

# Trade policy: World racing ahead, Bangladesh standing still

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**B**ANGLADESH'S remarkable success in exports needs no new recognition. Sustained comparative advantage in low-skilled labour intensive production served as the cornerstone for consistent double-digit growth rate and second spot in the global RMG industry. Today, this one advantage is suppressing underlying fragilities in Bangladesh's trade policy. But as trade policy falls behind global trends, Bangladesh's export-led growth model could face severe challenges going forward.

In the early 1990s, Bangladesh embarked on wide-ranging reforms in trade strategy which included reductions in tariffs and quantitative restrictions. Over the years, the pace of such trade liberalisation slowed and fell behind relative to many developing economies. According to the World Bank, the country still has one of the least liberal trade policies due to high tariffs, supplementary and regulatory duties. Controversies regarding trade liberalisation notwithstanding, a large number of studies show strong association between lower trade protection and economic prosperity. It is this text-book motivation that has led other developing economies to liberalise trade much faster than Bangladesh.

Data from the National Board of Revenue shows that the tariff rate for final goods in Bangladesh is 25 percent. Considering regulatory and supplementary duty on top of that, average protection is much higher. Such high levels of tariff eventually gets passed on to domestic consumers, suggesting lower consumption (in the absence of substitutes) for a given level of income. Trade protection also creates an anti-export bias while reducing efficiency and competitiveness of domestic firms. It can be argued that Bangladesh's comparative advantage in low-skilled labour-intensive production can be capitalised in other manufacturing sectors as well. Subjecting these sectors to high tariffs is essentially holding back underlying export potential. The fact that the share of non-RMG products in Bangladesh's export basket is waning, is a direct manifestation of high tariff regime. Continuation of this restrictive trade policy will certainly impede export diversification – a major target in the 7th Five-year Plan – and ultimately have implications for growth.

The issue of export diversification has received a lot of attention in Bangladesh. Yet, the focus has largely been on final goods, which already account for more than 95 percent of total exports. Focusing on final products is in contrast to the rising global trend of exporting intermediate goods. A recent study by the United Nations Conference on Trade and Development showed that world trade in intermediate goods increased more than primary, capital and consumer goods since 2008. Concurrently, developing economies increased their share in world export of intermediate goods from 40 to almost 50 percent. This shift towards trade in intermediate goods was fuelled by fragmentation of

production processes across different countries, leading to increased participation in global value chains (GVC). Several studies argue that integrating into GVCs accelerates productivity, foreign investment, job creation, technological progress and skill acquisition.

Bangladesh's concentration in basic RMG exports makes the country a low value-added GVC participant. Despite a massive base of small and medium enterprises (SMEs), Bangladesh has shown little inclination towards exporting higher value-added intermediate goods. It is also true that without stronger infrastructure, lower tariffs, greater availability of Special Economic Zones and the necessary technical knowledge, Bangladesh may not be able to join this growing global trend. The fact that 75 percent of East

(RCEP). This is not to imply that Bangladesh can easily join free trade blocs. Dramatic turnarounds are required in tariff regimes and below-average labour and environmental standards if Bangladesh wants to join such trade arrangements.

In this context, the biggest risk for Bangladesh is eventually losing second-place in the global RMG industry to Vietnam, which is part of these mega trading blocs. With the onset of TPP, Vietnam's exports will enter the US duty-free, compared to Bangladesh's 15.6 percent (duty). In addition, Bangladesh's competitive advantage in European markets (due to GSP) is under serious threat following Vietnam's recent free trade deal with the European Union. It is also worth mentioning that when Bangladesh finally



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Asia's trade is now in intermediate goods, underscores the need for Bangladesh to re-orient trade policy towards this direction. As global trade in intermediate goods expands further, Bangladesh's ability to generate high economic growth - by exporting final goods only - could face strong obstacles.

