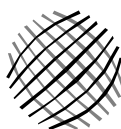


Partnering Up: Towards A Strengthened Bangladesh-U.S. Economic Cooperation

A study prepared as part of the BEI project on Trade and Investment

May 2018

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Executive Summary

The United States has been an indispensable trade and development partner for Bangladesh. The bilateral relationship between the two countries has proved to be resilient and stood the test of time. But there exists enormous opportunities for both the countries to harness deeper and strengthened economic ties and cooperation.

The scope for reinvigorated bilateral economic cooperation arises as the Bangladeshi economy has expanded considerably through robust economic growth sustained over the past two decades, and the growth momentum looks solid going into the future. Bangladesh is firmly set to graduate out of the group of least developed countries (LDCs) – considered as the poorest and most vulnerable among the global economies – in 2024. According to PricewaterhouseCoopers projections, Bangladesh would be the 28th largest economy (in terms of GDP measured in purchasing power parity (PPP) dollars) in 2030, when its GDP is projected to reach PPP\$1.34 trillion while by 2050 it would grow further to PPP\$3.06 trillion to become the 23rd largest in the world.

It is rather unfortunate that the U.S. has excluded Bangladesh from duty-free market access. The case for such access remains strong as this will not only increase Bangladesh's yearly exports by an estimated \$1.3 billion but will also help the country achieve the Sustainable Development Goals (SDGs) and provide the much-needed impetus to its economy for a smooth transition from the LDC group. Providing shelter and support to more than 1 million traumatized Rohingya refugees has created an enormous pressure on Bangladesh's economy and from this perspective as well, duty-free market access in the United States would be an important and meaningful way of helping the country. If unilateral market access is not possible, the United States could consider conditional non-reciprocal market access as used in providing trade preferences under such schemes as AGOA, CBI and APTA.

The option for a Free Trade Agreement (FTA) between Bangladesh and the United States should also be explored. This would ensure mutual market access benefits. The market size in Bangladesh may appear to be relatively small, but the preferential access could be quite attractive for the United States. Unlike any other country of comparable size, Bangladesh's rapid economic expansion has taken place under a highly protected environment. This growing market shielded by high-tariffs provides preferential partners with a large competitive advantage over others who do not have such preferential access. Furthermore, Bangladesh's combined lower-middle and middle and affluent class population is set to rise to 34 million by 2025 with a market spending power worth of \$100 billion. Under certain plausible assumptions, yearly U.S. exports to Bangladesh can expand to \$14 billion (from the current level of just above \$1 billion) within the next decade or so. The United States can benefit from first-mover advantage, as Bangladesh is yet to have any bilateral FTA, by entering into a preferential agreement to take advantage of a rapidly growing and highly protected market.

One important way forward could be the United States' granting unilateral trade preferences to Bangladesh in a time-bound manner with the provision of both countries entering into an FTA by the time Bangladesh graduates out of the LDC group. As trade negotiations take time, this approach could provide a clear roadmap in moving towards a strengthened bilateral trade relationship. The existing forum of the Trade and Investment Forum Cooperation Agreement (TICFA) could serve as a platform for policymakers of both countries to explore these trading arrangement options.

Bangladesh also offers significant opportunities for U.S. investors especially in such areas as export-oriented textile and apparel, automobiles and light engineering, ICT, power and energy, including renewable and green energy. Dedicated Special Economic Zones (SEZs) can be accommodated exclusively for investments by U.S. firms. There exists tremendous scope for U.S. investments and deeper involvement and technical collaboration in tertiary education and ICT sectors of Bangladesh. The Bangladeshi diaspora living in the United States could serve as an important conduit for fostering closer U.S.-Bangladesh ties.

Bangladesh has made remarkable socio-economic progress and has made great strides in remaining a secular democracy, committing to the global fight against religious extremism

and radicalization. But, it needs support in achieving such development goals as eradicating extreme poverty, ensuring greater participation of women in economic activities, generating decent jobs for its large and growing labour force, and tackling challenges posed by climate change. Forging closer Bangladesh-U.S. relations would not only bring mutual trade and economic benefits for the two countries but would also reaffirm the United States' leading role in its commitment to promoting international development in most challenging areas.

The time has come for policymakers of both countries to rethink, recalibrate and recast their existing approaches to engagements and invest in a bold new future with enormous opportunities and untapped potential.

Chapter 1: Introduction

Being the single most important export market, largest source of foreign direct investment, and a major provider of overseas development assistance, the United States has been an indispensable trade and development partner for Bangladesh. The bilateral relationship between the two countries has proved to be resilient and stood the test of time. The existing relations have been further strengthened and consolidated by the presence of a vibrant Bangladeshi diaspora and an increasing stream of students going to the U.S. for higher studies. The U.S. considers Bangladesh as a key strategic partner in its fight against extremism and terrorism. All this is a testament to a multifaceted relationship evolving over the past several decades.

Indeed, the Bangladesh-U.S. bilateral relations have transformed remarkably in which Bangladesh's aid dependence has waned dramatically vis-à-vis rising significance of trade and investment linkages. Sustained economic growth during the past three decades means Bangladesh is already a sizeable economy, and a robust growth prospect in the medium term makes the country an attractive trade and investment partner. It is in this backdrop that the relationship between the two countries should acquire greater traction and emphasis amongst policymakers of both sides. As Bangladesh stands poised to graduate from the ranks of the least developed countries (LDCs) in the near future, when it will need to establish, bilateral trading arrangements with other countries to expand its trade, the importance of revitalizing engagements with the U.S. cannot be overstated.

In recent times, the U.S. has seen an unprecedented policy reversal with the benefits of globalization and its erstwhile liberal trade regimes being called into question. In addition, the relative significance of U.S. economy (along with that of developed countries as a whole) in the world is expected to decline in the future given the rise of several large developing countries. How will these unfolding-trends impact U.S.-Bangladesh trade and economic relations?

This paper makes the point that there is significant opportunity for Bangladesh to harness deeper and strengthened economic ties with the U.S. Instead of treating the recent trends in the global economic and trade landscape as symptoms of an impending crisis, it is extremely timely for Bangladesh to renew its engagements with the U.S. for exploring avenues to revitalize and expand trade and investment linkages. Bangladesh also stands to present tremendous opportunities for US traders and investors. There is a categorical need to determine and assess the extent to which both countries can derive mutual benefits through proactive initiatives. An enhanced economic engagement and cooperation with Bangladesh, which is graduating from the group of LDCs with an impressive socio-economic progress but continues to face development challenges, can reaffirm the United States' commitment to and greater influence on the global development architecture through the promotion of Sustainable Development Goals. This would go a long way in ensuring that Bangladesh becomes a prosperous, secular democracy and contributing to and complementing American strategic security goals and objectives while generating mutual trade and economic gains.

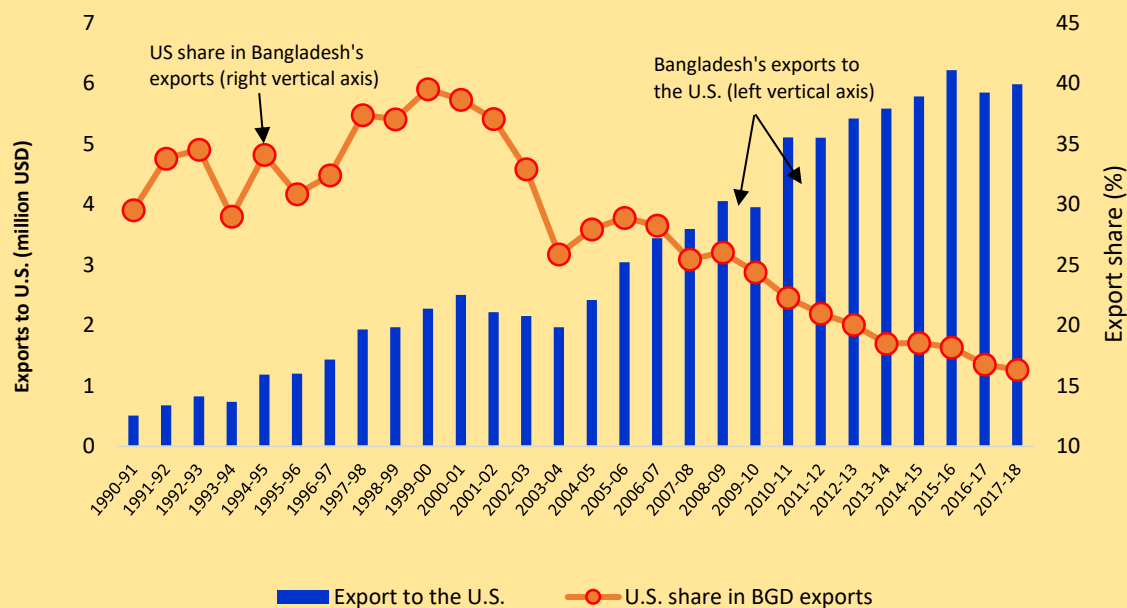
This paper is organized as follows: after this introduction, Section II highlights the existing trade and economic engagements between Bangladesh and the U.S.; Section III briefly discusses the current framework of bilateral cooperation under the Trade and Investment Forum Cooperation Agreement (TICFA); Section IV considers several possible avenues for promoting trade and cooperation further; finally, Section V concludes.

Chapter 2: Bangladesh-U.S. bilateral trade and economic engagements

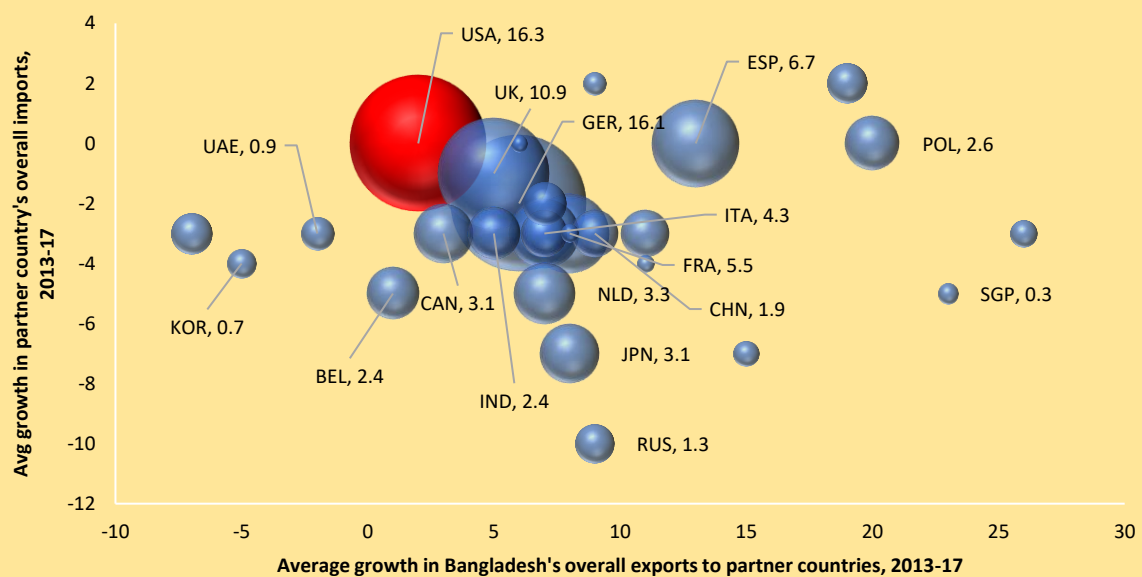
2.1 Bilateral trade in goods

The United States has been the single most important export destination of Bangladesh although its relative significance is on the decline. Of Bangladesh's close to \$37 billion export earnings in 2016-17 (Annex I), almost \$6 billion came from the U.S. (Figure 2.1). In the same year, Bangladesh experienced 2.3 percent increase in exports to U.S. market following an absolute fall (i.e. negative growth) in the previous year (Annex 2). The negative growth in 2016-17 can be attributable to the on-going trade slowdown that the world economy has experienced since 2014.¹ In 2017-18, the U.S. was the source of 16.3 percent of Bangladesh's total export earnings. Figure 1 shows that as lately as in 2000, U.S. share reached a peak of about 40 percent before declining sharply in the early 2000s. It then managed to recover modestly before taking a course of gradual decline. The most important reason for this trend is Bangladesh's not getting duty-free market access in the U.S., particularly of exports of textiles and apparels, as against of availability of such preferences in the EU mainly but also in many other countries, such as Australia, Canada, New Zealand, China, India, etc.

¹ In an earlier BEI study (Razzaque 2017a), the impact of the global trade slowdown on Bangladesh's exports was discussed. In fact, the global economy has seen an unprecedentedly prolonged slowdown in international trade since the global financial crisis of 2008. IMF estimates show world trade in real terms (i.e. in volume) during 2012-16 on average expanded by less than 3 percent per annum as against of about 6 percent recorded for 1980–2008. Measured in value terms - using US dollars - world merchandise exports declined by a staggering \$2.5 trillion in 2015 (from the previous year), and then again fell by more than \$500 billion in 2016. As many as 183 countries had experienced reduced export earnings in 2015 (compared to the previous year) while for 112 countries export earnings similarly declined in 2016. Given such a gloomy global landscape, Bangladesh did better by securing a modest overall export growth in both the years. However, Bangladesh's exports to the U.S. fell in 2016-17.

Figure 2. 2
Bangladesh's exports to the U.S.


Source: Authors' analysis using data from the Export Promotion Bureau (EPB) of Bangladesh.

Figure 2. 1
Share in Bangladesh's exports by partner countries


Note: Bubble size represents partner countries' shares in Bangladesh's exports in 2017-18.

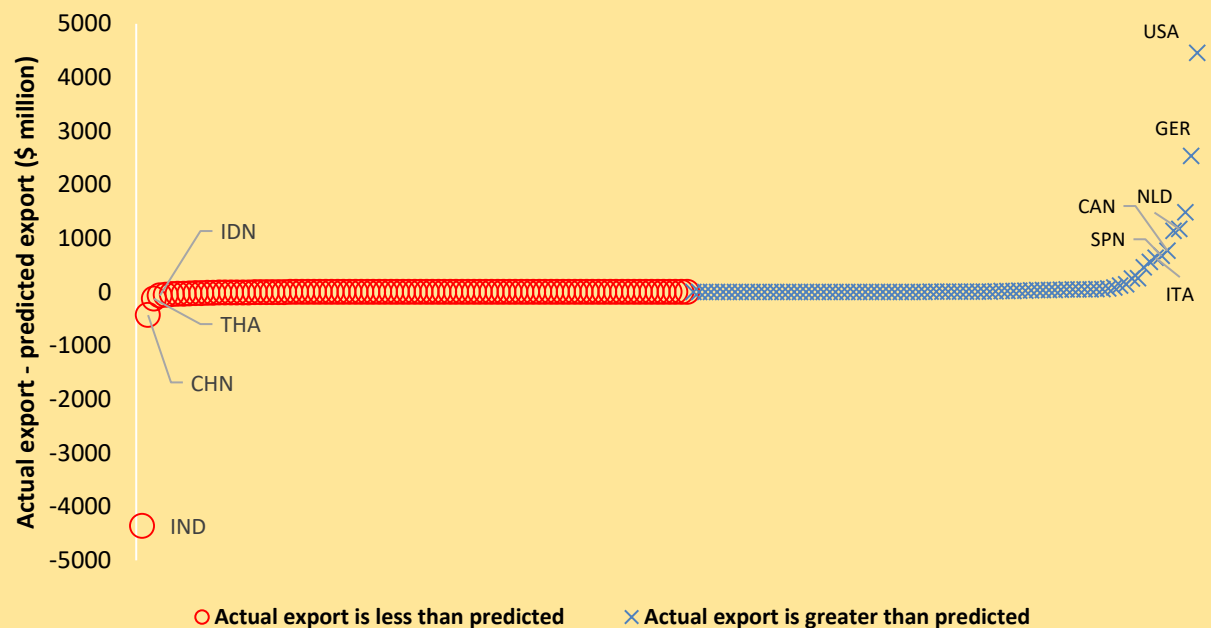
Source: Authors' analysis using data from International Trade Centre (ITC) and EPB.

Bangladesh's export performance in the U.S. can be regarded as quite resilient when the ongoing deep slowdown in trade is taken into consideration. During the five-year period of 2013-17, the United States had an annual average import growth of zero percent. During this

time all major developed countries such as Canada, France, Germany, Japan and UK, had experienced an absolute fall in imports (Figure 2.2). Yet, Bangladesh managed to post an average export growth of more than 2 percent to the U.S. during the same period, while the comparable growth rate in many other markets was higher (e.g. 6% in Germany, 5% in the UK, 8% in Japan and 13% in Spain). Therefore, it seems that the absence of trade preferences has affected Bangladesh's export growth to the U.S.

Despite the falling relative significance, there is strong evidence of the U.S.'s remaining an unusually high export-pull destination of Bangladesh's products. Economists often use the so-called 'gravity model' to explain international trade flows. This analytical workhorse suggests larger and richer countries would trade more (and more between themselves) than the smaller and poorer countries, other factors remaining the same; and geographical proximity promotes bilateral trade flows as it reduces transport and information costs.² Additional factors, such as having land borders, common language, past colonial linkages and regional trade agreements, also tend to augment trade flows between two countries. The results from the model show that controlling for all factors, Bangladesh's actual exports to the U.S. are much higher than what can be predicted. Indeed, compared with the average experience of global economies in terms of bilateral export trade flows, Bangladesh's actual U.S.-bound exports are about \$4.5 billion higher than what the gravity model predicts. To put things into perspective, the same exercise shows, Bangladesh's exports to India are less than predicted by almost the same amount (of \$4.5 billion). Even to China, Bangladesh is exporting less-than-predicted. This reaffirms the enormous significance of the U.S. market for Bangladesh. Irrespective of the trends in the global market (e.g. falling relative significance of countries and trade policy reversals), Bangladesh needs to deepen its trade engagement with the U.S. And, as discussed later in this paper, there exists huge opportunities for strengthening the bilateral cooperation.

² The gravity model depicts that bilateral trade flows between countries are directly proportional to the economic sizes (measured by GDP) and inversely proportional to the distance between the trading countries.

