

It is indeed a great pleasure that Bangladesh Regional Connectivity Project 1 (BRCP-1), Ministry of Commerce has entrusted International Development Association (IDA), and the World Bank to carry out “Policy Review/Policy Study/Policy Paper Preparation”. The final report of the study has been prepared based on a validation workshop held on 21 November 2021. The studies are 1) Export Policy 2018-21 2) Import Policy Order 2015-18, 3) Industrial Policy 2016, and 4) Leather and Leather Goods Development Policy 2019.

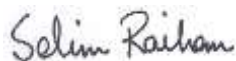
The four policy papers contain the objective, scope, and methodology for the studies, current context, and challenges, deviation from the international practices, and the relevance of the policies with the SHE trade. The consultants also described the best practices of regional countries adapted to facilitate trade-related activities. In the end, the findings from the analysis and recommendations for the upcoming policy papers are portrayed.

The authors wish to thank Md Mijanur Rahman, Project Director, Bangladesh Regional Connectivity Project 1, and Md Munir Chowdhury, National trade expert, BRCP-1 for their valuable comments and continuous support in undertaking the study.

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This work would not have been possible without the participation of the relevant stakeholders in the Key Informant Interviews (KIIs) as well as in the Focus Group Discussion (FGD). Thanks are also due to all respondents of interviews, FGDS, and KIIs who helped us by providing their information during the data collection period.

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Dr. Selim Raihan
Executive Director, SANEM

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List of Acronyms

ADB	Asian Development Bank
BFTI	Bangladesh Foreign Trade Institute
BFWE	Bangladesh Federation of Women Entrepreneurs
BGMEA	Bangladesh Garments Manufacturers and Exporters Association
BIDA	Bangladesh Investment Development Authority
BRCP	Bangladesh Regional Connectivity Project
BUILD	Business Initiative Leading Development
BWCCI	Bangladesh Women Chamber of Commerce and Industries
CWCCI	Chittagong Women Chamber of Commerce and Industries
DCCI	Dhaka Chamber of Commerce and Industries
DFQF	Duty-Free Quota-Free
EBA	Everything But Arms
EPB	Export Promotion Bureau
ERD	Economic Relations Division
EU	European Union
FBCCI	Federation of Bangladesh Chamber of Commerce and Industries
FDI	Foreign Direct Investment
FGD	Focus Group Discussion
FTA	Free Trade Agreement
FY	Fiscal Year
GDP	Gross Domestic Product
GMS	Greater Mekong Sub-region
ICT	Information and Communication Technology
IFC	International Finance Corporation
IMF	International Monetary Fund
KII	Key Informant Interview
LDC	Least Developed Countries
MCCI	Metropolitan Chamber of Commerce and Industry
MoC	Ministry of Commerce
NBR	National Board of Revenue
NTM	Non-Tariff Measures
PEG	Primary Export Growth
RAPID	Research and Policy Integration for Development
RMG	Ready Made Garments
SANEM	South Asian Network on Economic Modeling
SME	Small and Medium Enterprise
TRIPS	Trade-Related Aspects of Intellectual Property Rights
UMIC	Upper Middle-Income Country
UNCTAD	United Nations Conference on Trade and Development
WB	World Bank
WEA	Women's Entrepreneurs' Association
WTO	World Trade Organization
4IR	4 th Industrial Revolution

Executive Summary

Bangladesh is considered to be one of the fastest-growing economies in the world with a sustainable GDP growth rate each year. Rapid economic growth and structural transformation have played a phenomenal role in the economic development of Bangladesh over the last decade or so. The gross domestic product (GDP), which is a measure of the overall size of the economy, grew from \$38 billion in 1995 to over \$325 billion in 2020. The contribution of three major sectors (agriculture, service, and manufacturing) to the GDP is changing its composition. The share of agriculture in GDP fell from more than 40 percent to less than 15 percent, while the relative significance of the manufacturing sector increased from less than 10 percent to more than 18 percent. In 2020, the share of agriculture in the GDP is 12.65 percent and the share of the manufacturing sector is 28.79 percent. The contribution of the agriculture sector to the GDP is noticeably decreasing in the last decade. Behind such structural transformation, and rendered economic development, one of the major pillars was the robust export performance of Bangladesh. Bangladesh's export policy focuses on export diversification, product diversification, market expansion, and enhancing the productivity of export-oriented industries. Its convergences with the existing industrial policy where the government has initiated to increase the production of exportable through domestic industrialization and development of SMEs. But reality depicts a completely different scenario. Export growth and export earnings of Bangladesh are heavily concentrated around the RMG sector. Dependency on a single sector is a potential problem for an economy. If the sector fails to perform as predicted, the whole economy can collapse.

This study conducts a thorough review of the Export Policy 2018-21 by using a mixed methodology. The primary objective of this study is to identify the current state, bottlenecks, and implementation challenges of the current policy and suggest necessary recommendations to address the issues in future policy. The desk review of existing literature and primary data collected from the Key Informant Interviews and Focus Group Discussion have helped to identify the key aspects of the Export Policy 2018-21 including implementation challenges, the relevance of the policy in the context of the LDC graduation, and the major challenges faced by the women entrepreneurs. The study also focuses on the current scenario of the export sector of Bangladesh and presents the regional best practices in terms of export success. As the regional best practices, the study points out the key factors that contribute to the expansion of the export sector of Malaysia, Thailand, and Vietnam.

The key findings of this study point out that to enhance the export performance of Bangladesh, export diversification is really important. Export diversification is considered to be one of the pathway to enter into the global value chain. On the other hand, diversification of services exported is equally important to hold a strong position in the global value chain. To diversify the export basket, the government needs to take necessary steps such as supporting potential SMEs, providing attractive incentives, providing training to unskilled and semi-skilled labourers, and enhancing the participation of women entrepreneurs.

Mainstreaming women entrepreneurs can have a positive impact on the export performance of Bangladesh. The major obstacles faced by women entrepreneurs are lack of proper knowledge about business management, lack of financial assistance, cultural barrier, lack of coordination, and asymmetric information. Although one of the objectives of the Export Policy 2018-21 is to enhance the participation of women traders in export, the reality seems to be different. Women exporters face discriminatory behaviours more than their male counterparts in different agencies mainly because of social stigma.

The legal non-binding nature of the Export Policy 2018-21 acts as a significant hurdle for the effective implementation of the policy as there is no legal responsibility among the implementing agencies. The legal abidingness of a policy can have both positive and negative impacts. As Bangladesh is still not a fully export-oriented country we do not suggest that all the provisions of the future export policies need to be binding. Legal abidingness can narrow down the market space for the stakeholders. Instead, the policy can be a mixture of both. The provisions that focus on incentives, domestic support, intellectual property regulations, social and environmental compliances, developing human capital, and the role of implementing bodies should be made legally binding. Some provisions of the Export Policy 2018-21 are not implemented fully due to the non-binding nature of the policy, lack of institutional accountability, transparency, and coordination failure among the implementing agencies.

Against these findings, we have proposed some specific recommendations for a proper formulation and efficient implementation of future export policies. Analysis of policy gaps is recommended in this regard. The gaps in the existing policy must be identified and future policies must be designed by fixing the gaps. The new policy should mention the necessary action plan to meet the challenges of the upcoming LDC graduation issue and the 4th industrial revolution. Special focus should be given to skill development, re-skilling and up-skilling, need-based training and education, knowledge about business processes, and capacity building of the implementing agencies. Digitalization and effectiveness of the one-stop service are a must to ensure a hustle-free business environment. SME and women's entrepreneurial development should be the core focus of future policy. As Bangladesh is soon to graduate from an LDC, the new export policy should provide detailed provisions to enhance export diversification, product diversification, product quality, and market expansion. For effective implementation of future export policies, coherence among industrial policy, import policy, and fiscal and monetary policy is a must. Also, coordination among different implementing agencies such as MoC, NBR, EPB, Bangladesh Bank, and other relevant stakeholders must be strong.

1. Introduction

1.1. Background

The government of Bangladesh has promulgated Export Policy 2018-21 under the power conferred by section 3(1) of the Import and Export (Control) Act, 1950. The export policy of Bangladesh is formulated every three years. After independence in 1971, Bangladesh continued to maintain a restrictive trade regime inherited from Pakistan with a new initiative of direct participation of the government in economic activities based on state control and ownership. No significant changes were observed in this policy until the early 80s when Bangladesh initiated the first phase of trade liberalization. Global experience shows that, without robust growth in exports, sustaining Bangladesh's success would not be possible. However, a couple of studies have pointed out challenges for Bangladesh's export growth in the coming decade. One of the biggest concerns arises from the fact that Bangladesh may graduate from the LDC category by 2026 losing most of its preferences in the major trading markets such as the EU and the UK (UNDESA, 2020). Moreover, since the export is highly concentrated around a few product groups, the sustainability of Bangladesh's export is subject to serious susceptibility. This mono-product export dependence and the lack of export market diversification have initiated grave concerns in policymakers and think tanks of Bangladesh, as a negative demand shock might pose a serious threat to the export of Bangladesh leading to a catastrophic scenario for the overall economy. The export policy is considered one of the main instruments for regulating foreign trade. Achieving export success requires a comprehensive and articulated approach to trade policy and regulatory practices, with buy-in from all the stakeholders.

As a part of the Government of Bangladesh's (GoB) attempt to liberalize trade, diversifying export items and export destinations, the Bangladesh Regional Connectivity Project 1 (BRCP-1) is initiated in cooperation with the International Development Association (IDA). The project is being jointly implemented by the Bangladesh Land Port Authority (BLPA), the National Board of Revenue (NBR), and the Ministry of Commerce (MoC). The Ministry of Commerce is responsible to implement component two of the umbrella project. The primary objective of this technical assistance project is to improve trade-related institutional capacity to ensure active and sustainable cooperation among stakeholders related to trade and facilitate the economic empowerment of women traders.

The South Asian Network on Economic Modeling (SANEM), has been assigned to provide consultancy services for the selected activities of the technical assistance project, which is to review the existing trade-related policies to strengthen cooperation in trade, transport, and transit facilities. The policy reviews will also address the barriers faced by women traders in becoming more integrated into the global supply chains and trading opportunities. As part of the project, SANEM will review 22 policy documents and critically scrutinise each of the policies to demonstrate the compatibility, objectives, challenges, future aspects, and possible recommendations for further improvement.

1.2. Objectives and research questions

There are hardly any significant differences between the policies formulated every three years. Often it does not deem WTO rules and procedures, particularly in determining export-banned items or control items. Moreover, some of the incentive provisions are also required to be examined through the present context and regulations of WTO. Hence, this policy often remains on the wish list of the government. Against this backdrop, this review will therefore examine the policy and update it in the context of domestic priority and WTO rules/regulations. This review will also check the inclusion of potential provisions for promoting 'SHE Trades' through export policy. The research team conducted the review using the Export Policy 2018-21.

The key research questions that the research team will answer particularly for this study are as follows:

- What are the primary objectives of Export Policy?
- Are the objectives stated in the policy document adequate to address future challenges and goals?
- What are the implementation challenges?
- How can the Export Policy be updated in the context of domestic priority and WTO context?
- What special provisions can be included in the Export Policy to facilitate the exports of female entrepreneurs?

1.3. Scope and limitations

The scope of this policy study/policy review/ policy paper presentation lies in reviewing the export policy and making necessary alteration recommendations to ensure harmony with the present global trade scenario and also to analyse whether the stated objectives of the policy and the tools/measures to achieve those objectives are consistent with the current global trade scenario and possible future goals (LDC graduation, UMIC graduation, 8th Five-year plan, Bangladesh second perspective plan, etc.). The review will also look into the export policies of regional comparators (policies some countries of South Asia, South-East Asia, UMIC groups) and suggest what provisions from those countries, Bangladesh might adopt. This policy study/policy review/ policy paper presentation will analyse the bottlenecks and implementation challenges, and provisions to mainstream women entrepreneurs and traders to the domestic and global value chain. Possible recommendations about inclusion, exclusion, revisions, alteration, and extension of the existing policy will make it more relevant to the present context of global trade. The recommendations will also emphasize promoting trade facilitation and mainstreaming women entrepreneurs.

1.4. Methodology

Considering the given objectives and the key research questions of this study, the research team has primarily followed mixed methodologies in presenting the deliverables. The methodology is based on two significant tasks in general:

- (i) Rigorous desk research of all relevant policy documents, literature, and secondary data
- (ii) Primary data collection and analysis by conducting Key Informant Interviews (KIIs) and Focus Group Discussions (FGDs) with stakeholders relevant to the study.

Therefore, the research methodology can be categorized as follows:

1.4.1. Desk research

Desk research comprises examining related documents and existing literature on the issues, examining and analysing the available secondary data, and identifying potential policy gaps and differences related to trade, export, transportation, and women entrepreneurship between Bangladesh and the existing universal best practices. The research team will focus on the following documents for desk review:

- Export Policy 2021-24 and several other previous export policies
- WTO rules on exports
- Export data from Bangladesh Bank
- 8th Five-Year Plan
- Bangladesh Second Perspective Plan 2021-2041
- Literature reflecting the current situation of export diversification

During the desk research, the research team has followed the following steps:

- Assessing the policy documents, which includes all relevant and existing acts, ordinances, legislation, agreements, treaty, and literature, provides a broader view of the gaps, coherence, and discriminatory provision if any.
- Developing the KII and FGD checklists based on the scanning of the stated documents.
- Complementing the preliminary analysis with the findings from the primary data.
- Scrutinizing the current trade scenarios of various sectors of Bangladesh using the UNCTAD database, as a part of secondary data analysis. Data from other sources, such as World Bank, IMF, Export Promotion Bureau, etc. will also be examined.
- Analysing the degree to which Bangladesh is lagging the WTO trade facilitation agreement by using the data and information from WTO.
- Comparing Bangladesh's export and export-related policies with global comparators such as China, Germany, Japan, South Korea, Vietnam, etc., to understand why these countries are performing better in export and ensuring more access to female entrepreneurship in the export-oriented industry.

1.4.2. Primary data collection

In collecting primary data, the research team has followed a qualitative approach. Social aspects that are mostly unrepresented in the quantitative data can be addressed through qualitative data, which are expected to provide in-depth information on social dimensions and characteristics. As part of collecting qualitative data, the team has conducted Focus Group Discussions (FGD) and Key Informant Interviews (KIIs) with several academicians, representatives from the business community, representatives from EPB, and representatives from the customs authority.