One final area Bangladesh is rapidly falling behind is participation in free trade or regional trade agreements. At present, Bangladesh is only part of the South Asia Free Trade Agreement and Asia Pacific Trade Agreement. None of these trading blocs has generated trade growth that one associates with the likes of North American Free Trade Agreement (NAFTA) or European Union. It is disconcerting that Bangladesh has no involvement in any of the recent/ongoing major trade-agreements like the Trans-Pacific Partnership (TPP) and Regional Comprehensive Economic Partnership

graduates from its LDC status and loses its existing preferential access to major markets, export growth will face strong barriers. Unless Bangladesh enters similar free trade agreements, these vulnerabilities - which seem less threatening today - will reduce export-led growth in the future.

There is little doubt that export performance will remain, at least for the next 10-15 years, Bangladesh's best bet to beat the 6-percent trap. The transformative 7-8 percent growth target may remain just an ambition if trade policy in Bangladesh does not catch up with global trends.

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## Martyred intellectuals Always a beacon of inspiration

**O**F the most calumnious and barbaric acts perpetrated in post-World War II era, the killings of our intellectuals in 1971 by the marauding and rapacious occupation army of Pakistan stand out as the most horrendous and atrocious. Our intellectuals were among the first to be targeted on the night of March 25, 1971, and the final act of brutality of the retreating army was directed against the intellectuals too, on December 14.

Some of the luminaries of our intellectual world, from all walks of life, were targeted during the entire nine months of the Liberation War. Needless to say, it was an attempt to deprive the nation about to attain statehood after nine long months of a bloody war, of intellectual leadership and leave the fledgling nation virtually 'brainless.'

The nation has come a long way since, and the absence of our martyred intellectuals has been badly felt. But we have been inspired and will continue to be inspired by their work and their sacrifices in the future. Yet as we recall the sacrifice of the martyred intellectuals whose killers have been held to account and brought to justice as per the law, we cannot but be overcome by a foreboding that the spectre of the Pakistan army may be reappearing in the form of the extremists. These extremists, albeit in insignificant numbers, are gnawing at the heart of the nation, compelling us by force to abjure our secular, inclusive and freethinking way of life.

As we mourn the martyred intellectuals, we must resolve to stand collectively to thwart all the evil forces that want to destroy the spirit that helped us endure the nine months of pain and hardship and achieve our independence.

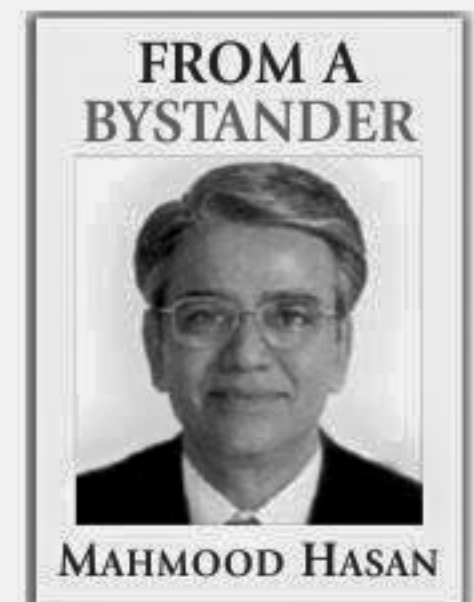
## COP 21 Agreement reached Live up to the commitments

**A**T last a deal has been reached to put a cap on greenhouse gas emissions, something that has been eluding us for almost twenty years. But not all are happy with the deal, and understandably so. But to reach a perfect agreement in any matter, let alone on environment and climate, in an imperfect world is perhaps asking too much of the 190 or so countries of the globe with each having its own national interest to uphold. But that the conference of parties (COP) in Paris managed to reach a deal by overcoming the hurdle that had stood in the way of an agreement in Copenhagen in 2009 is a great step forward. It is the first time that all countries have committed to cut carbon emissions.

Although the treaty is only partly legally binding we would hope that individual countries, particularly the developed ones that are responsible for much of the global warming, would play its due role to ensure that the objective to limit global warming to well below 2 degree Celsius above pre-industrial levels is attained and the stated assurance to pursue efforts to limit the temperature increase to 1.5 degree Celsius is not lost sight of. The highly ambitious deal must be matched by political commitments if it is to be delivered.