Figure 2. 3
Actual versus predicted exports of Bangladesh to all partners


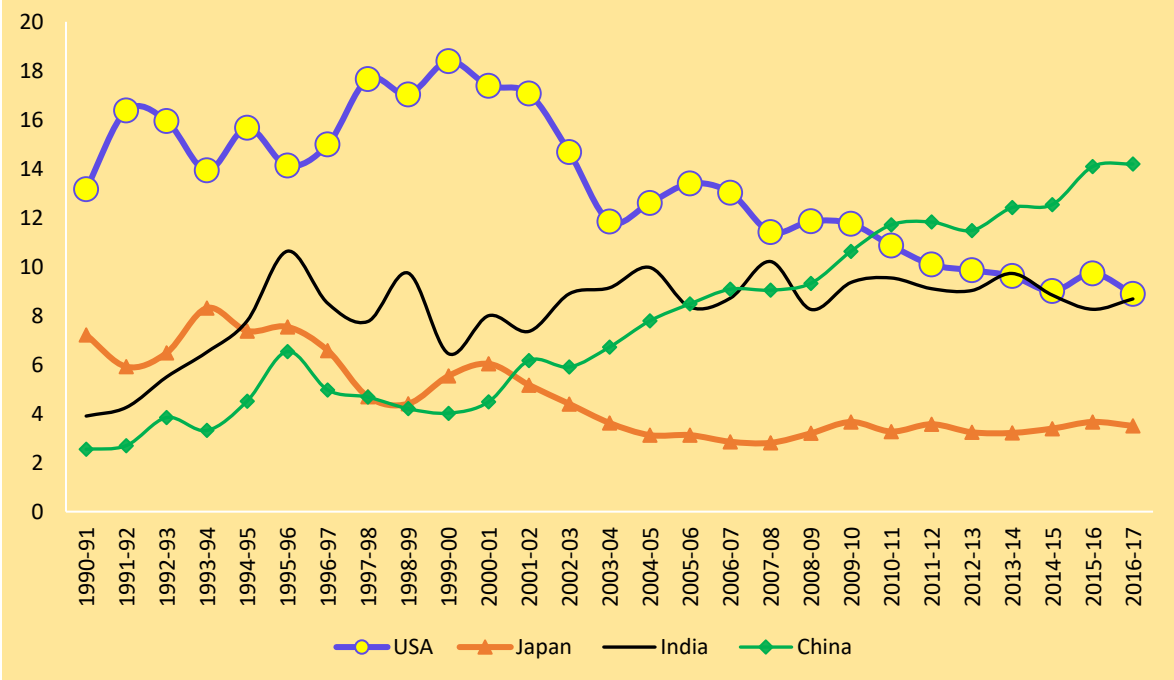
Note: The graph presented here is based on a global gravity model explaining bi-lateral trade flows for the period 1995-2014. The number of observations used in the exercise was 269,877. Predicted exports of Bangladesh to different markets are calculated using the estimated regression parameters. The red dots indicate the countries with Bangladesh's exports to them less than what can be predicted from the model. On the other hand, the blue crosses show countries with Bangladesh's actual exports greater than predicted. The distance from the horizontal axis represent the difference between actual and predicted export.

Source: Authors' estimation.

Despite being the biggest export destination, the U.S. is not the largest trading partner of Bangladesh (Figure 2.3).³ China occupies that place mainly because of its being the most dominating source of imports for Bangladesh. Combining exports and imports, China's share in Bangladesh's total trade in 2016-17 stood at 14.1 percent in comparison with 8.9 percent of the U.S. The share of India is also close to that of the U.S. – again, because of India's being a major import source.⁴

³ The United States had a trade volume of almost \$4 trillion in 2017, comprising \$1,546 billion worth of exports and \$2,409 billion of imports. Canada is the largest export destination of the U.S. In 2017, 18.26 percent of U.S. export earnings originated from Canada. On the other hand, China is the most important source of imports, accounting for about 22 percent of U.S imports in 2017.

⁴ Other major trading partners of Bangladesh include Germany, Singapore, United Kingdom, Hong Kong, Indonesia, Spain, France, Italy, Canada, Korea, Malaysia, Brazil, United Arab Emirates and Australia. In 2015, top 10 countries comprised 60 percent of Bangladesh's total trade. Top 17 partners accounted for 75 percent of trade whereas major 30 countries encompassed more than 90 percent.

Figure 2. 4
Selected partners' shares in Bangladesh's total goods trade (%)


Source: Authors presentation using data from Export Promotion Bureau (EPB) and Bangladesh Bank.

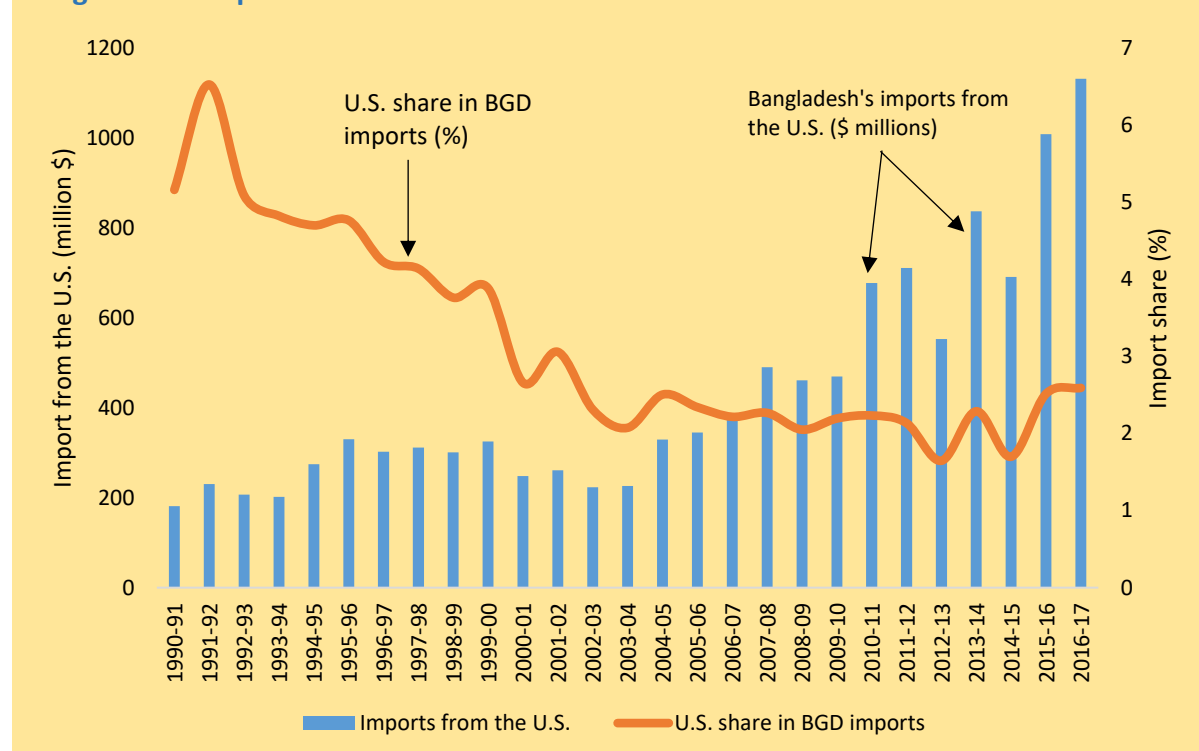
With sustained economic growth and rising demand for intermediate inputs for exports, Bangladesh's import demand has risen rapidly, doubling to \$44 billion in 2016-17 in the past 10 years (Annex 4). China, the largest import partner, alone supplies one-third of Bangladesh's total imports. Other major import sources are India, Indonesia, Japan and Singapore. It is worth pointing out that Bangladesh's imports from the U.S. has increased significantly in absolute terms: from \$325 million in 2000 to \$1.1 billion in 2017. However, it is the U.S. import share that has been subject to a decline from around 5 percent in the early 1990s to just about 1.7 percent in 2014-15 since when a noticeable recovery to 2.6 percent was observed (Figure 2.5). Major imports from the United States include heavy machineries and other engineering products, cotton and agricultural products (Annex 7). On the other side, Bangladesh's exports constituted only 0.27 percent of American imports and Bangladesh was the 41st largest import partner of the U.S.

Although market size in Bangladesh may appear to be small in absolute terms for big economies like China and the U.S., the recent trends seem to suggest these countries'

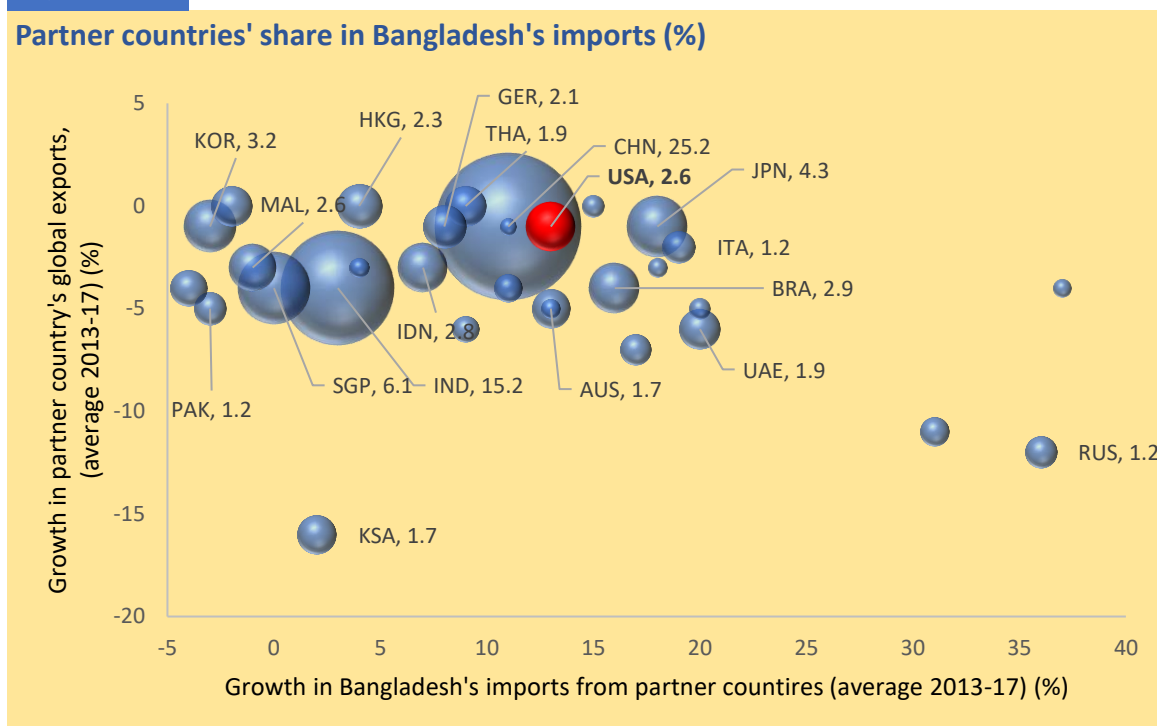
impressive export growth to Bangladesh. The global trade slowdown in recent times (2013-17) caused U.S. overall exports to fall by on average 1 percent per annum. Amongst others, exports of China, Germany and Japan also fell at the same rate. In contrast, each of these countries experienced a rapid growth of their exports to Bangladesh. Between 2013 and 2017, the United States recorded an average annual export growth to Bangladesh of 13 percent. China, Germany and Japan also registered similar high export growth rates (Figure 2.6).

Figure 2. 5

Bangladesh's import from the U.S.



Source: Authors' presentation using data from Bangladesh Bank.

Figure 2. 6
Partner countries' share in Bangladesh's imports (%)


Note: Bubble sizes represent partners' shares in Bangladesh's imports. The shares reported are for 2016-17.

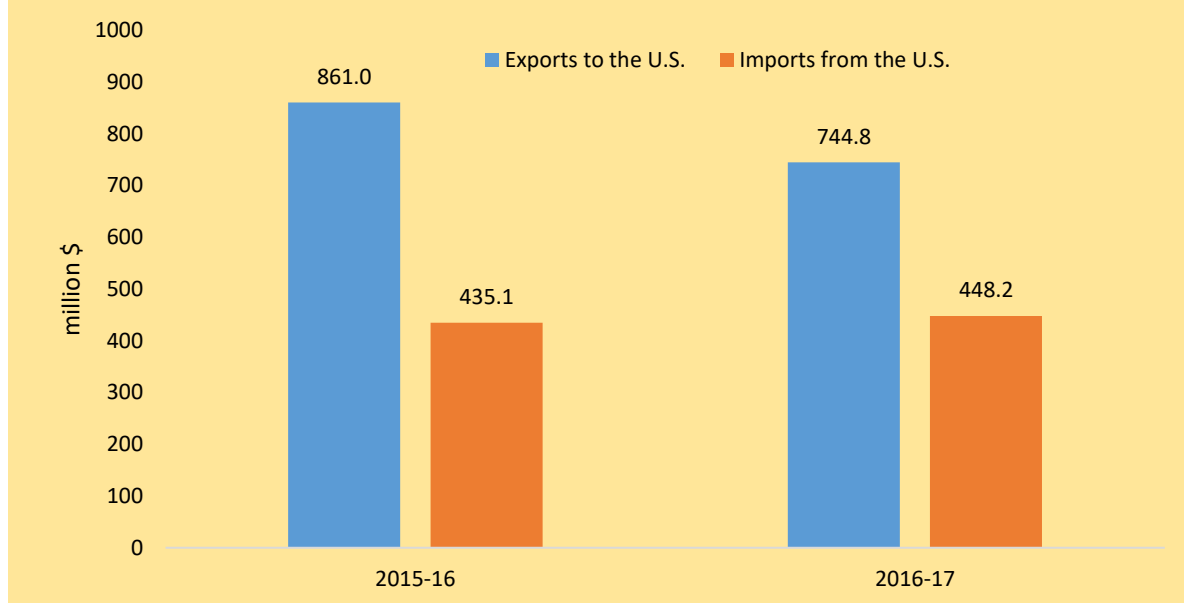
Source: Authors' analysis using data from International Trade Centre (ITC) and Bangladesh Bank.

2.2 Bilateral trade in services

Bilateral services trade data are difficult to obtain. But, according to the available information, Bangladesh's export of services to the United States in 2015-16 was \$816 million, which was almost 27 percent of all services exports from the country (Figure 2.7). Such exports, however, declined to \$744.8 million in 2016-17. Most of these exports comprised government services⁵ followed by travel, telecommunications, computer and information services; transportation and others (Annex 14). In 2016-17, Bangladesh imported about half a billion dollars' worth of services from the U.S. These services include transportation, travel, business services, financial services, etc.

⁵ Government goods and services, n.i.e cover: (a) goods and services supplied by and to enclaves, such as embassies, military bases, and international organizations; (b) goods and services acquired from the host economy by diplomats, consular staff, and military personnel located abroad and their dependents; and (c) services supplied by and to governments and not included in other categories of services.

For detail, see <https://www.imf.org/external/pubs/ft/bop/2007/pdf/bpm6.pdf>

Figure 2. 7**Services exports to and imports from the U.S. (million \$)**

Source: Authors presentation using data from Bangladesh Bank.

2.3 FDI inflows into Bangladesh from the U.S.

The U.S. has the largest FDI stock in Bangladesh. The total accumulated FDI stock in the country stood at \$14.5 billion, of which \$3.3 billion (almost 23%) was due to U.S. investors (Figure 2.8). The largest part of U.S. FDI is invested in the power and energy sector (Figure 2.9).

A look at the yearly inflow of FDI from the U.S. shows that the largest investment (\$574 million) was made in 2015 alone (Figure 2.10), which was almost 25 percent of total FDI that Bangladesh received in that year. The largest part of U.S. FDI is invested in the power and energy sector (Figure 2.9). A look at the yearly inflow of FDI from the U.S. shows that the largest investment (\$574 million) was made in 2015 alone (Figure 2.10). Considering the latest

5 years only, 11 percent of total inflow was due to the U.S., while the UK and Singapore contributed 13 percent each (Figure 2.11).⁶

Figure 2. 8

FDI stock in Bangladesh by major source countries, 2017

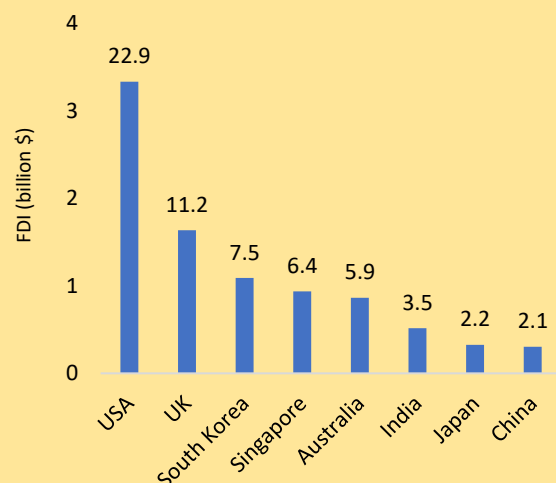


Figure 2. 9

U.S. FDI stock in Bangladesh by major sectors, 2017 (%)

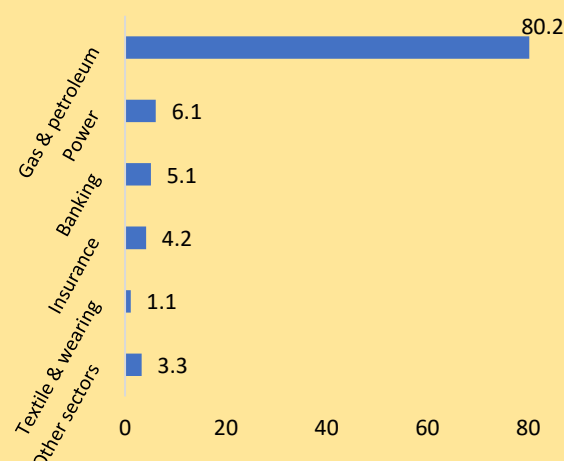


Figure 2. 10

FDI inflow from the U.S. (million \$)

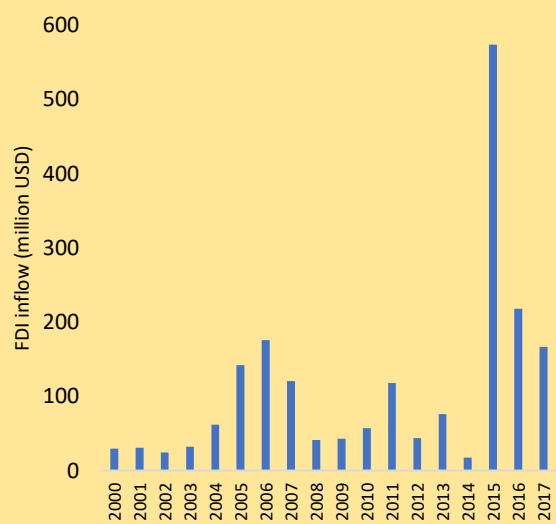
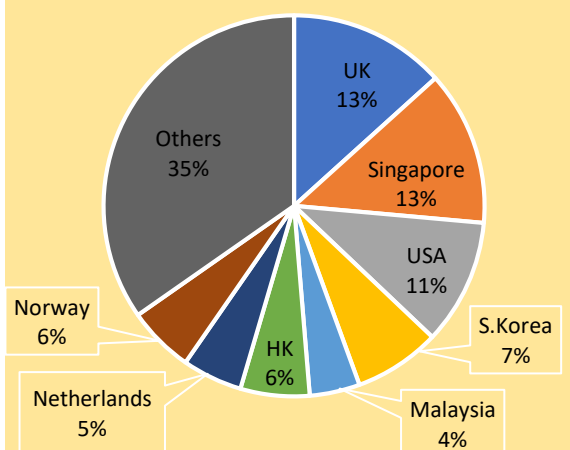


Figure 2. 11

Sources of FDI inflows into Bangladesh, Avg. 2013-17 (%)



Source: Authors' presentation using data from Bangladesh Bank.