Table 1: List of KIIs

Organization/Association	Key informants
International trade experts	<ul style="list-style-type: none"> • Professor Mustafizur Rahman (Distinguished Fellow, CPD) • Dr. Md. Abdur Razzaque (Chairman, RAPID) • Dr. M Abu Eusuf (Executive Director, RAPID) • Mr. Nesar Ahmed (Sustainable graduation project under ERD)
Export Promotion Bureau	<ul style="list-style-type: none"> • Mr. Abul Kalam Azad (Director, EPB)
Ministry of Commerce	<ul style="list-style-type: none"> • Md. Abdur Rahim Khan (Joint Secretary) • AHM Shafiquzzaman (Additional Secretary, IIT)
Government official	<ul style="list-style-type: none"> • Mr. Fakhrul Alam (Commissioner, Chittagong Customs House, Chittagong, Bangladesh)
Representatives from the business communities	<ul style="list-style-type: none"> • Barrister Vidiya Amrit Khan (Director, BGMEA) • Mr. Farooq Ahmed (Secretary-General, MCCI)

1.5. Evaluation and analysis

All the gathered data and information will be evaluated and analysed at this stage. This process will include:

- Identifying the loopholes and gaps of the existing export policy through rigorous desk research.
- Identifying whether the policy has provisions to face the LDC graduation challenges.
- Exploring the potential provisions of the existing policy to mainstream women entrepreneurs.
- Analysis of primary data through FGDs and KIIs to evaluate the actual activities of the organization and its actors in the present trade scenario.
- Identifying the weaknesses and implementation challenges of the existing policy from stakeholders' experiences, through FGDs and KIIs.
- Comparing international best practices with the current provision of the export policy.
- Providing possible legal recommendations about changes, alterations, exclusion, and extension of the current policy through consultation with legal experts, and recommendations of key informants and FDG participants.

1.6. Organization of the paper

This paper follows the following structure. In Chapter Two, the context and challenges of the policy are discussed in a detailed manner. This chapter briefs the scenario of the existing policy, trade-related provisions, and bottlenecks. This chapter also focuses on the present trade patterns of different countries related to this policy and how our policy deviates from that. In Chapter Three, the relevance of this policy to SHE trade is demonstrated. This chapter also illustrates whether the current provisions of the existing policy support gender inclusiveness in trade or not. Chapter Four suggests necessary recommendations and action plans to make it a compatible and strong policy considering several issues such as LDC graduation of Bangladesh, changing trade patterns, WTO guidelines, etc. Finally, this paper marks its end with a concluding remark in Chapter Five.

2. Context and Challenges of the Export Policy 2018-21

2.1. Brief overview of the policy

Export policy 2018-21 was formulated to create a friendly environment to boost the country's export trade. The export policy is formulated after every three years but there can be seen no major changes between the policies formulated. Considering the Sustainable Development Goals-2030 and LDC graduation of Bangladesh in 2026, the export policy has to play an irrefutable role in increasing export capacity and enhancing trade capacity to accelerate the pace of economic activities. This document comprises eight annexes providing policy directives for export goals, definitions, general principles of export diversifications, export incentives, services sector, etc. The policy urges to establish labour-intensive export industries in the country, ensure international standard compliance practices, to provide easy and low-interest loans to the exporters, and simplify the procedures related to goods release and disbursement at Chittagong and Mongla seaports.

Table 2: Focus, objectives, and measures to achieve the objectives of the Export Policy 2018-21

Primary Focus	Objectives	Measure to achieve the objectives
<ul style="list-style-type: none"> To increase the production capacity of export-oriented industries, improve product quality, and ensure competitive prices in export, product, and market diversification. To determine the priority of export products and expand export in a friendly manner. To ensure inclusive growth and participation of females in export-oriented business. 	<ul style="list-style-type: none"> To design a copious trade regime for keeping pace with the changing global trade pattern and to fulfil the requirements provided by WTO, to participate in the regional trade coalitions, and to maintain healthy trade relations with the fastest growing countries of South Asia. To fulfil the target of achieving export earnings of US\$ 60 billion by the year 2021. To increase the earnings of every sector in the export industry and to create employment opportunities. To ensure a business-friendly environment and increase competitiveness in the market. To diversify the export products and improve the balance of trade. 	<ul style="list-style-type: none"> To achieve the targeted goals, one of the important measures is to increase the efficiency of the Export Promotion Bureau (EPB), Bangladesh Tariff Commission, and Bangladesh Foreign Trade Institute (BFTI). To give more emphasis on the strength of Bangladesh Foreign Missions abroad. To develop industrialization targeting the export-oriented production and backward areas strengthening the network of backward and forward linkages. To take special initiatives for achieving duty-free market access in developed and developing countries, to increase export volume in South East Asia, Middle East, African countries. Diversification of export products, identification of potential markets, capacity building of the organizations related to export, and accreditation of the testing authorities. “National Committee on Export” will be given the authority to review the

Primary Focus	Objectives	Measure to achieve the objectives
	<ul style="list-style-type: none"> To accelerate the export industry by proper utilization of e-commerce and e-governance. To produce quality export products and to update the testing facilities to the global standard, to increase the use of latest and environment-friendly technology. To facilitate mainstreaming more women entrepreneurs in trade and export-oriented industry. To build the necessary infrastructure and regulatory framework to attract more FDIs along with domestic investment. 	<p>export situation regularly and to provide with necessary recommendations.</p> <ul style="list-style-type: none"> Taking specific action plans to develop the required no of entrepreneurs and skilled manpower in the export industry. To form “Export Policy Monitoring Committee” engaging stakeholders from concerned ministries and business organizations to constantly monitor the progress. To organize a single country Trade Fair for Bangladeshi products to explore and expand the existing market and to promote traditional as well as non-traditional export products. To provide the necessary training for workers, employees, and managers in export-oriented sectors. To implement the National Single Window and One-Stop Service for supporting exporters and to provide updated information to the traders. To reduce the lead time in exports by improving port management, simplifying product release, and developing communications systems.

Source: Export Policy 2018-21

Export policy 2018-21 is a well-defined policy document formulated to meet the challenges of that time. Export policy 2018-21 hardly had any detailed provision regarding LDC graduation scheduled in 2026. Some of the noteworthy aspects of export policy 2018-21 are demonstrated in Table 3.

Table 3: Important aspects of Export Policy 2018-21

Issues	Provisions
Classification of product and service sector	<ul style="list-style-type: none"> Some sectors are identified and marked as the ‘highest priority sector’ and some are identified as ‘special development sector’. Classifications are based on the level of production, the contribution of the respective sector to export, demand in the international market.

Issues	Provisions
	<ul style="list-style-type: none"> The government time to time updates the priority list and provides incentive packages like income tax rebates, credit support, duty draw-back, bond facilities, etc. according to the needs of potential sectors.
Export of services	<ul style="list-style-type: none"> EPB will design an action plan to increase the export of services and take necessary initiatives for compiling statistics of the service sector. Necessary steps will be taken to inform related stakeholders about the benefits of WTO service waiver by various countries. BFTI and Bangladesh Tariff Commission will survey export feasibility tests of different services in the service sector.
Export facilities	<ul style="list-style-type: none"> Exporters can retain a certain amount from their export earnings as retention quota in a foreign currency account, exporters can use this retention quota balance to meet up some expenses like business tours, importing raw materials, etc. The export Promotion Fund at EPB will facilitate exporters by providing venture capital at reduced rates and on soft terms, providing assistance in training programs abroad, sending market missions abroad, participating in international trade fairs, etc. Export-oriented industries will receive bank loans and credit facilities on easy terms and duty-free import of compliance machinery and equipment, eco-friendly industry-related machinery, and innovative agricultural machinery. Bangladesh Foreign Trade Institute (BFTI) will organize workshops and seminars on different trade-related issues, particularly on WTO issues. There is a provision to organize both general and product-specific trade fairs to attract foreign buyers and establish a good connection between buyers and sellers.
Product-specific export facilities	<ul style="list-style-type: none"> Industries contributing most to the export sector, for instance, the RMG industry, leather industry, jute industry, agriculture sector, frozen food, and fish product industry, tea industry, information technology, pharmaceutical, plastic, ship building industry, light engineering product are by now identified and given preferences according to their needs. Necessary steps will be taken to facilitate and promote the export of emerging industries.
Promotion of export	<ul style="list-style-type: none"> Proper initiatives will be taken for infrastructural development, modernization of Bangladesh Bank, customs, Chittagong and Mongla seaports, and existing land ports by providing institutional supports to them. Biman Bangladesh Airlines will take initiatives to introduce regular 'Cargo Freighter Service' to Europe. To encourage product-specific export, a product will be announced as 'Product of the Year' every year. A standing committee will be dedicated to fixing the rate of value addition of different products including RMG. Communication facilities will be increased and attractive facilities will be provided to the exporters for smooth movement of goods.
Women entrepreneurship	<ul style="list-style-type: none"> Female exporters will be given special incentives to engage more in export-oriented industries. Female CIPs will be selected and the best woman entrepreneurs will be awarded Export Trophy annually.

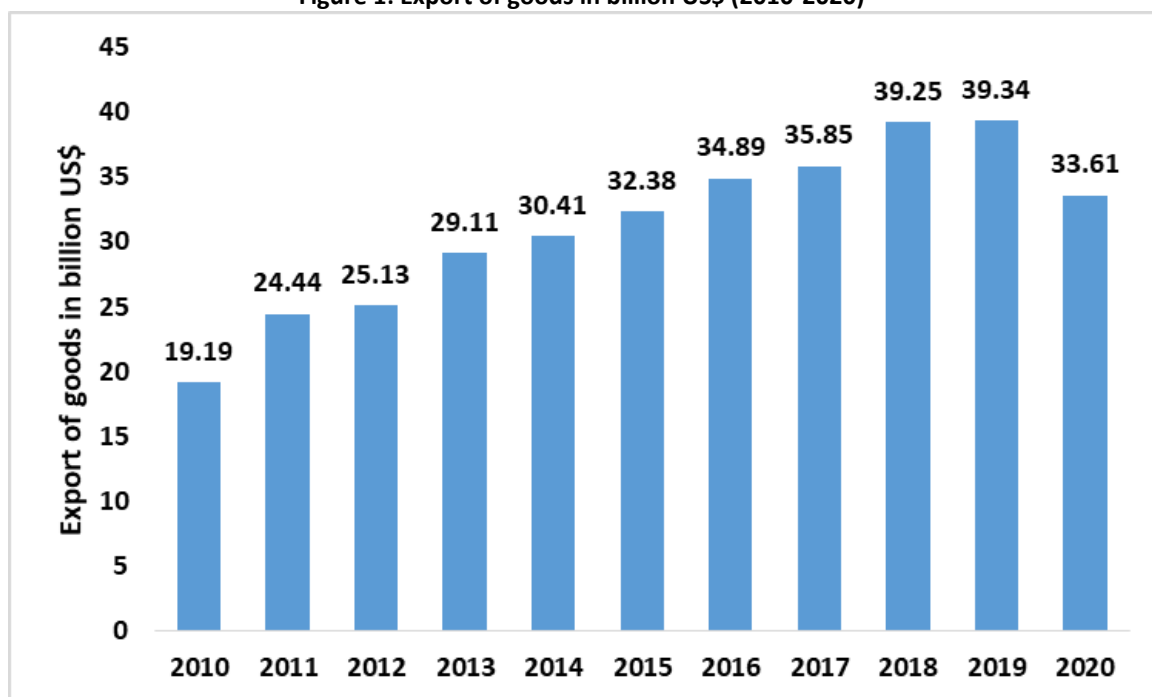
Issues	Provisions
Export of prohibited products	<ul style="list-style-type: none"> The export policy has clearly stated the prohibited products for export. Export of prohibited products will be controlled strictly unless special permission from the government to export them.

Source: Export Policy 2018-21

2.2. Overview of the export sector

The export of Bangladesh is showing outstanding growth in the last few decades. Bangladesh initiated trade liberalization in the 1980s but the pace of liberalization accelerated in the early 1990s (Hasan, 2005). Bangladesh has been broadly liberalizing the trade regime since 1992 to achieve higher export performance and GDP growth (Hoque and Yusop, 2012). The economic growth of Bangladesh is mostly driven by exports and the volume of export is increasing significantly. To facilitate export, Bangladesh has initiated a wide range of policy reforms since the mid-1980s following the guidelines provided by the World Bank and the International Monetary Fund (IMF). Extensive export promotion measures and favourable market access in the EU and USA helped Bangladesh's exports rise remarkably during the past 25 years to so (Raihan and Khondker, 2013). At the beginning of the last decade, Bangladesh exported US\$ 19.19 billion which grew more than double in 2019 with a value of US\$ 39.34 billion. Export failed to maintain the upward trend due to the COVID-19 pandemic.

Figure 1: Export of goods in billion US\$ (2010-2020)

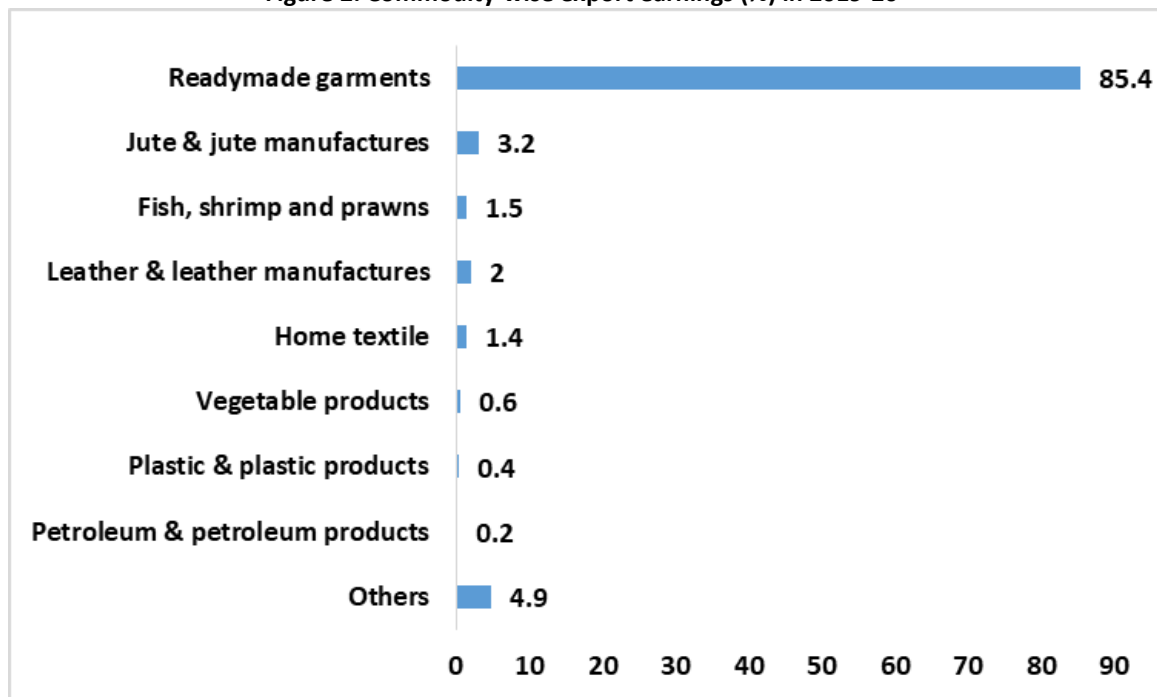


Source: Statista

In Bangladesh, export trade mainly depends on some specific products and these are majorly primary products and cheap and labour-intensive products. Primary products cover refrigerated foods, raw jute, tea, vegetables, fruits, etc. Industrial products include RMG, knitwear, jute goods, leather, etc. Besides, a small number of fertilizers and chemicals, special clothes, ceramic goods, light engineering products, and petroleum by-products. The number of exported products is not adequate in terms of the country's economy. Thus the

contribution of the export sectors towards the GDP is not so satisfactory compared to the cost-effectiveness of import sectors which somehow causes a trade deficit and that is a common scenario of the country (Saha, 2013). The export basket of Bangladesh is highly concentrated over RMG and the lion's share of export earnings comes from this particular sector. One of the reasons for such high concentration is the ample supply of cheap labour. Bangladesh has one of the lowest wage rates in the world which has helped the expansion of the RMG industry. Bangladesh has failed to use RMG as a springboard to diversify into more complex products as many other East Asian economies did in the past. The RMG sector has emerged as the leading sector of Bangladesh's economy which provides direct employment to 4 million unskilled or semi-skilled workforce (Islam, 2021).

