

## Govt to award export trophies to 77 exporters

### STAR BUSINESS REPORT

The government is set to honour 77 companies with export trophies for their extraordinary contribution to national exports in fiscal year 2021-22, State Minister for Commerce Ahasanul Islam Titu said yesterday.

Prime Minister Sheikh Hasina is scheduled to hand over awards to winners at a programme at the Osmani Memorial Hall in Dhaka today, Titu said at a press conference at the TCB building in Dhaka.

The national export trophy awards will be given in 32 categories.

The highest award, the Bangabandhu Sheikh Mujib Export Trophy, will be given to Rifat Garments Ltd.

A total of 29 gold, 27 silver and 21 bronze trophies will be awarded.

The winners were assessed under the National Export Trophy Policy 2013, which includes value of total export, compliance, number of employees, working environment, payment of

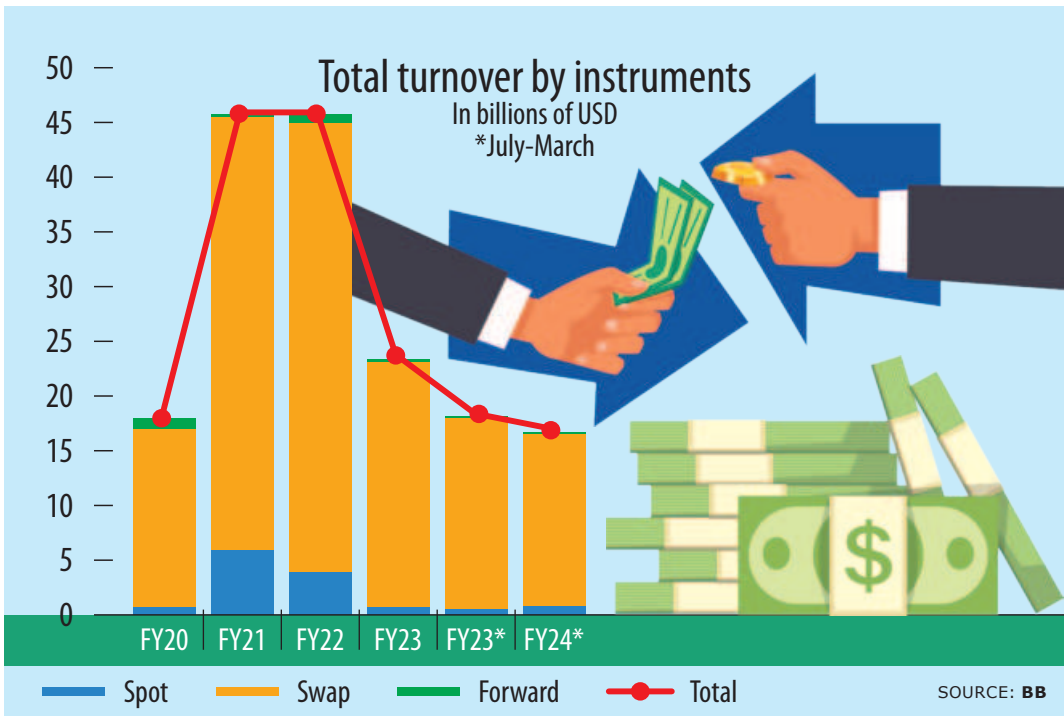
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regular taxes and annual growth of businesses, according to a statement from the commerce ministry.

Titu also said his government has been working to sign trade agreements with India, China and Japan. Bangladesh has also been working to tap into the trade potential of markets in the south and south east regions of Asia, he said.

The state minister added that during last week's visit to China, he noticed that businessmen wanted to turn Bangladesh into a manufacturing hub and that China remains interested in cooperating with such an initiative.

## Turnover in interbank forex market on the decline



### STAR BUSINESS REPORT

Turnover in the interbank foreign exchange market of Bangladesh has been falling for the last two years amid a shortage of liquidity, according to a central bank report.

The transaction on the interbank foreign exchange market consists of spot, forward, and swap transactions. It has dipped since 2021-22.

Turnover slumped 48.9 percent year-on-year to \$23.6 billion in 2022-23, the central bank said in its Monetary Policy Review 2023-24 published last week.

