Trade and Commerce in Bangladesh: Challenges Ahead
S.K. Sur Chowdhury
Deputy Governor
Bangladesh Bank

I really must begin by heartily congratulating them for arranging such an important issue. The theme of the conference is important considering the economic slowdown that many countries around the world are experiencing in recent years. The world economy only just coming out of a downturn triggered by the global financial crisis is showing indications of slipping yet again into another slowdown. It is very heartening now to see the academia coming forward in envisioning our growth path into the future.

Bangladesh economy was not impacted severely by the recent global financial crisis and economic downturn, owing to its limited, regulated external exposure. While being a WTO member since its inception with open trade regime and full current account convertibility of Taka, Bangladesh maintains some capital account controls to protect the relatively small economy from destabilizing surges of footloose international capital flows. Bangladesh permits unrestricted inflows and outflows of non-resident owned direct or portfolio investments and earnings thereon; but restricts investment abroad by residents, as also short term fund inflows and outflows other than normal trade credit.

This policy regime kept banks and financial institutions in Bangladesh free of toxic assets and contagion from external markets in the global crisis, safeguarding their solvency and liquidity. Crisis related downturn in mature advanced economies brought in some lagged effects however, in brief spell of export and import slowdown and attendant mild decline in GDP growth. During this spell, the government extended support to the affected export sectors and enhanced social safety net expenditure to uphold domestic demand.

Apparels exports have bounced back strongly, low labor costs retaining competitive edge even after the recent wage hike. In the post-crisis surge, exports to new markets in fast growing Asian economies and exports of newer items like marine vessels and IT enabled services are gaining momentum. Domestic demand also remains robust, with spiking rural real wages signaling tightness of rural labor markets.

Extensive self-employment lending by microfinance institutions and SME financing flows promoted by BB’s financial inclusion campaign are visibly transforming economic life in rural regions. Near self-sufficiency in food grain output cushions the economy against stresses from global shortages and price spikes.

According to WB and WTO rankings Bangladesh in 2010 had 21St position in GDP growth rate, 7th position in remittance receipt, 70th & 68th positions
respectively in export and import volume. Growth potential of Bangladesh has earned recognition in several global surveys; like ‘one of the frontier five markets’ (JP Morgan Chase). Moody’s and S&P have rated Bangladesh BB- & Ba3 respectively with stable outlook both in 2010 and 2011 in their sovereign credit rating reports.

Every country aspires for high economic growth; however, a major concern to the policymakers is whether the economic and social growth that a nation achieves over time is sustainable. Factors that endow Bangladesh the bright medium and longer term outlook for sustainable growth of Trade and Commerce include:

1. Favorable demographics with vast population in the younger working age groups, with diverse range of education, skills and training.

2. Decades of pioneering engagement in self-employment micro-credit, and the financial inclusion campaign in support of inclusive growth has generated a broad and still expanding base of entrepreneurship.

3. Globally competitive local wages will protect competitive edge of Bangladesh in labor intensive manufacture over the medium run.

4. The private sector in Bangladesh is playing a major role in education and training of manpower, from basic to advanced tertiary levels. This makes Bangladesh a promising venue for new product and process research.

5. A very congenial policy regime for FDI allowing restriction free repatriation of profits/dividends as well as disinvestment proceeds including capital gains.

6. Favored market access for exports from Bangladesh (as a low income developing economy) to many advanced and fast growing emerging market economies; making Bangladesh an attractive FDI destination as offshore production base for exports to these markets.

7. Challenges from climate change threats are creating new investment opportunities in renewable energy and in new environmentally benign output processes and practices in agriculture and manufacturing.

To sum up, Bangladesh has positioned herself in the global community as a forward looking nation with firm footprint on path of steady, accelerating growth and development; towards rapid poverty elimination and eventual prosperity.

Finally, I would like to thank the organizers for inviting me in this important conference and I hope that the participants will get some insightful motivations to bolster inclusive growth and sustainable development in Bangladesh.

Thank You.