⁶ Bangladesh has restrictions on outward flow of investment. As per available information, a very insignificant amount of Bangladesh's investment is made in the U.S. As of 2012, FDI stock from Bangladesh to the U.S. amounted to \$5 million. This information is obtained from the Office of the United States Trade Representative, retrieved from <https://ustr.gov/map/countriesaz/bd>, on April 4, 2018.

2.4 U.S. Overseas Development Assistance for Bangladesh

The United States is a key source of foreign assistance for Bangladesh.⁷ The significance of foreign aid on the whole has declined drastically from around 7 percent of Bangladesh's GDP in the 1980s to just above 1 percent in recent times (Figure 2.12). Since 2010, the share of the U.S. in total foreign assistance disbursed in Bangladesh has been around 8 percent (Figure 2.13). U.S. foreign aid exhibited a rising trend in absolute value terms from \$120 million in 2001 to \$343 million in 2014, since when the flow somewhat declined (Figure 2.14).

Figure 2. 13

Foreign assistance in Bangladesh by all donors (% of GDP)

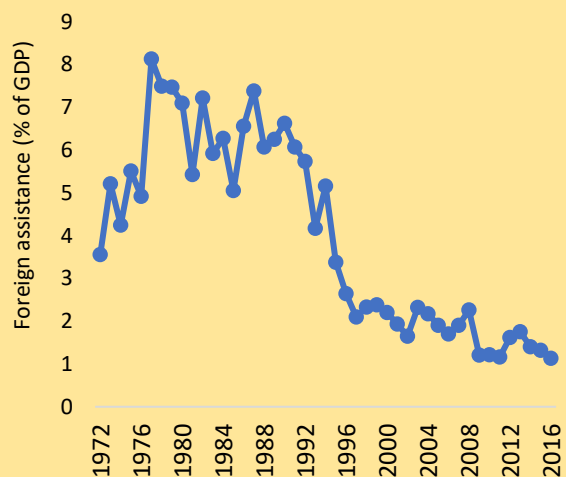
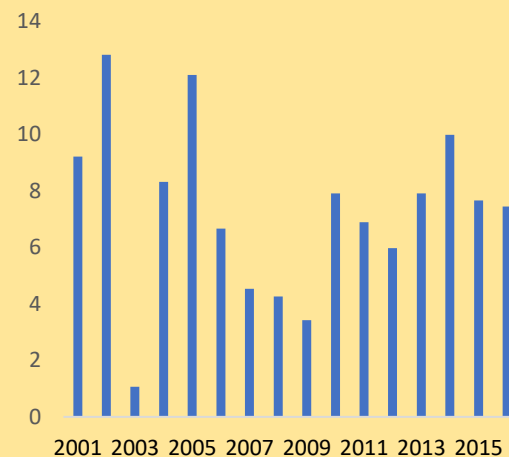


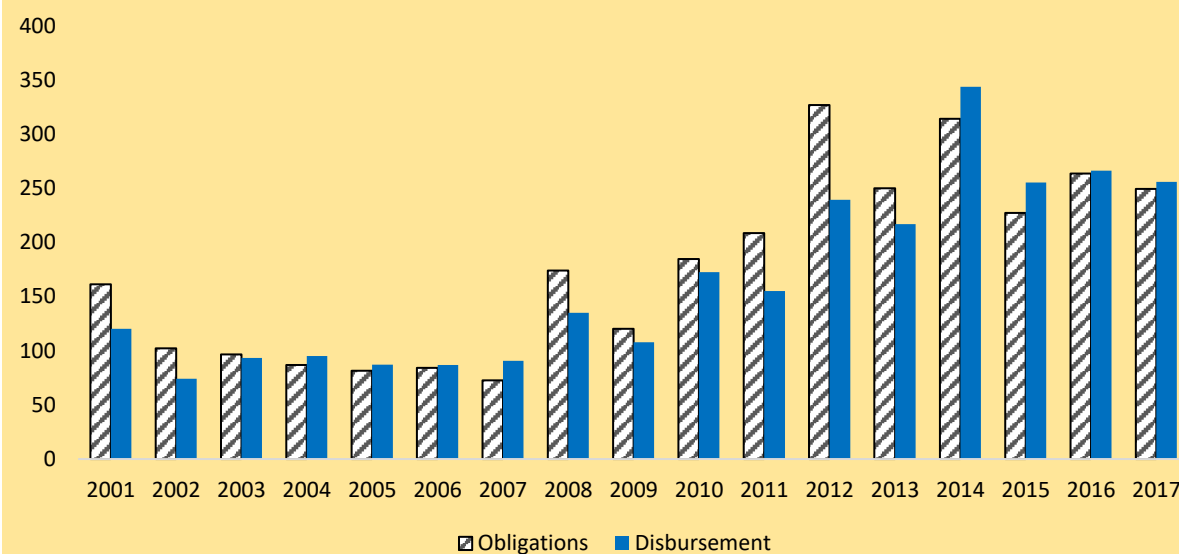
Figure 2. 12

U.S. aid disbursed as % of total assistance by all donors



Source: Authors' presentation using data from World Development Indicators (WDI), OECD Stat.

⁷ Foreign assistance is measured as net official development assistance and official aid received (% of GDP). Net official development assistance (ODA) consists of disbursements of loans made on concessional terms (net of repayments of principal) and grants by official agencies of the members of the Development Assistance Committee (DAC), by multilateral institutions, and by non-DAC countries to promote economic development and welfare in countries and territories in the DAC list of ODA recipients. It includes loans with a grant element of at least 25 percent (calculated at a rate of discount of 10 percent). Net official aid refers to aid flows (net of repayments) from official donors to countries and territories in part II of the DAC list of recipients: more advanced countries of Central and Eastern Europe, the countries of the former Soviet Union, and certain advanced developing countries and territories. Official aid is provided under terms and conditions similar to those for ODA.

Figure 2. 14
US assistance in Bangladesh (million \$)


Note: Data on 2017 are partially reported.

Source: Authors' presentation using data from USAID.

2.5 Bangladeshi diaspora and students

Like many other countries, the United States is one of the leading destinations for Bangladeshi migrants. According to United Nations database on trends in international migrants' stock, it hosted 186 thousand Bangladeshi migrants (Annex 9).⁸ It is also a major source of remittance

⁸ Please note the definitional issues as taken from the United Nations database Most of the data used to estimate the international migrant stock by country or area were obtained from population censuses. Additionally, population registers and nationally representative surveys provided information on the number and composition of international migrants. In estimating the international migrant stock, international migrants have been equated with the foreign-born population whenever this information is available, which is the case in most countries or areas. In most countries lacking data on place of birth, information on the country of citizenship of those enumerated was available and was used as the basis for the identification of international migrants, thus effectively equating, in these cases, international migrants with foreign citizens. Equating international migrants with foreign citizens when estimating the migrant stock has important shortcomings. In countries where citizenship is conferred on the basis of jus sanguinis, people who were born in the country of residence may be included in the number of international migrants even though they may have never lived abroad. Conversely, persons who were born abroad and who naturalized in their country of residence are excluded from the stock of international migrants when using citizenship as the criterion to define international migrants.

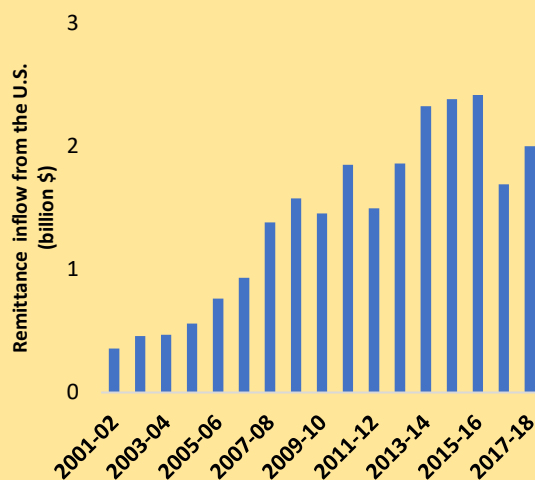
For detail, see:

http://www.un.org/en/development/desa/population/migration/data/estimates2/docs/MigrationStockDocumentation_2015.pdf

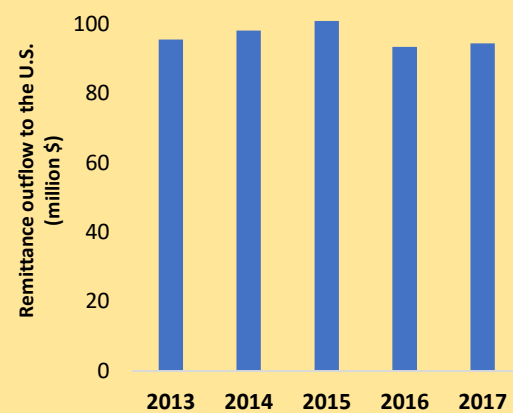
earnings for Bangladesh: almost \$2 billion in 2017-18 (Figure 2.15), accounting for more than 13 percent of all such inflows in the country (Annex 11 and 12).⁹ The accumulated remittance flows from the United States during the past five years were \$10.7 billion. On the other hand, yearly remittance outflow from Bangladesh to the U.S. over the past few years has been around \$100 million (Figure 2.16).

Figure 2. 16

Remittance inflows into Bangladesh from the United States (\$ billions)


Figure 2. 15

Remittance outflows from Bangladesh to the U.S. (2013-16) (\$ millions)



Source: Authors' presentation using data from Bangladesh Bank and the Bilateral remittance database, World Bank.

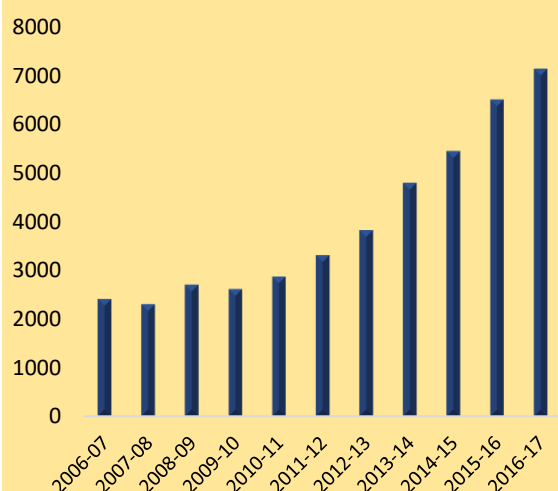
Every year a significant number of Bangladeshi students go to the United States to pursue higher studies. The total global U.S.-bound international students increased greatly over the past decade or so and now stands at over one million per year. The continued growth in international students has had a significant positive economic impact. According to the U.S. Department of Commerce, international students contributed \$39.4 billion to the U.S. economy in 2016. These students also contribute to America's scientific, economic and technical research and bring international perspectives into U.S. classrooms, making American degrees attractive for global careers, and longer-term business relationships and economic benefits.

⁹ Note that the global economy witnessed subdued remittance flows in 2016-17. This also affected Bangladesh, which saw remittance inflows from the U.S. declined in 2016-17. Despite the recovery in 2017-18, remittances from the U.S. could not reach the level of \$2.41 billion received in 2015-16..

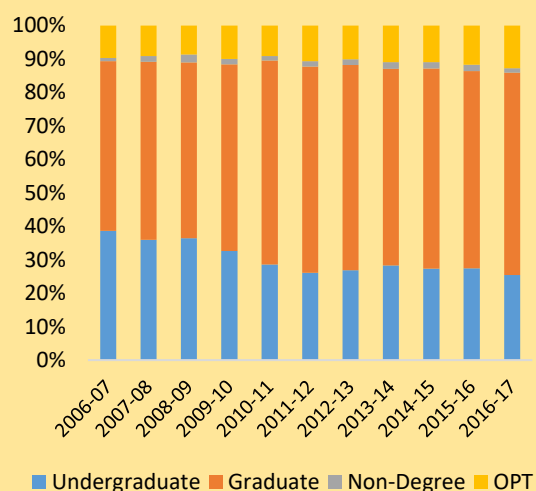
The number of Bangladeshi students travelling to the United States for higher education has reached 7,143 – an all-time high, in academic year 2016-17 (Figure 2.17), placing Bangladesh amongst the top 25 sending countries for international students studying in American universities. A total of 1.08 million students were hosted by U.S. colleges and universities and Bangladeshi students comprised almost 0.7 percent of total students (Annex 13). The highest number of students was sent by China (350.7 thousand) followed by India (186.3 thousand students). Although the number of Bangladeshi students tripled over the past decade, countries such as Vietnam (27.1 thousand) and Nepal (18.8 thousand) have much higher number of students studying in the U.S. than that of Bangladesh. Most Bangladeshi students were graduate students upon completing their undergraduate studies in the U.S. (Figure 2.18). In 2016-17, there were 4,319 graduate, 1,816 undergraduate and about 1,000 optional practical training (OPT) students were pursuing their degrees.

Figure 2. 17

Number of Bangladeshi students in the U.S.


Figure 2. 18

Percent distribution of Bangladeshi Students in the U.S. by academic level



Source: Authors presentation using data from <https://www.iie.org/en/Research-and-Insights/Open-Doors>.

Besides international students, the United States in 2016-17 hosted 134 thousand international scholars.¹⁰ More than half of these scholars were of Asian origin; China alone sent 45.1 thousand, while the corresponding figure from India was over 12 thousand. The total number of such scholars from Bangladesh reached 338 in 2016-17.

¹⁰ International scholars are defined as scholars on non-immigrant visas engaged in temporary academic activities and not enrolled as a student at a U.S. college or university. International scholars engaged in academic activities include, but is not limited to, post-doctoral scholars, visiting lecturers/professors/faculty, visiting researchers, short-term scholars and visiting specialists.

Chapter 3: TICFA: The current framework for bilateral cooperation

There is a growing recognition of the need for establishing an effective formal framework between Bangladesh and the United States, which should facilitate bilateral discussions on key areas of interest on trade and investment and help clarify and resolve potential areas of misunderstanding and conflict. This will add much needed impetus to U.S.-Bangladesh relationship and guide future policy options. The establishment of the Trade and Investment Cooperation Framework Agreement (TICFA) between the two countries was a step in the right direction, but it is widely held that it did not deliver any concrete gains for either.

Bangladesh and the United States have in the past signed several bilateral agreements such as the Bilateral Investment Treaty and Double Taxation Avoidance Treaty. The U.S.-Bangladesh Bilateral Investment Treaty, signed on March 12, 1986, entered into force on July 23, 1989. Amongst others, the investment treaty aims to provide foreign investments a guarantee of national treatment. The treaty for the avoidance of double taxation was designed to encourage bilateral trade and investment by reducing the double taxation of income arising from trade and investment activities between the two countries, as well as by providing mechanisms for the resolution of disputes.

The Trade and Investment Forum Cooperation Agreement (TICFA) was the outcome of a decade long concerted negotiation process to promote deeper bilateral economic ties. The agreement, signed on November 2013, provides a platform for both countries to meet regularly and identify and overcome impediments to increasing bilateral trade and investment. Apart from trade and investment facilitation, it also focuses on intellectual property rights and other trade-plus issues such as labour standard, environment, corruption, transparency etc. It is a legally “non-binding” agreement, which emphasizes prohibition of protectionist trade policy. One of the key reasons for Bangladesh to engage in TICFA was the

restoration of the Generalized System of Preferences (GSP) programme, which was suspended by the Obama administration in June 2013.¹¹ The GSP programme covered only 0.54 percent of Bangladesh's total exports to the United States (Mozumder et al, 2018). Products such as dried fish, ceramics and plastic goods enjoyed the benefits accruing from the programme but it excluded the main export sector: apparels, which constitutes over 90 percent of exports to the U.S.

In its preamble, TICFA states its objective of strengthening economic ties through cooperation and creating an open and predictable environment for trade and investment. It recognizes increased trade and investment to be beneficial; conversely, trade distorting and investment constraining measures are harmful for the economy. It also regards private investment (both local as well as foreign) to be absolutely vital in job creation; income generation; promoting economic growth and development; and facilitating technology transfer. It also indicates desirability of reducing non-tariff barriers and to promote trade in services. The preamble further reaffirms its commitment in opposing corrupt practices affecting trade and investment and lays special emphasis on upholding and protecting workers' rights and intellectual property rights. It also puts emphasis on protecting and preserving environment in line with the existing laws of the respective countries. The preamble concludes by acknowledging the desire of both countries in engaging in rules-based multilateral trading system and upholding World Trade Organization (WTO) commitments.