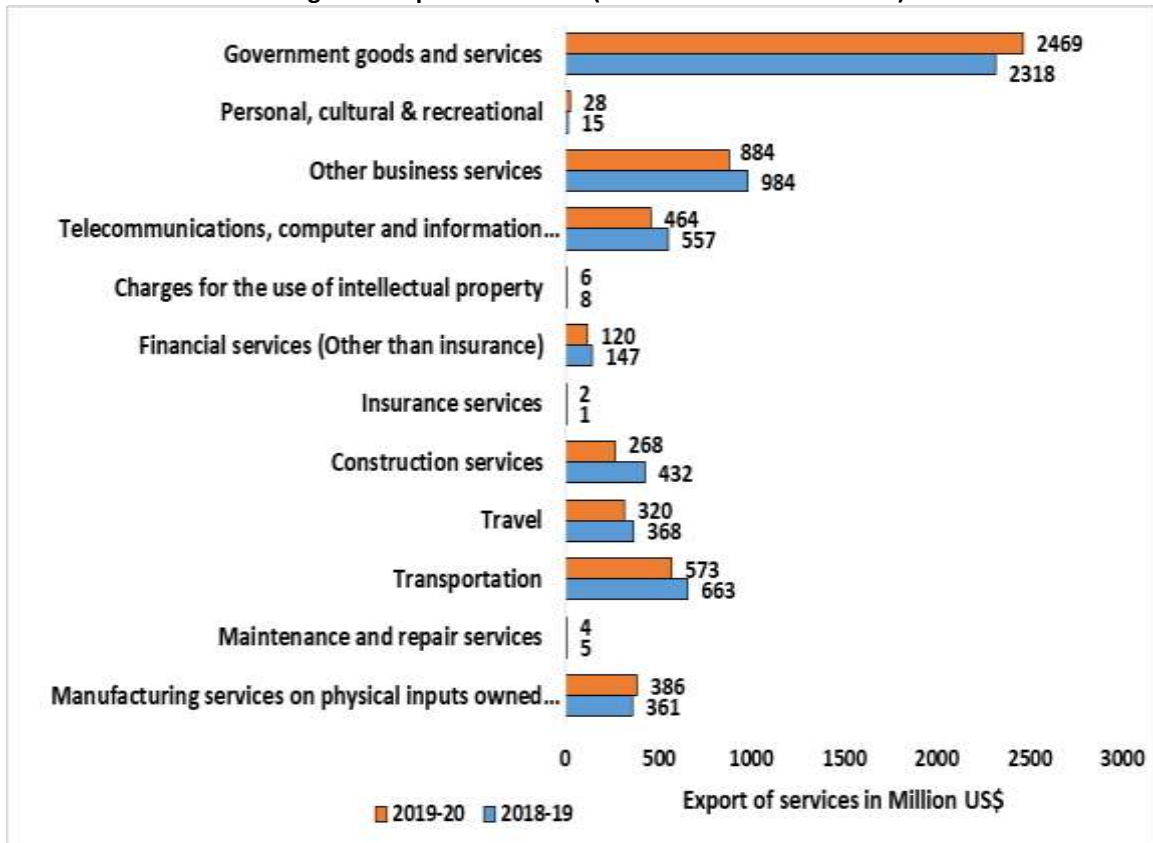
Figure 2: Commodity-wise export earnings (%) in 2019-20



Source: Bangladesh Bank

The export basket of Bangladesh generally includes more products than services. Focusing more on the export of services will surely bring a positive impact on the country's earnings and GDP. Raising the level of service exports is seen as a way of enhancing national economic performance. Bangladesh lacks behind in this case and the volume of services exported from the country is low compared to the overall export volume. According to the data collected from the Bangladesh Bank, total services exported from Bangladesh in 2018-19 are worth US\$ 5974 million and US\$ 5606 million in 2019-20. Total earnings from the service sector have declined and one of the reasons for this fall is the unprecedented hit of the COVID-19 pandemic. Major exported services of Bangladesh include manufacturing services, transportation, travel and tourism, construction services, insurance services, and several other services. IT and IT-enabled services are considered potential sectors in this era of globalization. Developing more IT-related industries will contribute to employment generation and coping with the upcoming challenges of the changing global trade pattern. Skill development programs can play a vital role in this development. Re-skilling and up-skilling of the existing workers will play a vital role to enhance the performance of the service sector.

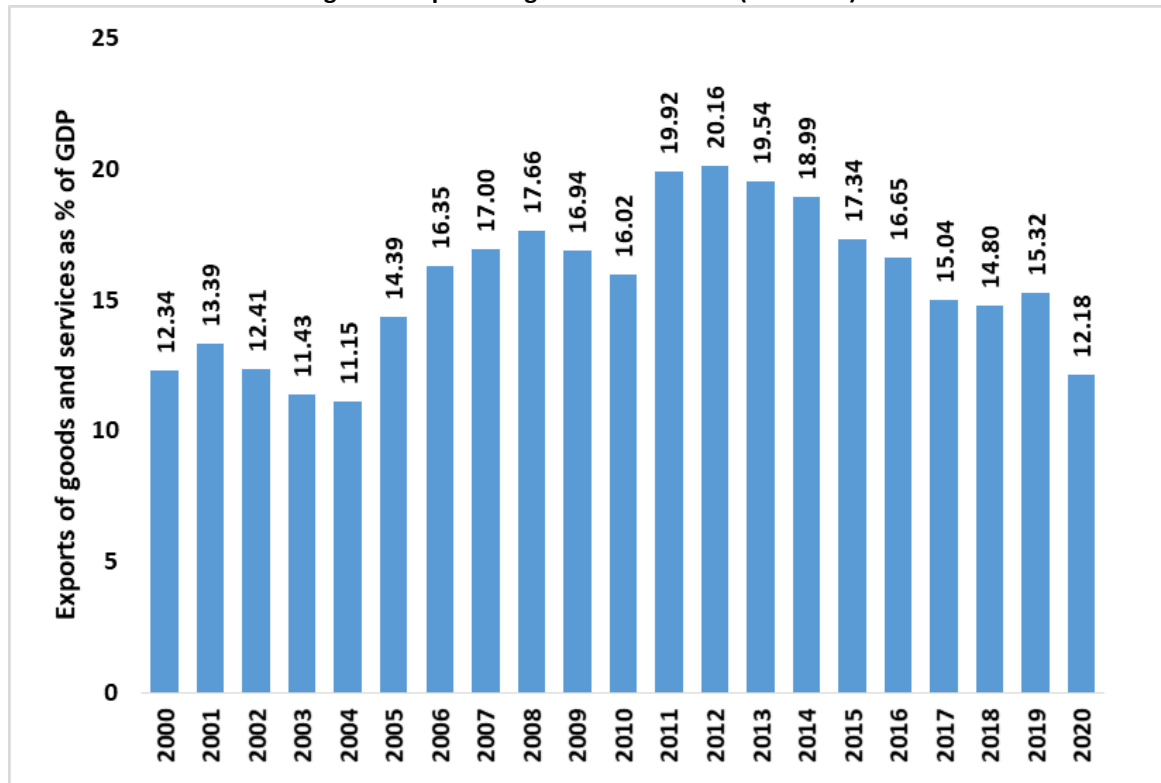
Figure 3: Export of services (FY 2018-19 and FY 2019-20)



Source: Bangladesh Bank

Export is considered to be one of the vital tools that can affect a country's GDP through trade balance. (Hirschman, 1958; McKinnon, 1964; Chenery and Strout, 1966; Balassa, 1978; Krueger, 1980; Helpman and Krugman, 1985; Grossman and Helpman, 1993) mention that, exports are a component of GDP, export growth contributes directly to GDP growth. In addition, export growth is widely believed to stimulate GDP growth indirectly through linkage effects, foreign exchange earnings, and other positive externalities on the domestic economy. According to Brenton and New farmer (2007), empirical evidence shows that rapid and sustained GDP growth is closely related to a fast pace of export growth. Like other South Asian countries, Bangladesh initially concentrated on the import substitution policy using different trade barriers after its independence in 1971. This is reflected in its share of trade in GDP (Chaudhary and Choudhary, 2007). Since 1992, GoB has taken initiatives to liberalize the trade regime, by, inter alia, reducing tariffs and eliminating quantitative restrictions on imports. Export helps to strengthen the foreign exchange reserve which allows the central bank to defend the domestic currency and stabilize its value and also to lower the cost of exports to foreign countries. Bangladesh's export performance so far presents signs of strength as well as weakness in its export basket (Sattar, 2015). Over time exports of goods and services have contributed significantly to the GDP of Bangladesh. Considering from 2000, the share of the export sector in GDP was the highest in 2012 with a value of 20.16% of total GDP. A decrease in export was seen in 2020 because of the worldwide lockdown for the COVID-19 pandemic.

Figure 4: Exports of goods and services (% of GDP)

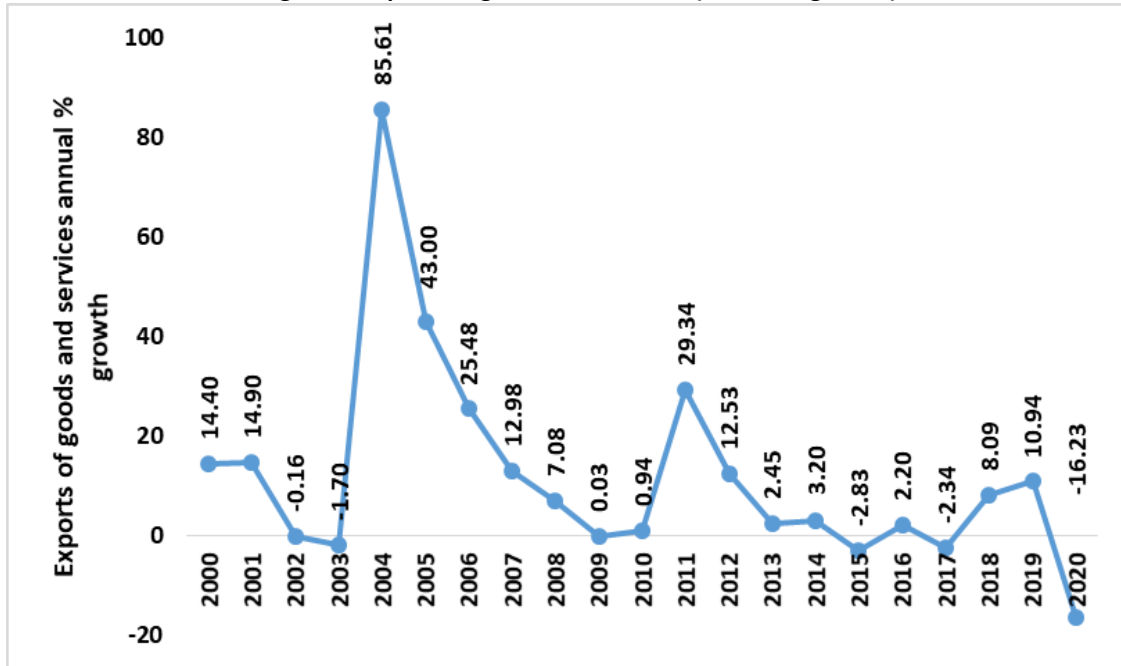


Source: World Development Indicators

The effect of primary export growth (PEG) on economic growth is indeed critical because of important theoretical and policy implications. Primary products remain major exports for most developing countries even today. Even in those developing countries which have successfully increased their exports of manufactured goods in the past several decades, primary exports still account for more than 50% of their total merchandise exports (Xu, 2000). The export-led growth paradigm replaced the import-substitution industrialization paradigm. This is what many interpreted as a failing development strategy. While an export-led development strategy met with relative success in countries like Germany, Japan, and East and Southeast Asia, current conditions suggest that a new development paradigm is needed. Bangladesh is expected to graduate from the LDC bracket by 2026. To undertake the upcoming challenges of LDC graduation rapid and sustainable growth in the export sector is a requisite. During FY2019-20, export earnings of Bangladesh stood at US\$ 33,674 million which was 16.93% lower in comparison to the previous year. One of the reasons for low export earnings is the outbreak of the COVID-19 pandemic. According to Bangladesh Bank, exports in Bangladesh increased to BDT 244.81 billion in May 2021 from BDT 237.29 billion in April 2021. Bangladesh has an average of 13.5% growth rate in terms of exports considering from 1987.¹

¹ Data from <https://www.ceicdata.com/en/indicator/bangladesh/total-exports-growth>

Figure 5: Exports of goods and services (annual % growth)

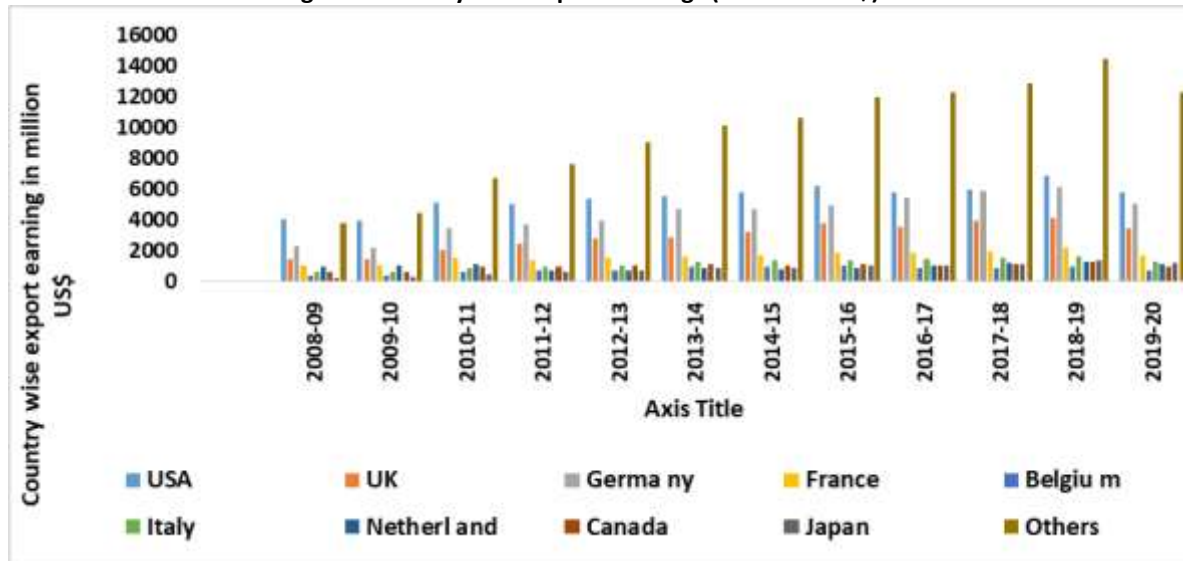


Source: World Development Indicators

The major destinations of the export products are the United States, Germany, United Kingdom, Canada, Italy, Spain, France, Belgium, Japan, and China. Besides these current markets, countries like Australia, Brazil, Chile, India, South Korea, Mexico, Russia, Turkey, and South Africa can be good markets for Bangladeshi products (Islam and Haque, 2018). USA secured the topmost position regarding import of goods from Bangladesh in FY2019-20. Export earnings from the USA stood at US\$ 5832 million in that fiscal year which is 17.32% of the country's total earnings from export. The market of the principal export item (RMG) is even more intense, the export is highest in the USA as a single country and European Union as a trade block and the growth in the total RMG export of Bangladesh depends largely on the pattern and growth of RMG demand in these countries in the short to medium term.² Market diversification and exploring new potential markets will contribute to the export earnings and these will eventually shrink the risk regarding the concentration of the market.