In July-March of the last fiscal year of 2023-24, turnover declined 8.7 percent to \$16.7 billion from \$18.3 billion a year ago, reflecting a crunch of liquidity.

Swaps accounted for 94.8 percent of the transactions. It decreased 9.6 percent year-on-year in July-March.

Spot transactions, which account for 4.9 percent of the total turnover, increased by 9.7 percent, said the BB.

The central bank said Bangladesh's economy experienced the most volatile episodes in the external sector in recent years. The crisis started

to emerge with depreciating pressure on the exchange rate resulting from the expanding current account deficits of the balance of payments (BoP) at the beginning of FY22.

To address the challenge, the BB took several steps such as discouraging unnecessary imports, selling foreign currencies from the forex reserves, and allowing the depreciation of the local currency.

The local currency has lost its value by about 35 percent against the US greenback in the past two years.

The BB said it continued selling foreign currencies to address the demand and supply gap and prevent any sudden depreciation of the taka, leading to a reduction in the reserves.

The central bank sold a net \$7.62 billion in FY22 and \$9.02 billion in FY23. As a result, the reserves, which were \$41.83 billion in June 2022, fell to \$31.2 billion in June last year. At the end of 2024, it stood at \$26.81 billion, BB data showed.

The dollar sales amounted to \$9.3 billion in July-April of FY24. Despite the decline, the reserves remained sufficient to cover import bills for 4.6 months, based on the prevailing import trends, the review said.

## Why are we shy of signing FTAs?

### MAMUN RASHID

Free trade agreements (FTA) are made between countries to lower trade barriers through little to zero government tariffs or subsidies and other means.

Most countries sign multilateral FTAs to increase regional trade such as the North American Free Trade Agreement (Nafta), the world's largest free trade bloc, where commerce among Canada, Mexico and the United States tripled in 2017.

Bangladesh is economically at a stage where it needs foreign direct investments (FDI) to create more jobs and set up infrastructure for sustainable development, which can be accelerated by FTAs.

So, what is stopping Bangladesh from entering into such deals? Bangladesh, along with Saarc countries, signed the South Asian Free Trade Agreement in 2006. Even though there are special provisions in the treaty to support the growth of least-developed countries (LDCs) like Bangladesh, concerns have been raised about the effectiveness of those provisions.

One apparent flaw is its incapability of addressing, and consequently tackling, the extensive negative list maintained by India. This includes Bangladesh's major exports such as RMGs and chemicals. Subsequently, the Safta failed to deliver on its promises of accessible trading and higher gains, becoming ineffective as an agreement.

After such a tainted start to multilateral FTAs, Bangladesh is no doubt shying away from future agreements, encouraged to support local entrepreneurs in market diversification. But allured by the benefits of accessing new markets, Bangladesh entered into a preferential trade agreement (PTA) with Bhutan in 2020.

For successful FTAs that bring true economic growth, we need FTAs with economic powerhouses such as India and China, but bureaucratic entanglements

and geopolitics tend to get in the way.

Though our prime minister mentioned possible FTAs with 11 countries, as of today, we do not have an FTA with any country. It is being discussed that some policymakers are averse to the idea of FTAs. Tariff commission people often make the plea of revenue loss due to FTAs. Many analysts felt high tariff in Bangladesh is also a barrier to signing FTAs with partner countries.

To me, it seems that FTA is the logical way to go forward in increasing investment in a country.

Bangladesh's average nominal tariffs are higher than in low-income, middle-income and high-income countries, as well as most of its competitors.

This impacts adversely the process of export diversification.

It does not make sense to create higher tariff barriers and import duties. I believe the average rate of tariffs can be brought down. The so-called revenue loss argument can be more than offset by progressively taxing the wealthy segment and people in the higher income bracket.

More people must be brought under the taxable income fold. Our tax-to-GDP ratio is still low compared to other countries. Domestic savings also need to be increased.

While negotiating FTAs, we have to protect our interests in the sectors where there is high export potential. One should follow a sector-by-sector approach. Expertise, experience and competence are needed, and recommendations should be taken from all stakeholders.

Bangladesh is set to graduate from the LDC group and become a developing country by the end of 2026. So, we must prepare accordingly as we will lose some of the benefits given to LDCs. Negotiating skills in concluding agreements are vital to deriving maximum benefits.

*The author is chairman of Financial Excellence Ltd.*



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