The Agreement contains seven articles. Article one expresses the intent of the contracting parties in improving and promoting investment climate in their respecting countries and expand and diversify existing bilateral trade in goods and services. Articles two to four form the core of the Agreement. Article two establishes the United States-Bangladesh Forum on Investment and Trade comprised of relevant government officials and delegates from the respective countries and stipulates the parties to meet at least once a year. Article three outlines the duties and responsibilities of the Forum such as overseeing trade and investment relations between the two countries and exploring opportunities and avenues to expand

¹¹ Retrieved from the net as on 9/10/2017 <http://archive.dhakatribune.com/development/2013/may/13/ticfa-benefit-bangladesh-more-gm-quader>

them. It also reserves the right of the two countries to raise specific trade and investment related issues of interest and to identify inherent obstacles and constraints. It also has the provision for consulting with members of the private sector and civil society on Forum related matters. Article four outlines the process through which parties can raise issues in the forum for consultation. Articles five to seven deal with the legal and technical aspects of the Agreement. For instance, Article seven deals with the termination process of the Agreement. Till date, three TCFA Council meetings have taken place. The inaugural TICFA Council meeting was held in Dhaka on April 28, 2014. In the meeting, Bangladesh pressed for restoration of GSP facilities and extension of the duty-free and quota-free market access provisions for its exports. The key areas of U.S. concern were the condition of workers in the garment industries. The United States did not give a clear pledge for restoring the suspended GSP facility. There was no consensus between the two parties at the end of the meeting.¹²

During the second meeting in Washington D.C. on November 23, 2015, discussions focused on a wide range of bilateral trade and investment issues, including labour rights and workplace safety under the GSP Action Plan and the Bangladesh Sustainability Compact,¹³ trends in the investment climate in Bangladesh; capital controls; developments in plurilateral and multilateral trade fora; and opportunities for investment in and cooperation with Bangladesh in several areas, including the development of infrastructure and energy resources.

The third TICFA Council meeting was held in Dhaka on May 17, 2017. The third meeting was of interest as it represented an opportunity for a fresh beginning with the arrival of the Trump administration in the United States. Specific issues included ease of doing business, market access and tariff reforms, intellectual property, digital economy, regional connectivity, energy and infrastructure development, transparency in government procurement, and labour¹⁴.

¹² Retrieved from the net as on 8/10/2017 <http://en.prothom-alo.com/opinion/news/47167/What-Bangladesh-got-from-TICFA-meeting>

¹³ The Rana Plaza factory collapse in 2013 focused international attention on labour rights' violations and factory safety in Bangladesh's dominant ready-made garment industry which is almost wholly dependent on exports. In response, the EU and the ILO launched the Bangladesh Sustainability Compact, with the core objective of promoting continuous improvement in labour rights and factory safety in the industry.

¹⁴ Retrieved from the net as on 1/12/2017 <http://www.thedailystar.net/business/ticfa-meeting-ends-sans-gsp-talks-1406794>

However, the issue of restoration of GSP facilities which dominated the discussions in the previous two meetings was not raised.

Dissatisfaction has been expressed in some quarters regarding the slow nature of negotiations and/or discussions and the lack of concrete tangible gains such as the restoration of GSP facilities or progress in granting duty-free access to the U.S. market. Some critics point out that the enforcement of the Trade-Related Intellectual Property Rights (TRIPS) may have a detrimental impact on the Bangladesh's ICT and pharmaceuticals industries. According to these views, a possible deal on the IPR with the U.S. might result in paying more for the U.S.-made software, copyright fee for films and music, royalty for books and other services.

Another possible area of concern is the issue of domestic plant variety protection laws based on the TRIPS-plus model of the International Union for the Protection of New Varieties of Plants (UPOV). UPOV provides for patenting plants, animals, and even 'essential' biological processes, for the production of plants and animals. TIFA signatory countries, including Laos, Vietnam, Morocco and Singapore have all incorporated this law. It is feared that it may have a negative impact on agriculture in Bangladesh.

The issues of labour standards, decent workplace and safety are amongst the challenging issues in the TICFA discussions. The Government of Bangladesh has initiated a labour law that includes major compliance-related aspects. Since the collapse of a garment factory (Rana Plaza) in 2013, some considerable progress has been made in improving workplace safety and working conditions in the export-oriented apparel sector. Nevertheless, it is not an easy task to tackle all challenges confronting labour and environment standards and intellectual property rights. Developing domestic institutional capacities to deal with these issues remains an enormous task. Bangladesh can acknowledge the scale of the problem it faces and seek financial and technical assistance from the U.S. in this connection.

Most analysts do recognize TICFA as a step forward in the right direction, but they also promptly highlight its falling hugely short of expectation in delivering even minimal tangible outcomes. Nevertheless, the Forum provides a platform for substantive engagement. It should be borne in mind that TICFA arrangement is informal in nature. It does not have any legal entity although it can make recommendations to the respective legislative assemblies.

Within TICFA more ambitious initiative will be needed with specific focus on mutual interests. Both countries should use it as well as other mechanisms to explore commercially meaningful areas for mutual gains.

Chapter 4: Towards a more proactive Bangladesh-U.S. trade and economic cooperation

There exists substantial potential for increased trade and economic cooperation between Bangladesh and the United States. As mentioned, the U.S. is already a big export market for Bangladesh. This export success has been possible even without any extensive preferential treatment being received from the United States.¹⁵ Under favourable market access conditions and with some improved supply side capacities, Bangladesh can expand its exports in the U.S. by several folds. On the other hand, although in absolute trade value terms the size of Bangladesh market may appear small, it is expanding rapidly. Despite historically being the most important trade partner, the United States had failed to take advantage of this position while other countries emerged as major sources of imports with the economic growth gaining momentum in Bangladesh. Rapidly growing imports from India and China indicate the potential scope for the United States to grow its exports and investment into Bangladesh as well. It is in this context that strengthened cooperation between Bangladesh and the United States would lead to a mutually win-win situation for both the countries.

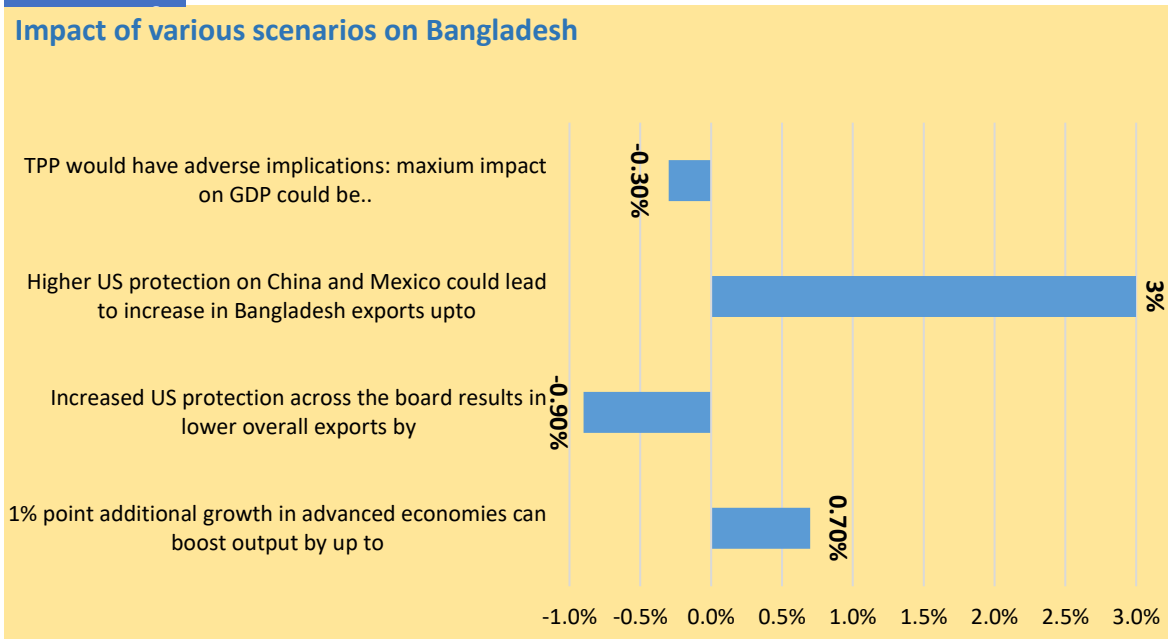
At the outset, there is no need for unnecessary alarm for Bangladesh about the putative adverse effects arising from U.S. policy reversals. Rather, if anything, Bangladesh has indirectly benefited from some policy changes such as the United States' withdrawal from the Trans Pacific Partnership (TPP) Agreement. Considering U.S. policy reversals, the countries that would be most adversely impacted are big global exporters such as China, and those that were already receiving (e.g. Mexico) and/or were likely to obtain preferential treatment (e.g.

¹⁵ Currently Bangladesh does not get any trade preferences in the United States. In the past Bangladesh used to receive some tariff preferences under the U.S. Generalised System of Preferences (GSP) scheme. But, its coverage was extremely limited as Bangladesh's most important exports – apparels – never had any preferential access in the U.S.

Vietnam under TPP).¹⁶ Although a major apparel exporter to the United States, Bangladesh is otherwise a small supplier in comparison with, for example, overall exports from such countries as China, India, Malaysia, Thailand, Vietnam, etc. Furthermore, global value chain linkages through FDI and technology transfers resulting in goods being manufactured in Bangladesh for exporting to the United States are negligible.

The TPP deal appeared as a matter of concern for many excluded developing countries that expected trade diversion effects. There was an apprehension of a massive expansion in apparel exports from Vietnam at the cost of reduced market shares of Bangladesh and other suppliers.¹⁷ As Bangladesh does not have duty-free market access in the United States, tariff abolition on Vietnam's exports would have certainly undermined Bangladesh's export competitiveness. Apart from garments, exports of footwear, furniture, etc would face similar loss of competitiveness. Simulation results compiled by World Bank (2017) confirm that the impact of TPP would be negative for Bangladesh (Figure 4.1).

Figure 4. 1



Source: As compiled in Razzaque (2017b) from various simulation results reported in World Bank (2017).

¹⁶ As already mentioned, unlike many other LDCs and African suppliers, Bangladesh does not enjoy duty-free access in the U.S.

¹⁷ The US clothing market continues to enjoy significant tariff protection with certain clothing items attracting very high customs duties. US import tariffs on certain clothing items are as high as more than 25 percent. More information on this can be found here <http://www.thedailystar.net/business/tpp-deal-and-its-impact-bangladeshs-apparel-160648>

If as part of the policy reversals, the United States decided to impose higher tariffs (i.e. existing tariffs raised by 10 percentage points) on such big suppliers as China and Mexico, export gains for Bangladesh in the U.S. market would be about 15 percent higher (World Bank, 2017). This in absolute terms will be equivalent to close to \$900 million worth of additional exports for Bangladesh.

If the policy reversal were extended to across-the-board measures covering imports from all developing countries, Bangladesh would see its U.S.-bound exports to fall, by an amount of 4 percent of its current exports to the U.S. This loss will however be much smaller in comparison with other major exporters such as China and Mexico – the countries that could see their US-bound exports decline by 35 and 25 percent, respectively.¹⁸

Therefore, while it is true that U.S. policies have become unpredictable, Bangladesh should carefully assess the resultant implications and creatively explore options to advance the level of engagement and collaboration with the United States. This section of the paper looks briefly into a few key policy routes and areas for such cooperation.

4.1 Market Access

4.1.1 Unilateral non-reciprocal preferences by the United States

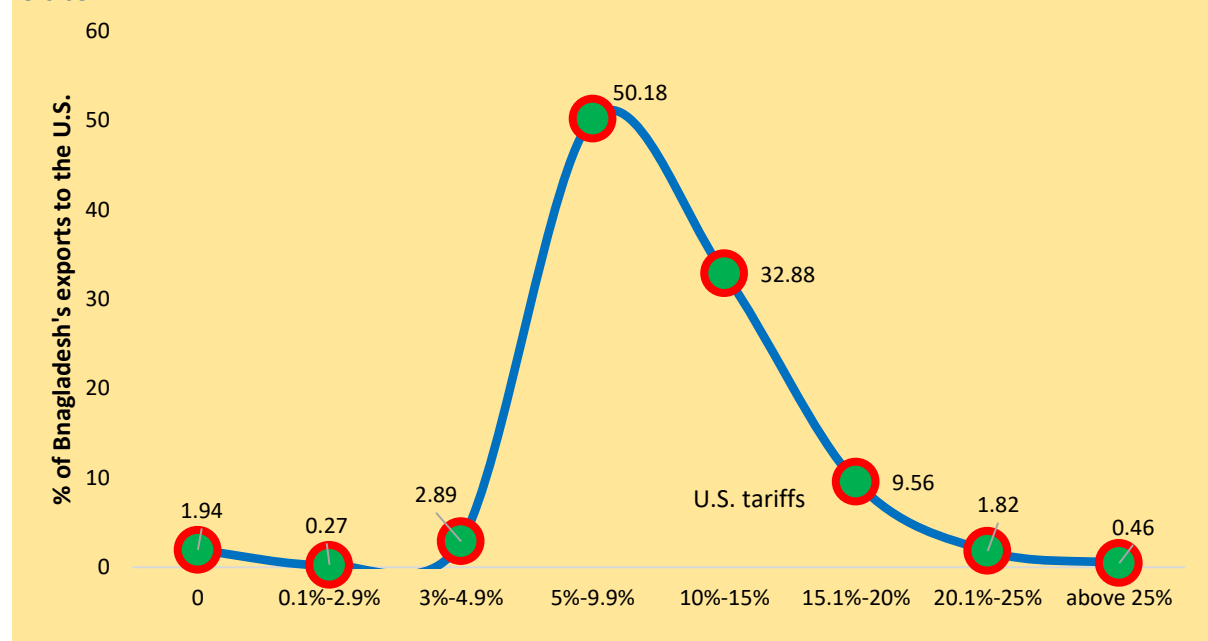
It is indeed unfortunate that the United States has excluded Bangladesh from the duty-free access to its markets. Despite being an LDC and having a strong track record of making socio-economic progress, Bangladesh's exclusion from the preferential access is regarded by many as a glaring omission in the support for an effective international development architecture on the part of a leading economy in the world. Just above half of all Bangladeshi exports to

¹⁸ Global Trade Slowdown and Globalisation Backlash: Trade and Development perspectives from Bangladesh, Mohammad A. Razzaque, Paper prepared for ISAS Workshop: Revisiting Globalisation: Comparing Country Experiences from South Asia and the World, September 2017.

the U.S. face tariff lines ranging 5.0 - 9.9 percent; tariffs higher than 15 percent are slapped against 12 percent of Bangladesh's exports, while another one-third is subject to tariff rates between 10 and 15 percent (Figure 4.2). According to some estimates, these tariffs on Bangladesh's exports in recent years have yielded the U.S. Treasury \$700-800 million a year. These tariffs are 12 times the rate levied on goods imported from the European Union and 150 times the rate levied on goods from Saudi Arabia and Venezuela (U.S. Chambers of Commerce, 2013; Elliott, 2015). On other hand, prior to 2013 when Bangladesh was eligible for U.S. GSP, the coverage of preference for Bangladesh's exports was extremely limited.¹⁹ As such, Bangladesh was never a major beneficiary of the US GSP scheme. For the same reason, reinstating such a scheme with the unchanged coverage would not provide Bangladesh significant benefits. In a Bangladesh Enterprise Institute study, it has been shown that duty benefits missed as a result of the suspension of GSP facilities were to the tune of just \$2.72 million a year (Mozumder *et al.*, 2018).

Figure 4. 2

Proportion of Bangladesh's exports falling under different U.S. tariff slabs



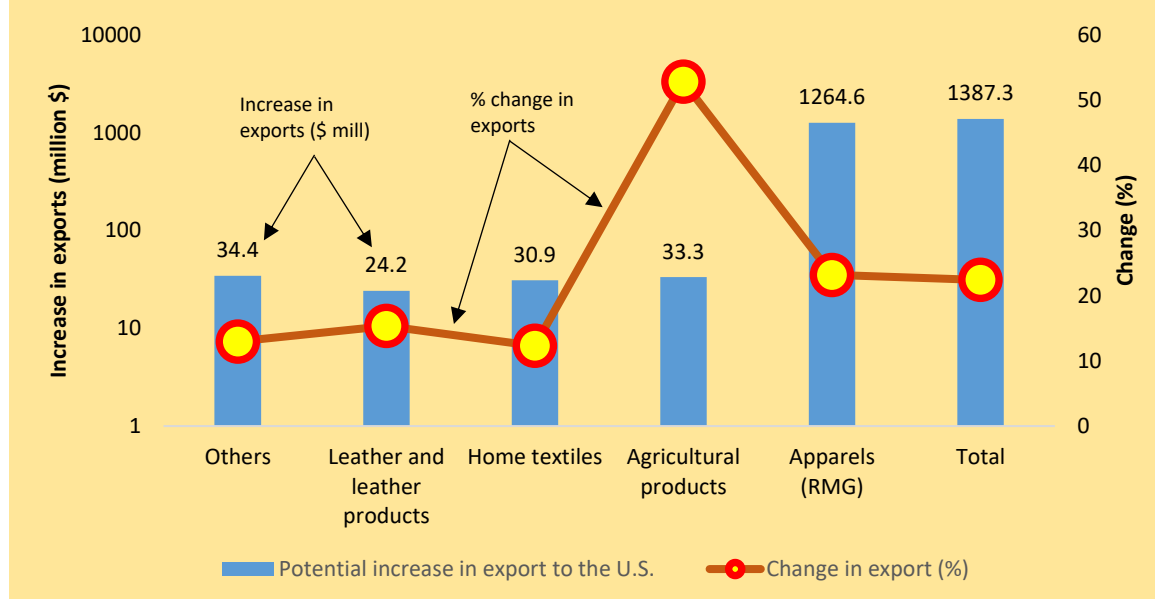
Source: Authors' calculations using data from ITC.

¹⁹ Amongst others, textiles and clothing items were not covered under the U.S. GSP scheme.

Bangladesh is poised to graduate out of the LDC group within the next six years.²⁰ It now badly needs some critical support to raise its international competitiveness and to increase its export base in the run up to the graduation process. Improved access in the U.S. market will greatly aid a smooth transition for Bangladesh. It is estimated that duty-free access would lead to an additional \$1.3 billion worth of exports to the United States. (Figure 4.3). Of this incremental value, by \$1.26 billion would be due to readymade garments followed by agricultural products (\$33.3 million), textile products (\$30.9 million), and leather and leather products (\$24.2 million). Agricultural products would register the largest percentage increase (52.8%). Granting duty free access would generate additional benefits of employment creation, poverty reduction, and women empowerment that would also help Bangladesh achieve positive social transformations as well as attain Sustainable Development Goals (SDGs).²¹

Figure 4. 3

Potential impact of duty free access to U.S. market on Bangladesh's exports, by broad product categories



Source: Authors' estimation using World Integrated Trade Solutions based SMART simulations.

