

Policy Paper Series

ALIGNING TRADE AND INDUSTRIAL POLICIES FOR SUSTAINABLE EXPORT GROWTH IN BANGLADESH

Selim Raihan



Policy Paper Series

Aligning Trade and Industrial Policies for Sustainable Export Growth in Bangladesh

Selim Raihan¹

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¹ Dr Selim Raihan is a Professor at the Department of Economics, University of Dhaka, and Executive Director at the South Asian Network on Economic Modeling (SANEM). Email: selim.raihan@gmail.com

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Email: sanemnet@yahoo.com
Website: www.sanemnet.org

Abstract

This paper investigates the model of export growth strategy in Bangladesh at a particular phase of transition and increasing vulnerability. Exports over the past five decades have been at the center of the country's structural transformation, and nothing epitomizes that better than its rise as an RMG powerhouse, which has been hailed as an extraordinary success in terms of growth, employment, and poverty reduction. However, this success itself has generated extreme concentrations of risk and revealed structural weaknesses that are proving difficult to overlook. As Bangladesh nears transitioning out of its Least Developed Country status, contends with a more competitive world economy, and engages in an increasingly sustainable trade regime, the weaknesses in its export strategy are becoming all too apparent.

The paper suggests that these struggles are more than just the outcome of exogenous shocks or market forces. Instead, they arise from a long-standing misalignment of trade and industrial policies that developed in tandem but seldom in harmony. Trade policy has primarily been reactive and concerned with preserving preferences and managing tariffs, while industrial policy has been based on splintered, input-based incentives that are only weakly correlated to export competitiveness, including upgrading or market access needs. This separation has constrained diversification, slowed movement up global value chains, and left firms unprepared to meet new regulatory and sustainability standards.

Employing a mixed-methods methodology, the paper integrates trade data analysis with policy review and comparative economic experiences to diagnose the nature of such misalignment. It suggests a holistic four-pillar strategic framework that focuses on economic upgrading and diversification, social sustainability and inclusivity, environmental sustainability and circularity, and proactive market access and strategic integration. The paper also describes an institutional structure that can help support this framework, with an emphasis on coordination, accountability, and result-based delivery.

The main message that comes across is that the future potential of Bangladesh's export success lies not just in getting bigger and cheaper but in being better, sustainable, and resilient. The harmonization of trade and industrial policies is not a technical correction but a strategic necessity in guaranteeing long-term competitiveness in the post-LDC era.

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1. Introduction

Bangladesh's economic story over the past five decades reflects steady and meaningful change. From the difficult conditions following the 1971 liberation war, the country has progressed far beyond early doubts about its prospects, achieving consistent growth, notable poverty reduction, and improvements in human development. Much of this progress has been supported by the evolution of its export sector. From only 6.5 percent in 1973, the export-to-GDP ratio grew to around 20 percent in 2012, though it demonstrated a declining trend since then, and in 2024 the ratio became 10.4 percent. Exports remained the primary engine of the country's structural transformation, formal job creation, and foreign currency earnings. The phenomenal growth of the Ready-Made Garment (RMG) sector, which now contributes to about 85 percent of export earnings, has been the key driver. This growth was driven by the combination of strategic trade preferences (including notably the EU's Everything but Arms initiative), low labour costs, and entrepreneurship dynamics from local private investors. Yet that same success has laid bare critical structural weaknesses and brought the country to a moment of existential reckoning for its economic model.

Bangladesh is now at a crossroads, where its traditional model of growth is subject to unprecedented stress from internal sources and an increasingly volatile external environment. This need for a new, more comprehensive policy paradigm is generated by the convergence of four major forces.

First, Bangladesh is on a trajectory to graduate from the United Nations' Least Developed Country (LDC) category on 24 November 2026, with the transition period ending in 2029. This will trigger the phased withdrawal of crucial international support measures, including duty-free, quota-free market access under the EBA and other preferential schemes. This vital competitive advantage will be eroded, and Bangladeshi exports (especially RMG) will face direct price competition with more efficient, diversified economies like Vietnam; the outcome: market share loss and profit erosion.

Second, the global trade landscape is becoming more competitive and uncertain. Neighbors such as Vietnam and India have deepened their integration into global value chains through strategic free trade agreements and targeted industrial upgrading, while Bangladesh faces rising production costs that are steadily eroding its traditional low-wage advantage. At the same time, new external pressures, such as the US reciprocal tariff regime and growing geopolitical and regional tensions, are adding further complexity to market access and supply-chain stability. Together, these dynamics heighten the risk that Bangladesh's primary export sector could slip into a lower-middle-income trap, squeezed between lower-cost emerging LDC competitors and higher-quality, innovation-driven rivals.

Third, global demand and regulatory frameworks are undergoing a seismic shift toward sustainability. Consumers, companies, and governments are now also increasingly focused on Environmental, Social, and Governance (ESG) standards. Mandatory regulations such as the European Union's Carbon Border Adjustment Mechanism (CBAM), Corporate Sustainability Due Diligence Directive (CSDDD), and upcoming eco-design regulations are transitioning from voluntary to mandatory compliance. Exporters, which have not decarbonized, committed to circularity, or enforced strict labor standards, will

be excluded from important markets. Sustainability is no longer a corporate social responsibility (CSR) add-on but a core determinant of market access and competitiveness.

Fourth, the extreme concentration in RMG exports represents a significant macroeconomic risk. External shocks reveal the fragility of a mono-sectoral export base. Sustainable export growth can only be achieved by strengthening resilience through diversification of the economy towards higher value-added sectors (specialized textiles, pharmaceuticals, light engineering, agri-processing, IT/ITES), which have the potential to serve as new growth poles and absorb a skilled labour force and reduce sector-specific vulnerability.

This policy brief argues that the future export success of Bangladesh will rest on a strategic reorientation. The dominant paradigm – in which a trade policy that is about market access and managing tariffs (largely directed by the Ministry of Commerce) takes place alongside an industrial policy (spearheaded by the Ministry of Industries as well as other institutions) that gives scattered, broad-based incentives, has reached its limits. This siloed, and sometimes contradictory, framework is inadequate for navigating the complex challenges of LDC graduation, the sustainability transition, and global value chain integration.

The paper aims to diagnose the misalignment between trade and industrial policies and propose a coherent, actionable, and institutionally grounded framework to integrate them, arguing that only a proactive and systematic alignment can shift Bangladesh from volume-based, cost-driven exports to a sustainable growth model built on economic diversification and value addition, social equity and strong labor standards, and environmental responsibility through decarbonization and resource efficiency; this transition is presented as an urgent prerequisite for securing the country's economic future and achieving upper-middle-income status.

The paper employs a mixed-methods approach combining a desk review of key national policy documents, analysis of trade data, comparative case studies of successful export-oriented economies, and a synthesis of insights from industry associations, development partners, and economic analysts.

Following this introduction, the paper proceeds to analyze the achievements and vulnerabilities of the current export model (Section 2), before diagnosing the specific dimensions of the policy misalignment (Section 3). It then presents a four-pillar strategic framework for integrated policy action (Section 4), proposes the necessary institutional mechanisms for implementation (Section 5), and concludes with a set of prioritized, time-bound recommendations (Section 6).

2. The Current Landscape: Achievements and Vulnerabilities

The export boom of Bangladesh is a story of sustained success that has been remarkably narrow in its base. This section explores the dual nature of the country's export economy: its manifest successes and its growing structural weaknesses that, between them, delineate the case for strategic recalibration.

The triumph of the RMG Sector and limited success in export diversification

The story of Bangladesh's export sector is, at its core, a story of extraordinary success paired with persistent limitation. The ready-made garment industry sits at the center of this narrative. Few sectors in the developing world have risen as quickly or decisively. Today, garments account for approximately 85 percent of all merchandise exports, producing nearly USD 50 billion in FY 2023–24. Beyond the calculus, the industry's social impact has been steep. By directly employing about four million workers, the majority of them female, it has reorganized labor markets, increased the participation of women in paid work, and changed household dynamics far more broadly than inside its factory gates.

