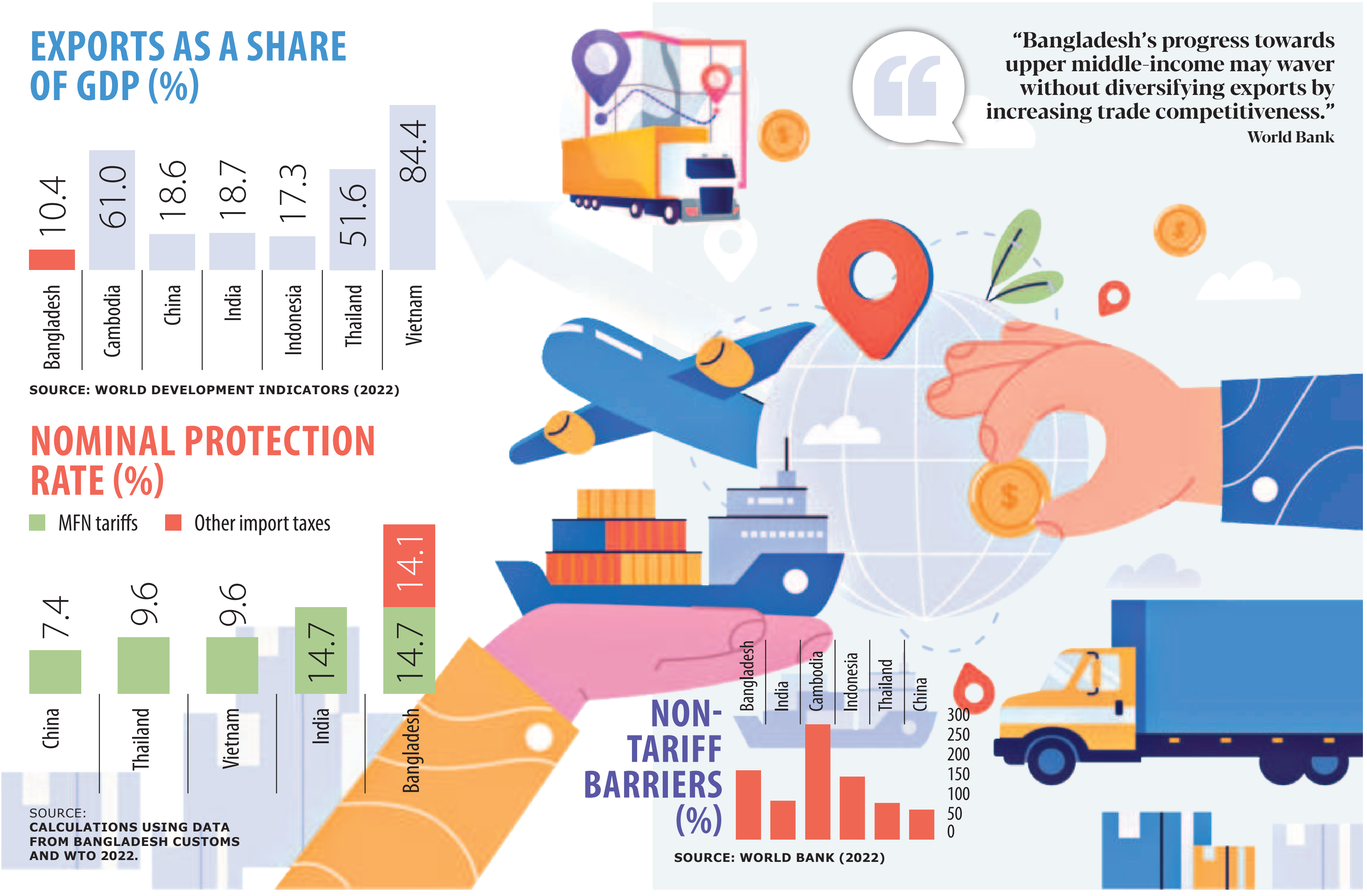


# Bangladesh's trade competitiveness eroding

## World Bank cites factors such as higher import tax, NTBs, over-reliance on RMG

STAR BUSINESS REPORT

Bangladesh's competitiveness in trade is eroding for factors such as higher import taxes and non-tariff barriers, excessive dependence on readymade garments, and the delays facing exporters while complying with border and documentary requirements, said the World Bank recently.