²⁰ With the graduation from the LDC group in 2024, Bangladesh would be able to retain some of the existing trade preferences, notably those granted by the EU, i.e. the *Everything But Arms* scheme of duty-free market access for LDCs, for another 3 years. Therefore, as things stand, from 2027 onwards all LDC privileges will cease to exist for Bangladesh.

²¹ The export-oriented apparel industry employs four million workers, most of whom are women. Export success thus would lead to more jobs for women and their socio-economic empowerment.

4.1.2 Conditional non-reciprocal market access

If unconditional and unilateral duty-free access is not possible, alternative options that can be explored are similar to the provisions in place under various other U.S. non-reciprocal preference programmes such as the African Growth and Opportunity Act (AGOA), the Caribbean Basin Initiative (CBI) and the Andean Trade Preference Act (ATPA).

AGOA for instance, provides duty-free and quota-free treatment for eligible apparel articles made in qualifying sub-Saharan African countries.²² The provisions of AGOA could be used as template to grant duty free access for made-in-Bangladesh apparels. AGOA-I was designed to last for eight years, from 1 October 2000 to 30 September 2008. Garments were covered, but subject to certain safeguard provisions and to a “yarn forward” rule of origin, requiring that garments must be made from cloth manufactured in the United States or in a beneficiary country; from yarn also made in the United States or a beneficiary country. Certain less developed beneficiary countries were exempted from the yarn forward rule of origin and were permitted to source cloth from third countries. This Least Developed Beneficiary Country provision was scheduled initially to expire after only four years, after which the yarn forward rule would apply. Recent amendments in AGOA have placed emphasis on strong rules of origin.²³ In order for countries to be eligible for apparel benefits, they must have in place an effective visa system to prevent illegal transshipment and use of counterfeit documentation, as well as effective enforcement and verification procedures.²⁴ AGOA’s impact in terms of textile imports is less than expected, because of supply side constraints of recipient countries. Bangladesh, with its comparatively better supply side capacity can make effective utilization of this programme.

²² Under current arrangements, these provisions for African countries will continue until September 30, 2025. The non-reciprocal preferences are subject to donor countries’ review and are not legally bound by the provisions under the World Trade Organisation (WTO) rules and regulations.

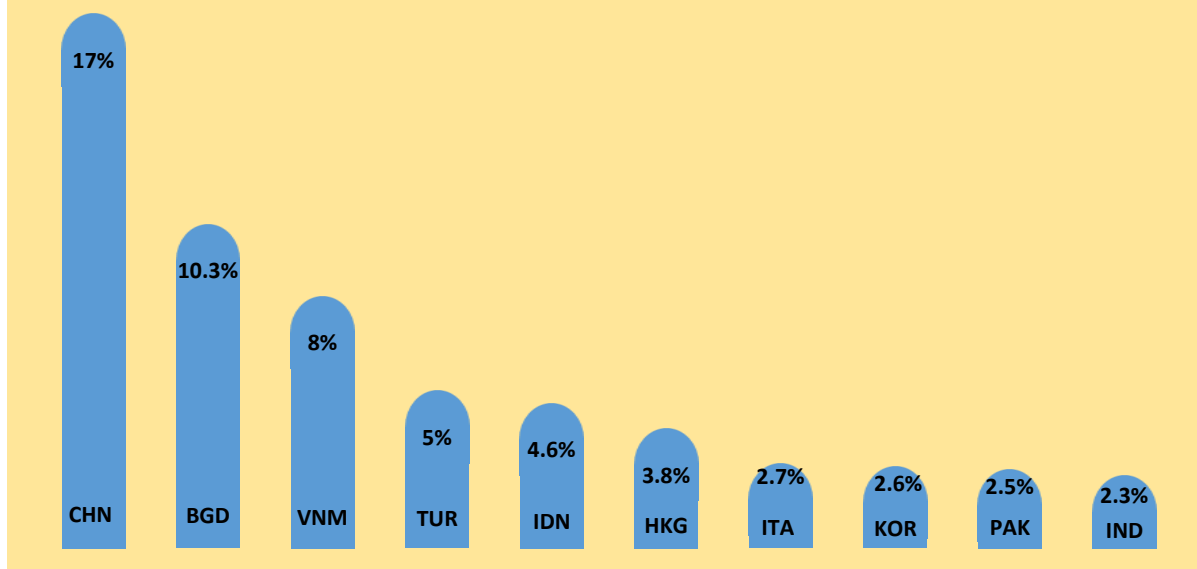
²³ Rules of Origin, “Commercial Availability” and Trade Preferences: Denim and AGOA, U.S. Agency for International Development/Southern Africa, November 2007

²⁴ Office of Textiles and Apparel (OTEXA), retrieved on 3.3.2018
<http://web.ita.doc.gov/tacgi/eamain.nsf/d511529a12d016de852573930057380b/1e85488eb01fd2fd852573940049047d?OpenDocument>

Another arrangement that should also be reviewed for any relevance to a possible scheme for Bangladesh is the Caribbean Basin Trade Partnership Act (CBTPA). This has been in operation since October 2000 to accord enhanced trade preferences for the 24 beneficiary countries of the Caribbean Basin region. It significantly expands preferential treatment for apparels made in the region. Duty- and quota-free treatment is provided for apparel made in the beneficiary countries from U.S. fabrics formed from U.S. yarns. Similar preferences are also available for certain knit apparel made in CBTPA beneficiary countries from fabrics formed in the Caribbean Basin region, provided that U.S. yarns are used in forming the fabric. This "regional fabric" benefit for knit apparel is subject to an overall yearly limit, with a separate limit provided for T-shirts. New duty/quota free treatment will also be available for apparel made in the CBI from fabrics determined to be in "short supply" in the United States, and for designated "hand-loomed, handmade, or folklore" articles. In addition to these apparel preferences, the CBTPA provides NAFTA-equivalent tariff treatment for certain items previously excluded from duty-free treatment under the CBI programme (e.g., footwear, canned tuna, petroleum products, watches and watch parts).

Given that preferences have been provided based on the use of U.S. intermediate inputs, such options could also be considered for Bangladesh. Owing to apparel exports, there is a high demand for cotton in Bangladesh. Domestic production can meet only 1 percent of the total cotton demand. As a result, Bangladesh is overwhelmingly dependent on imports to satisfy its input requirement. Bangladesh is currently the second largest importer of cotton worldwide,²⁵ with China in the lead and followed by Vietnam (Figure 4.4). The import of cotton has grown apace with the growing volume of RMG production and associated domestic capacity in yarn production.

²⁵ Accessed on 8.3.2018 from <https://sourcingjournalonline.com/usda-bangladesh-overtakes-china-worlds-largest-cotton-importer/>

Figure 4. 4**Largest cotton importing countries (% of world total imports)**

Source: Authors' analysis based on data as available in <http://www.worldstopexports.com/cotton-imports-by-country/>.

Bangladesh has emerged as a major and high priority destination for raw cotton exporters as 86 percent of the country's apparels are made from cotton. This is in contrast to increasingly greater amount of Chinese apparels being made from polyester. This indicates a potential decline in Chinese import of raw cotton in the future. In terms of import sources, Bangladesh is overwhelmingly dependent on India (which accounted for nearly 49 percent of Bangladesh's total imports). This is largely due to competitive prices and lower freight costs and relaxed settlement of disputes relative to other countries. However, dependency on a single country for raw material import could pose a supply chain risk for the industry. Uneven quality and sudden disruptions in cotton supply owing to changes in regulations means that Bangladesh would do well to diversify its import sources.

Despite being the largest exporter of cotton, the United States supplies only around 160,000 bales of cotton each year to Bangladesh. Higher price with longer lead time and fumigation

requirements²⁶ have hindered the growth of import of US cotton in Bangladesh. However, American cotton is almost contamination-free, well classified, reliable and consistent in maintaining a high level of quality. As Bangladesh aims to move up the global value chain in the apparel sector, using quality inputs would become more important. Thus, the demand for U.S. cotton may very well grow over time. Under favourable conditions, if Bangladesh's apparel industry can grow at an average of 12 percent in the coming years, the demand for cotton will annually increase at a rate of 10 percent.²⁷ That would imply imports of cotton to reach as high as 9 million bales over the next few year (as against of the current demand of 5.5 million bales). The United States should tap into this vastly unexplored market. It is very likely that U.S. exports of cotton will grow significantly if apparel products made of U.S. cotton receive favourable treatment in accessing the U.S. market. In this regard, extension of duty-free access to Bangladeshi apparels sourced from U.S. cotton would create a win-win situation for both the countries.

4.1.3 A Free Trade Agreement

Another avenue that can be explored is entering into a fully-fledged Free Trade Agreement (FTA). This can generate the much-needed market access for Bangladesh while at the same time providing preferential access for U.S. exporters. Although, as already mentioned, the market size is relatively small in Bangladesh, preferential access could be quite attractive for the United States. This is because Bangladesh has managed to maintain robust economic growth under a highly protected environment. A growing market shielded by high-tariffs provides preferential partners with a large competitive advantage (over others who do not have such preferential access). Bangladesh's importing partners including the United States faced an average applied tariff rate (customs duty) of more than 13 percent. This is much higher than other high growth achievers, for instance, China, India, Indonesia, Malaysia, the Philippines and Vietnam (Figure 4.5). Indeed, during the period 2010-15, with the exception

²⁶ Only United States cotton needs to go through a fumigation process, because of the high use there of genetically modified cotton and chemicals. (<http://www.intracen.org/Cotton-import-procedures-in-Bangladesh/>)

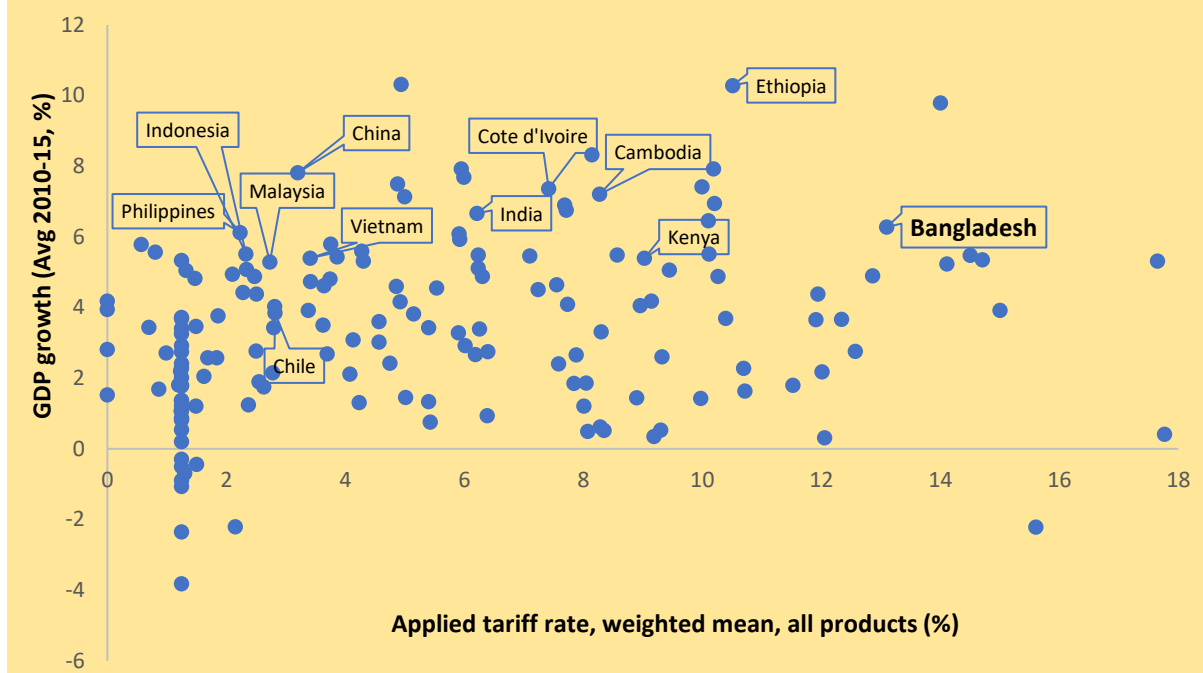
²⁷ <http://www.textileexcellence.com/news/details/1283/us-cotton-shipment-to-bangladesh-may-double-in-5-y...>

of just one (Chad), there was no country that had applied average tariff rate higher than Bangladesh and yet achieved higher average growth rate.

The average customs duty rate however conceals very high rates of duties on a large range of products, particularly of consumer's items, from 40 percent on certain food items to 156 percent on air coolers (Sattar, 2018).²⁸ Given the growing demand within the domestic economy, such a protective market is of interest to many countries. Indeed, there are numerous newspaper reports of various trading partners expressing interest in forming bilateral FTAs with Bangladesh. In this respect, the United States could reap a first mover's advantage by engaging with Bangladesh early. It needs to be pointed out here that often U.S. traders and investors ask for Bangladesh's slashing tariffs on MFN basis (U.S. Chambers of Commerce, 2013). While there is a merit in the argument, particularly from Bangladeshi consumers' perspectives, who pay for excessive costs of protection, and in achieving better allocation of resources within the domestic economy, such rationalization is unlikely to provide any additional market access opportunities for U.S. exporters.²⁹

²⁸ It is important to point out that customs duties are just one element of the tariff regime in Bangladesh, which levies many other trade taxes, known as para-tariffs, e.g. supplementary duty, advance trade VAT and advance income tax on import in addition to VAT. Some of these para tariffs are supposed to be trade-neutral. But, in reality, these instruments have protective contents as well. Thus, the total tariff incidence is much higher than the simple customs duties. The un-weighted nominal protection rate in recent times has been in between 25-29 percent. When all duties, taxes and charges are added, the un-weighted total tariff incidence is estimated to be around 50 percent. The import-weighted total tariff incidence for 2016-17 was 20.5 percent.

²⁹ It needs to be acknowledged here that MFN tariff cuts by Bangladesh will reduce the scope of trade diversion effects resulting from bilateral and preferential trade deals. That could however also imply being less attractive to partners for bilateral deals.

Figure 4. 5
Bangladesh achieved high growth with high tariff protection


Source: Authors' analysis using data from the WTO and World Development Indicators, World Bank.

4.2 Proactive U.S. Engagement with a Rapidly Growing Bangladesh Economy

While the issue of a more proactive engagement is naturally associated with increased market access and bilateral trade agreements, it should not necessarily be limited so. Not all trade is linked to tariff preferences, and increased trade flows can take place even in the absence of trade deals. According to one estimate, 84 percent of all trade, including those under FTAs and preferential trading arrangements, is non-preferential in nature. Hence, there is the need for a proactive American engagement to realise the potential trading opportunities, particularly when the Bangladesh economy is posting robust growth. According to a recent report from PricewaterhouseCoopers, Bangladesh would be the 28th largest economy by 2030, in terms of GDP measured in purchasing power parity (PPP) dollars. In 2030 Bangladesh GDP is projected to reach PPP\$1.34 trillion while by 2050 it would grow further to PPP\$3.06 trillion to become the 23rd largest in the world.

Along with the overall economic growth, Bangladesh is experiencing a rapid expansion of the middle-class and with its rising disposable incomes and high propensity to spend on a new and wide range of products and services. According to one estimate in 2017, the consumer goods sector grew 9 percent to \$3.4 billion.³⁰ The Boston Consultancy Group (BCG, 2015) projects the size of Bangladesh's middle and affluent class population to rise to 34 million by 2025, when the country's GDP will have crossed \$500 billion.³¹ If the lower middle-income consumer market is added to the middle and affluent class, the consumer market with spending propensity would reach \$100 billion (Sattar, 2018). This growth will generate tremendous trading opportunities including Bangladesh's imports from the United States.

The United States played a pivotal role in promoting trade-led development of Bangladesh's comparators. For example, two decades back, Malaysia was at a similar stage of development as Bangladesh is at present. At that time, U.S. share in Malaysia's exports was in the range 18-22 percent while the corresponding share in imports was 16-20 percent. Malaysia maintained an average U.S. share of 15.5 percent in exports and 13 percent in imports during 1995-2016 (Annex Figures 15 and 16). Over the years although the relative significance of the U.S. has fallen, (except for Vietnam), its shares in these countries' imports have remained much higher than that of in Bangladesh (Annex Figure 16). That is, the cross-country experience seems to suggest more U.S.-Bangladesh trading opportunities. Comparators of Bangladesh import from the United States such items as capital machinery, aluminium, aircraft, electric machinery, chemical products and cotton. Bangladesh can also be an important market for these products.³²

It is also important to point out that currently the import, or for that matter trade, orientation in Bangladesh's economy is quite small. After registering a rise throughout the 1990s and much of the 2000s, Bangladesh's trade-GDP ratio (i.e. exports plus imports as proportion to

³⁰ This is based on findings by market research firm Nielson as reported in Sattar (2018).

³¹ The middle and affluent class (MAC) in Bangladesh is defined as consumers earning from more than \$401 (approximately Tk. 34,000) a month or just about \$5,000 annually. This size of this consumer group is estimated to be around 12 million and they tend to consume goods and services that went beyond basic necessities, and "into the realm of convenience and luxury. Examples include air conditioners; flat-screen TVs; and imported cosmetics" (Sattar, 2018).

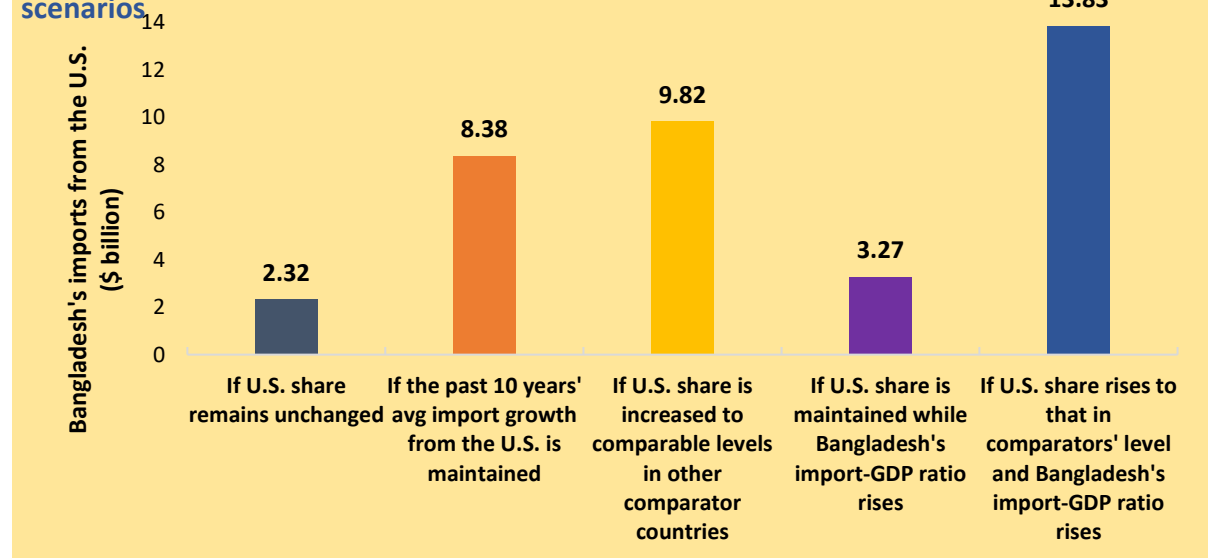
³² For example, most of Vietnam's \$8.2 billion imports from the United States comprised capital machinery, aluminum, aircraft, and cotton. India's \$24 billion imports also comprised mostly machinery and chemical products, minerals and cotton.

