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Bangladesh and Free Trade Agreements: A Potential Partner in Singapore

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Summary

Bangladesh's preferential treatment from trading partners will erode with its impending graduation from the list of Least Developed Countries. The time has, therefore, come for it to enter into bilateral free trade agreements with those among them who are key. There are compelling reasons to begin such negotiations with Singapore, even though the road to the finish may be long and arduous.

Bangladesh's economic growth, always steady, albeit slow at times, has recently picked up to an extent that the International Monetary Fund (IMF) billed the country as the second fastest growing major economy in 2016 and the World Bank listed it as the fifth fastest growing economy currently. In the years since 2004, the country's gross development product grew at an average of about 6.5 per cent, picking up speed to 7.28 per cent in 2017 to 7.86 per cent in 2018. A double digit figure has been predicted soon. IMF figures show the per capita income in purchasing power parity terms to be US$4,561 (S$6,170) and in nominal terms to be US$1,754 (S$2,387) in 2018. The Standard Chartered Bank has reckoned that, by 2030, Bangladeshis would be richer than Indians.

Happily for Bangladesh, the macroeconomic indicators have been matched with by corresponding development in social indices, particularly in human capital development. The literacy rate has increased to 72 per cent, with 69 per cent for females, one of the highest in the region. The decrease in the population growth – one per cent – has shown better results than Pakistan's two per cent and India's 1.1 per cent. Life expectancy has increased to 72 years which is better than India's 68 years and Pakistan's 66 years. Gender equity and women's empowerment have been aided by the millions of the latter being employed in the all-important garment sector. This was accorded added boost by microcredit programmes, a concept that largely originated in Bangladesh and eventually acquired global resonance initiated by both the civil society and the government. Percentage figures in reduced mortality rate, access to latrines and immunisation are better than those of its neighbours.

How has all this come about? While India treaded the socialist planned economic path in the post-independence era in the 1950s, Pakistan had actually followed a 'mixed economy model' in the 1960s which had placed it at what some economists saw as a near-take off stage. Bangladesh inherited the Pakistani paradigm initially. However, the nation's liberal neo-*bhadralok* intellectual tradition allowed the pursuit by the Planning Commission of such projects as the 'population policy', a euphemism for 'family planning', despite being a Muslim majority nation with somewhat conservative predilections. An enthusiastic group of entrepreneurs aided the shift from agriculture to manufacture. Such actions, coupled with the skilful utilisation of external aid, brought about a sense of confidence which enabled

Bangladesh to open its economy even before India, in as early as 1990-91. The growth and development curve has since sustained its upward movement. Its diplomacy expanded market access for producers through impressive use of multilateral trade platforms such as the World Trade Organization (WTO), and leadership role, particularly among the least developed countries (LDCs).

The weakening of the WTO at the start decade led to a spate of regional, plurilateral and bilateral free trade agreements (FTAs), and the received wisdom that these were not WTO-inconsistent. At the same time, ironically, the success of across the board reduction of WTO tariffs was also eroding the preference regime for LDC exports, and so there was need for concomitant actions. There were discussions in Dhaka and a seminar held on 11 May 2019 by the Dhaka Chamber of Commerce is noteworthy on the challenges and opportunities of FTAs for Bangladesh. The conclusions reflected a modicum of circumspection. A limited list of competitive products, the lack of institutional capacity to address relevant issues and the wariness to deal with developed countries were impeding factors. The decision was to carefully analyse all relevant factors so that any such agreements create opportunities rather than challenges. The Tariff Commission was tasked to do so.

As Bangladesh prepares to graduate out of the list of LDCs, it needs to protect its markets. The advantages of Europe's 'Everything but Arms' that had allowed quota-free duty-free market access will soon be denied it. A visiting Indian minister Suresh Prabhu warned that the graduation would also cancel out for Bangladesh the benefits of access to Indian markets, assured for LDCs through the South Asian Free Trade Agreement. He urged that Bangladesh should start thinking of an FTA with India. The Chinese proffered similar views, as did one way or another, Malaysia, Jordan, Turkey and Sri Lanka. Thereafter, the United Nations, in a report in January 2019, recommended that as preferential treatment continues to shrink, Bangladesh should negotiate FTAs with major trading partners, such as China.

Singapore stands out as such a potential partner. In this 'Trumpian' era, it is still a champion of free trade. Close trading ties were discerned during a visit to Singapore by Bangladesh's Prime Minister Sheikh Hasina in March 2018. Even for Bangladesh's burgeoning service sector, Singapore should be an attractive destination. Singapore has FTAs with an array of countries, both developed and developing. As an FTA partner, Bangladesh will have a good mentor in Singapore. Singaporean businesses have evinced keen interest in Bangladesh's rapid growth and in sectors such as power, energy, transport, logistics and ports. So, now the time to reflect on a possible Singapore-Bangladesh FTA has surely come. It will be doubtless a long and arduous road. However, no journey can finish unless it begins.

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