The multilateral lender also warned that competitiveness would narrow further after graduation of the country from the group of least-developed countries in 2026.

For Bangladesh, trade has been a driving force behind economic growth, job creation and poverty reduction.

"However, recent years have seen a decline in trade performance and an over-reliance on ready-made garment exports, raising concerns about the sustainability of this growth model," said the WB.

The concerns were expressed in a topic titled "Trade Reform in Bangladesh: An Urgent Agenda" in the WB's Bangladesh Development Update unveiled last week.

It said the erosion of competitiveness based on low wages and the impending loss of trade preferences due to the expected graduation are challenging the status quo.

"Factors such as high import taxes and non-tariff barriers have protected domestic industries at the expense of emerging exports. Bangladesh's progress towards upper middle-income may waver without diversifying exports by increasing trade competitiveness."

Trade performance in Bangladesh has been on a downward trend since 2011, both in comparison to the country's historical performance and overall economic growth.

And the country's trade activity remains heavily focused on goods, with manufacturing exports and employment generation driven by preferential access to advanced economies' markets and low labour costs. However, the contribution of manufacturing exports to growth has been decreasing for the past five years.

Both goods and services trade as a percentage of the gross domestic product have been decreasing since 2011, remaining well below the levels seen in other countries at similar levels of development, the report said, citing the names of India, Vietnam, Cambodia and Indonesia.

In Bangladesh, exports are concentrated in the readymade garment sector, making up 83.6 per cent of total merchandise exports in 2022, similar to previous years.

"The country also does not have any export superstars, other than garments, and the survival of new entrants is relatively low," the report said.

The protection of import-substituting industries has limited the growth and development of emerging export industries, resulting in a lack of diffusion of technology for the production of exports, it said.

Bangladesh's share of medium and

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>
> World Bank

high technology exports in the total manufacturing exports stands at just 2.9 per cent, one of the lowest in the world.

The key factor for the erosion of competitiveness is high tariff protection.

Bangladesh has six ad-valorem tariff rates that are charged as a percentage of the prices ranging from zero to 25 per cent. But non-transparent para-tariffs such as regulatory and supplementary duties add additional import charges and increase the complexity of the tariff structure.

Para-tariffs, which are border charges and fees other than tariffs, increase the number of tariff rates and double the average nominal protection rate on imports from 14.7 per cent to 28.8 per cent.

The average tariff rate on intermediate goods is more than double the 7.4 per cent seen in China and nearly double the rate of Thailand and Vietnam.

"The prevalence of para-tariffs incentivises import substitution and deepens anti-export bias," the WB said.

"With the exception of a free trade regime in the readymade garment with a special bonded warehouse facility enabling duty-free access to imported raw materials and components, the trade policy stance perpetuates a high degree of protection of domestic or import-substituting industries at the expense of emerging and potential export industries. This is a key reason for the country's high export concentration in the RMG sector."

Another issue is tariff escalation, it said, adding the difference between tariffs on inputs and outputs has increased over time, leading to a high degree of protection, primarily for domestically produced consumer goods.

Para-tariffs substantially increase tariff escalation in some sectors, like transport equipment and textiles, where average nominal protection for final goods is five to 10 times higher, respectively, than for intermediate goods, it added.

The WB report also touched upon the blow competitiveness will receive once it becomes a developing nation within four years.

The country is expected to face a tariff hike of about 10 per cent for most clothing products in the European Union after three years of transition since 2026.

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# IDLC Finance logs Tk 191cr profit

STAR BUSINESS REPORT

IDLC Finance Ltd posted a Tk 191.64 crore profit in the financial year that ended on December 31 of 2022, down 9.43 per cent year-on-year.

The non-bank financial institution made a profit of Tk 211.59 crore in 2021.

The company, thus, reported consolidated earnings per share of Tk 4.61 for 2022 against Tk 5.09 a year earlier.

The consolidated net asset value per share improved to Tk 43.56 last year from Tk 40.39 in 2021 while the consolidated net operating cash flow per share turned a negative of Tk 21.10 from Tk 44.90 during the period.