This success did not happen by chance. It was built on a combination of favorable external conditions and domestic capabilities that reinforced one another over time. Market access preferences, including through the EU's EBA scheme, created a lengthy window of opportunity in major export markets, led by the EU and UK that take more than 60 percent of apparel exports. At the same time, low labor costs and a large, youthful workforce made Bangladesh an attractive sourcing destination. Local entrepreneurs reacted with swiftness and nimbleness, ramping up output, getting to grips with cut, make, and trim operations, and establishing some robust links with international buyers. Gradually, backward linkages emerged as well. Knit fabric production now meets most domestic demand, while woven textiles and a range of supporting industries, from accessories to packaging, have expanded, albeit unevenly.

Yet this very dominance has also exposed the economy's vulnerabilities. Overreliance on a single industry makes exports vulnerable to external shocks, buyer preferences reshuffles, and stricter adherence to treatment of labour, environment, and sustainability. Recognizing these risks, policymakers have long emphasized export diversification. The outcomes, however, have been mixed, revealing how difficult it is to move beyond a successful but narrow base.

Leather and the leather trade epitomize this tension. The industry is often mentioned as the next big export frontier, but has yet to fulfil its potential with consistent performance. The shifting of tanneries to Savar, meant to be more environmentally friendly, was delayed, and the central effluent treatment plant, too, is not finished yet. The result was loss of uniformity, continued environmental challenges, and slow progress in making higher-value products like branded footwear and accessories. Export earnings have fluctuated, never quite breaking through.²

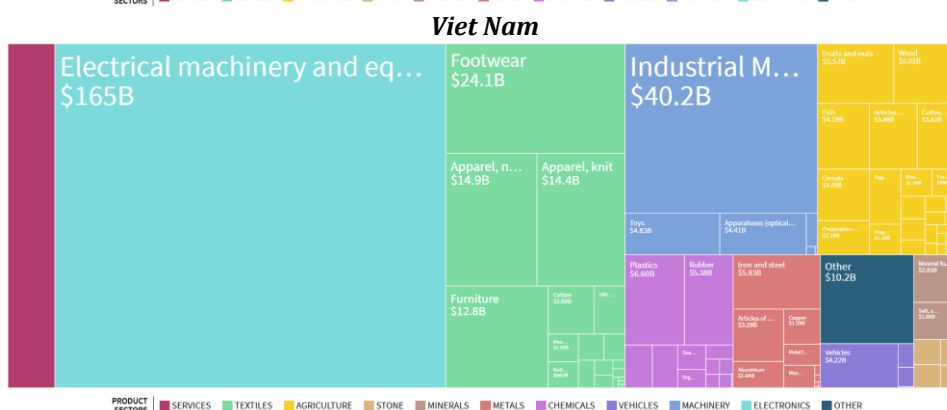
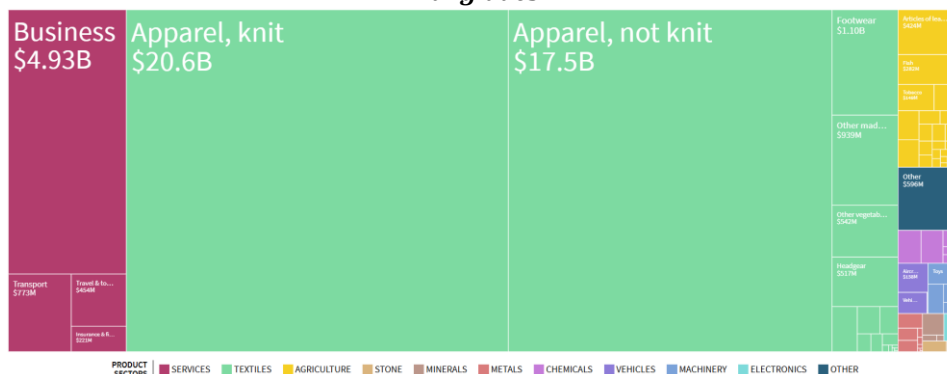
² See Raihan and Roy (2025).

Pharmaceuticals present a different case. Here, Bangladesh has achieved notable success in import substitution and built credible manufacturing capacity. Still, export expansion has been constrained by regulatory barriers. Despite a clear technical potential, strict approval requirements (including capability for complex molecules and bioequivalence studies), the lack of major international validations has prevented access to high-value markets.³

Agricultural and agro-processed exports have their own hurdles. Food safety, quality control, and lack of cold chain logistics are common challenges for products like shrimp, frozen fish, vegetables, and fruits. Rejections at foreign ports are not uncommon, which undercuts competitiveness and inhibits scale-up.⁴

The IT and IT-enabled services sector, meanwhile, reveals an entirely different future. Exports are growing rapidly from a small base, driven by global demand and a young talent pool. Even so, skills mismatches, limited access to venture financing, and uneven digital infrastructure continue to hold the sector back from realizing its full potential.⁵

Figure 1: Export composition of Bangladesh and Viet Nam in 2023
Bangladesh



Source: <https://atlas.hks.harvard.edu/rankings>

A comparison with Viet Nam clarifies these patterns further (Figure 1). In 2023, Bangladesh’s export basket still overwhelmingly consists of garment items, and that too is heavily imbalanced in favour of knit and non-knit products as the major export categories. Other sectors are present, but only at the edges. Viet Nam’s export structure

³ See Raihan (2026).

⁴ See Raihan et al (2025).

⁵ See Raihan et al (2025).

looks fundamentally different. Electronics and electrical machinery lead the way, followed by industrial machinery, footwear, furniture, plastics, and a diverse range of manufactured goods. Apparel still matters, but it no longer defines the economy's export identity. This divergence reflects deeper structural choices. Viet Nam has worked hard to integrate itself into the complicated global value chain, and it gradually upgraded to higher-value segments, whereas Bangladesh has counted on scale in a labour-intensive niche. The implication is clear: One economy exports variety and technology, the other exports volume in a single sector, with very different consequences for resilience and long-term growth.

Figure 2: Product spaces of Bangladesh and Viet Nam in 2023



Source: <https://atlas.hks.harvard.edu/rankings>

Note: Countries tend to diversify by moving into nearby and related products or into those that require similar know-how to build on existing capabilities. The product space represents the relatedness of over 800 goods using real-world data. For example, countries that produce textiles (green) are highly likely to be able to produce other textiles, but share few links to the know-how required to produce machinery (blue). The product space helps to define paths to diversify a country's economy based on the connectedness of its know-how.

This difference is visually reinforced by the product space maps in Figure 2. Bangladesh's exports are huddled in one corner of the space, with apparel as the anchor. Outside that cluster, the links become sparser, and much of the network is empty or weakly connected. Viet Nam, in contrast, spans a series of dense clusters from electronics to machinery to

chemicals and metalworking, with apparel just one interlocking node out of many. This is important because proximity in product space determines future opportunities. Viet Nam is near more sophisticated products, so upgrades will be easier. Bangladesh remains confined to a narrow neighborhood, where moving into new activities is more costly and uncertain. Collectively, the body of evidence indicates one key challenge. The success of Bangladesh's garment industry is real and impressive, but without a broader diversification push that confronts structural and institutional restraints, it also may become the ceiling rather than the foundation for future growth.

Signs of strain and structural vulnerabilities

Beneath the headline figures and export milestones, the RMG-driven model shows clear signs of strain that raise questions about its durability.⁶ The most obvious vulnerability lies in extreme concentration. This imbalance is reinforced on the market side as well. More than two-thirds of apparel exports go to just two destinations: the European Union and the United States. As a result, shifts in demand, regulatory changes linked to LDC graduation, or geopolitical disruptions in these markets can quickly transmit shocks to the entire economy.