² BFTI working paper

Figure 6: Country-wise export earnings (in million US\$)



Source: Export Promotion Bureau

2.3. Trade-related provisions: current state and bottlenecks

The issues and provisions mentioned in Table 3 are mostly related to trade. In this section, we will analyse the current state of such proposed provisions and possible bottlenecks from our findings from KIIs, and FGDs with the relevant stakeholders. The Export Policy 2018-21 is a well-designed policy document with the necessary provisions to achieve the desired objectives. However, in reality, the provisions are not well-fitted and in most cases, there are numerous implementation challenges to deal with. The current state and the challenges of some significant issues and provisions related to Export Policy 2018-21 are discussed as follows,

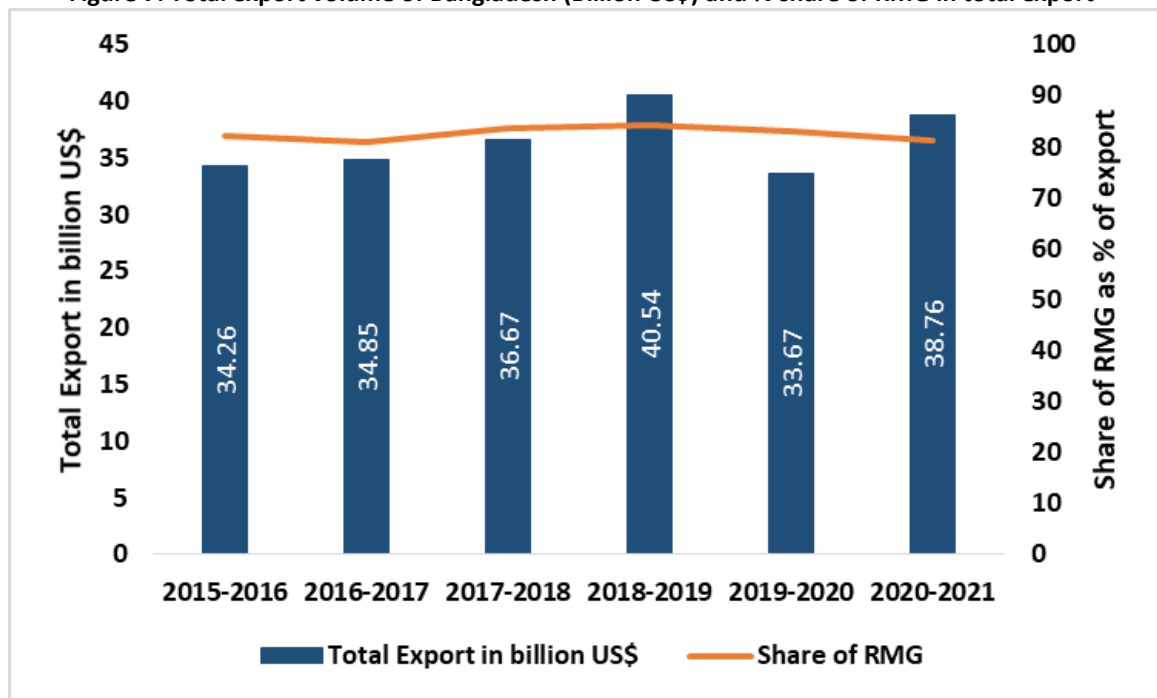
2.3.1. Export diversification

In 1972-73, exports of Bangladesh were mostly comprised of raw jute and jute goods. The turning point of the export sector was after the 1980s. The labour-intensive traditional export sector (jute and jute goods, leather, and tea) is lagging and other labour-intensive textile sectors (knit, woven, and home textile) are showing excellent performance and have become the top export earning sector (Faiz and Maitra, 2020). Availability of lower cost and standard quality products are two major strengths of the RMG sector to entice foreign buyers (Kabir and Uddin, 2017). The current export policy of Bangladesh urges export diversification and includes various products in the export basket including non-traditional items, processed food items, labour-intensive products. GoB has designed the Export Policy 2018-21 to promote more export-oriented industries in the country to step back from one-good-oriented export practice which is considered to be risky to maintain healthy growth. Without product diversification and market diversification, it will be perplexing for Bangladesh to meet the upcoming challenges after graduating from the LDC bracket.³ As RMG is identified as a high-priority sector in the export policy, industrial supports, stimulus packages, and other lucrative benefits are grabbed by this particular sector. Jute (both raw and final goods), footwear, leather and leather products, light engineering, plastic are potential export goods and need

³ KII with an International Trade Expert

promotion to flourish and show their dominance in export. Bangladesh has achieved significant positions in the agriculture sector- fourth position in rice production, sixth position in tropical fruits production, second position in jute production, fifth position in farmed fish production, and seventh position in potato production. The export share of agricultural products is small and growth trends in this sector are jagged across products. After meeting the domestic demand for agro products, Bangladesh can increase the export volume of agro-based products (frozen, semi-processed, processed) in the coming days.

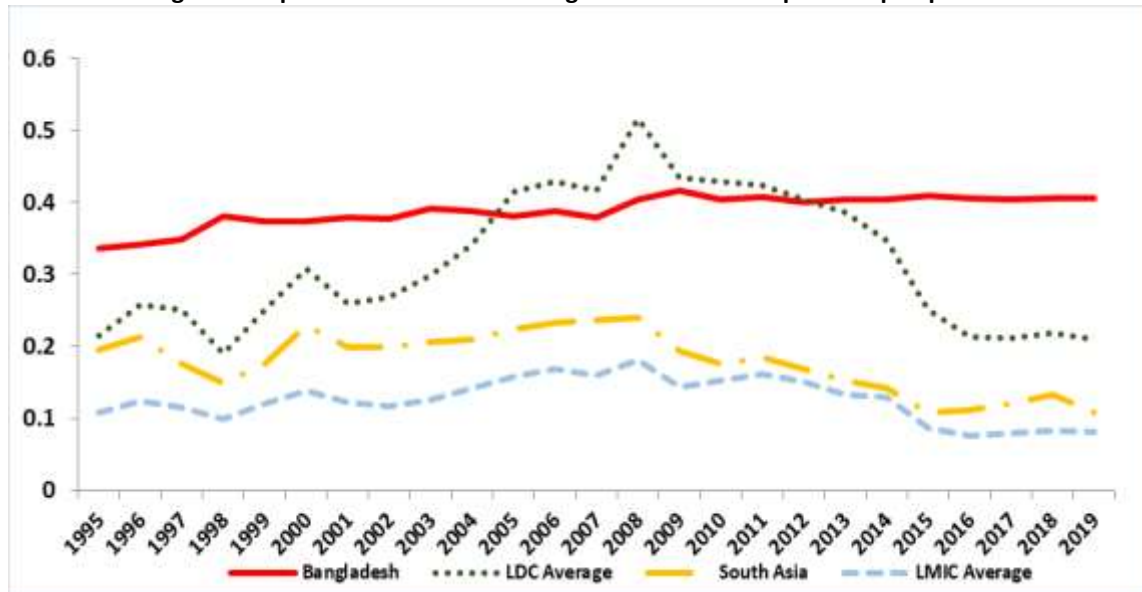
Figure 7: Total export volume of Bangladesh (Billion US\$) and % share of RMG in total export



Source: Export Promotion Bureau

Bangladesh’s export concentration index according to UNCTAD statistics is higher compared to other country groups. The marked differences in export concentration between Bangladesh and those of other country groups are noteworthy. Also, while other country groups have, in general, experienced declining export concentration indices, Bangladesh’s export concentration index increased during the period between 1995 and 2019. Even when the LDC average, LMIC average, and South Asian average export concentration index are falling from around 2013, Bangladesh’s export has remained fairly concentrated. Therefore it is evident that the current and previous trade and industrial policies have failed to diversify the export product basket of Bangladesh.

Figure 8: Export concentration of Bangladesh from a comparative perspective



Source: UNCTAD

Developing countries like Bangladesh should diversify their exports since this can, for example, help them to overcome export instability or the negative impact of terms of trade in primary products. The process of economic development is a process of structural transformation where countries move from producing “poor-country goods” to “rich-country goods.” A precondition for this transformation is often the existence of an elastic demand for countries’ exports in world markets so that countries can leverage global export markets without fearing negative terms of trade effects (Hesse, 2008). Openness to trade provides small states chances to overcome the limitations of size, through access to larger markets and opportunities to achieve economies of scale in production (Wang et al., 2018).

2.3.2. Facilities for export promotion

Chapter 5 of the Export Policy 2018-21 broadly describes the facilities and incentives provided by the government of Bangladesh to facilitate smooth export. There is a provision for establishing Export Promotion Fund (EPF) at EPB to assist export-oriented industries by providing soft terms for the production of goods, contributing in venture capital at reduced interest rates, assisting in market expansion, organizing international trade fairs, etc. Other facilities include credit support to the exporters, lucrative incentives for new industries to export their products, bond facilities for export-oriented industries, revising the decision of collecting VAT, bonded warehouse facilities, and others. Industries that export at least 80% of their products are considered export-oriented industries and there are some premium amenities to be availed by them.

- Exporters will be able to receive bank loans and other financial benefits on easy terms and duty-free import of compliance facilitating equipment, fire safety equipment, eco-friendly industry-related machinery, and innovative agricultural machinery which will be used to increase productivity.
- Assistance will be provided for setting up Central Effluent Treatment Plant (CETP) and Air Treatment Plant (ATP)

- Small and medium firms owning at least five acres of land will be provided venture capital facilities and will be facilitated by the establishment of cool chains to prevent the quick rotting of perishable products.
- To facilitate trade, multiple entry visas will be issued to foreign investors and importers of Bangladeshi products. EPB will back the exporters/businessmen in getting visas of other countries without delay.
- An updated data bank under the national trade portal shall be established and monitored by the Ministry of Commerce to provide exporters, importers, banks, and other relevant organizations symmetric information in one click.

As the ready-made garments sector contributes lion's share in the total volume of export and total earnings from export, most of the facilities and stimulus packages are enjoyed by them. SMEs find lots of barriers to getting a loan from banks as banks do not consider them safe and fear that they will not repay the allocated loans.⁴ Although there are provisions of product-specific export facilities for potential industries like jute, leather and leather goods, tea, frozen items, pharmaceutical, plastic, etc., they hardly receive large-scale benefits for stimulating their export performance.

2.3.3. Non-tariff measures-

Generally, when the issues of NTMs are discussed, our initial focus goes to the NTMs we face in other countries while exporting. However, the NTMs existing in Bangladesh, faced by the importers are also of great significance. An ITC study states that 91% of Bangladeshi exporters face burdensome NTMs and about 53% of the importers face NTMs while importing raw materials and consumer items in Bangladesh (Kibria, 2018). Document requirements, port congestion, lack of adequate testing facilities, lack of full automation in the clearance process, delay in receiving test results, are some of the significant NTMs while importing to Bangladesh.

2.3.4. Yesterday's policy/dated policy⁵-

Trade policies are extremely important for the economic growth and development of a country. The export policy should be a forward-looking policy that must include the relevant objectives of the 8th Five-Year plan, focus the priority list for overcoming the challenges, and utilize the opportunities after LDC graduation. The export policy 2018-21 is not forward-looking and cannot be adjusted with the 8th Five-Year plan or LDC graduation. Moreover, LDC graduation policy space will be limited and hence, it is high time to develop a forward-looking policy to address the upcoming challenges.