Further, if the success of the deal is predicated on actually keeping the global warming to the intended level, one would be very interested to see the detail action plan at the global level to achieve the goal.

## War on Terrorism Trump reshapes political discourse in America



MAHMOOD HASAN

**O**N December 2, 14 people were massacred in San Bernardino, California, by a Muslim couple who were US citizens. The duo was killed subsequently after a police chase. The FBI suspected that the couple had ISIL links and were radicalised. ISIL probably knew nothing about the attack, but when it learnt about FBI's suspicions, it released a statement claiming that the couple was ISIL followers.

The US has relaxed gun laws. In a country of 320 million, there are 310 million lethal weapons. According to CBS Los Angeles, as of December 2, there have been at least 355 mass shootings in the US during 2015. What is different about the San Bernardino incident is that the perpetrators were Muslims. That has changed the whole complexion of the perception of non-Muslim Americans towards Muslims.

President Barack Obama, in his address to the nation on December 6, has linked the shooting to the influence of ISIL. In his impassioned speech, Obama declared a war on ISIL saying, "We will destroy ISIL and any other organization that tries to harm us. . . Our military will continue to hunt down terrorist plotters in any country where it is necessary."

He was, however, careful not to alienate American Muslims when he said, "We cannot turn against one another by letting this fight be defined as a war between America and Islam . . . they (ISIL) are thugs and killers, part of a cult of death . . . Majority of terrorist victims around the world are Muslim. If we're to succeed in defeating terrorism, we must enlist Muslim communities as some of our strongest allies – rather than push them away through suspicion and hate." Obama also said there was no evidence that the San Bernardino assault was directed by a militant group overseas or was part of a broader conspiracy at home.

Republicans criticised Obama's speech for lacking any dramatic innovation. House Speaker Paul Ryan said, "No new plan, just a half-hearted attempt to defend and distract."

What is not surprising is that the incident has created uproar all over the world. The US goes for presidential elections in November 2016, and currently several Republican candidates are campaigning in the run-up for the final party nomination. Among the hopefuls is billionaire Donald Trump, who is a frontrunner.

Addressing a rally on December 7 in South Carolina, Trump dropped a bombshell when he called for a "total and complete shutdown" of the entry of Muslims to the United States. Speaking to cheering supporters, he further added that he would support heavy surveillance of mosques and would consider establishing a database to track all Muslims in the country if he were elected. Trump has also called for a ban on the internet, claiming that it is being used to "radicalise young people".

This is not the first time Trump has made deeply provocative remarks against Muslims and other communities. In another speech, he called for building a fence separating the US from Mexico and wanted to evict all Latinos from the US.

Trump, in his arrogance, has refused to withdraw his remarks. Interestingly, surveys show that 42 percent of the Republicans back Trump, while 36 percent oppose him; Trump continues his lead in the GOP presidential race. However, we should note that surveys also assert that 57 percent of the American voters oppose Trump's plan.

Rival Republican candidates have denounced Trump's statement. If Trump continues to preach his anti-Muslim rhetoric, it may be difficult for the Republican party to nominate him as their presidential candidate. A Brookings Institution study shows that perceptions about Muslims among American public are grossly divided.

Condemning Trump's remarks as "totally contrary" to American values, White House spokesman Josh Earnest said that Trump "disqualifies" himself from serving as president. After what Trump said, he cannot be the president of the country, as he would have to take an oath to "preserve, protect and defend" the Constitution. Secretary of State John Kerry also rebuked Trump, saying, "Anything that bolsters ISIL's narrative and pits the United States against Muslim faith is certainly not only contrary to our values but contrary to our national security".

Democratic presidential frontrunner Hillary Clinton has said, "Declaring war on Islam or demonising Muslim Americans is not only counter to our values – it plays right into the hands of terrorists". Speaking to NBC she said, "I no longer think he is funny . . . And what he is saying now is not only shameful and wrong, it is dangerous." Nihad Awad, Executive director of the Council on American-Islamic Relations added, "Donald Trump sounds more like a leader of a lynch mob than a great nation like ours". Some have even compared him to Nazi leader Adolf Hitler.