At the same time, the industry remains locked into a narrow segment of the global value chain. Bangladesh has mastered the cut, make, trim stage and built impressive scale, but its presence in higher value activities remains limited. Design capabilities are thin, original branding is rare, and marketing power largely sits with foreign buyers. Fabric sourcing, particularly for woven garments, still relies heavily on imports, which means a significant share of value-added production occurs outside the country. In effect, efficiency has improved, but upgrading has stalled.

Some of the original pillars of competitiveness are also under pressure. Labor costs are already growing due to wages and compliance requirements, while logistics and energy waste serve to inflate hidden costs further. Productivity growth remains sluggish, putting the squeeze on margins and limiting space for reinvestment. Automation and higher production technologies are slowly spreading, constrained frequently to just a few large factories. The bottlenecks remain, even though infrastructure improvements have made some difference. Port congestion, inland transport delay, and slow customs clearance elongate lead time and reduce response capability, which is a vital disadvantage in fast fashion driven market.

Social progress in the industry presents a similarly nuanced tale. The changes that followed the Rana Plaza disaster led to radical improvements in factory safety, establishing new global norms. Yet deeper labour issues remain unresolved. Freedom of association and effective collective bargaining are still uneven, and wage levels continue to spark debate over whether they meet the cost of living. These tensions matter, not only for worker welfare but also for stability and buyer confidence.

Environmental pressures are growing, too. Garments require huge amounts of water and energy, as well as creating a large amount of waste. Bangladesh's factories are under increasing scrutiny as global brands set net-zero targets and green their supply chains.

⁶ See Raihan (2024).

Living up to such expectations will mean more investment and innovation: that's an additional layer of cost for an already strained model.

Taken together, the picture is one of a precarious triumph. Though the garment sector is still thriving, it's beginning to bear increasing economic, social, and environmental costs that its current model may not be able to absorb. Meanwhile, the sectors that could reduce risk and support future growth are failing to scale up, constrained by persistent gaps in skills, infrastructure, regulation, and finance. This disconnect points to a deeper problem. Trade and industry policies have not been supportive of the needs for structural transformation, leaving the economy exposed even as the export numbers continue to impress.

3. Diagnosing the Policy Misalignment

The structural failures identified in Section 2 are not primarily market failures; they are, to a large extent, the product of an inconsistent and sometimes counter-productive policy environment. This section identifies the primary disconnect between the trade policy and industrial policy of Bangladesh, arguing that their operational silos and separate goals have led to a sub-optimal ecosystem that hampers the shift to sustainable export growth.

Analysis of Current Trade Policies

The government's recent approval of the draft Import Policy Order 2025–28⁷ shows yet another move to try and bring some formality and predictability to Bangladesh's trade regime – though whether these piecemeal tweaks will make any substantial difference is the real question. Building on the earlier 2021–2024 framework, the new draft tightens rules around LC opening, HS code compliance, and certification requirements for sensitive items. It also maintains restrictions on certain goods and reinforces country-of-origin labeling, all of which continue to complicate how industries source their inputs. These measures sit alongside the tariff schedule published by the National Board of Revenue, where a protective structure – anchored in five non-zero slabs and reinforced by para-tariffs like Supplementary Duty and Regulatory Duty – still inflates the cost of importing nearly everything.⁸

At the policy level, Bangladesh claims to be shifting toward a more competitive and outward-looking trade environment, at least on paper. The National Tariff Policy 2023⁹ was supposed to push the country in that direction by reducing long-standing protection, phasing out specific duties on intermediate goods, and preparing firms for the realities of post-LDC graduation. Yet progress has been glacial, and the gap between ambition and implementation remains glaringly wide. A similar tension appears in the Export Policy 2024–2027¹⁰, which sets an eye-catching target of reaching USD 110 billion in exports by FY2026–27. The goal sounds very ambitious, and it demands a pace of growth far beyond recent performance, especially after the government admitted that earlier export figures had been overstated.

These problems are increased when we look at the structural limitations confronting exporters. The overwhelming dependence on the RMG sector remains, while promising non-RMG industries still struggle under the weight of high indirect taxes, power outages, and logistical bottlenecks that make exporting more difficult than selling domestically. Graduating from LDC status in 2026 will only make things harder – Bangladesh loses out on subsidies and duty-free entry into certain markets, and tariffs increase for goods like garments going to the EU. In addition, global demand has softened, and regional trade routes have proven to be less reliable, forcing exporters to contend with higher costs and changing consumer behavior. All of which is to say that while the policy frameworks are moving into place, the real test lies in whether or not the country can come to grips with

⁷ See <https://apparelresources.com/business-news/trade-business-news/bangladesh-clears-import-policy-order-2025-2028-boost-trade-exports/>

⁸ See <https://customs.gov.bd/portal/services/tariff/index.jsf>

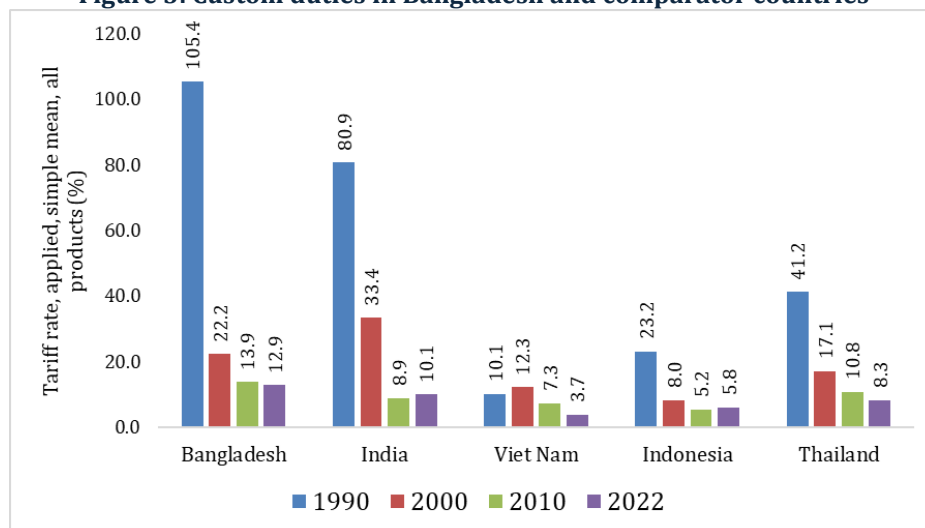
⁹ See <https://btc.gov.bd/pages/policies>

¹⁰ See https://www.bangladeshtradeportal.gov.bd/kcfinder/upload/files/Legal_1756180440.pdf

its deeper constraints, many of which remain persistent obstacles to diversification and sustained export expansion.

Figure 3 paints a clear picture of how tariff regimes across Bangladesh and its comparator countries have shifted over time, while also highlighting how exceptional Bangladesh remains. In 1990, Bangladesh was the most distinctive with surprisingly high average applied tariffs that were much higher than those of India, Thailand, Indonesia, or Viet Nam. While these fell significantly by 2000, and again by 2010, the pace of reduction slowed thereafter, so that Bangladesh still had conspicuously higher tariffs than most comparators in 2022. India’s trajectory is a bit similar but from a lower base, with a dramatic decline between 1990 and 2000 and more measured change since then. In contrast, Viet Nam and Indonesia look like more consistent reformers, maintaining lower tariffs throughout and converging towards single-digit levels by 2022. The middle path is taken by Thailand as it lowers tariffs progressively but remains above Viet Nam and Indonesia. Taken together, the chart suggests that while trade liberalisation has been a shared regional trend, Bangladesh’s adjustment has been more gradual and incomplete, reinforcing its reputation as one of the more protected economies in Asia even decades after initial reforms.