2.3.5. Failure to attract domestic private investment and FDIs-

The export policy has mentioned several provisions regarding FDIs, Bangladesh is yet to achieve significant domestic and foreign investments. In the last five years, the domestic private investment percentage of GDP has increased slightly from 22.98% in 2016 to 23.68% in 2020. During the same period, the rise of domestic investment was also not very significant. Total domestic investment as a percentage of GDP grew from 29.65% in 2016 to 31.53% in 2020.⁶ The total FDI inflows (net) in 2015 was 2.83 billion USD (current), which has become

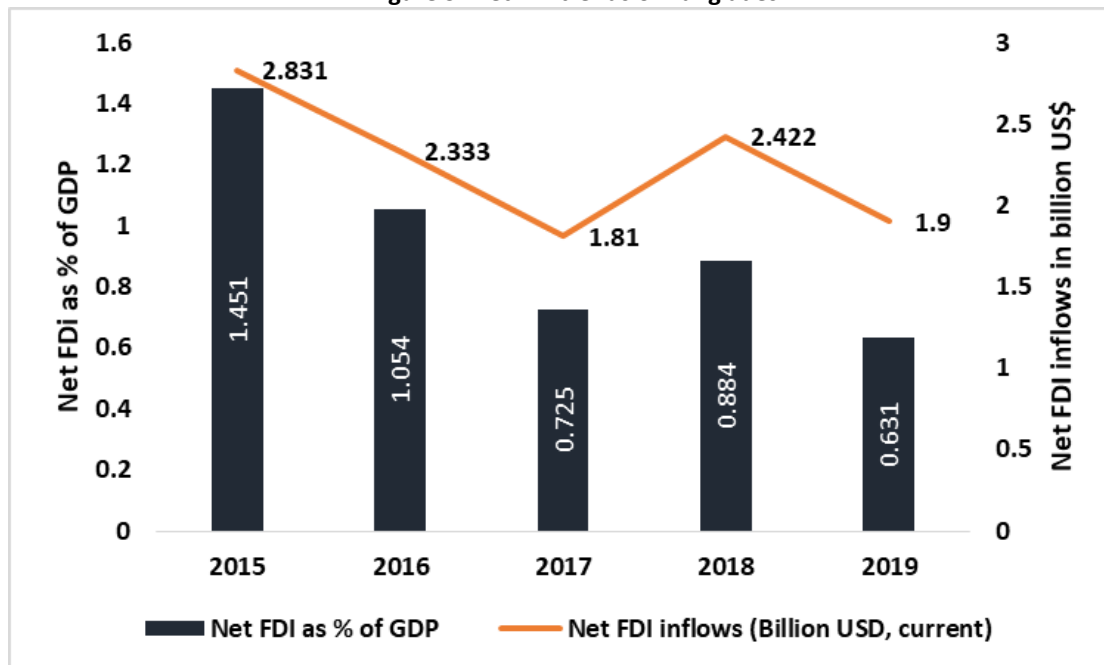
⁴ Information from KII

⁵ Information from KII

⁶ World Bank Data

1.9 billion USD (current) in 2019.⁷ The share of net FDI inflows to the GDP of Bangladesh has also declined from 1.45% in 2015 to 0.63% in 2019. According to World Bank's Doing Business 2020 ranking, Bangladesh improved slightly to the 168th position out of 190 countries. The previous ranking of Bangladesh in 2019 was 176th.

Figure 9: Net FDI trends of Bangladesh



Source: World Bank

2.3.6. Free Trade Agreements (FTAs) and Preferential Trade Agreements (PTAs)

FTAs and PTAs with major trading partners are considered as one of the vital tool for future market access once Bangladesh graduates from LDC to a developing nation in 2026. GoB has taken several initiatives and undergoing negotiations with EU to achieve the Generalised System of Preferences (GSP) Plus after the expiry of the European GSP in 2029. To become eligible for the GSP Plus benefits, Bangladesh needs to amend its existing labour law and those involving economic processing zones (EPZs). Since 1976, Bangladesh has signed four regional preferential trade arrangements, one bilateral preferential trade agreement, one global preferential trade agreement, and two free trade are agreements. Of the two FTAs (SAFTA and BIMSTEC FTA), only SAFTA has come into force. An initiative has been taken to conduct a joint feasibility study on the proposed Comprehensive Economic Partnership Agreement (CEPA) between Bangladesh and India for more bilateral trade, investment, and employment.

For effective negotiations in the modern FTAs, some issues need to be addressed properly. The export basket of Bangladesh is concentrated over RMG and apparel products. RMG is mainly exported to the developed countries. If Bangladesh signs FTAs with the developed countries, the Bangladesh is expected to receive export benefit in retaining markets in those countries. On the other hand, signing FTAs with developing countries with a less diversified export basket will bring about minimal export benefit. Another striking issue is regarding the customs duty. Bangladesh has the highest average customs duty among the other developing

⁷ World Bank Data

countries which is a major drawback to trade facilitation. Eliminating customs duty along with supplementary and regulatory duties will enhance the negotiation of FTAs in the near future.

2.3.7. Export of intermediate goods

Export of intermediate goods and re-export of value-added imported raw materials can boost the export performance of the country as it has potential scopes in the global trade. The record of Bangladesh in exporting intermediate goods is not satisfactory till now but focusing more on this particular sector can have significant impact on the export earnings.

Bangladesh has exported highest percentage of intermediate goods in the South Asian region according to Figure-10. Reducing tariff on the imported raw materials can play a vital role in export of the intermediate goods. Value-added imported raw materials can be exported in different developed and developing countries and by this process Bangladesh can enter into the global value chain.

Figure 10: Intermediate goods export product share by region (%) in 2015



Source: World Integrated Trade Solution

2.3.8. Global value chain

The traditional view of international trade refers to the fact that all countries produce goods and services that are exported to foreign consumers. However, in today's world economy, this type of trade accounts for only about 30% of all trade in goods and services. The remaining 70% of international trade involves global value chains (GVCs), as services, raw materials, parts, and components across the borders. Participating in the global value chain can lead to an increment in job creation and economic growth. Global value chains provide opportunities for developing countries to diversify their exports and intensify their integration into the global economy.

2.3.9. Product branding

Branding is a fundamental element of product value creation and makes it the top of the consumer candidate list from regular products. It is more than the physical and visual elements of a product, it is a commitment provided by the manufacturers to the consumers. The art of branding a product is not only important for the sale of that particular product but also the export.

2.3.10. Fewer participation of women exporters

Despite of undertaking a wide range of initiatives by the government to mainstream women traders in the export sector, lack of effective and proper monitoring fails to implement the ideas. The ratio of women exporters to women traders in the country depicts that most of the women traders do not feel attracted to register themselves in the export sector.

2.4. Changing nature of the world trade and relevance of the Export Policy 2018-21

Export Policy 2018-21 was formulated keeping in mind the challenges and contexts of the stated three years. Draft of the Export Policy 2021-24 has already been prepared and is yet to be finalized by the end of 2021. So considering yesterday's policy to depict the current scenario makes it away from reality. However, the global trade pattern, political economy, industrialization, and use of technology have undergone remarkable changes as of 2021. As an LDC Bangladesh currently enjoys DFQF market access to the developed and some developing nations and EBA schemes from the EU. Bangladesh's EBA utilization rate from the EU is 96%.⁸ This has led to market concentration and a mono-product-based export basket.

2.4.1. LDC graduation challenges

Bangladesh received the final recommendation to graduate from the LDC bracket by fulfilling all three criteria to graduate which include per capita GNI, human assets index (HAI), and economic vulnerability index (EVI). Bangladesh has successfully fulfilled these three criteria in successive triennials of 2018 and 2021. Graduation from LDC brings a mixed set of consequences but well-prepared countries hardly face hardship meeting the challenges in the future. The next export policies should have a comprehensive outlook on making the LDC graduation smooth and at the same time to maintain the trade balance. However, upon graduation from LDC, Bangladesh will lose the DFQF (duty-free quota-free) and EBA (Everything But Arms) schemes, leading to an average tariff rise of 11-12 percent, making the exports less competitive. Other than this preference erosion, Bangladesh will also face other challenges, such as loss of TRIPS waiver, domestic export subsidy, loss of preference as an LDC in capacity building programs, loss of access to EIF after a smooth transition of 5 years period, and losing the access to the LDC technology bank after two years smooth transition.⁹ Bangladesh now benefits from special and differential treatment (S&DT) under the agreements of the WTO which is specific for LDC countries. Under the TRIPS (Trade Related Intellectual Property Rights) agreement, Bangladesh enjoys the benefits of cheaper textbooks, pharmaceutical waivers, and other patent-related flexibilities which will no longer be available after graduating from LDC. Green Climate Fund (GCF) is another LDC-specific fund

⁸ Information from KII

⁹ Ex-ante assessment of the possible impacts of the graduation of Bangladesh from the category of Least Developed Countries (LDCs), Secretariat of the Committee for Development Policy, United Nations Department for Economic and Social Affairs, Apr 1, 2019

that is significantly important for Bangladesh as the country is vulnerable to the impact of climate change and the effect of greenhouse gas emissions. Trade policy instruments will have to be WTO-consistent in the post-graduation period of LDC.¹⁰ The trade liberalization framework has not been comprehensive as needed to contribute to sustainable export growth. Unless trade policy reforms, LDC graduation in 2026 could serve as an adverse shock to the economy. Diversification of economy, infrastructure development, industrialization, upgradations of technology, and skill development are on the top of the priority list to prepare for graduation.

2.4.2. COVID-19 pandemic

Bangladesh has been affected severely by the massive hit of the COVID-19 pandemic and the growth of the economy has also been hindered. According to IMF, the impact has been felt in three main concerns- a drop in economic activity, a decline in exports of RMG, and a fall in remittances. Overall exports fell by 83% year-on-year in April which causes serious damage in the export earnings as RMG holds the share of more than 80% in the case of export. Exports of Bangladesh have dropped by 25.55% in the first six months of 2020 compared to the last six months of 2019 (Ahamed, 2021). Due to strict lockdown imposed by the government, work orders from developed countries got cancelled which affected negatively the exports of goods. The government has issued several stimulus packages to be disbursed through banks to support the affected industries. According to the Ministry of Finance, as of November 2020, 1992 export-oriented business enterprises have received the package of US\$595 allocated for them through 47 commercial banks to pay the wages and salaries for April and May. But according to the estimation of trade leaders, 10% of RMG factories did not pay their wages in April 2020. To overcome the shock of the COVID-19 pandemic, the government should undertake extensive fiscal measures to support the economy and minimize the impact in the long run. The monetary framework must be designed to focus more on economic growth and keep inflation at a certain level.

2.4.3. 4th Industrial Revolution (4IR)

The 4th industrial revolution is a way of describing the obscuring of boundaries between the physical, digital, and biological worlds. It is a fusion of advances in artificial intelligence (AI), robotics, the internet of things (IoT), 3D printing, genetic engineering, quantum computing, and other advanced technologies. As the whole world is approaching 4IR, Bangladesh should also take necessary steps in planning the next export policy, accommodating the special needs of 4IR. As artificial intelligence will replace the repetitive jobs mostly performed by the low and semi-skilled workers, many developing countries like Bangladesh will lose the comparative advantage in the low-skilled labour-intensive production process as a consequence.¹¹ The 4IR will induce job loss, as automation will take over the labour-intensive manufacturing sector of Bangladesh. As a preparation, Bangladesh needs to emphasize more on developing skilled manpower in the ICT and IT-enabled sectors.

Digitalization lowers marginal production and distribution costs while broadening access to global trade and commerce. The cost of participating in trade is reduced not just for large companies, but also for individuals, small firms, and entrepreneurs. On the other hand, the

¹⁰ 8th Five-Year Plan (2021-2025), p 280

¹¹ 8th Five-Year plan of Bangladesh p. 646

degree of innovation in developing countries is low compared to their potentials due to poor protection and enforcement of intellectual property rights. Protecting intellectual property rights across the developing world has to improve for them to attract the technology and benefits which the 4IR will bring.

2.4.5. 8th Five-Year plan and the perspective plan (2021-2041)

The Export Policy 2018-21 was formulated to fulfil the Vision-2021 of the government of Bangladesh which also somewhat resonated with the 7th Five-Year plan. The 8th Five-Year plan is already been formulated which addresses issues like job creation, inclusive development, tackling the adverse effects of climate change, 4th industrial revolution, LDC graduation, etc. Also, the perspective plan 2021-2041 states that Bangladesh needs to ascend to the UMIC country status by 2031 and a HIC by 2041.

To keep pace with the global trends, the future export policy should be consistent with the 8th Five-Year plan and the perspective plan 2021-2041. To make the export policy consistent with the wide-ranging goals of the 8th Five-Year plan and the perspective plan 2021-2041, special focus should be given to encourage export diversification, market expansion, increase the volume of export. The future export policy should be tailored with a specific focus on the LDC graduation preparatory phase and the post-graduation challenges, considering WTO consistent provisions.

2.5. Deviation from the international practices (by comparators)

In this section, we will look into the policies of some comparators that have achieved remarkable export growth during the last decade or so. As Bangladesh is soon to graduate from the LDC status and possesses a vision to become a UMIC by 2031, this section of the study will provide a representation of policies related to the trade of countries like Malaysia, Thailand, and Vietnam.

2.5.1. Malaysia

In Malaysia, the main objective of the export promotion program is to expand and diversify the products and markets. To facilitate these initiatives, the government has undertaken various fiscal, monetary, tariff and trade policies to provide assistance and motivation for greater export benefits (Shivpuri, 1981). Dynamic focus on export diversification, including a shift to the manufacturing sector, helped fuel the rapid economic growth to make Malaysia an upper-middle-income country.

Table 4: Overview of Malaysia's Export facilitated policies

Strategies	Period	Features	Remarks	Plans	Takeaway
Import-substitution 1	1958-1968	<ul style="list-style-type: none"> • Tariffs on final consumption goods • Protection of the manufacturing sector 	<ul style="list-style-type: none"> • Half of the growth in 1959-68 of 27 industries was a result of import substitution. • Shares of basic metals and electrical machinery grew substantially because of rapid growth since 1959. 	<ul style="list-style-type: none"> • Focusing on the export of services. • Promote exports of the targeted growth areas in the manufacturing and service sectors. • To establish Malaysia as a leading supplier of halal products and services. • To promote exports of indigenous E&E products. • To enhance the policy framework to facilitate trade. • To strengthen and expand the institutional support of the exporting community. • To focus on the private sector and trade and industry associations to enhance exports. 	<ul style="list-style-type: none"> • Focus on export diversification. • Focus on the growth of export-led industries. • Export-oriented industrialization. • Decentralization of power. • Focus more on the export of the manufacturing sector. • Manufactures produced in free-trade zones with heavy multinational participation. • Provide financial assistance to potential and emerging export-oriented industries.
Import-substitution 2	1981-1992	<ul style="list-style-type: none"> • Tariffs and quotas on protected goods • Excise duties, import permits • Subsidized credit • Research and Development grants 	<ul style="list-style-type: none"> • Tariff rates were still low compared to other developing countries. • Certain industries like tyres, cement, steel, and automobiles accorded higher rates of effective protection. 		
Export-orientation 1	1970-1981	<ul style="list-style-type: none"> • Export diversification to ease dependency on rubber and tin • Tariff free operations • Tax holidays • Employment generation through FDI inflows 	<ul style="list-style-type: none"> • Since 1970, the leading sector in development has been mostly export-oriented manufacturing industries like textiles, electrical and electronic goods, rubber products, etc. • The major addition to primary exports came from the discovery of large deposits of oil and natural gas. 		

Strategies	Period	Features	Remarks	Plans	Takeaway
Export-orientation 2	1986-Present	<ul style="list-style-type: none"> • Tariff free operations • Tax holidays • Employment generation through FDI inflows • Importance on strategic industries, clustering, and technological upgrading 	<ul style="list-style-type: none"> • The first Industrial Master Plan recommended the continuation of the export-led industrialization strategy. • Promotion of Investments Act, 1986 provided a broad range of incentives for investing in manufacturing, agriculture, and tourism. 	<ul style="list-style-type: none"> • To provide effective financial assistance to increase export performance. 	<ul style="list-style-type: none"> • Focus on the export of services. • Focus on tariff structure. • Attract FDIs by offering incentives.