GDP) in recent years has been on the decline: from more than 47 percent in 2011 to 37 percent in 2017.³³ This is largely attributable to the worldwide trade slowdown affecting most countries' trade flows as mentioned earlier. As GDP growth in Bangladesh remained strong, the subdued international trading activities resulted in a reduced trade-orientation. However, it is very likely that as global trade recovers, Bangladesh's trade-GDP ratio to rise again with imports expanding faster as has been the usual case for the country.

Even with the assumption of Bangladesh's trade orientation remaining at its current low level, if the past 10 years' average growth of imports from the United States can be maintained, by 2030 Bangladesh's imports from the U.S. will grow over \$8 billion (from currently \$1.3 billion). However, under a more plausible scenario of an improved trade-orientation and the United States' import share rising to comparator countries, Bangladesh's imports from the U.S. would rise to about \$14 billion.³⁴ These scenario does not explicitly consider forming any trading arrangements between the two countries, rather it just illustrates the trade potential given Bangladesh's growth prospects over the next decade or so.

Figure 4. 6

Bangladesh's imports from the United States by 2030 under different scenarios



Source: Authors' projections.

³³ In 2011, Bangladesh's import-GDP ratio reached more than 27 percent while the export-GDP ratio stood at 20 percent.

³⁴ This scenario assumes Bangladesh's import-GDP ratio to increase to 30 percent by 2030. This is quite plausible given that in 2011 the corresponding ratio was 27 percent.

4.3 Investment Opportunities in Bangladesh

Investment opportunities in Bangladesh for U.S. investors are quite large. The sectors where investments are likely to see high returns include, export-oriented textile and apparel, leather and footwear, pharmaceuticals, ceramic and plastic goods, ICT; power and energy, especially renewable and green energy; shipbuilding and recycling; automobiles and light engineering; chemical fertilizers; agro-processing; marine resources extraction; tourism; medical equipment; telecommunications and knowledge-based high-tech industries. Bangladesh enjoys preferential market access, to varying degrees and extent, in markets of more than 40 countries.

Two sectors that hold a lot of untapped potential which American companies can consider investing is the food processing and automobiles. The food processing industry has been driven by strong domestic demand and export growth. In terms of domestic market for food processing (including crustaceans), it is worth \$240 million and is growing at an estimated rate of 10 percent annually. FDI in the food processing sector, although still quite small, has increased 6 times between 2010-11 and 2014-15, and stood at \$96.6 million. The automobile sector saw a 33 percent rise in imports since 2014 and the value of imported vehicles in 2017 stood at \$1.6 billion. The rise of the middle and affluent class means that there will be a rise in demand for automobiles in the future. This shows the prospect of vehicle assembling plants by sourcing auto components from different countries. The cost of domestically manufacturing cars would be considerably lower than importing refurbished cars.

Bangladesh has the most liberal investment policy in South Asia. It includes protection of foreign investment by law; generous tax holiday; concessionary duty on import of machinery; remittances of royalty; 100 percent foreign equity; unrestricted exit policy; full repatriation of dividend and capital on exit; to name a few. Industrial and office rents in Dhaka are lower than that of other international cities in the region. Although shortage of skilled labour force is an area of concern, Bangladesh's skilled labor cost base is still lower than the other major countries the region. Dhaka's management grades are 2-3 times less than in Singapore,

Shanghai, and Bangkok. Investing into skill development industry through technical, vocational and management training could also be lucrative given the growing demand for skilled labour within the country as well as abroad. Bangladesh is a major exporter of migrant workers' services with strong presences in the middle-eastern and east-Asian countries.

Export Processing Zones (EPZ) and Special Economic Zones (SEZ) are specifically designed to attract foreign investment in Bangladesh. Both the zones offer serviced industrial plots along with a range of fiscal and financial incentives including duty free import of construction materials, duty free import of raw materials, machineries, office equipment, spare parts, and duty-free export of finished goods, exemptions from dividend tax, relief from double taxation etc.

The Bangladesh Economic Zones Authority (BEZA) has been instituted by the Government of Bangladesh with the aim of establishing 100 SEZs across the country by 2030. A number of them are ready to receive foreign private investments in various sectors. Amongst others, Indian and Chinese firms have already committed to investing in specifically designated economic zones.³⁵ A Chinese company is in the process of investing US\$ 5.0 billion in an economic zone for establishing for setting up industries including a massive 2,640-megawatt power plant. The rush of Chinese and Indian firms to invest in SEZs indicates the growing importance of Bangladesh as a market of significant potential. The United States should also have a designated investment zone in Bangladesh to facilitate investment and trade of American firms.

Investment potential in Bangladesh is also linked to the country's strategic location at the cusp of South Asia and South-East Asia with significant trading opportunities with the world's two rapidly growing largest countries of India and China. Bangladesh can act as the gateway to Northeastern regions of India comprising the states of Arunachal, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, and Tripura with a combined population of more

³⁵ BEZA has completed the acquisition of 1,106 acres of land in three special economic zones exclusively for Indian investors. It has acquired 110 acres land for Mongla Economic Zone in Bagerhat, 496 acres for Bheramara zone in Kushtia and 500 acres for the Mirsharai zone in Chittagong. The process to acquire another 550 acres for the Mirsharai zone is underway.

than 45 million. Although India is already an important source of important for Bangladesh, trade expansion, even under the South Asian Free Trade Agreement, has so far been subdued. Foreign investment-led supply side capacity building can greatly help trigger trade response in the region.

U.S. foreign direct investments into Bangladesh can generate mutual gains while exploiting export market opportunities in both China and India. Being already the most dominant source of imports, in 2016, Bangladesh and China signed deals worth \$38 billion, including trade capacity building under the One Belt One Road (OBOR) Initiative. This consists of 13 Joint Ventures worth \$13.6 billion. According to some estimates, China is expected to grow its imports to a staggering \$2 trillion from OBOR countries over the next five years (Habito, 2016). China has allowed duty free access to over 4,700 Bangladeshi products. Supply-side capacity building in these products is most essential to take advantage of the vast Chinese market. It is in these contexts that U.S. foreign direct investments into Bangladesh can generate mutual gains while exploiting export market opportunities in both China and India.

4.4 Educational and Technical Cooperation

Bangladesh needs to invest in developing human capital. Gains in skills and productivity can only be ensured if there is a sizable proportion of skilled workforce, which in turn will lay the foundation for a knowledge-based economy. The East Asian growth miracle is a testament to the value of human capital to a country. Hence, the role of tertiary and technical education becomes a key priority in enhancing the competitiveness of the workforce and accelerating the rate of economic growth and development.

One of the tangible outcomes of development in Bangladesh is the ever-increasing number of students pursuing tertiary education. Based on current trend, it is estimated that by 2020, around 362,000 students would be enrolled in first year courses at tertiary level institutions.³⁶

³⁶Elizabeth Boye and MA Mannan, *Bangladesh: Public-Private Partnership in Higher Education* (Asian Development Bank, July 2014).

Along with public universities, there are 95 private universities in the country with a combined total number of students studying in them is 463,767, of which 40 percent are women.³⁷ Based on the average growth rate in the past few years, the number of students in private universities is expected to be around 1 million by 2020.³⁸ This would also require concomitant increase in the number of teachers, administrative staff, programmes, departments and infrastructural and institutional capacity. American universities can explore setting up campuses and engaging in collaboration with local private and public universities in Bangladesh. Thus, they could tap into a vast market for higher education, where the demand for quality education is rising rapidly over time.

As discussed earlier, an increasing number of students go to the United States to seek higher Education. It remains the preferred destination amongst students amidst a host of countries to choose from such as the United Kingdom, Canada, Australia, Germany, Sweden, and Malaysia etc. It was mentioned earlier that although the number of Bangladesh students in the U.S. is growing but the total number is still quite low. Granting greater access of Bangladeshi students will therefore be helpful.

Bangladesh has attached special priority to digital economy with special focus on the ICT (Information and Communication Technology) sector. U.S. companies could explore effective cooperation and technical collaboration in this respect. Bangladesh earned nearly \$800 million in 2017 exporting locally made software and providing ICT-related services like outsourced and freelance work. Of this, an estimated \$500 million came from software exports to 70 countries and about \$15-20 million from game and app development. There is scope for substantial expansion in the sector, driven by demand from developed and developing countries alike. There is also scope for US companies to invest in E –Commerce to tap into a potentially large market in Bangladesh.

³⁷ “Private Universities: Successes and Challenges”, *The Daily Star*, September 3, 2016.

³⁸Boye and Mannan (2014)

4.5 Taking Advantage of the Diaspora Community to Catalyse Innovation and Investment

Approximately 277,000 Bangladeshi immigrants and their children (187,000 first generation and 90,000 second generation) live in the United States, accounting for 0.5 percent of the foreign-born population in the country. According to a research undertaken by the Migration Policy Institute (MPI, 2014), the Bangladeshi diaspora is better educated; more likely to hold a bachelors' degree than the U.S. population and are twice as likely to hold advanced degrees. Bangladeshi diaspora households have a median income of \$54,000 which is \$4000 above the median for all US households.³⁹ According to one source, 31 percent of the Bangladeshi diaspora were in a professional or managerial position in a specialized field (such as engineering or education) or administrative and managerial job (such as finance or human resources). The U.S. has the 7th largest emigrant population from Bangladesh and was the third largest source of remittance earnings for Bangladesh in 2016-2017.

However, the Bangladeshi diaspora are actively seeking for avenues of investment beyond the traditional remittance model. They seek ways to leverage the human, social, and financial capital they have acquired to make investments and establish new businesses in Bangladesh.⁴⁰ There is a high level of interest within the diaspora community to invest in healthcare, education, clean energy and ICT sectors. However, there exists significant barriers to diaspora capital flows. If utilized effectively, diaspora philanthropy could generate a steady flow of capital which can generate social welfare and developmental impact. In terms of Investment, over 70 percent FDI in China originates from the Chinese Diaspora (Chowdhury, 2017). The Indian Diaspora has provided the motive force behind the phenomenal success of the IT sector with Investment, branding, outsourcing etc. Measures need to be undertaken in Bangladesh to leverage the diaspora community in the United States. Institutional collaboration with government agencies and business associations such as FBCCI, DCCI, MCCI could help facilitate the process. Donor advised funds (DAF) ⁴¹ can be structured to appeal to

³⁹ MPI (2014).

⁴⁰ Bangladesh Diaspora Assessment, (USAID, 2015)

⁴¹ A donor-advised fund, or DAF, is a philanthropic vehicle established as a public charity. It allows donors to make a charitable contribution, receive an immediate tax benefit and then recommend grants from the fund over time.

the diaspora. Donor advised funds are charitable giving vehicles administered by public charities into which donors can make tax deductible donations. A portion of the assets leave the DAF in the form of grants to qualified nonprofits when donors make grant recommendations; the remainder of the assets are reinvested in securities until they are recommended for grants. DAFs in the U.S. hold nearly \$54 billion in assets. Given their tax-effectiveness, flexibility, and convenience, donor advised funds may represent an untapped international giving vehicle for the diaspora. The U.S.-Filipino diaspora has a history of sending tax-deductible donations to Philippine NGOs through partner intermediaries and sister organizations which serve as conduits for donations.

Taking advantage of an affluent diaspora community can greatly help promote Bangladesh-U.S. economic cooperation and investment linkages. This is particularly important in promoting innovations, developing modern enterprises, and bridging the market gaps.

4.6 Partnering Bangladesh in achieving Sustainable Development Goals

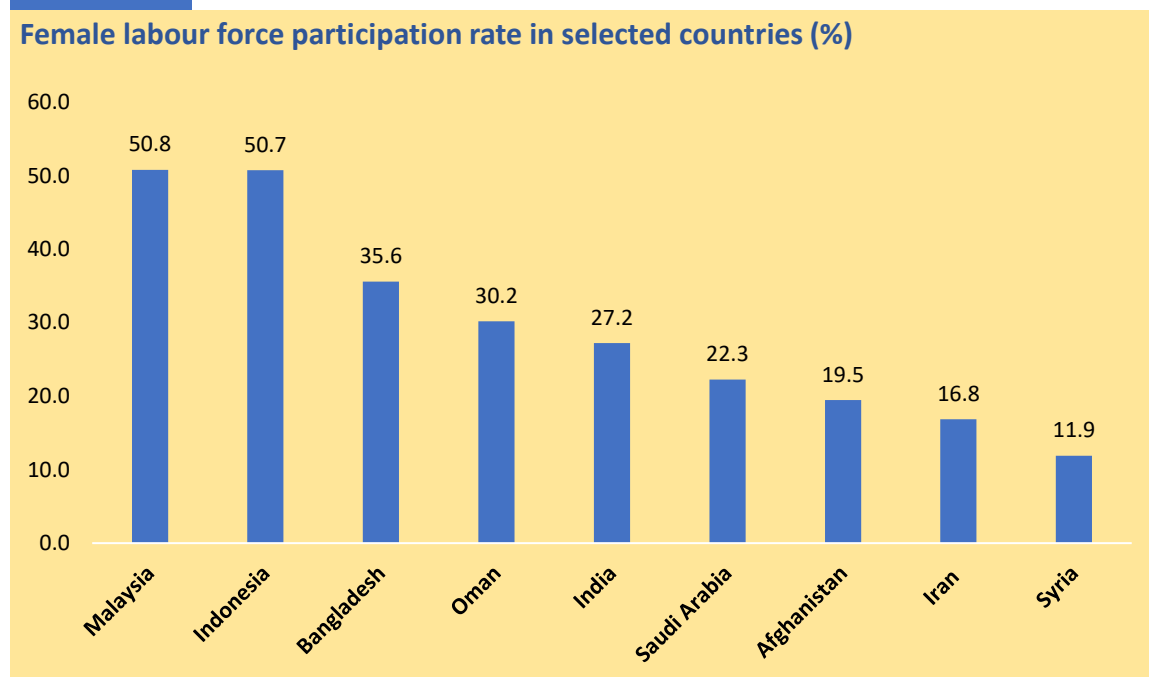
Along with economic growth, Bangladesh's achievement in social development has been quite impressive. The proportion of population living below the national poverty line fell from close to 60 percent in the early 1990s to less than 25 percent in 2016. Similarly, the country's achievement in achieving universal primary education, reducing child mortality, promoting gender equality and women empowerment has received global acclaim. One notable feature has been relatively high labour force participation of women compared to most Muslim majority countries. Bangladesh fares better than most South Asian and MENA (Middle East North Africa) countries in terms of female labour force participation rate (Figure 4.7).⁴² Bangladesh is the only Muslim majority country in the world to boast of a female Prime

⁴² * non-Muslim majority country India is included here. ** data on Bangladesh is taken from Bangladesh Labour Force Survey, 2015-16. For WDI data, ILO modeled estimates have been used for female population ages 15 and greater.

Minister, female Speaker of the Parliament, female Leader of the Opposition in Parliament and female leader of the largest opposition party in the country.

Figure 4. 7

Female labour force participation rate in selected countries (%)



Source: Data are taken from the World Development Indicators (WDI), World Bank.

Bangladesh now faces the ambitious target of achieving a new set of goals, the Sustainable Development Goals (SDGs) by 2030. The multi-faceted and multi-dimensional approach of SDGs to tackle poverty and malnutrition, ensure quality education and decent employment, promote gender equality, adapt to and mitigate the effects of climate change, promoting sustainable use of land and water resources, etc., requires vast amount of resource mobilization. Multilateral and bilateral assistance from international organizations is crucial in Bangladesh's quest to attain these goals. U.S. assistance in Bangladesh has primarily been channeled through USAID and has made a critical impact in the fields of healthcare and nutrition, education, promoting gender equality. Despite some scaling back in the most recent times, a \$95 million Economic Support and Development Fund (ESDF) underscores the strategic importance of Bangladesh's continued economic growth and stability in the eyes of American policymakers. Bangladesh remains relatively stable in an increasingly conflict-ridden neighborhood. Bangladesh is secular despite being a Muslim majority country and has been able to counter effectively the global contagion of radicalization and religious extremism. This can arguably be explained by the marked development gains achieved by the

country and the promotion of gender and religious equality. Helping Bangladesh achieve its SDGs would also go a long way in vindicating the United States' stand in championing democracy; rule of law, inclusive growth and development; gender equality and minority rights.

4.7 U.S. support for dealing with Rohingya refugee crisis

U.S. assistance would be of critical importance for Bangladesh to tackle the Rohingya crisis. Over a million Rohingya refugees have been forcibly evicted from their ancestral home in the Rakhine state in the face of persecution and slaughter by the Myanmar army. Bangladesh, despite its many constraints has hosted the streams of hapless Rohingya refugees pouring over from the border. This has created tremendous political, social and financial strain on the Bangladeshi society at large. The U.S. government has condemned Myanmar for this unwarranted persecution, oppression and displacement of minorities. Closer U.S. involvement and policy initiatives would help Bangladesh to exert pressure on the Myanmar government to repatriate its citizens and to ensure their safety and dignity. The continued presence of the Rohingya refugees may further destabilize the entire region.