Figure 3: Custom duties in Bangladesh and comparator countries

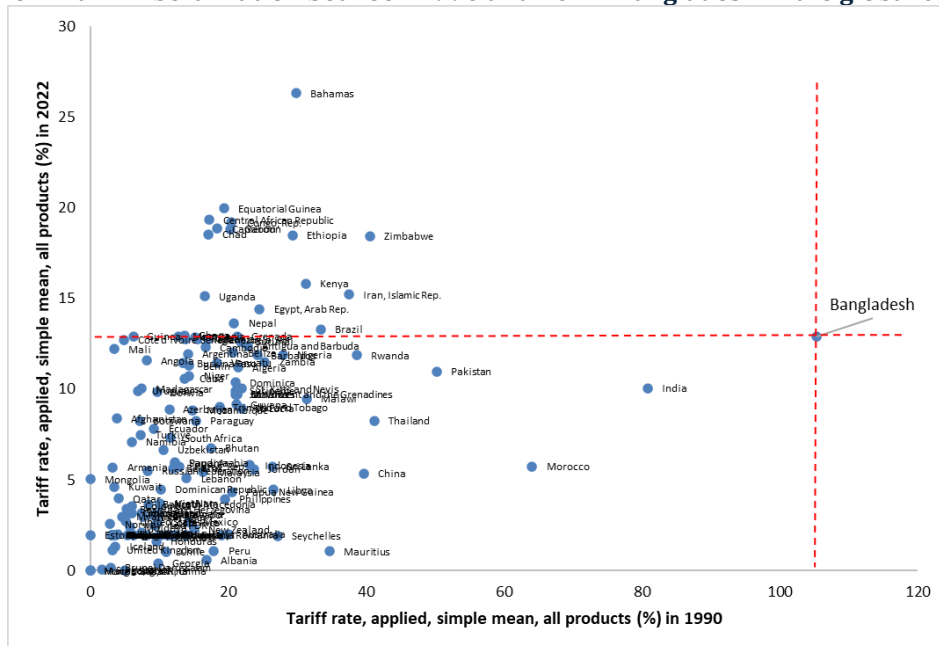


Data source: World Bank, WDI

Figure 4 places Bangladesh’s tariff trajectory in a much wider global landscape and, in doing so, makes its position hard to miss. Most countries cluster toward the lower left of the chart, which tells a familiar story: moderate tariffs in 1990 followed by further reductions by 2022. Some started high, but many moved decisively downward over time. Bangladesh sits apart from this crowd. It begins with exceptionally high tariffs in 1990 and, despite substantial liberalisation since then, still ends up with relatively elevated rates in 2022 compared with the bulk of countries shown. In other words, the direction of change is clear, but the distance travelled remains limited. Countries such as India, Pakistan, or Morocco also reduced tariffs, yet they converged closer to the global middle, while Bangladesh continues to lie on the outer edge of the distribution. What this implies is not an absence of reform, but a reform path that has been slower and more cautious than the global norm. Even three decades on, Bangladesh remains an outlier, signalling

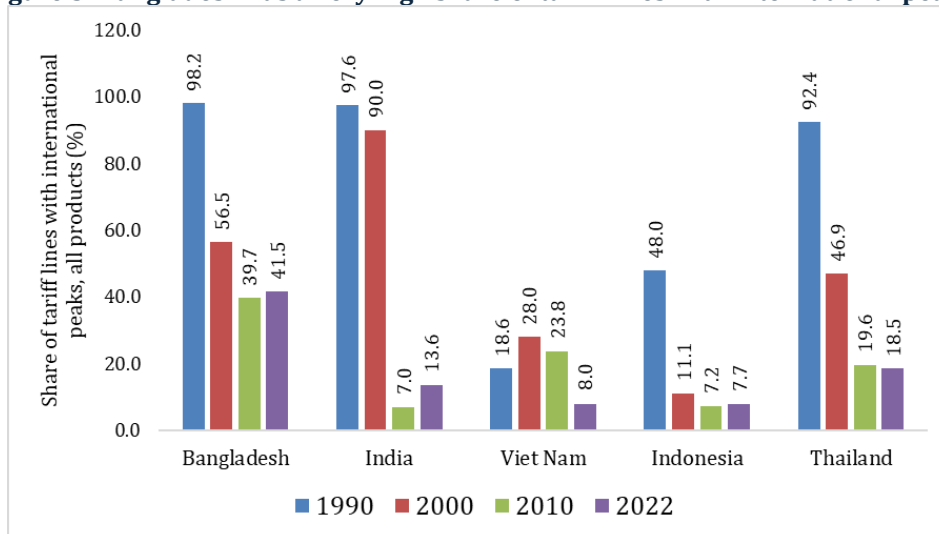
that trade protection continues to play a larger role in its policy framework than in most economies worldwide.

Figure 4: Tariff liberalization between 1990 and 2022: Bangladesh in the global context



Data source: World Bank, WDI

Figure 5: Bangladesh has a very high share of tariff lines with international peaks



Data source: World Bank, WDI

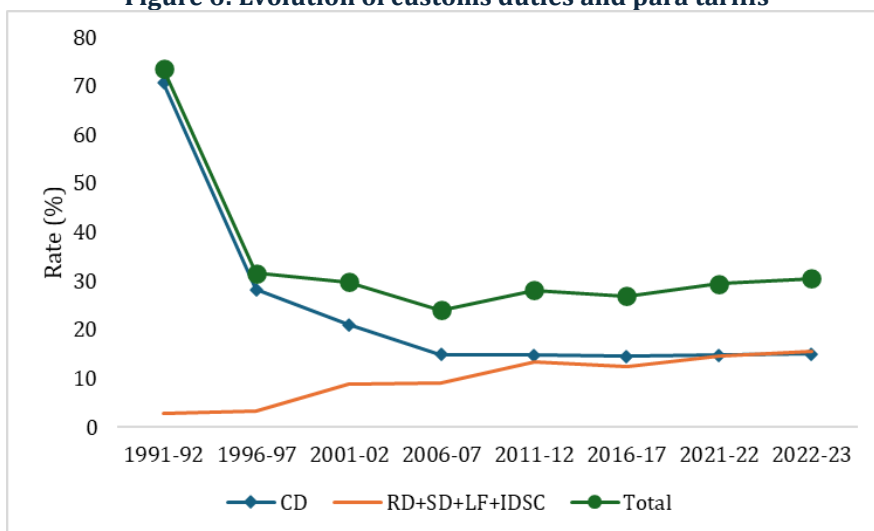
Note: The share of tariff lines with international peaks refers to the proportion of lines in the tariff schedule with tariff rates exceeding 15 percent. It indicates how selectively tariffs are applied.

Figure 5 highlights a deeper and often less visible layer of protection, and here Bangladesh stands out even more sharply. In 1990, nearly all its use of tariff lines was at internationally high levels -- far more so than the shares found for most comparator countries. While this share decreased, the decrease has not been gradual, and in 2022, Bangladesh continues to hold an unusually high percentage of tariff lines with international peaks. It's quite a contrast with others. India moved from an extremely high concentration in 1990 to a much narrower set of peaks by 2010 and 2022. Viet Nam and Indonesia show a more restrained pattern throughout, with relatively limited reliance on

peak tariffs and a clear downward trend. Thailand also reduced its dependence on such measures, though it continues to maintain a nontrivial share. What emerges, therefore, is a picture where Bangladesh's protection is not only about higher average tariffs, but also about how widely those high rates are spread across products. This persistence suggests a tariff structure that remains complex and highly protective, even after decades of gradual reform.

Bangladesh's fiscal structure continues to lean heavily on taxes collected at the border, revealing a deeper weakness in the overall revenue system. Even though value-added tax is largely generated within the domestic economy, more than a third of total VAT in FY23 was still collected at the import stage, which says a great deal about where the tax effort is concentrated. In fact, close to one-third of total tax revenue comes from trade-related sources. This reliance is not accidental. With one of the lowest tax-to-GDP ratios in the world, the state has struggled to expand direct taxation in any meaningful way. As a result, indirect taxes and import-based levies have filled the gap. Over time, this has produced a tariff regime crowded with para tariffs that quietly raise protection without showing up as headline customs duties. So even as nominal customs rates have been reduced, the overall level of protection has remained stubbornly high. Put simply, limited progress in tax reform has locked the system into a cycle where trade taxes do far more work than they should.