Source: Authors' compilation from various sources

Learnings- Just after Malaysia achieved its independence in 1957, the Malaysian economy was heavily reliant on the exports of two major products- rubber and tin. These two products together gathered almost 75% of the export earnings. In the decade to 1970, Malaysia achieved an average growth rate of 6.5% and the exports-GDP ratio was 53% (Bahmani and Alse, 1993). The impact happened due to the government's policy for **export diversification**. The government adopted several policies on **agricultural diversification and industrial promotion program** based on import substitution. **Export-oriented industrialization** commenced in the early 1970s and brought about significant changes in the composition of exports. Different policy measures were adopted by the government to attract high levels of **foreign investment in the export-oriented manufacturing sector**. When Malaysia experienced for the first time in FY 1985-86 negative growth brought on by a commodity price collapse, the government embarked on countercyclical measures to meet the objectives of its development plans and saw its external debt soar to 76% of GDP in 1986. To meet up the urgent need for non-debt financing, the government responded by providing **attractive incentives** for promoting foreign direct investments.

Table 5: Export Incentives in Malaysia

	Policy tools	Incentives	Initiatives taken	Takeaway
Fiscal Incentives	Export Incentives under Investment Incentives Act, 1968	Export allowance	<ul style="list-style-type: none"> • An export allowance of 2% of the ex-factory value of export sales is allowed as a deduction from the gross income of the company. • Additional export allowance of 10% on increase in export sales is allowed. 	<ul style="list-style-type: none"> • Provide different schemes for export-oriented industries. • Specially designed fiscal, monetary and other schemes for export diversification. • Availability of credit at a concessional rate. • Provide manufacturing support to free trade zones.
		Deduction for promotion of Exports	<ul style="list-style-type: none"> • Marketing overseas entails enormous expenditure on publicity and advertising. For companies with pioneer status and locational incentives, expenses incurred for export promotion during the tax relief period are accumulated and carried forward for deduction in the post-tax relief period. 	
		Accelerated depreciation allowance	<ul style="list-style-type: none"> • To promote investment in necessary equipment in export-oriented industries, the government allows accelerated depreciation allowance at the rate of 40% per annum with an initial allowance of 20% per annum. 	
	Customs Act, 1967	Drawback of import duties and surtax	<ul style="list-style-type: none"> • Drawback of import duties and a surtax on imported raw materials used in the manufacture of finished export products. • Drawback of import duties and a surtax on re-export of imported goods. 	
	Excise Act, 1976	Exemption from excise duty	<ul style="list-style-type: none"> • Exemption from excise duty on exports of excisable goods. • Drawback of excise duty on sugar and liquor used in the manufacture of specified export goods. 	
	Sales Tax Act, 1972	Exemption from sales tax	<ul style="list-style-type: none"> • Exemption from sales tax on export of taxable goods. • Drawback of sales tax. 	
Monetary Incentives	Export credit refinancing scheme, 1977	Export credit facilities at concessional rates	<ul style="list-style-type: none"> • Export credit refinancing scheme was introduced to expand the arena of credit availability for export and reduce the effective cost. • The credit facility at the preferential rate of interest is made available only to the exports of manufactured goods. • Availability of finance at a concessional rate of interest during the pre-shipment and post-shipment stages reduced the cost of financing export. 	

	Policy tools	Incentives	Initiatives taken	Takeaway
Special Incentive Schemes		Exemption from custom duties	<ul style="list-style-type: none"> To establish export-oriented units that mostly depend on imported raw materials, the government may allow exempt import duties and surtax for those raw materials. 	
		Manufacturing for export in the free trade zone	<ul style="list-style-type: none"> The government provides facilities to specified export-oriented industries to set up manufacturing support in free trade zones. Free trade zones have been set up at places like Prai, Bayan Lepas, Ulu Kelang, Sungei Way, Malacca and Panglima Garang. Exports from and imports into a free trade zone are facilitated by minimum control of customs. 	
		Manufacture of export goods under customs bond	<ul style="list-style-type: none"> As an alternative to drawback of customs duties on imported raw materials, the government provides facilities for the manufacture of export goods under customs bonds. Export-oriented units are allowed the facility to import raw materials without payment of duties for manufacturing export products. 	

Source: Based on Shivpuri (1981)

Learnings- Incentives provided by the government aimed to **diversify export products and markets**. Many of the government's fiscal, monetary, trade, and tariff policies have been directed at providing positive inducement, assistance, and motivation for greater export effort. The government of Malaysia undertook several measures to encourage the **development and diversification of export trade**. These included **direct investment and export incentives, provisions of infrastructural facilities**, including the **establishment of free trade zones and industrial estates**. Special aid was given to the **manufacturing sector** as it was pointed as the main source of growth in exports. To encourage the private sector to contribute to the export earnings, particularly of manufactured and semi-manufactured products industries, several export incentives and assistance schemes were provided. The major objectives of the incentives are- to facilitate the **removal of internal and external constraints to exports**, to encourage **export expansion, promotion, and diversification**, and to create **adequate capacities for export production** through the import of plant and machinery, intermediate goods, and raw materials.

2.5.2. Thailand

The economy of Thailand is dependent mostly on exports of goods and services which accounted for about 60% of the country's GDP in 2019.¹² The Royal Thai government proactively adjusts initiatives to maintain strong and strategic bonds with all countries particularly in terms of political, economic, social, and cultural relations (Krainara, 2013).

Table 6: Overview of Thailand's policies

Policy	Period	Remarks
1st Five-Year Plan	1961-66	Increase the standard of living, agriculture, power production, and industrial development.
2nd Development Plan	1967-71	Agricultural development, highways, irrigation, education, and industrial development.
3rd Development Plan	1972-76	Improvement in rural infrastructures, growth in the financial and commercial sectors, and crop diversification.
4th Economic Plan	1977-81	Decentralization of industry and economic growth in the provinces.
5th Development Plan	1982-86	Reduction of rural poverty and expansion of employment opportunities in the poorer regions.
6th National Development Plan	1987-91	This plan coincided with the early part of the ten-year boom period and most of the economic targets were met.
7th Development Plan	1992-97	Coincided with the second half of the economic boom and targets were based on sustainable development than on economic growth.
8th National development and Social Development Plan	1997-2001	Priority on human development and the replacement of top-down administration with a bottom-up process.
9th National development and Social Development Plan	2001-06	The government presented it as embodying the king's concept of a 'sufficiency economy'. 'Sufficiency economy' was explained as based on adherence to the middle path, and involving moderation. Focused more on balanced development.
10th National Economic and Social Development Plan	2007-2011	Pursue a green and happy society under the direction of the sufficiency economy philosophy. The plan aims to enhance the efficient economy, conserve biodiversity and build a secure natural resource base, increase the capability of people to achieve self-reliance through knowledge, good health, and strong communities.
11th National Economic and Social Development Plan	2012-2016	Priority is given to building the existing capacity and strengthening resilience based on the nation's social, economic, natural resource, and environmental capital. It aims to place people at the center of the development whilst promoting balanced development in all aspects.

¹²World Development Indicators

Policy	Period	Remarks
12th National Economic and Social Development Plan	2017-2021	The plan focuses on enhancing international regulatory and institutional linkages at the implementation level and emphasizes the use of physical infrastructure linkages as a basis for the development areas, economies, and communities along trans-border economic corridors.
20-year National Strategy	2017-2036	Graduate from UMIC to HIC by 2037 with improved security, inclusive and sustainable development.

Source: Authors compilation from various sources

Learnings- Thailand has focused more on **industrialization** and made remarkable progress in **social and economic development**, moving from a low-income to an upper-middle-income country in the last four decades. Thailand's economy grew at an average rate of 7.5% per annum in their boom years of 1960-1996 and 5% during 1999-2005 following the Asian Financial Crisis. **Poverty reduction** was considered one of the great achievements of the policies undertaken by the government of Thailand. Poverty declined from 65.2% in 1988 to 9.85% in 2018. Since the 1st National Economic and Social Development Plan, all aspects of Thailand's development have been improved. Key national strategies were formulated to make Thailand a developed country with **security, prosperity, and sustainability** under the Sufficiency Economy Philosophy. National policies emphasized more on **developing human capital and capacity building** of existing resources. **Tourism** contributed to the national income and growth of the economy on a larger scale.

Table 7: Thailand's strategies to facilitate trade

Initiatives to facilitate export	Strategies	Instruments used	Future plans	Takeaway
Association of ASEAN level	• Opportunities searching and market approach strategy	<ul style="list-style-type: none"> • Stable and competitive exchange rate. • Establishment of Export-Import bank. • Stabilization of the general price level. • Low-wage policies. • Privileges targeting the potential industries by the Board of Investment. 	<ul style="list-style-type: none"> • Increase the level of productivity. • Reviving old markets of Thailand and start exporting thai goods to them. • Increase online trade promotion. • Development of integrated infrastructure and 	<ul style="list-style-type: none"> • Maintain a healthy exchange rate to boost export. • Establish trade centers in different regions for Bangladeshi products. • Provide short-term revolving
	• Relationship enhancement strategy			
	• Trade and investment promotion strategy			
	• Trade and investment penetration strategy			
	• Global research and outsourcing strategy			
	• Increase volume and values of cross-border trade			
	• Establish border economic zones along GMS economic corridors			

Initiatives to facilitate export	Strategies	Instruments used	Future plans	Takeaway
Greater Mekong Sub-region (GMS)¹³ level	<ul style="list-style-type: none"> Negotiate transit trade regime with neighboring countries and relocate some industrial, agricultural, and services investment to these countries 	<ul style="list-style-type: none"> Export refinancing service, short-term revolving credit facility, and long-term financial facility. Nominal tariffs and effective protection. Expansion of Thai trade centers abroad to promote export of Thai products. 	<ul style="list-style-type: none"> utilities to connect land, sea, and air of Eastern Economic Corridor (EEC). Enhancement of service sector. Efficient human capital development. 	<ul style="list-style-type: none"> credit to export-oriented industries. Explore new markets and expand the existing markets.
	<ul style="list-style-type: none"> Explore new markets 			
Bilateral level	<u>Myanmar-</u> <ul style="list-style-type: none"> Improve facilities and logistics system to facilitate cross-border trade Organize Thai trade fair in Myanmar Regular consultation for both public and private sectors to resolve problems regarding cross-border trade 			
	<u>Lao PDR-</u> <ul style="list-style-type: none"> Improve facilities and logistics system to facilitate cross-border trade Provide assistance and consultation to Thai private sectors to minimize risk in doing business 			
	<u>Cambodia-</u> <ul style="list-style-type: none"> Improve facilities and logistics system to facilitate cross-border trade in Aranyaprathet district, Sa Kaeo province Conduct deep market research for the Cambodian market Reduce import tax on raw materials Improve transport routes linking Thailand 			

Source: Authors' compilation from various sources

¹³ GMS consists of 6 countries. They are- Cambodia, Lao PDR, Myanmar, Yunnan and Guangxi Zhuang provinces of China, Thailand and Vietnam.

Learnings- An **export-led growth strategy** taken by the Thai government brought about a record of economic growth in Thailand. During 1981-1996, exports grew at an annual rate of 21%. A structural change of exports toward **manufacturing products** has also helped the country to maintain high export growth. Before the early 1990s, traditional export products of Thailand were clothing, footwear, toys, processed food products. Since then, machinery and transportation equipment, electronics, and electrical appliances have become the major export items. Several regional and bilateral trade contracts have facilitated the export of Thai products to different countries. Thailand has set up **border economic zones** to enhance export.

2.5.3. Vietnam

Vietnam has relished a geo-economic transformation since the launch of the ‘Doi Moi’ policy in 1986 (Clarke et al., 2017). Vietnam has succeeded in attracting more FDIs by offering various lucrative schemes.

Table 8: Overview of Vietnam's policies

Policy	Period	Sub-periods	Remarks	Future plans	Takeaway
‘Doi Moi’ (reform) policy	1986-2006	1986-1994: Entrepreneurial policy-makers	<ul style="list-style-type: none"> During the ‘Doi Moi’ period specifically, in the 1991-2000 period, the economy grew at an average rate of 7.5%. ‘Doi Moi’ policy contributed to export expansion and FDI attraction. To promote export, zero export duty, tax exemption, and export credit duty drawback schemes were introduced. 	<ul style="list-style-type: none"> To best use of economy’s comparative advantages. To increase competitiveness in export-import. To shift the export structure towards modernization, employment generation, and trade balance. To diversify export markets. To take part in the global production network and value chain. To develop export under a sustainable and proper model of growth. 	<ul style="list-style-type: none"> Make the export sector dynamic by using digital systems and automated machines. Modernize trade structure. Participate in globalization. Protection of local infant industries.
		1995-1999: Monetary integration and conversion to a market-driven economy			
		2000-06: Economic affluence and emerging cultural values			
The period of globalization	2007-Present		<ul style="list-style-type: none"> Protection of local industries by imposing import tariffs. 		

Source: Authors’ compilation from various sources

Learnings- Economic and political reforms under Doi Moi, have spurred rapid economic growth. The **export expansion** has been a key focus of the reform process in Vietnam over the past few decades (Athukorala, 2009). Export response to Vietnam's liberalization (Doi Moi) reforms initiated in 1986 was quick and remarkable. The value of total **merchandise exports** quadrupled between 1985 and 1990. Until about 1992, crude petroleum accounted for a large share of export increment. After that non-oil exports started to take off, firstly agricultural products and then manufactured products. **Export diversification** was significant and it contributed to the GDP of the economy. Shifts in the **export commodity composition** from primary products to manufactured products were noteworthy. During the early years of market-oriented reforms, much of **FDI** was in production for the domestic market. Vietnam has emphasized developing **human capital** and its human capital index (HDI) stands at 0.69, meaning a child born in Vietnam today will be 69% as productive when she grows up as she could be if she gets the opportunity to complete education and full health.

3. The Export Policy 2018-21 and relevance to SHE Trade

One of the important objectives of the Export Policy 2018-21 is to enhance the participation of women in trade and export-oriented industries but there are no detailed provisions and action plans on how to promote women exporters. Export Policy 2018-21 welcomed more women exporters to participate in the export-oriented industries but it lacks a clear action plan to execute it. Moreover, there are no specific provisions of mortgage-free loan facilities, financial assistance, creating a women-friendly banking environment, and supporting women lead SMEs.

Despite special aid designed for women, participation of women in export-oriented industries is escalating. Since 1990, several women entrepreneurs' chambers of commerce and associations namely The Women's Entrepreneurs' Association (WEA), Women Entrepreneurs Association of Bangladesh (WEAB), Bangladesh Federation of Women Entrepreneurs (BFWE), Bangladesh Women's Chamber of Commerce and Industry (BWCCI) and regional association Chittagong Women Chamber of Commerce & Industry (CWCCI). Women's membership is growing as the current trade regime requires all exporters and importers to be members of a well-recognized trade organization. The representatives from small and medium businesses need assistance from the chambers and trade bodies to expand their ventures.¹⁴

According to a joint survey conducted by the International Finance Corporation (IFC) and the Business Initiative Leading Development (BUILD) in 2019, the cost of doing business in the export sector is much higher for women entrepreneurs than their male counterparts. Women entrepreneurs tend to spend 3.3 times higher than men to get a license, certificate and they pay more undocumented fees than men. Male entrepreneurs prefer to use unofficial intermediaries or brokers to obtain licenses or certificates done where women entrepreneurs have a preference to choose between lawyers or professional services firms. Women entrepreneurs also face difficulties and limited access to export-related offices and digitalized services.