The World Food Programme (WFP), which is tasked with providing food for the million Rohingya refugees is seriously underfunded. The World Food Programme has so far received donations of \$45 million, only 18 percent of \$243 million required mainly for providing food to one million Rohingyas and 200,000 locals in Cox's Bazar until December. Apart from feeding the refugees, there are several other pressing needs including: over 16 million liters of safe water are needed per day, from hand-pumps and surface water treatment plants that need to be constructed and maintained; over 180,000 families need cooking fuel (one 12 kilogram tank of LPG is needed per month, per family); 50,000 latrines with more reliable substructures need to be constructed and maintained; emergency obstetric care facilities to ensure that an estimated 53,266 pregnant women can receive the care they need; a range of protection programmes for 144,000 single mothers and their families and 22,000 children at risk,

including 6,000 unaccompanied and separated children; numerous health centers; etc.⁴³ In response to these needs, the Government of Bangladesh and the humanitarian bodies have developed a joint response plan, according to which a total of \$ 951 million will be needed to support the refugees until December, 2018. So far, only 16 percent of this requirement has been raised. A funding crisis would seriously imperil the fate of the displaced Rohingyas and impose an even greater burden on Bangladesh's development challenges.

Given the scale of the crisis that the country faces, Bangladesh deserves the support of the global community. Despite high hopes and strenuous efforts, it is becoming increasingly clear that repatriation of the refugees to their home state could take quite a long time. Donor interest and funding availability over such a long period is not certain. This crisis therefore has put Bangladesh into a precarious situation in which its development goals are likely to be affected. In this light, Bangladesh will certainly need the vital support from the United States not only in terms of financial resources but political support as well to ensure sooner and safer return of the refugees. It will be a truly befitting response, recognizing the massive scale of this crisis, if the United States considers granting trade preferences to Bangladesh. This can genuinely help Bangladesh maintain with its economic growth and macroeconomic sustainability, generating employment opportunities and thus cushion the duress inflicted by this crisis.

⁴³ JRP for Rohingya Humanitarian Crisis, March-December 2018.

Chapter 5: Conclusion

There is a need for a bold approach and a paradigm change to invigorate the bilateral relations between the United States and Bangladesh. The Bangladeshi economy is tipped to grow considerably in the next two decades and U.S. involvement and engagement in terms of trade, investment and technology transfer, strategic cooperation and collaboration should likewise increase manifold. Deeper U.S.-Bangladesh engagements would be mutually beneficial for both countries leading to new business opportunities and job creation.

The case for the United States' providing unilateral non-reciprocal duty-free market access to Bangladesh remains strong. This will not only increase Bangladesh's exports (by an estimated \$1.3 billion) but will also help Bangladesh achieve the Sustainable Development Goals (SDGs) and provide the much-needed impetus to the economy as it stands to graduate out of the LDC group in the next six years. Providing shelter and support to more than 1 million traumatized Rohingya refugees has added an enormous pressure to Bangladesh's economic situation and from this perspective as well duty-free market access in the United States would be an important and meaningful way of helping the country. If unilateral market access is not possible, the United States could consider conditional non-reciprocal market access as used in providing trade preferences under such schemes as AGOA, CBI and APTA.

The option for a Free Trade Agreement (FTA) between Bangladesh and the United States should also be explored. This would ensure mutual market access benefits. The market size in Bangladesh may appear to be relatively small, but the preferential access could be quite attractive for the United States. Unlike any other trading partners of comparable size, Bangladesh's rapid economic expansion is taking place under a highly protected environment. This growing market shielded by high-tariffs provides preferential partners with a large competitive advantage over others who do not have such preferential access. The United States can benefit from first-mover advantage by entering into a preferential agreement as Bangladesh is yet to have a bilateral FTA.

One important way forward would comprise the United States' granting unilateral trade preferences to Bangladesh in a time-bound manner with the provision of both countries entering into an FTA by the time Bangladesh graduates out of the LDC group. As trade negotiations take time, this approach could provide a clear roadmap in moving towards a strengthened bilateral trade relationship.

The existing forum of TICFA could serve as a platform for policymakers of both countries to explore these trading arrangement options. American engagement with Bangladesh need not be confined on the basis of tariff preference alone. Bangladesh's favourable geostrategic location, at the crux of South and South East Asia means that it could be a hub of emerging economies with interconnected markets and trade interdependence. A fast-growing middle and affluent class of consumers, with rising disposable incomes makes Bangladesh an attractive market. Under certain plausible assumptions, U.S. imports to Bangladesh can expand to \$14 billion (from the current level of just above \$1 billion).

Bangladesh also offers significant opportunities for American investors especially in such areas as export-oriented textile and apparel, automobiles and light engineering, ICT, power and energy, including renewable and green energy. Dedicated Special Economic Zones (SEZs) can be accommodated exclusively for investments by U.S. firms.

There are significant opportunities for closer U.S. involvement and technical collaboration in tertiary education and ICT sectors of Bangladesh. The Bangladeshi diaspora living in the United States could serve as an important conduit for fostering closer U.S.-Bangladesh ties. Bangladesh has made some remarkable socio-economic progress as – defying overwhelming odds – the country is firmly set to graduate out of the group of LDCs – considered as the poorest and most vulnerable among the global economies. Bangladesh has made great strides in remaining a secular democracy, committing to the global fight against religious extremism and radicalization. However, Bangladesh needs further support in achieving Sustainable Development Goals, that include eradicating extreme poverty, ensuring greater participation of women, generating decent jobs for its large and growing labour force, and tackling challenges posed by climate change. Forging closer Bangladesh-U.S. relations would not only

bring mutual trade and economic benefits for the two countries, but it would also reaffirm the United States' leading role in and commitment to promoting international development in most challenging areas. The time has come for policymakers of both countries to rethink, recalibrate and recast their existing approaches to engagements and invest in a bold new future with enormous opportunities and untapped potential.

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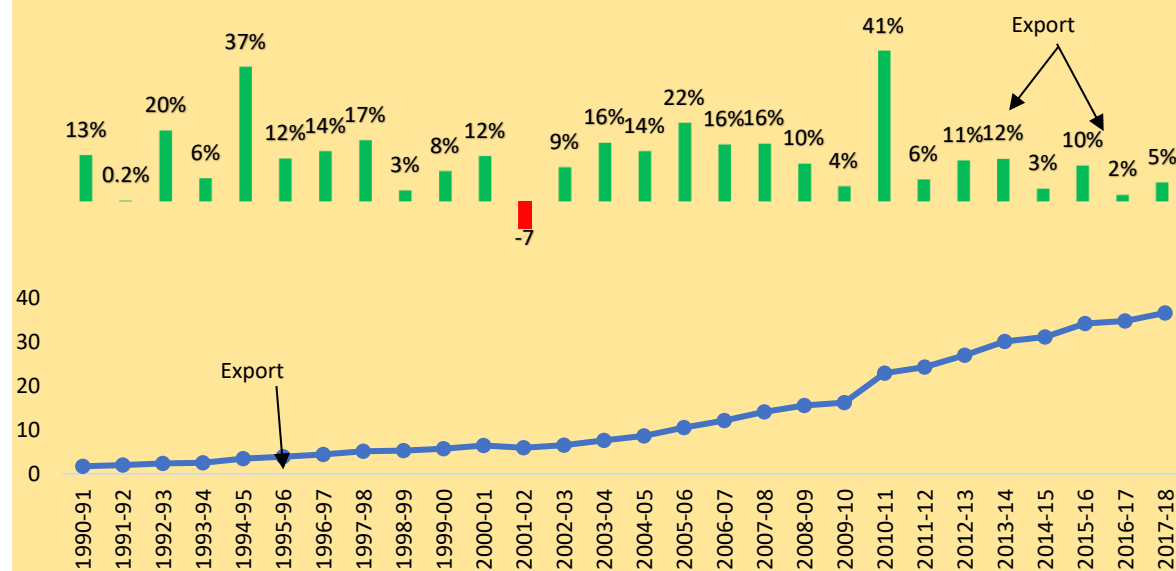
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Annex

Annex 1

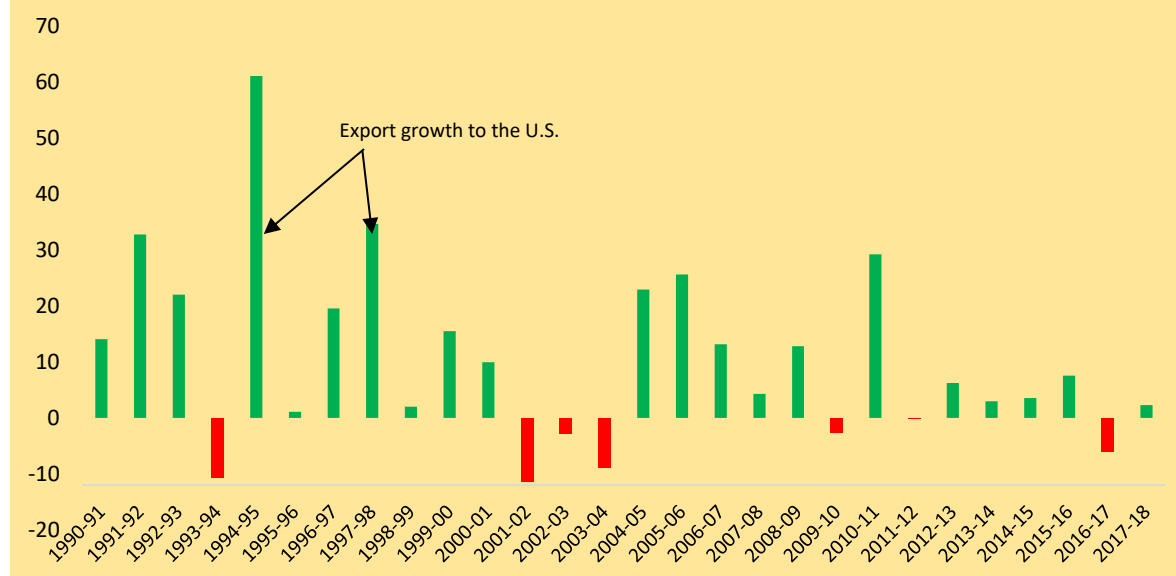
Bangladesh's export performance, 1991-2018 (billion \$)



Source: Authors presentation using data from Export Promotion Bureau (EPB).

Annex 2

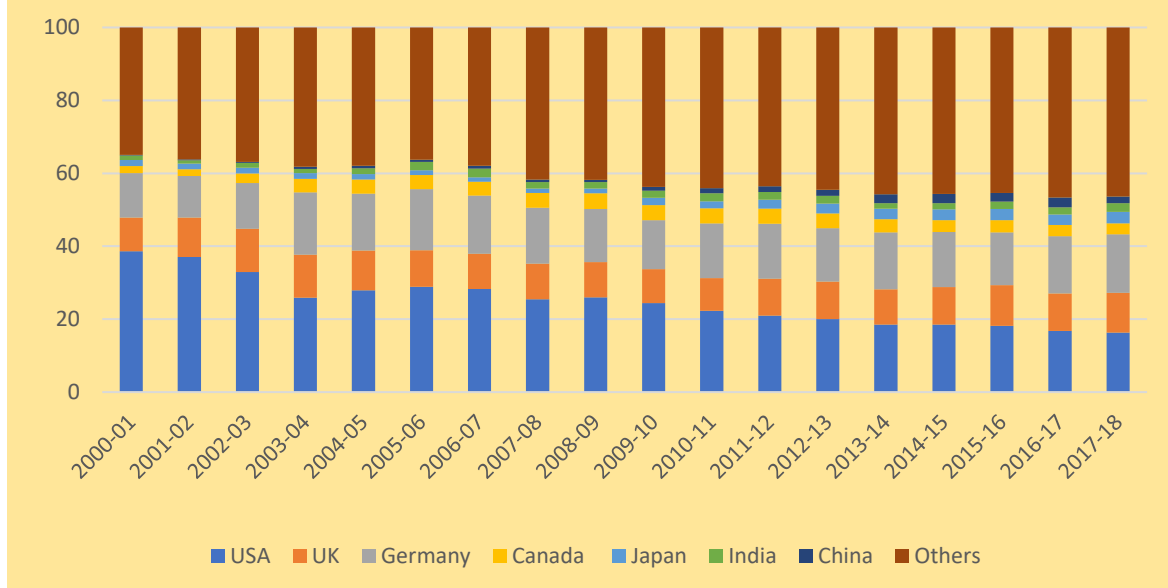
Growth in Bangladesh's export to the U.S. (%)



Source: Authors presentation using data from Export Promotion Bureau (EPB).

Annex 3

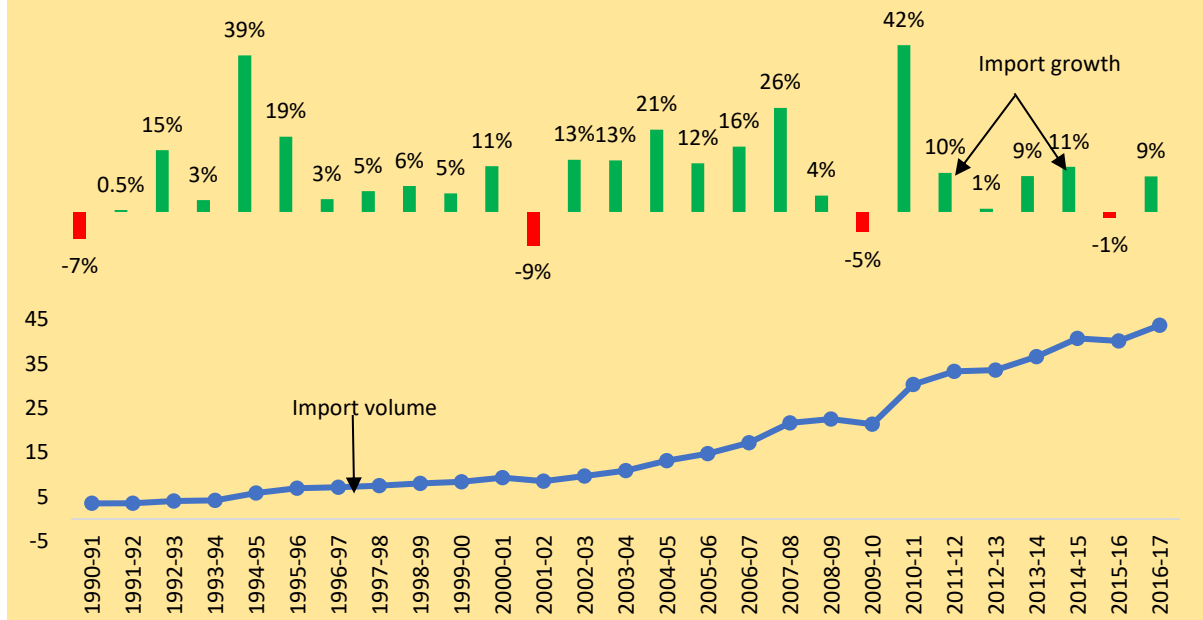
Bangladesh's export share to partners, 2000-18 (%)



Source: Authors presentation using data from Export Promotion Bureau (EPB).

Annex 4

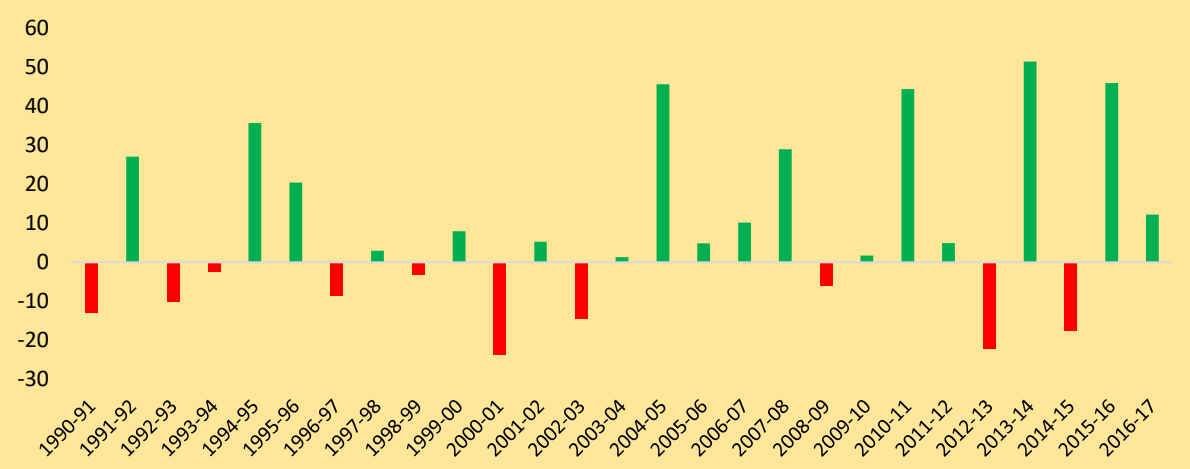
Bangladesh's import performance, 1990-2017 (billion \$)



Source: Authors presentation using data from Bangladesh Bank.

Annex 5

Growth in Bangladesh's import from USA (%)



Source: Authors presentation using data from Bangladesh Bank.

