

Media News Report_Bangladesh Trade Policy for Growth and Employment-Collected Essays

Sunday, Jun 23, 2019



Economists suggest performance-based tariff policy

FE Report | Published: June 23, 2019 09:41:50 | Updated: June 23, 2019 14:04:50

Planning Minister MA Mannan (4th from right), PRI Chairman Dr Zaidi Sattar (2nd from right) and others seen at the publication ceremony of the book “Bangladesh Trade Policy for Growth and Employment: Collected Essays” at PRI conference room in the city on Saturday — FE photo

Bangladesh could not achieve its desired economic growth through the existing anti-export bias promoting protectionism, economists said on Saturday.

They said the country set a higher growth target of 8.2 per cent, which cannot be achieved by domestic sales alone.

This will require effective diversification of exports, which can give the economy much-needed boost.

To further accelerate export earnings, they suggested immediate rationalisation of the existing tariff policy, making it time-bound and performance-based.

The views and suggestions came at the launch of a book titled “Bangladesh Trade Policy for Growth and Employment: Collected Essays” published by local think-tank Policy Research Institute of Bangladesh (PRI).

Chief adviser of East West University and former Bangladesh Bank governor Dr. Mohammed Farashuddin chaired the book launching at the PRI conference room in Dhaka.

PRI chairman Dr Zaidi Sattar, one of the authors of the publication, said the government has reduced import tariff on raw materials to give protection to consumer goods, which creates tariff escalation.

At 3.2 per cent, the rate of tariff escalation is the highest in Bangladesh compared to other countries in the region, he said.

Dr Sattar said the profit margin in domestic sales is much higher than that of exports due to high protection and this discourages the entrepreneurs from going for exports.

He said the country needs to strengthen the export diversification process further as no country in the world prospered without integration with the global market.

Dr Sattar said consumers are neglected in the country’s tariff policy and budget and the process is entirely dominated by producers.

“We’ve to make a balance between the interest of consumers and producers. I also think the protective tariff policy should be rationalised and time-bound,” he added.

Former finance adviser to the caretaker government Dr Mirza Azizul Islam said high protection against imports causes diversion of resources away from production for exports to import-competing products and it hurts consumers.

“Protection for infant industries is a globally recognised policy but how long would it be? It should be time-bound and performance based as happens in Korea and Thailand,” he said.

Giving example of jute and jute-made products, he said the sector is not affected by

protective import policy as it relies little on import.

But its export growth has fallen drastically (-23 per cent).

“I think efficiency in production and governance issues are also vital to this effect,” he said.

“We’ve to think about what needs to be done going beyond the tariff policy,” he said.

PRI vice-chairman Dr. Sadiq Ahmed, another author of the book, said a major contention of the book is that despite trade liberalisation policies since the 1990s, the overall trade regime still remains highly protective that hurts exports.

“Trade liberalisation does not mean zero tariff,” he said, adding there is a serious policy gap in the trade policy that must be addressed soon.

This gap will be very costly if not addressed as Bangladesh graduates from the LDC status and comes under the full scrutiny of relevant WTO (World Trade Organisation) provisions.

Executive director of South Asian Network on Economic Modeling (SANEM) Dr Selim Raihan said tariff protection is much higher than the level of per capita GDP (gross domestic product) and now it affects export diversification process.

Besides higher trade protection, the country needs to concentrate on building institutional capacity, improve governance and remove non-tariff barriers to foster sustainable economic growth, he noted.

Speaking as the chief guest, planning minister M.A Mannan said they have adopted many good policies and maintained the continuation of the policies that have started delivering positive outcome.

“That’s what we’ve been experiencing over the last 10 years,” he added.

Hailing the book, executive director of the Institute for Inclusive Finance and Development (InM) Dr. Mustafa K. Mujeri said the publication creates an opportunity for open discussion on

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