Women entrepreneurs face numerous difficulties to carry out their ventures. Women entrepreneurs perform their transactions through TT¹⁵ (Telegraphic Transfer) which is suitable for advance payment of smaller values. The charges associated with TT payment methods are less compared to other methods but the risk factors are high in this process. Considering the risk factor, most women entrepreneurs are not encouraged to do cross-border trade. Another important insight shows that participation of women in the vocational and technical education system is very low compared to men.¹⁶ While conducting several KIs and FGDs, some noteworthy challenges and bottlenecks to mainstream women entrepreneurs in export-oriented industries were listed out.

¹⁴World Bank document: Women's Participation, Constraints, and Opportunities for Trade in Bangladesh.

¹⁵ Information from FGD with BWCCI

¹⁶ Information from FGD with BWCCI

Table 9: Challenges to mainstream women entrepreneurs in trade

Concerns	Remarks
Absence of assistance	<ul style="list-style-type: none"> • Banks including Bangladesh Bank, the central bank of Bangladesh hardly had any women-friendly environment to assist and support women exporters. • Women entrepreneurs face complications in issuing certificates or licenses. • Absence of help desk or women entrepreneurs support center in customs offices and land ports.
Inadequate training facilities	<ul style="list-style-type: none"> • Proper training and workshops regarding the pre-investment business knowledge can promote more entrepreneurs to join the export business. • Training specially configured for cross-border trade is very essential for women exporters.
Asymmetric information	<ul style="list-style-type: none"> • Women entrepreneurs often lose the opportunities to avail of special incentives provided for them due to a lack of proper information. • Women entrepreneurs most of the time lack the knowledge of proper documentation, legal procedures, SME loans, mortgage requirements, and appropriate authorities to seek assistance because of the information gap.
Lack of financial and business knowledge	<ul style="list-style-type: none"> • Women entrepreneurs mostly lack business knowledge regarding how to plan projects, legal procedures to start a business, how to avail special incentives, customs procedures, and knowledge of HS code, etc. • Because of a lack of financial knowledge, women entrepreneurs are often tricked by brokers.
Coordination failure	<ul style="list-style-type: none"> • Coordination failure among authorities in charge of the promotion of women entrepreneurship is another significant bottleneck to mainstreaming women in entrepreneur activities
Transparency	<ul style="list-style-type: none"> • Lack of transparency eventually increases the possibilities of corruption, bribe, and other undocumented expenditures which is accounted as hidden cost for the entrepreneurs. In the case of women entrepreneurs, these hidden cost becomes higher than male entrepreneurs.¹⁷
Cost of doing business	<ul style="list-style-type: none"> • The cost of doing business is significantly higher for women exporters compared to male exporters which makes it difficult for mainstreaming women in trade.
SME loans and burdensome process	<ul style="list-style-type: none"> • Women entrepreneurs fail to avail even the 15% total allocated credit amount allocated towards them due to the long process of collecting the packages.

Source: Authors' compilation from various sources, KIIs and FGDs

¹⁷ Information from FGD with BWCCI

4. Recommendations/ Action plan/ Way forward

In this chapter, we have provided some recommendations for upcoming export policies. The recommendations are mostly based on the primary information collected through conducting several KIIs and FGDs. The policies formulated are in general well-crafted and well-written. A lot of effort, consultation, and opinions from related stakeholders are considered while formulating the policies. The Export Policy 2018-21 is not any different. The intent and measures to achieve the desired goals stated in the export policy are sincere. However, the policy lacks a clear road map or action plan for implementing the stated objectives. The legal non-binding nature of the policy often makes it difficult for the implementing authorities to ensure the execution. In the context of Bangladesh, it may be reasonably assumed that a policy without proper enforceability cannot bring the desired outcome. Lack of proper monitoring and evaluation will not help to attain the ultimate objectives of the policy itself. Moreover, the policy needs to include provisions and clear guidelines to promote women exporters and mainstream them. In addition, the Export Policy 2018-21 is formulated three years back and compared to that time global trade regime, trade patterns, and trade dynamics have changed a lot. New issues and challenges have come up which need to be addressed in the future export policy.

Our careful review of the Export Policy 2018-21, has identified some specific areas that need to be addressed in future policy. The areas include export diversification, export promotion, enhancing the participation of women entrepreneurs, supporting existing exporters, promoting potential exporters, improving product quality and testing standards, LDC graduation, capacity building, skill development, and legal enforcement.

Findings from several KIIs and FGDs are listed below:

Comprehensive trade policy- Instead of having different import policy order and export policy formulated for every three years, a comprehensive policy named 'Trade Policy' equipped with proper focus and trade-related instruments can function with full efficiency. Some provisions in import policy order and export policy are co-related with each other and can be fruitful in case of implementation if brought under one umbrella. Comprehensive trade policy can eliminate the coordination problem prevailing in the current system.

Targets of export- There are mainly three targets of export namely, promoting export, reducing the cost of business, and facilitating trade. Though Bangladesh has been able to promote export but the other two targets are yet to be fulfilled. Cost of doing business is relatively higher in Bangladesh than any other developing countries. Formulation of export policies based on these targets will bring positive outcome in the export performance of the country.

Packaging industry- In many cases, success of the business is heavily related to the packaging of the product the manufacturers are providing. The packaging is mainly the entire history of that product or company in another country in a static manner. The preliminary role of packaging is to contain, protect, and preserve the product as well as aid in its handling and final presentation. As the export volume of Bangladesh is increasing rapidly, setting up

modern and updated packaging units is a crying need as export performance has high dependency on quality packaging.

Barriers to export- The domestic market of Bangladesh is big comparatively large for agricultural goods and therefore, the producers have less incentives to export agricultural goods. Another barrier to export is, maintaining quality of the product is not obligatory in the case of local consumers. So producers choose to produce poor quality products than maintaining international quality standard for the consumption of local consumers.

Inclusion of women entrepreneurs- Participation of women entrepreneurs in the export sector is not satisfactory compared to that of male entrepreneurs. Women exporters face discriminatory behaviours in different agencies related to the export of goods and services including NBR, EPB, Bangladesh Bank, and in other commercial banks. The hustle of registering for export of goods and services discourage women entrepreneurs to participate in this particular sector.

Compliance issue- Only a very few export-oriented factories maintain standard compliance issue while producing the goods and services to be exported. Informally, the compliance issues have been overlooked in Bangladesh which is considered as one of the major barriers in the path of export promotion. Bangladesh would have to face experience several barriers and obstacles in trade if the compliance issue is not sorted until the LDC graduation.

Legal framework- The Export Policy 2018-21 is not legally binding which leads to various problems relating implementation. A legal binding policy along with a legal framework is needed to be developed through assuring a liberalized trade regime and protecting consumer interest as well.

Strong role of Bangladeshi foreign missions abroad- Bangladeshi foreign missions abroad can play major role in the promotion of both traditional and non-traditional products and services produced in Bangladesh. Every mission must have a commercial wing to enhance the export performance of Bangladeshi products in that particular country. Trade fairs organized by foreign missions can aid to encourage the export.

Lack of monitoring and evaluation- Due to appropriate monitoring and evaluation, the implementation process is hindered. Monitoring should be field based, paper-based monitoring would not be effective in the successful implementation of the policy. Lack of trained human resource and coordination failure among the implementation authorities are hindrance of proper monitoring.

Promoting SMEs- SMEs can contribute in great manner to diversify the export basket of Bangladesh. Financial and infrastructural assistance must be provided to the emerging SMEs so that they can actively participate in exporting of goods and services. SMEs must be provided soft loans in easy terms to help them flourish their ventures.

Table 10: Recommendations for Future Export Policy

Chapter	Stated provisions in the Export Policy 2018-21	Unchanged	Proposed extension	New inclusion	Drop
Chapter One	<p>1.2 Objectives of the Export Policy:</p> <p>1.2.1 To update and liberalize the trade regime in keeping with the change in global trade pattern, economic downturn in developed countries, requirements of World Trade Organization, sub-regional connectivity of the four countries (Bangladesh-India-Nepal-Bhutan), One Belt One Road initiative of China, Brexit, emergence of regional trade coalitions, establishing close trade relations with the fastest growing South Asian countries, with a view to making Bangladesh a developing country;</p> <p>1.2.2 To undertake target oriented initiatives to raise export earnings to US\$ 60 billion by the year 2021;</p> <p>1.2.3 To increase export, expand export markets and diversify products and improve balance of trade rationally with different countries in light of</p>	Unchanged	NA	NA	NA

Chapter	Stated provisions in the Export Policy 2018-21	Unchanged	Proposed extension	New inclusion	Drop
	<p>the Perspective Plan and 7th Five Year Plan, with a view to consolidating sustainable economy;</p> <p>1.2.4 To increase export of all types of products including readymade garments, processed food products, plant and plant produces, non-traditional products and labor-intensive products, with the conviction of building a poverty-free Bangladesh through creation of employment for the large population of the country;</p> <p>1.2.5 To arrange export of quality products at competitive price, take coordinated effort to upgrade the testing facilities to global standard, improve quality of products, encourage the use of state-of-the-art, modern and environment-friendly technology, produce high value-added exportable products and promote excellence in fashion and designs;</p> <p>1.2.6 To ensure compliance in export oriented industries for making export trade seamless</p>				

Chapter	Stated provisions in the Export Policy 2018-21	Unchanged	Proposed extension	New inclusion	Drop
	and consolidate Bangladesh's position in competitive trade; 1.2.7 To attach the highest priority to the services sector including ICT in export, and bring dynamism to the export trade by utilizing e-commerce and e-governance; 1.2.8 To enhance participation of women in trade and export oriented industry.				
	1.3.2 Modernize and update Bangladesh's Foreign Missions abroad by strengthening economic diplomacy;	NA	<ul style="list-style-type: none"> Encouraging Bangladesh Foreign Missions abroad to involve in robust trade diplomacy. Opening commercial wings in all the Bangladesh Foreign Missions abroad. Currently, only 23 missions have commercial wings. 		
	1.3.15 Reducing lead time in exports through improving port management, improving infrastructure, simplifying product release methods and developing communication systems. Furthermore, taking steps to increase exporters'	NA	NA	<ul style="list-style-type: none"> Using modern and updated technology to keep track of the shipments, product release methods. 	NA

Chapter	Stated provisions in the Export Policy 2018-21	Unchanged	Proposed extension	New inclusion	Drop
	competitiveness by reducing cost of doing business with the introduction of one-stop service.				
	1.3.29 Providing support to develop backward and forward linkages to establish trade related infrastructure for encouraging production and marketing of exportable goods.	NA	NA	<ul style="list-style-type: none"> Setting up strong backwards and forward linkage industries will boost the export performance. Import cost can be reduced by ensuring a resilient backward linkage industry for major exportable goods. Rationalizing tariffs on the imported raw materials will help to grow the backward linkage industries. 	NA
Chapter Two	Definition	Unchanged	NA	NA	NA
Chapter Three	General provision for export	Unchanged	NA	NA	NA
Chapter Four	4.3 Highest priority sector refers to those sectors that have special export potentials, but such potentials could not be utilized property due to certain constraints. However, more success can be achieved if necessary supports are	NA	<ul style="list-style-type: none"> Frozen food products and designer apparel can be listed in the highest priority sectors. 	<ul style="list-style-type: none"> The list of highest priority sectors is to be reviewed and updated based on their export performance. 	NA

Chapter	Stated provisions in the Export Policy 2018-21	Unchanged	Proposed extension	New inclusion	Drop
	<p>extended to them. The sectors are:</p> <ol style="list-style-type: none"> 1) High Value Added Readymade Garment, Denim and Garment Accessories; 2) Software and IT enable services, ICT products; 3) Pharmaceutical products; 4) Plastic products; 5) Footwear (leather, non-leather and synthetic) and Leather products; 6) Jute products; 7) Agro-Products & Agro-Processed products; 8) Ship & Ocean going fishing trawler; 9) Furniture; 10) Home Textile & Terry Towel; 11) Home Furnishing; 12) Luggage; and 13) Active Pharmaceutical Ingredients (API) and Laboratory Reagents. 				
	<p>4.4 Products which have export potentials but whose production, supply and export bases are not strong will be included in the special development sectors to</p>	NA	<ul style="list-style-type: none"> • Diversified brass products, wooden products, and pottery products can be listed in the special development sectors. 	<ul style="list-style-type: none"> • Monitoring the level of production and potentials of the special development sectors from time to time. • Increase the product quality to contribute in the export earnings. 	NA

Chapter	Stated provisions in the Export Policy 2018-21	Unchanged	Proposed extension	New inclusion	Drop
	consolidate their export base, such as: 1) Diversified Jute products; 2) Electric & Electronic products; 3) Ceramic products; 4) Light engineering products (including Auto –parts, Bicycle, Motor cycle, Battery); 5) Value added frozen fish; 6) Pappadum; 7) Printing and packaging; 8) Rough Diamond & Jewelry; 9) Paper & paper products; 10) Rubber; 11) Silk products; 12) Handicrafts; 13) Handloom products including Lungi; 14) Coir products; 15) Photo Voltaic Module (Solar energy); 16) Cashew nut (Raw and Roasted); 17) Live and Processed Crab; 18) Toys; and 19) Agar.				
	4.5 Benefits and Facilities to be Provided to the Highest Priority Sectors and Special Development sectors:	NA	NA	<ul style="list-style-type: none"> Attracting SMEs to contribute to export diversification by offering special stimulus packages. 	NA

Chapter	Stated provisions in the Export Policy 2018-21	Unchanged	Proposed extension	New inclusion	Drop
	<p>4.5.1 Project loan at reduced interest rates on a priority basis;</p> <p>4.5.2 Income tax rebate;</p> <p>4.5.3 Possible financial incentives and subsidies for utility services, such as electricity, water and gas will be extended in consistent with WTO Agreement on Agriculture, and Agreement on Subsidies and Countervailing Measures;</p> <p>4.5.4 Export credit at lower interest rates and on soft terms;</p> <p>4.5.5 Air transportation facilities on priority basis;</p> <p>4.5.6 Duty draw-back/ bond facilities;</p> <p>4.5.7 Facilities for setting up ancillary industries including infrastructural development for reducing cost of production;</p> <p>4.5.8 Expansion of institutional and technical facilities for improving and controlling quality of products;</p> <p>4.5.9 Duty-free import of equipment for setting up compliant enterprises;</p> <p>4.5.10 Assistance in production and marketing of products;</p>			<ul style="list-style-type: none"> • Emphasizing more on the research and innovation of new exportable products. • Providing assistance to those who produce non-traditional exportable products. 	