Figure 6: Evolution of customs duties and para tariffs



Source: National Tariff Policy, 2023

Figure 6 traces a clear shift in the composition of trade protection over time rather than a simple story of liberalisation. In the early 1990s, customs duties dominated the tariff landscape, resulting in very high total protection rates. That changed quickly. As customs duties fell sharply through the 1990s and early 2000s, the overall rate dropped as well, creating the impression of deep reform. Yet the story does not end there. From the early 2000s onward, para tariffs such as regulatory duties and supplementary charges steadily increased, quietly taking up the space left by lower customs duties. As a result, total protection stopped falling and instead hovered at a relatively high plateau, even showing signs of creeping upward in recent years. In other words, what looks like liberalisation on paper masks a rebalancing of instruments rather than a decisive reduction in protection. The system has evolved, but its protective character has remained largely intact.

Bangladesh's anti-export bias has been persistent rather than episodic. Over nearly two decades, the ratio of the effective exchange rate for imports to that for exports remains consistently above one, hovering in a narrow band around the mid-1.3 range.¹¹ There are small ups and downs from year to year, with a mild peak in the early 2010s and a slight ease afterward, but the broader pattern hardly shifts. This stability matters. It indicates that the policy climate has continued to favour import-substituting over export activities despite talk of trade reform and the existence of some partial export promotion policies. In a nutshell, the bias is not caused by short-run shocks but by the structure of the tariff and incentive regime. What this implies is that exporters have been operating with a built-in disadvantage for a long time, and incremental adjustments have not been enough to change that underlying balance.¹²

Bangladesh's trade policy machinery has long been shaped around a single, narrow goal: securing preferential market access in major destinations. For many years, this focus delivered real gains and supported the rapid expansion of exports, particularly in garments. Yet the global trade environment has changed, and what once worked well is now showing its limits. Today's challenges are more complex, more technical, and far less forgiving of a purely reactive stance.

Much of the country's trade diplomacy has revolved around preserving existing preferences. The Ministry of Commerce and overseas missions have been effective in lobbying for extensions of schemes such as EBA or GSP and in negotiating more flexible rules of origin. Over time, however, this success has fostered a mindset that leans heavily on external concessions. Exporters, as well as policymakers, have become used to defending what was inherited rather than constructing new sources of competitiveness at home. As LDC graduation looms, the vulnerability of this strategy is increasingly apparent.

At the same time, trade policy has struggled to keep pace with the shift from border barriers to behind-the-border constraints. Tariffs matter less than they once did. What now shapes market access are technical regulations, standards, and conformity assessments, whether for chemicals, pharmaceuticals, food, or digital services. Bangladesh's institutional capacity to anticipate these requirements, guide firms through compliance, or engage in the standard-setting process remains limited. The result is familiar and costly. Shipments are rejected, firms scramble to meet requirements at the last minute, and opportunities in higher-value markets slip away.

This inward-looking posture is also reflected in the absence of a clear strategy on trade agreements. Viet Nam and other peers locked comprehensive FTAs in, securing access, investment, and a part of regional value chains, while Bangladesh has negotiated defensively. Defending domestic markets has tended to trump the use of agreements as a means of pushing forward priority sectors or strengthening links with regional neighbours. The PTA with Bhutan signals some movement, but its economic significance is modest and does little to alter the broader picture.

¹¹ See Ahmed (2024).

¹² See Raihan (2024).

Most striking is the absence of a consistent, sustainability-focused trade diplomacy. As environmental, social, and governance criteria continue to shape the global trade, Bangladesh has yet to formulate any coherent national response. Engagement with emerging regulations, advocacy for fair transition timelines, and efforts to position the country as a responsible manufacturing hub remain fragmented. This leaves exporters at the mercy of rules written elsewhere - and with often little ability to influence their design or pace.

The difference between Bangladesh and Viet Nam, Indonesia, India, and Thailand is glaring as well as telling amongst export-oriented policies.¹³ Bangladesh's export policy continues to be primarily supported by cash incentives, duty drawback, and fiscal support measures, which are mostly a limited and RMG -biased export base. While this approach has sustained volumes, it has not generated meaningful diversification, nor has it attracted large-scale FDI or resolved persistent trade facilitation bottlenecks. Viet Nam, by contrast, has pursued a far more dynamic export-led growth model. Its strategy is anchored in aggressive FTA engagement, deliberate integration into global value chains, and the use of high-tech industrial clusters to attract export-oriented FDI, resulting in a far more diversified manufacturing export basket. Thailand reflects a more mature version of this model, with a broad, value-added export portfolio supported by strong logistics, capable institutions, and deep GVC integration. India and Indonesia sit somewhere in between. India has also developed a diversified export base and strengthened it through sector-specific incentive schemes, including production-linked incentives, but exporters still face regulatory red tape. Indonesia has maintained a balance between exports that are resource-based and those that penetrate into manufacturing, although this is restricted by policy unpredictability and relatively poor targeting of export incentives.

Import policies further highlight differences in strategic orientation. Bangladesh maintains comparatively high tariffs and a complex web of para-tariffs, combined with largely manual customs procedures, which raise input costs and reflect a lingering protectionist bias in several sectors. Viet Nam has moved in the opposite direction, liberalizing imports and simplifying procedures to promote export-oriented industry and facilitate efficient participation in global supply chains. Thailand also has an open import system, with efficient logistics and high levels of alignment to ASEAN norms for trade facilitation. Indonesia takes a hybrid approach, embracing openness on industrial inputs while exercising more precautionary control and non-tariff measures on political interests area like food and energy. India distinguishes itself for its well-articulated import substitution push under Atmanirbhar Bharat, involving the use of regulatory measures, in terms including quality control orders and standards imposition. Taken together, these patterns suggest that Bangladesh's trade regime remains more inward-looking and incentive-driven than those of its peers, while countries that have achieved deeper diversification have paired export ambition with more open, predictable, and facilitative import policies.

Taken together, these gaps in Bangladesh's trade policies point to a trade policy apparatus that is still anchored in the logic of the past. Preferences, lobbying, and defensive negotiations once delivered results. In the current environment they are no longer

¹³ See (Raihan 2025).

enough. What is needed is a shift toward a more strategic, forward-looking approach that aligns trade diplomacy with domestic upgrading, regulatory capacity, and long-term competitiveness.

Analysis of Current Industrial Policies

Bangladesh has ambitious industrial policy aspirations, but in practice is fragmented and too reliant on general incentives, rather than strategic guidance. Responsibility is shared by several ministries and agencies, all of which have their own suite of facilities, tax breaks, credit lines, or land access. Over time, this imbalance has helped to create an incentive landscape that is “broad but shallow.” Support is typically applied across many sectors at once, with little distinction between industries that have strong upgrading potential and those that are already mature or declining. Incentives are also largely input-oriented. They reward investment volumes, machinery imports, or export earnings, but pay far less attention to outcomes such as productivity growth, skill formation, environmental performance, or movement up the value chain. Frequent fiscal adjustments, including changes in tax rates and duty structures, further add to uncertainty. For firms considering long-term investments in technology or innovation, this unpredictability weakens confidence and encourages short-term strategies.

Alongside this, policy attention has leaned heavily toward physical infrastructure. Economic zones, ports, power plants, and transport corridors have rightly been prioritized and have begun to ease some long-standing constraints. But industrial upgrading also rests on softer forms of infrastructure, of which we have seen much less progress. There is still a huge mismatch between skills and industrial needs. Schools and technical training programmes work largely independently of industry; even as firms report difficulties finding technicians for automation, mid-level managers, and compliance. The innovation environment is just as threadbare. Research and development is vastly underfunded, and there is little to link universities, research centers, and firms. Hence, applied research, transfer of technology, and process up-gradation continue to be intermittent rather than systemic.