The board of directors of IDLC Finance has recommended a 15 per cent cash dividend for the year that ended on December 31, according to a filing on the Dhaka Stock Exchange.

# Pragati Ins makes Tk 37cr profit

STAR BUSINESS REPORT

Pragati Insurance Ltd clocked a profit of Tk 37.06 crore in 2022, down 1.22 per cent from a year earlier.

The insurer made a profit of Tk 37.52 crore in 2021.

Thus, the company reported earnings per share of Tk 5.65 for the last financial year compared to Tk 5.72 in 2021.

The net asset value per share of Pragati Insurance rose to Tk 59.01 in 2022 from Tk 57.32 a year ago while the net operating cash flow per share declined to Tk 6.84 from Tk 12.09 during the period.

Pragati Insurance's board of directors has recommended a 25 per cent cash and a 5 per cent stock dividend for the year that ended on December 31.

# Demand rises in China's bulk commodity market

ANN/ CHINA DAILY

China's bulk commodity market saw improving fundamentals in March with a marked increase in sales as demand rebounded, industrial data showed.

The China Bulk Merchandise Index, a gauge of domestic bulk commodity market growth, rose to its highest level since August 2020, according to the China Federation of Logistics and Purchasing.

The index stood at 103.4 per cent for March, up 0.6 percentage points compared with February.

A reading above 100 indicates expansion, while a reading below 100 reflects contraction.

# Tesla to build gigafactory in Shanghai

REUTERS, *Shanghai*

Tesla Inc will build a gigafactory in Shanghai to make the Megapack energy storage product, Chinese state media outlet Xinhua reported on Sunday.

Elon Musk's automaker will break ground on the plant in the third quarter and start production in the second quarter of 2024, Xinhua reported from a signing ceremony in Shanghai.

The factory will initially produce 10,000 Megapack units a year, equal to around 40 gigawatt hours of energy storage, to be sold globally, Xinhua said.

BANGABAZAR FIRE

# FBCCI offers Tk 1cr grant for victims

## DCCI requests BB's regulatory support

STAR BUSINESS DESK

The Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) will provide a grant of about Tk 1 crore to rehabilitate around 5,000 small and micro businesses affected by last Tuesday's fire which burned down the Bangabazar market in Dhaka.

FBCCI President Md Jasim Uddin made the announcement during a visit to the market yesterday, the apex trade body said in a press release. He also urged all businesspeople to extend their support.

> **Around 5,000 small and micro businesses were affected in last Tuesday's fire which completely burned down the market in Dhaka**

However, the Dhaka Chamber of Commerce & Industry (DCCI) yesterday urged Bangladesh Bank to issue directives and guidelines for commercial banks and non-banking financial institutions (NBFIs) to financially support the quick rehabilitation of the Bangabazar fire victims.

Around 5,000 small and micro businesses were affected in last Tuesday's fire which completely burned down the market in Dhaka.

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Like other nearby establishments, these shops opposite to Bangabazar shopping complex in Dhaka's Gulistan area were damaged during a recent fire that broke out at the popular apparel retail hub. Here, workers are seen conducting repairs in hopes of reopening the store before Eid-ul-Fitr. The picture was taken yesterday.

PHOTO: AMRAN HOSSAIN

# Commodity prices fall further globally

STAR BUSINESS REPORT

Energy prices declined 6.3 per cent in March, led by natural gas in Europe and coal, the World Bank's Pink sheet reported.

Natural gas in Europe fell 16.5 per cent while coal slid 9.8 per cent. Non-energy prices dropped 2.2 per cent, with all key components registering losses, said the monthly report, which monitors commodity price movements.

Agricultural prices eased 1.6 per cent in March. Food and raw material prices declined 2 per cent and 1 per cent, respectively, while beverage prices remained largely unchanged.

Fertiliser prices declined 3.6 per cent, led by Urea, which went down by 12.3 per cent and Muriate of potash, which was down 8.8 per cent.

Metal prices dropped 3.2 per cent last month, led by declines in the prices of nickel, tin, zinc, and aluminium.

Nickel prices fell 12.9 per cent, tin closed 10.7 per cent lower, zinc was down 5.3 per cent, and aluminium shed 5 per cent.