Annex 6 Top 20 items exported to the United States, FY2017 (million \$)

HS code	Product label	Export to the USA (million \$)	Share (%)
Total	All products	5846.6	100
620342	Mens/boys trousers and shorts, of cotton, not knitted	1521.5	26.02
620462	Womens/girls trousers and shorts, of cotton, not knitted	657.2	11.24
620520	Mens/boys shirts, of cotton, not knitted	581.7	9.95
610910	T-shirts, singlets and other vests, of cotton, knitted	310.3	5.31
611020	Pullovers, cardigans and similar articles of cotton, knitted	176.3	3.02
610821	Womens/girls briefs and panties, of cotton, knitted	141.7	2.42
650500	Hats and other headgear, knitted or crochete	136.4	2.33
630622	Tents, of synthetic fibres	117.6	2.01
620343	Mens/boys trousers and shorts, of synthetic fibres, not knitted	95.1	1.63
610462	Womens/girls trousers and shorts, of cotton, knitted	91.9	1.57
611120	Babies garments and clothing accessories of cotton, knitted	89.4	1.53
621210	Brassieres and parts thereof, of textile materials	85.5	1.46
620590	Mens/boys shirts, of other textile materials, not knitted	85.2	1.46
620469	Womens/girls trousers & shorts, of other textile materials, not knitted	80.4	1.38
620630	Womens/girls blouses and shirts, of cotton, not knitted	77.2	1.32
620920	Babies garments and clothing accessories of cotton, not knitted	74.5	1.27
620349	Mens/boys trousers and shorts, of other textile materials, not knitted	70.7	1.21
610711	Mens/boys underpants and briefs, of cotton, knitted	63.3	1.08
611090	Pullovers, cardigans & similar articles of oth textile materials, knitted	54.1	0.93
610510	Mens/boys shirts, of cotton, knitted	51.7	0.88

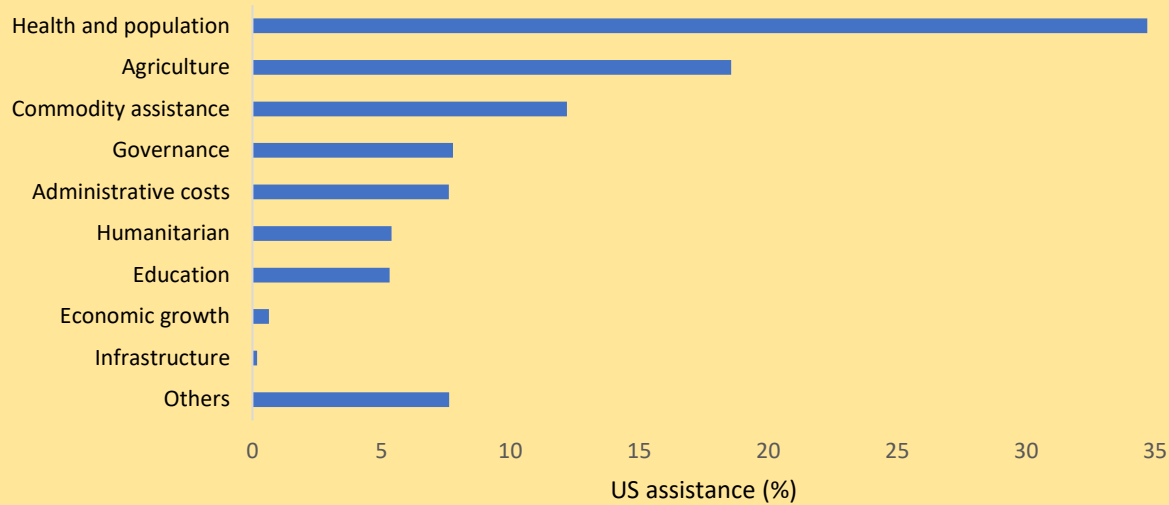
Source: Authors' presentation using data from Export Promotion Bureau (EPB).

Annex 7 Major 20 items imported from the U.S. 2017 (million \$)			
HS code	Product label	Import from the USA (million \$)	Share (%)
Total	All products	1464.6	100
120190	Soya beans, whether or not broken (excluding seed for sowing)	385.1	26.29
520100	Cotton, neither carded nor combed	283.7	19.37
720449	Waste and scrap of iron or steel (excluding slag, scale and other waste of the production of ...	169.8	11.59
100199	Wheat and meslin (excluding seed for sowing, and durum wheat)	68.4	4.67
230400	Oilcake and other solid residues, whether or not ground or in the form of pellets, resulting ...	38.6	2.64
100590	Maize (excluding seed for sowing)	30.7	2.1
841182	Gas turbines of a power > 5.000 kW (excluding turbojets and turbopropellers)	24.8	1.7
480411	Unbleached kraftliner, uncoated, in rolls of a width > 36 cm	24	1.64
230330	Brewing or distilling dregs and waste	22.6	1.54
230990	Preparations of a kind used in animal feeding (excluding dog or cat food put up for retail ...	14.7	1
890510	Dredgers	13.2	0.9
845140	Machines for washing, bleaching or dyeing textile yarns, fabrics or made-up textile articles ...	10	0.68
790111	Unwrought zinc, not alloyed, containing by weight >= 99.99% of zinc	8.8	0.6
50510	Feathers used for stuffing and down, not further worked than cleaned, disinfected or treated ...	8.2	0.56
300230	Vaccines for veterinary medicine	7.1	0.48
740821	Wire of copper-zinc base alloys "brass"	6.1	0.42
841480	Air pumps, air or other gas compressors and ventilating or recycling hoods incorporating a ...	5.9	0.4
847180	Units for automatic data-processing machines (excluding processing units, input or output units ...	5.8	0.4
902212	Computer tomography apparatus	5.8	0.39
844712	Circular knitting machines, with cylinder diameter > 165 mm	5.6	0.38

Source: Authors' presentation using data from ITC Trade Map.

Annex 8

US foreign assistance in Bangladesh by sector, 2016 (%)

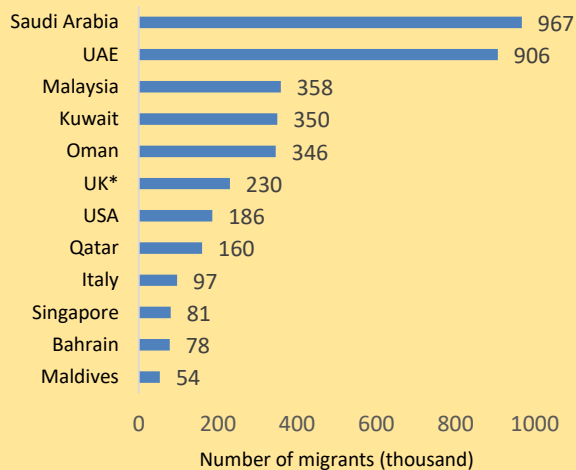


Source: Authors' presentation using data from USAID.

Retrieved from <https://www.foreignassistance.gov/explore/country/Bangladesh>

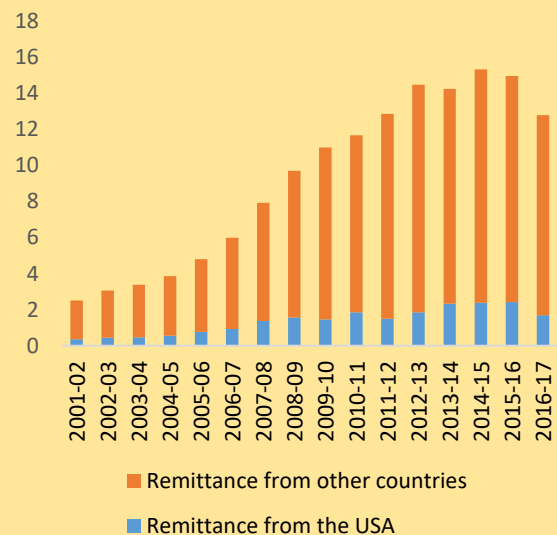
Annex 9

Bangladeshi migrants stock in selected destination countries, 2015 (in '000)



Annex 10

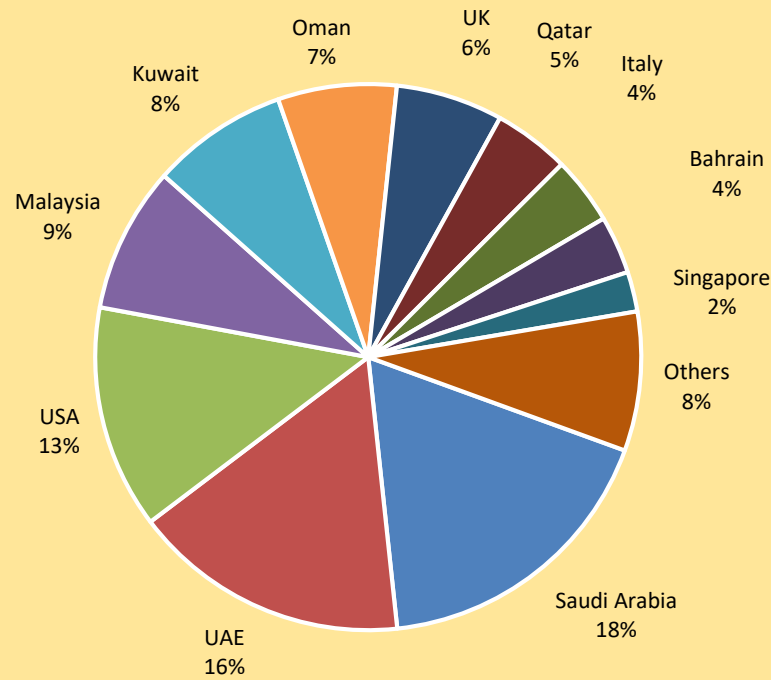
Remittance inflow in Bangladesh, 2001-17 (billion \$)



Source: Authors presentation using data from Department of Economic and Social Affairs, United Nations; Bureau of Manpower, Employment and Training (BMET); and Bangladesh Bank.

Annex 11

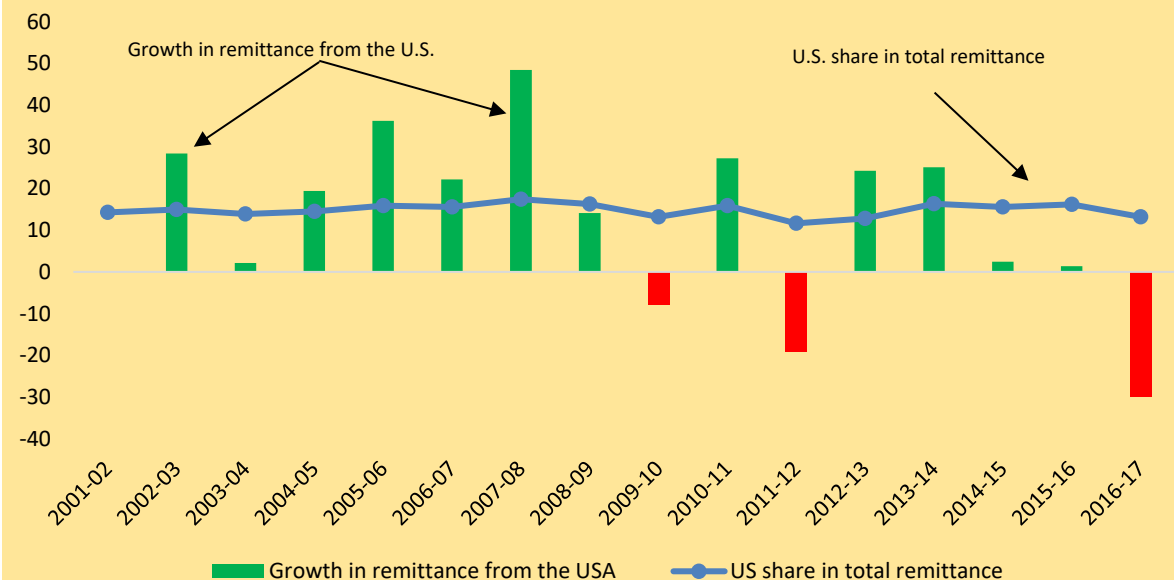
Country wise remittance inflow, 2017-18 (%)



Source: Authors presentation using data from BMET and Bangladesh Bank.

Annex 12

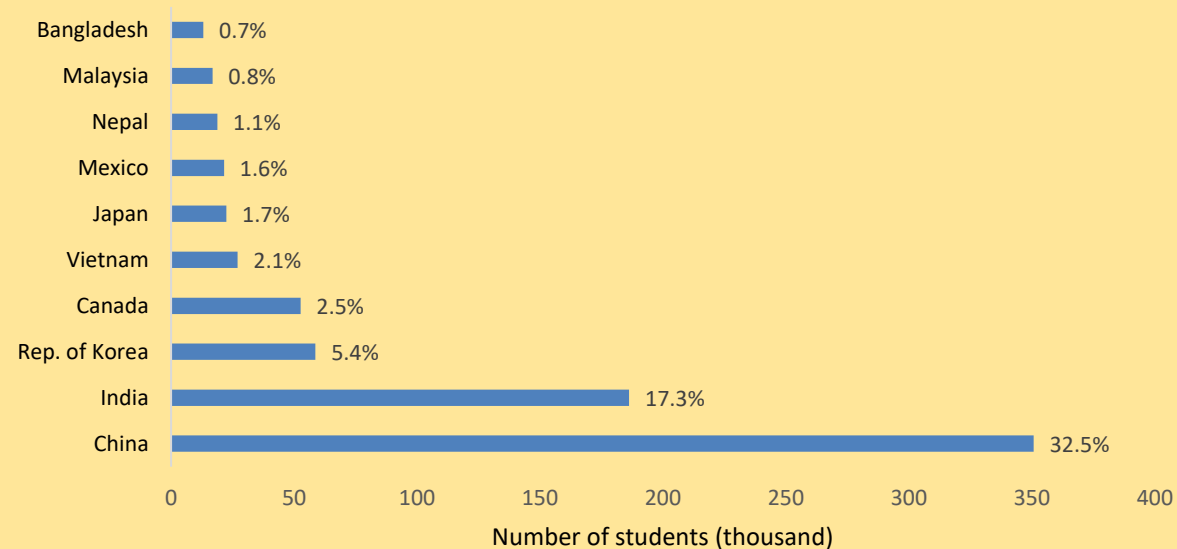
Share and growth in remittance from the USA, 2001-17 (%)



Source: Author's presentation using data from Bangladesh Bank.

Annex 13

Selected major origins of US students, 2016-17 (in '000)



Source: Authors presentation using data from The 2017 Open Doors, Institute of International Education (IIE), retrieved from <https://www.iie.org/en/Research-and-Insights/Open-Doors>

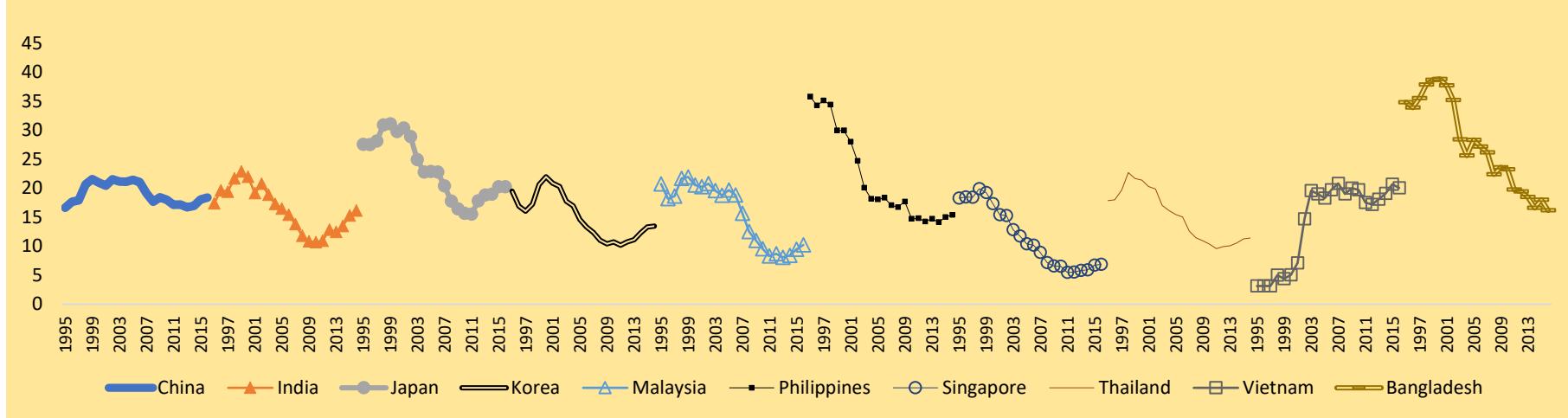
Annex 14 Bangladesh's trade in services with the USA

	Bangladesh's export to the U.S.		Bangladesh's import from the U.S.	
	2015-16	2016-17	2015-16	2016-17
A. Goods procured in ports by carriers	23.9	20.8		
B. Goods produced and sold under merchenting	0.1	0.1		
C. Services				
Maintenance and repair services	0.4	0.3	1.9	4.8
Transportation	114.4	68.4	206.0	241.1
Travel	77.1	156.4	98.6	81.2
Construction services	3.3	2.1	0.1	
Insurance services				0.01
Financial services	15.9	16.4	45.3	22.8
Charges for the use of intellectual	0.3	0.0	7.6	10.3
Telecommunications, computer and information services	149.2	101.4	6.0	6.5
Other business services	97.4	64.6	57.0	78.3
Personal, cultural & recreational	1.1	1.1	0.1	0.6
Government goods and services	377.9	313.3	12.4	2.7
Total	861.0	744.8	435.1	448.2

Source: Bangladesh Bank, retrieved from <https://www.bb.org.bd/openpdf.php> and <https://www.bb.org.bd/pub/annual/imppayment/imp1617/statable3.pdf>

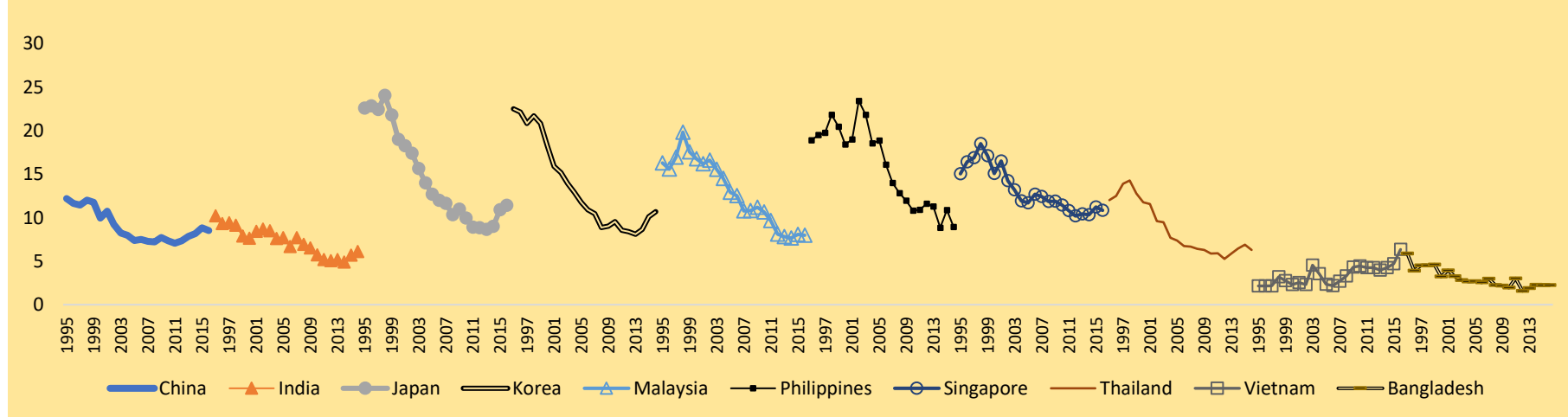
Annex 15

U.S. share in selected countries' exports



Annex 16

U.S. share in selected countries' imports



Source: Authors representation using data from UNCTADSTAT.