The Industrial Policy 2022¹⁴ was meant to address many of these gaps. On paper, it sets out a clear vision of a competitive, inclusive, and export-oriented industrial sector, with explicit goals for productivity, skills, diversification, and employment. It places emphasis on backward and forward linkages, the adoption of new technologies, SME and startup support, and the expansion of special economic and high-tech zones. The accompanying action plan is detailed and time-bound, assigning responsibilities across ministries and agencies and identifying dozens of concrete activities. Yet the gap between design and execution has been striking. Two years on, only a small fraction of these actions have been meaningfully implemented. Core tasks such as mapping innovative industries or formalizing informal enterprises, which require data systems, coordination, and sustained administrative effort, have barely moved forward.

Recent initiatives underline this pattern. The CMSME refinancing scheme issued by Bangladesh Bank has been flexible in relaxing the requirement that participants in this

¹⁴ See <https://file-rajshahi.portal.gov.bd/uploads/824150f3-d607-49dc-91c2-54b9162a6fa6/64a/bb1/c8d/64abb1c8d4b54611002017.pdf>

sector should be able to utilize small loans against alternative forms of identification.¹⁵ In principle, this could be transformative for micro businesses. In practice, banks have been reluctant to move without explicit directives, and coordination across ministries has lagged. Startup financing schemes tell a similar story. Funds have been announced, and budget allocations made, including special provisions for women entrepreneurs, yet implementation mechanisms remain unclear and access conditions restrictive. In consequence, uptake has been sluggish and the impact modest. Other policy promises, from cluster-based development to linkage industries in economic zones and bonded facilities, remain largely aspirational.

This same disconnection could also be observed in activities such as the reform of state-owned enterprises, green productivity, and regional industrial development. These priorities are often repeated in policy documents, but without sufficient funding or institutional coordination, rarely turn into action. The monitoring and evaluation systems are feeble, and there is no single authority with an obvious responsibility for generating implementation across agencies. This is compounded by the fact that there is a wide range of sectors under the policy. With more than 100 industries spread across multiple categories, responsibilities overlap, and firms often do not know which ministry is meant to support them. A small manufacturer of agricultural machinery, for example, can easily fall through the cracks between agriculture, industry, and SME agencies.

This fragmentation is not new. Since independence, Bangladesh has adopted numerous industrial policies, each with shifting priorities, yet coherence with fiscal policy, trade policy, and budgetary execution has remained elusive. Independent reviews have repeatedly pointed to a persistent gap between declared intent and operational reality. Structural transformation has certainly taken place. The share of agriculture in GDP has fallen sharply, industry has grown, and services have proved resilient. Nonetheless, industrial diversification has been modest, and reliance on imported inputs is high. In international comparison, weak coordination, lack of innovation capabilities, and inadequate support for SMEs and green technologies are regularly identified as binding constraints.

National budgets have attempted to respond, but execution has been uneven. Heavy spending on infrastructure has taken precedence, while investment in research, technology transfer, and green transition has come last. More recent budgets have begun to acknowledge sustainability and digital transformation, yet evidence on effective implementation remains scarce. This matters because the industrial base itself is dominated by micro and small enterprises, which together account for the vast majority of establishments and have often grown faster than large firms. These enterprises are a significant source of resilience and employment, in particular in rural communities, but

¹⁵ On November 2025, Bangladesh Bank eased the conditions for accessing its Tk25,000-crore refinancing and pre-financing scheme by raising the allowable ceiling of classified loans for participating banks and financial institutions from 10% to 20%, while keeping all other previous conditions unchanged. The central bank confirmed that the fund, created in July 2022 to support CMSME entrepreneurs with low-interest loans, would continue operating for now, offering refinancing at 2% interest and capping customer-level rates at 7%. Although the scheme's tenure is three years, entrepreneurs may repay within up to five years, including any grace period, and the fund size may be expanded if needed. The circular further instructs banks to prioritize women entrepreneurs, persons with special needs, and those affected by natural disasters or pandemics. See <https://www.dhakatribune.com/business/banks/396258/banks-eligible-to-manage-25-000c-cmsme-fund>

their full potential is untapped without system support for innovation, skills, and technology adoption.

Taken as a whole, Bangladesh's industrial policy challenge is not one of intent or ambition. It is a problem of alignment and execution. Incentives are plentiful, policies are well drafted, and goals are clearly stated. What is missing is a focused, outcome-driven approach that prioritizes upgrading, coordinates institutions, and links budgets to measurable results. Without that shift, industrial policy risks retaining a collection of well-meaning promises rather than a driver of sustained structural transformation.

The Disconnect

Trade and industrial policies have developed in isolation, leading to deep structural misalignments that are impeding progress.

(1) Trade policy is not informing industrial investment: Trade negotiations and market intelligence are not systematically deployed in support of industrial policy. For example, opportunities arising from global supply chain diversification ("China Plus One") are not met with a coordinated national investment promotion strategy targeting specific sub-sectors of electronics or engineering.

(2) Industrial policy is not building export competitiveness: Industrial support is not designed with the end goal of conquering specific export market challenges. For example, support for the leather sector has focused on relocating tanneries but failed to ensure the CETP's functionality, directly undermining the environmental compliance required for market access.

(3) The sustainability chasm: This misalignment is most acute on sustainability. For example, the trade side sees sustainability as a compliance burden (a "barrier") to be negotiated, whereas the industrial side lacks the integrated policy tools (green technology funds, circular economy standards, green skills training) to help firms turn compliance into a competitive advantage (e.g., branding as a green manufacturer). The result is that factories bear the cost of green upgrades individually, without a supportive national ecosystem, seeing it as a tax rather than an investment in future market positioning.

(4) Institutional silos and coordination failure: The Ministries of Commerce, Industries, Finance, Environment, and Education operate with separate mandates, budgets, and performance indicators. There is no permanent, high-level inter-ministerial council with the authority to design and enforce *aligned* policies. The Bangladesh Trade and Tariff Commission (BTTC) and the Export Promotion Bureau (EPB) have advisory and promotional roles but lack the mandate or power to compel this cross-sectoral integration.

The dominant policy framework is linear, with industrial policy being seen as producing goods and trade policy seeking markets for them. This is no longer relevant in the modern economy. Sustainable export expansion implies a dynamic and coherent logic in which trade intelligence informs industrial capability-building directly, industrial upgrading is targeted, at least in part, to shaping future market standards, and seizing

nascent trade opportunities. The present misalignment produces a policy that is frequently self-defeating - on the one hand providing an incentive, while the other leaves in place a more binding constraint - whereby the sector becomes stuck responding to events rather than trying to shape them. The next section presents a new framework to reconcile this divide.

4. A Strategic Framework for Alignment: The Four Pillars

To address this diagnosed misalignment, Bangladesh needs to embrace a new integrated policy paradigm. In this section, we introduce a strategic model composed of four integrated pillars. Each pillar is related to an essential aspect of sustainable growth in exports, and its reflection is the necessity of combining trade and industrial policies coherently. It also shifts away from a focus on the 'wrenching' of each policy separately (as if they were stand-alone levers) towards recognising that policies are the different strands in a single, integrated national competitiveness strategy.