Meanwhile, the international alliance to fight IS has clearly become a Western undertaking with Britain and Germany entering the fray. Prime Minister David Cameron sent warplanes to Syria on December 3 to fight ISIL and "keep the British people safe". Germany, on French's request, has also decided to send 1,200 troops to Syria. President Obama, departing from his promise to not put "boots on the ground", has ordered 50 special operation troops to Syria to advise moderate forces opposed to Assad.

Interestingly, regional partners don't seem to be interested in this fight. Saudi Arabia and UAE warplanes are busy in Yemen while Jordan and Bahrain are not so active and Turkey is focused on hitting Kurdish targets.

After the 9/11 attack on the Twin Towers by Al Qaeda and the recent attacks on Paris, the discourse on the war on terrorism has become even sharper in the media. Sensationalism of this issue in media gives the impression that the West has declared a crusade against the terrorist group. Major news channels in the West bring in so-called experts everyday to speak about the terrorist threats posed by ISIL. These simplistic and motivated discussions clearly show that the West is thoroughly confused about the difference between terrorist, jihadist, ISIL, Muslims and Islam.

Donald Trump's demagoguery has trumped up a toxic atmosphere of Islamophobia in the US. A vigorous debate that has reshaped the political discourse in the US has ensued, and it will continue to dominate the presidential election campaign in the months ahead.

The writer is a former Ambassador and Secretary.

## COMMENTS

### "Moja Losss' admin remanded" (December 12, 2015)

**Raihan Kabir Khan**

Moja loss? has been under the government's watch as "anti-state and anti-government" activists ever since they accused members of the ruling party of molesting women in DU, during Pahela Baisakh this year. I don't know whether they mocked the Father of the Nation, but people in countries like the US mock their leaders but do not get arrested for that.

**Turza Barua**

Freedom of speech has become a joke in Bangladesh.

**Ahmed Farhad Salim**

Hate speech should not get away under the disguise of freedom of speech.

**Mohammad Johirul Islam**

It's very unfortunate that the Moja Loss? team might have come into some kind of understanding with the government and that's why they have removed all the anti-government posts from their page. This is so sad.

**Paromita Das**

When they were in trouble, no one came to help them. Instead, they were mocked. So what else could they do?

**Rizwana Rashid**

I think in a democracy, citizens should have the right to express their thoughts and opinions, and the government should be brave enough to hear any kind of criticism. If they only want to hear praises and appreciation from people and try to control the critics, there is no point in calling it a democracy!

**Pervin Shaila**

Our so called democratic government doesn't want to hear constructive criticism

## LETTERS TO THE EDITOR

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### Arrest of Moja Loss? admin

The recent arrest of an admin of the satirical Facebook page Moja Loss? drew huge flak from its fans. Refayet Ahmed, the admin of Moja Loss?, has been accused of carrying out anti-state and anti-government propaganda. Moja Loss? is basically an entertainment page that seeks to

amuse people. I don't think that there's any reason to take it so seriously. **Samiul Raijul**  
 School of Business and Economics  
 NSU

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Being a regular follower of the popular Bangladeshi satirical Facebook page Moja Loss?, I believe that it is one of the most entertaining satirical pages I've come across. From making

humorous Facebook posts to boldly attempting to catch a wanted culprit, Moja Loss? was unique in the way it tackled social issues. Apparently the admin of this particular page got arrested for making "anti-government posts". The news is indeed outrageous and it has already created a stir on social media.

Moja Loss? has always committed to doing the right thing. Capturing an admin of this page would only

obstruct freethinking and lead to a violation of the freedom of speech in a democratic country. The moment the government attempts to put a stop to the activities of freethinkers, they are no longer a practicing democracy. The government must realise that there is a fine line between mockery and humour.

**Muhtashim Uddin Ahmed**  
 Dhanmondi, Dhaka