Chapter	Stated provisions in the Export Policy 2018-21	Unchanged	Proposed extension	New inclusion	Drop
	4.5.11 Assistance in exploring markets abroad; and 4.5.12 Necessary initiatives to attract foreign investments.				
Chapter Five	5.22.1 Both general and product-specific trade fairs of international standard will be organized in the country for meeting foreign buyers, familiarizing export products among them and thus establishing contact among buyers and sellers.	NA	<ul style="list-style-type: none"> Participating in trade fairs of different countries showcasing the exportable products of Bangladesh. 	NA	NA
	5.28.17 A data bank under the national trade portal will be established and administered under the initiative and supervision of the Ministry of Commerce and in co-operation with all the relevant government and private organizations. This data bank will assist exporters, importers, banks & financial institutions, National Board of Revenue and other public & private sector stakeholders through providing information.	NA	NA	<ul style="list-style-type: none"> Updating the data bank from time to time providing all the necessary information to the relevant stakeholders. Ensuring the effective use of the National Trade Portal in the rural areas. The trade performance of Bangladesh is often hampered because of asymmetric information. 	NA
Chapter Six	6.4.1 Steps will be taken to enhance capacity of the quality control agencies including	NA	<ul style="list-style-type: none"> Developing private sector testing facilities for quality testing and 	<ul style="list-style-type: none"> Ensuring quality testing facilities in all the land ports, sea ports, and border 	NA

Chapter	Stated provisions in the Export Policy 2018-21	Unchanged	Proposed extension	New inclusion	Drop
	Quarantine Wing of the Department of Agriculture Extension and BSTI on the basis of a road-map to be designed for the improvement of quality testing and controlling system of the plant and plant products.		controlling system of the plant and plant products.	points for easy clearance of exportable products.	
	6.5.7 Customs authorities will ensure before the clearance of consignment of goods whether the imported fish-feed is usable and whether there is any contaminated or prohibited substance in it. BSTI and the Department of Fisheries will provide necessary assistance in this regard; Department of Fisheries will take necessary steps for the improvement and widening of testing facilities.	NA	<ul style="list-style-type: none"> Developing private sector testing laboratories to strengthen the quality control system of frozen food under the supervision of BSTI and the Department of Fisheries. 	<ul style="list-style-type: none"> Ensuring quality testing facilities in all the land ports, sea ports, and border points. Ensuring the participation of the food safety authority and Atomic Commission while testing the imported fish feed. 	NA
	6.9.6 Initiatives will be taken to set up an accredited laboratory for quality testing and certification of plastic products and garment accessories products. In addition, BSTI will arrange for conducting quality tests of all products.	NA	<ul style="list-style-type: none"> Developing private sector accredited laboratories for quality testing and certification of plastic products and garment accessories products under the supervision of BSTI. 	<ul style="list-style-type: none"> Ensuring quality testing facilities in all the land ports, sea ports, and border points. 	NA
Chapter Seven	Service sector refers to the following services under Modes-1, 2, 3, 4 of General	NA	NA	<ul style="list-style-type: none"> Designing a Plan of Action to increase the share of 	NA

Chapter	Stated provisions in the Export Policy 2018-21	Unchanged	Proposed extension	New inclusion	Drop
	<p>Agreement on Trade in Services (GATS) of the WTO:</p> <p>(1) ICT based activities;</p> <p>(2) Construction business;</p> <p>(3) Health related services, such as hospital, clinic and nursing service;</p> <p>(4) Hotel and tourism related services;</p> <p>(5) Consulting services;</p> <p>(6) Laboratory testing;</p> <p>(7) Photographic activities;</p> <p>(8) Telecommunications;</p> <p>(9) Transportation and communication;</p> <p>(10) Warehouse and container services;</p> <p>(11) Banking activities;</p> <p>(12) Legal and professional services;</p> <p>(13) Education service;</p> <p>(14) Security service;</p> <p>(15) Pre-shipment inspection (PSI);</p> <p>(16) Outsourcing; and</p> <p>(17) Indenting services.</p>			<p>services in the total export earnings.</p> <ul style="list-style-type: none"> • Prioritizing the export of services and ensuring the quality of services exported. • More effective tourism promotional activities are required. Carefully designed policies can help enhance the performance of this sector. • Developing a proper roadmap in promoting the export of migrant workers' services. The export of manpower can contribute much towards the GNP. • Training more unskilled and semi-skilled workers to contribute to the export of services. • The ICT sector has massive export potential and policy support will boost its performance. 	

Chapter	Stated provisions in the Export Policy 2018-21	Unchanged	Proposed extension	New inclusion	Drop
	7.4 Stakeholders will be continuously informed about the benefits provided under the WTO service waiver by different countries and there will be a continuous negotiation and initiative to realize benefits and implement them accordingly.	NA	<ul style="list-style-type: none"> A part of the Bangladesh Trade Portal dedicated to the information related to the export of services will make the easy access of the information. 	NA	NA
Chapter Eight	8.2 Steps will be taken for the infrastructural development and modernization of Bangladesh Bank, Customs, Chittagong and Mongla seaports to ensure institutional support, and for bringing dynamism to the activities of Land Port Authorities.	NA	<ul style="list-style-type: none"> Ensuring modernization of EPB, Bangladesh Trade Portal, NBR, and other relevant authorities. 	<ul style="list-style-type: none"> Digitalization of the stated organizations to enhance the performance. 	NA
	8.10 To encourage woman entrepreneurs in the export sector, female CIPs will be selected and the best woman entrepreneurs will be awarded Export Trophy annually.	NA	NA	<ul style="list-style-type: none"> Designing a specific Plan of Action for mainstreaming women entrepreneurs in the export sector. Assisting women exporters by providing special economic zones dedicated to them. Providing bonded warehouse facilities to the women exporters. Providing financial literacy training, assuring access to 	NA

Chapter	Stated provisions in the Export Policy 2018-21	Unchanged	Proposed extension	New inclusion	Drop
				<p>information, and special incentive packages for women exporters.</p> <ul style="list-style-type: none"> • Setting up One-Stop Service (OSS) centers and women dedicated help desks in NBR, EPB, and, ports. • Ensuring the access of women exporters in the Bangladesh Trade Portal. • Creating a separate database for the female exporters and ensuring strong networking among them. 	

Source: Authors' compilation from various sources, KIIs and FGDs

To address the future challenges and to keep pace with the changing global trade regime, some new chapters that are not mentioned in the existing export policy must be included. They are listed in Table-11.

Table 11: Further inclusion in the Export Policy

Topic	Stated provision in the Export Policy 2018-21	New inclusion
LDC graduation	No mention	<ul style="list-style-type: none"> • An exclusive chapter should be dedicated to the future export policy to focus on the LDC graduation and preparation of the export sector of Bangladesh. • Provisions outlining the regulations related to intellectual property, TRIPS, post-graduation challenges need to be included. • A clear Plan of Action should be designed to meet up the challenges that export trade will encounter with the withdrawal of duty-free quota-free facilities and GSP facilities.
Policy harmonization	No mention	<ul style="list-style-type: none"> • Export, import, and investment policies have a strong nexus among them. Instead of formulating three different policies, these policies can be brought under a single umbrella.
4th Industrial Revolution	No mention	<ul style="list-style-type: none"> • An exclusive chapter should be dedicated to focusing on the upcoming challenges of the 4th Industrial Revolution and ways to cope with those in the future export policy. • Special emphasis must be given to increase the export of ICT services.
Compatible educational curriculum	No mention	<ul style="list-style-type: none"> • Designing educational curriculum keeping in mind the industry requirements. • Reducing the gap between the demand for and supply of the skills related to export-led industries.
Export of intermediate goods	No mention	<ul style="list-style-type: none"> • Exporting the intermediate goods can impact positively on the export earnings of the country. • Focusing more on the value addition of imported raw materials. • Exporting intermediate goods will help to attain a strong position in the global value chain.
Simplifying the process of SME loans	No mention	<ul style="list-style-type: none"> • Simplifying the process of documentation, collateral process, and guarantor terms when offering loans to the SMEs. • Women-led SMEs face discriminatory behavior from the bank officials.
Operational literacy	No mention	<ul style="list-style-type: none"> • Ensuring operational and machine literacy among the workers in the export-led industry.

Source: Authors' compilation from various sources, KIIs and FGDs

5. Conclusion

In conclusion, we have provided a thorough review of the Export Policy 2018-21 using **mixed methodology**. From desk review, KIIs, and FGDs we have pointed out some interesting issues of the Export Policy 2018-21, the implementation challenges, and its relevance to the current global trade and business scenarios. This review also compared the export policy of Bangladesh with some of the remarkable export successes of East and South-East Asian countries.

Our primary **findings** point out that the provisions of the current Export Policy 2018-21 are well crafted. However, there is a lack of coordination among the implementing authorities which limits the effectiveness of the policy. The current export policy also does not properly address the present changing trade dynamics (COVID-19 recovery, 4IR, LDC graduation, 8th Five-Year plan, and perspective plan 2021-2041) as it was formulated back in 2018. The legal non-binding nature of the Export Policy 2018-21 acts as a noteworthy obstacle to effective implementation of the policy, as there is no legal responsibility among the implementation agencies. Along with these, the port services, failure to attract domestic investments and FDIs, product diversification, innovation of new exportable products, poor testing facilities, long process of documentation, training for financial and digital literacy, development of backward and forward linkage industries, lack of country branding, and low product standards are some of the major bottlenecks for implementation of the Export Policy 2018-21.

Against these findings, we have proposed some specific **recommendations** for a proper formulation and efficient implementation of future export policies. Analysis of policy gaps is recommended in this regard. The gaps from the existing policy must be identified and future policies must be designed by fixing the gaps. The new policy should mention the necessary action plan to meet the challenges of the upcoming LDC graduation issue and the 4th industrial revolution. Special focus should be given on skill development, re-skilling and up-skilling, need-based training and education, knowledge about business processes, and capacity building of the implementing agencies. Digitalization and effectiveness of the one-stop service is a must to ensure a hustle-free business environment. SME and women's entrepreneurial development should be the core focus of future policy. As Bangladesh is soon to graduate from an LDC, the new export policy should provide detailed provisions to enhance export diversification, product diversification, product quality, and market expansion. For effective implementation of the future export policies, coherence among industrial policy, import policy, fiscal and monetary policy is a must. Also, coordination among different implementing agencies such as MoC, NBR, EPB, Bangladesh Bank, and other relevant stakeholders must be strong. The legal abidingness of a policy can have both positive and negative impacts. As Bangladesh is still not a fully export-oriented country we do not suggest that all the provisions of the future export policies need to be binding. Legal abidingness can narrow down the market space for the stakeholders. Instead, the policy can be a mixture of both. The provisions that focus on incentives, domestic support, intellectual property regulations, social and environmental compliances, developing human capital, and the role of implementing bodies should be made legally binding.

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Annexure

Participant list of KIIs-

Organization/Association	Key informants
International trade experts	<ul style="list-style-type: none"> • Professor Mustafizur Rahman (Distinguished Fellow, CPD) • Dr. Md. Abdur Razzaque (Chairman, RAPID) • Dr. M Abu Eusuf (Executive Director, RAPID) • Mr. Nesar Ahmed (Sustainable graduation project under ERD)
Export Promotion Bureau	<ul style="list-style-type: none"> • Mr. Abul Kalam Azad (Director, EPB)
Ministry of Commerce	<ul style="list-style-type: none"> • Md. Abdur Rahim Khan (Joint Secretary) • Mr. AHM Shafiquzzaman (Additional Secretary, IIT)
Government official	<ul style="list-style-type: none"> • Mr. Fakhru Alam (Commissioner, Chittagong Customs House, Chittagong, Bangladesh)
Representatives from the business communities	<ul style="list-style-type: none"> • Barrister Vidiya Amrit Khan (Director, BGMEA) • Mr. Farooq Ahmed (Secretary-General, MCCI)

Participant list of FGD-

Association	Participants
BWCCI	1. Ms. Abida Ali (Board Director, Figurina)
	2. Ms. Esrat Jahan Chowdhury (Member, Tulika)
	3. Ms. Farkhunda Jabeen Khan (Treasurer, Divine Beauty Launce)
	4. Ms. Priti Chakraborty (Board Director, Universal Medical College & Hospital Ltd)
	5. Ms. Ridma Khan (Board Director, Ambon Properties Ltd)
	6. Ms. Shahida Parven (Member, Trim Tex Bangladesh)

Team composition-

Name of staff	Area of expertise relevant to the assignment	Designation for this assignment	Assigned tasks or deliverables
Dr. Bazlul Haque Khondker	Economist, Institutional analysis expert, Survey expert, FGD and KII expert	Team Leader	Finalize questionnaire, FGD, and KII checklists, Evaluation, and analysis, Draft synthesizing summary, Draft short summaries Finalizing reports.
Dr. Selim Raihan	Economist, Political economy and institutional analysis expert, Survey expert, FGD and KII expert	Co-Team Leader, Trade Expert	Coordinating and monitoring the team, monitoring all the activities performed by the team members, finalizing questionnaire, FGD, and KII checklists, Evaluation, and analysis Draft synthesizing summary Finalizing reports.
Mahtab Uddin	Policy analysis and evaluation, Survey expert, FGD and KII expert	Policy Analyst	Monitoring all the activities performed by the team members, finalizing questionnaire, Coordinating FGDs and KIIs, Evaluation and analysis, Draft synthesizing summary.
Mohammad Golam Sarwar	Legislative consultant, development law practitioner	Legal Expert	Analysing the legal terms and provisions of the study, identifying the possible grounds of alterations, extensions, and exclusion of current legal provisions, providing legal recommendations.
Recardo Saurav Antor Halder	Data analyst, Survey Experts	Senior Research Associate	Desk review, analysing secondary data, designing questionnaires for KIIs, supervising and conducting FGDs, analysing primary data, and drafting the reports.
Sakil Ahmed	Data analyst, Survey Experts	Research Associate	Research and analysis of relevant literature, primary and secondary data, supervising and conducting KIIs and FGDs.
Zareen Tasnim	Data analyst, Survey Experts	Research Associate	Research and analysis of relevant literature, primary and secondary data, supervising and conducting KIIs and FGDs.
Afia Mubasshira Tiasha	Data collection and Supervision	Research Assistant	Desk Review, developing KII questionnaire, assisting in conducting the KIIs, conducting FGDs.



South Asian Network on Economic Modeling
Flat K-5, House 1/B, Road 35, Gulshan-2, Dhaka-1212, Bangladesh
Tel: +88-02-58813075, E-mail: sanemnet@yahoo.com, www.sanemnet.org