Pillar 1: Economic Upgrading and Diversification

Objective: To move the export structure up the value chain and reduce concentration risk by fostering new, competitive sectors, thereby ensuring long-term economic resilience. Integrated policy actions include:

(1) From Broad Incentives to "Smart Specialization":

- **Industrial Policy Component:** Undertake a dynamic data-driven national exercise to identify 3-5 "priority export clusters" beyond RMG for high GVC integration (e.g., specialized pharmaceutical & API, leather products, light engineering and electronics assembly, agro processing and food safety certified products, IT –ITES and digital services). For each cluster, formulate a "Sector Competitiveness Compact" that identifies clear gaps in the value chain.
- **Trade Policy Component:** Utilize trade diplomacy and negotiate FTAs / PTAs to obtain at least preferential or relaxed market access to such prioritized products. Leverage market access that is secured through targeted investment promotion with the aim of attracting anchor FDI in these clusters.
- **Alignment Mechanism:** Set up Sectoral Trade-Industry Task Forces for every priority cluster - jointly led by line ministries involved and industry to link investment incentives to explicit export market requirements.

(2) Strategic Development of Backward and Forward Linkages:

- **Industrial Policy Component:** Reposition fiscal and financial incentives away from generic capital investment to targeted promotion of local value addition. Introduce a "Value-Addition Bonus" based on calibration of corporate tax concessions and/or cash incentives with a percentage increase in domestic sourcing (e.g., for local fabrics, dyes, accessories, or software inputs). Establish "Common Facility Centers" in economic zones for high-cost, shared machinery (e.g., for fabric testing, pharmaceutical R&D, electronics prototyping).
- **Trade Policy Component:** Strategically adjust tariff structures (bilateral or regional) to lower the cost of imported inputs for priority sectors while protecting upstream infant industries at a calibrated, time-bound rate. Negotiate with partner countries on "Cumulation of Origin" provisions in trade deals, which will enable inputs from within a particular region to be treated as part of the value chain under Rules of Origin for the finished exports to major markets.

(3) Fostering a Services Export Ecosystem:

- **Industrial Policy Component:** Designate dedicated IT/ITES and Business Services Parks with state-of-the-art digital infrastructure. Establish a "Services

Export Development Fund” to provide seed capital, equity, and grant-based support for startups and scale-ups. Drastically reform higher education curricula in collaboration with industry bodies to produce job-ready graduates in software engineering, digital marketing, and animation.

- **Trade Policy Component:** Advocate for liberalization of Mode 1 (Cross-border supply) and Mode 4 (Movement of natural persons) services in WTO and bilateral negotiations. Campaign for a simpler business visa policy to streamline the entry of the IT industry and consultants overseas. Market "Brand Bangladesh Digital" by conducting trade missions dedicated to IT services.

Pillar 2: Social Sustainability and Inclusivity

Objective: Moving social compliance from a cost center to an advantage by taking human capital as a competitive advantage and brand value that can ensure growing, stable exporting businesses. Integrated policy actions include:

(1) From Remediation to Branding: Institutionalizing Labor Excellence:

- **Industrial Policy Component:** Launch a "Bangladesh Garment & Apparel Excellence (BGAE)" certification, surpassing basic compliance. Reward factories that meet this standard with priority in access to green financing, government industrial purchasing, and expedited service provision. Empower DIFE (Dept of Inspection for Factories and Establishments), with digital monitoring and a sufficient number of inspectors.
- **Trade Policy Component:** Take the BGAE standard to trade fairs and to buyer forums as a quality/ethical production seal. Persuade large multinational companies and retailers to add BGAE-certified factories to their “preferred supplier” roster. Communicate these developments credibly to foreign governments and civil society through diplomatic channels in order to stave off criticism.

(2) Building a Future-Ready Workforce:

- **Industrial Policy Component:** Mandate that a percentage of fiscal incentives received by export firms be invested in certified worker training programmes. Develop National Occupational Skills Standards (NOSS) for emerging roles (e.g., industrial data analyst, automation technician, sustainability manager) in collaboration with industry.
- **Trade Policy Component:** Incorporate “Skills and Employability” as part of trade and investment deals, which will result in partnerships between Bangladeshi training institutes and technical universities/companies abroad. Use trade policy to attract FDI in quality training and vocational education.

(3) Gender Empowerment as an Export Strategy:

- **Industrial Policy Component:** Create added incentives for export firms that lead the way on promoting women into positions of supervision and management, offering high-quality day care, and maintaining strong policies against harassment.
- **Trade Policy Component:** Leverage "Made by Women in Bangladesh" as a unique selling proposition (USP) to niche, high-value consumer markets in Europe

and North America. Look for alliances with global marques that are firmly committed to gender equity.

Pillar 3: Environmental Sustainability and Circularity

Objective: Proactively prepare the export sector for global decarbonisation and circular economy trends, transforming compliance into a source of efficiency, innovation, and market access. Integrated policy actions include:

(1) Systemic Greening of the Export Engine:

- **Industrial Policy Component:** Introduce a “Green Transformation Fund (GTF) 2.0” offering low-interest long-term loans, not only for the RMG sector, but for all export-oriented industries to adopt renewable energy (solar, wind), and recycling water plants, along with power-efficient machinery. Link access to top economic zones to meeting specified environmental performance standards.
- **Trade Policy Component:** Proactively and early on engage with the EU and other partners in sharing about CBAM implementation, development locally of a national endorsed methodology for measurement and verification of the carbon footprint of exports from Bangladesh to have data sovereignty and fair treatment.

(2) Championing the Circular Economy:

- **Industrial Policy Component:** Prepare a “National Circular Economy Roadmap for Exports” with goals defined, for recycling of pre and post-consumer textile waste, chemical management in leather, plastic reduction for packaging. Invest in R&D for recycled fiber production and “Reverse Logistics Parks” to collect and sort waste.
- **Trade Policy Component:** Negotiate for simplified customs procedures for the import of textile waste/ scrap as raw material in to recycling sector. Advocate for international acceptance of standards on recycled content established in Bangladesh. Situate the country as a future frontrunner in circular textile solutions at international fora.

(3) Incentivizing Green Product Exports:

- **Industrial Policy Component:** Offer greater fiscal advantages to produce and market certified green products (such as organic cotton, certified sustainable leather, energy-efficient motors).
- **Trade Policy Component:** Participate in ongoing EGS (Environmental Goods and Services) negotiations at the international fora to ensure that Bangladesh can benefit from future tariff liberalisation in favour of Bangladeshi green exports.

Pillar 4: Market Access and Strategic Integration

Objective: To move from passive preference utilization to active market creation and deep integration into regional and global value chains. Integrated policy actions include:

(1) Proactive and Strategic Trade Diplomacy:

- **Trade Policy Component:** Prepare an “FTA Roadmap 2030,” focusing on agreements with strategic partners providing access to markets (closer engagement with ASEAN, CEPA negotiations with prioritised countries), and

technology/FDI. Negotiations must be offensive, aiming at dedicated tariff lines for Pillar 1 priority sectors.

- **Industrial Policy Component:** The Ministry of Industries should give clear briefs to its negotiators on what should be on sensitive lists (temporary protection products) and “wish lists” (inputs that industry needs duty-free access to), to ensure a trade deal is a tool of industrial policy.

(2) Deepening Regional Value Chains (RVCs):

- **Trade Policy Component:** Prioritize the resolution of non-tariff barriers with neighbouring countries, focusing on transit, cross-border transport, and customs harmonization.
- **Industrial Policy Component:** Design specific industrial clusters as "Regional Export Hubs" focused on processing regional raw materials for export to third countries.

(3) Building "Brand Bangladesh" for the 21st Century:

- **Integrated Action:** Launch a unified, public-private "Brand Bangladesh" campaign that moves beyond cheap labor. The narrative must integrate:
 - **Quality & Value:** Highlighting capability in complex manufacturing.
 - **Sustainability:** Showcasing green factories and circular initiatives.
 - **Ethics:** Promoting the story of women's empowerment and improved labor standards.
 - **Digital Prowess:** Showcasing IT innovation.
- The Ministry of Commerce, EPB, and the private sector must jointly fund and manage this campaign, aligning all export promotion activities under this cohesive narrative.

Each of the Four Pillars supports and strengthens the others. Economic diversification (Pillar 1) needs a skilled labour force (Pillar 2), and green technology (Pillar 3) in order to gain access to the modern markets (Pillar 4). The success of this will depend on breaking the policy silos described in Section 3 and replacing them with the integrated, cross-cutting activities discussed here. The next section explains the necessary institutional architecture for realizing this ambitious framework.

5. Institutional Mechanisms for Coordination and Implementation

To make the four-pillar framework real, Bangladesh will need more than sound policy design. It will need an operating system that forces coordination, protects continuity, and turns plans into deliverables with named owners, budgets, and deadlines. Each pillar requires multiple ministries to move in the same direction at the same time. That level of alignment will not emerge from ad hoc meetings or informal coordination. It demands permanent, high-level, and operational institutional mechanisms that can resolve day-to-day bottlenecks while keeping the long-term strategy on course.

The proposed institutional architecture rests on a small number of mutually reinforcing mechanisms.

(1) A National Competitiveness and Export Transformation Council at the Prime Minister's Office: This council should be housed at the PMO and chaired at a level that signals authority, ideally the Prime Minister or a senior minister with a clear mandate to convene and decide. Its membership must be functional rather than symbolic and include the Ministries of Commerce, Industries, Finance, Environment, Education, and Foreign Affairs, alongside the NBR, Bangladesh Bank, BEZA, BIDA, EPB, BTTC, and private sector representatives selected for relevance to priority clusters. What distinguishes this council from existing committees is its mandate and leverage. It should approve priority export clusters, validate the FTA roadmap, sign off on cross-ministry policy packages, and resolve disputes that otherwise remain stuck for years. Crucially, it must control a modest but meaningful pool of resources so that decisions carry consequences. Without that lever, coordination will remain courteous but ineffective.

(2) A compact and technically strong Competitiveness Delivery Unit: Many strategies fail not because of weak ideas but because no one does the stitching work across agencies. The council should therefore be supported by a delivery unit staffed with a mix of deputed civil servants and specialist hires, including trade economists, industrial engineers, standards experts, and project managers. Its role would be to translate the four pillars into an annual national delivery plan, track implementation on a regular interval, and escalate issues when agencies stall. A live internal dashboard should track priority actions, not for public display, but to create pressure through visibility. When a certification scheme, training standard, or circular economy regulation is delayed, the blockage should be immediately visible and attributable.

(3) Sector Competitiveness Task Forces anchored in real industries: Because upgrading and market access ultimately occur in specific sectors, the pillar logic must be institutionalised at the industry level. For each priority export cluster, a Sector Competitiveness Task Force should be established with clear co-chairing arrangements. Commerce should lead on market access, NTMs, and trade negotiations, while Industries should lead on capability building, incentives, and technology. Each task force must also include the Bangladesh Bank for finance instruments, the NBR for tariff and tax tools, BSTI and relevant regulators for standards, and BIDA or BEZA for investment facilitation and industrial infrastructure. These task forces should function as compact negotiating tables and produce Sector Competitiveness Compacts that clearly specify the binding constraints to export growth, the policy instruments to address them, and the measurable

outcomes expected within two to three years. Once endorsed by the national council, these compacts should carry authority across ministries.

(4) An Outcome-Based Incentive Board to discipline fiscal support: To make sure that incentives are not generic and input-driven, an Outcome-Based Incentive Board should be set up within the Ministry of Finance with co-governance from Commerce and Industries. Its task would be to redesign fiscal and financial incentives so they reward value addition, certification, green performance, skills investment, and export upgrading rather than investment size alone. This board would also reduce policy volatility by publishing a rolling three-year incentive schedule for priority clusters, updated annually through a structured review process. Firms would gain predictability, while the state would be able to phase out support for sunset activities gradually and transparently rather than through abrupt shifts.

(5) A National Standards and Market Access Authority for NTMs and standards diplomacy: Since NTMs and standards are now the main gatekeepers of trade, the framework requires a dedicated institutional home for compliance intelligence and standards diplomacy. Such an authority can be built from their existing capacities in BSTI, line regulators, and trade facilitation bodies. Its work would be practical and forward-looking: Running early warning systems for new regulations, offering hands-on help meeting our obligations, increasing domestic testing and conformity assessment capacity, and helping negotiators with detailed briefings on mutual recognition agreements. In a global economy where norms determine market entry, this institution should be centered in trade and industrial coordination, not on its periphery.

(6) Dedicated platforms for sustainability and social upgrading. To protect the environment, there should be a Green Competitiveness Platform linking green finance to regulation, measurement, skills, and industrial zoning. Harnessing Bangladesh Bank and relevant ministries such as environment and industries, power and energy authorities, or private buyers/industry groups, the platform can define national carbon measurement standards, accredit auditing agencies, broaden green finance beyond garments to other sectors of industry (e.g., leather), and condition access to premium zones or accelerated services on recognized environmental performance.

On the social side, a Bangladesh Apparel Excellence type certification must be governed through a credible tripartite board involving government, employers, and workers, with strong technical backing from DIFE and independent auditors. Certification should be rigorous and tied to tangible benefits such as access to green finance, faster customs clearance, and preferred supplier promotion. In parallel, DIFE's core enforcement capacity must be strengthened through digital systems, additional inspectors, and effective grievance mechanisms.

(7) A National Skills Compact and disciplined trade negotiation process. To close the persistent gap between education systems and industry needs, a National Skills Compact for Export Competitiveness should be jointly led by education ministries and the Ministry of Industries, with strong industry participation. It should establish demand-driven occupational standards for emerging roles and link public incentives to certified training investments by firms.

At the same time, an FTA Negotiation Steering Committee should enforce a simple but powerful rule: no trade negotiation should proceed without an industrial brief listing offensive interests, sensitive products, and input liberalisation needs, prepared by Industries and Finance, validated by Commerce, and approved by the national council.

(8) Routine monitoring and performance-linked accountability. None of these mechanisms will work without discipline. The delivery unit should submit monthly progress notes to the council, highlighting bottlenecks that require political decisions. Quarterly reviews should focus on a small set of outcome indicators tied to the four pillars, including export concentration, certification uptake, green investment flows, skills adoption, and progress on market access. Over time, budget allocations should be partially linked to performance against these indicators, ensuring that delivery, not paperwork, is rewarded.

If these coordination mechanisms are put in place, the four pillars cease to be an abstract framework and become an executable national program. The task is not to invent new policies, but to build authoritative, technically capable structures that make existing policies work together and make them stick. Bangladesh's central challenge is no longer a shortage of ideas. It is the absence of machinery that can turn alignment into action.

6. Conclusion

Bangladesh's success in exports was always based on adaptation. Progress came from decisively responding to changing realities, from rebuilding after independence to seizing the garment opportunity. That instinct is now being tested again. The country stands at a moment where past strengths no longer guarantee future security. LDC graduation, intensifying global competition, and the rapid rise of sustainability-driven trade rules are not distant challenges. They are already reshaping markets. What this paper shows, in essence, is that the core constraint is no longer entrepreneurial capacity or policy ambition, but fragmentation. Trade and industrial policies have evolved side by side, yet too often in isolation. The result has been impressive growth built on a narrow base, alongside rising exposure to shocks. Breaking out of this pattern requires seeing exports not as an outcome to be defended, but as a system to be deliberately shaped.

The four-pillar framework and the accompanying institutional reforms offer a way forward that is both realistic and urgent. They call for focus rather than dispersion, outcomes rather than inputs, and coordination rather than silos. None of the proposals requires a sudden leap into the unknown. Instead, they focus on order of operations, experiential learning, and the matching of incentives to desired behavior. If pursued with discipline, this approach can help Bangladesh move from dependence on volume and preference to competitiveness based on capability, credibility, and resilience. The stakes are high, but so is the opportunity. By acting now, Bangladesh is in a position to turn the pressures of transition into an opportunity for deeper transformation and to make the next phase of its export growth not only bigger, but also better - stronger, fairer and more sustainable.

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