

Leveraging the Power of Global Markets : Why Export Competitiveness and Diversification Matter for Bangladesh

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PART I

Export-led Growth A Cornerstone of Bangladesh Growth Trajectory

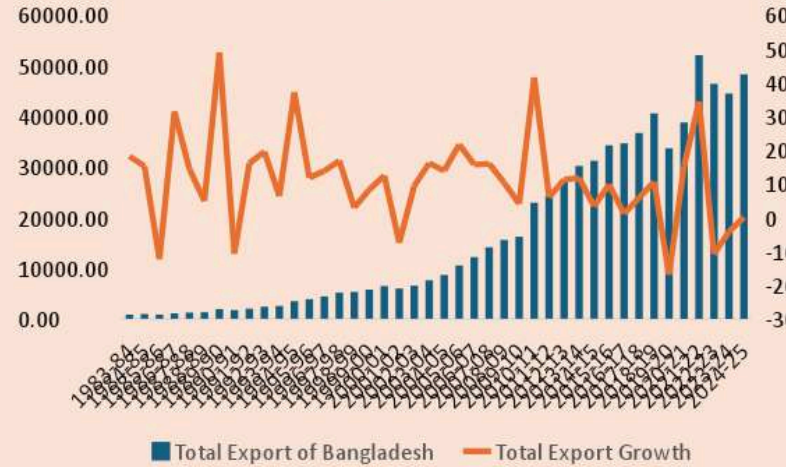
Export A Critical Lever for Bangladesh's Economy

Export to GDP Ratio of Bangladesh (FY06-FY25)



Source: Bangladesh Economic Review 2024

Total Export and Total Export Growth (Y-o-Y) of Bangladesh



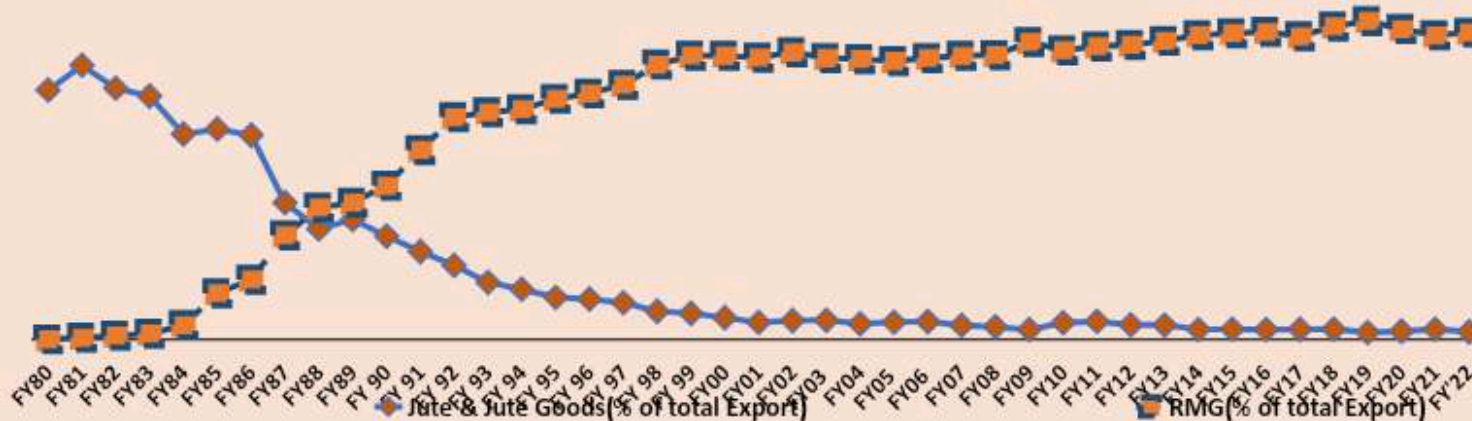
Source: Export Promotion Bureau, PEB Analysis

» Before the **1980s**, jute and jute goods contribution were around **70%** of exports. (Bangladesh Bank)

» Bangladesh's average export growth **11.47%** (FY84–25,) and average export-GDP growth **14.18%** (FY08–25).

Manufacturing's GDP share increased from **5.5% (1971)** to **23% (FY 2023)**, with Ready-made Garments (RMG) as a major contributor.

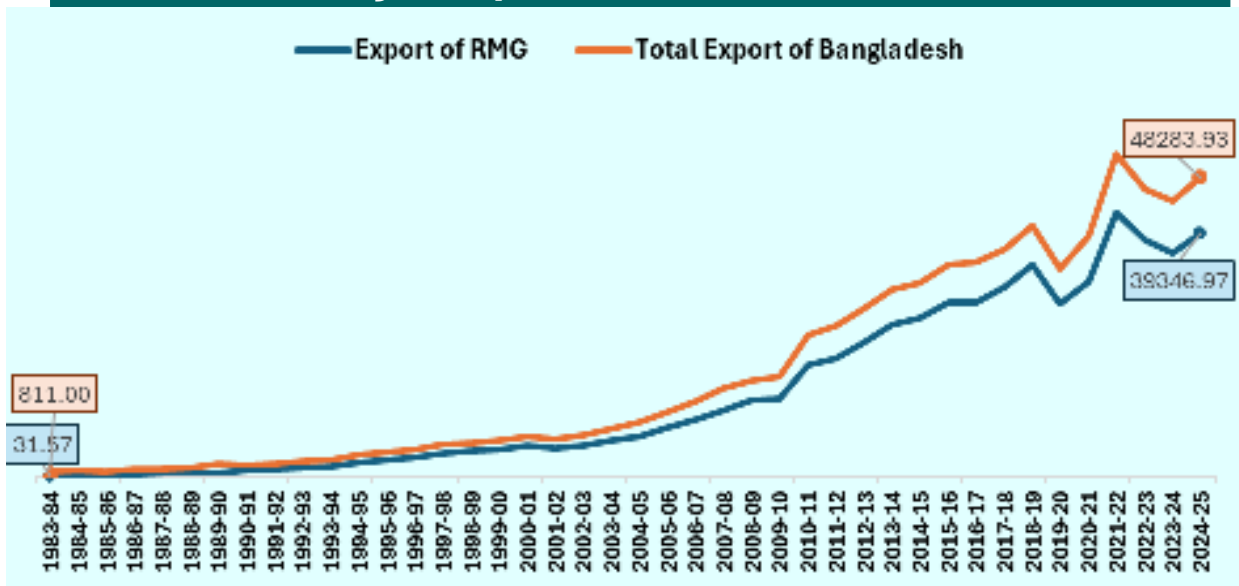
Transition from Jute to RMG (1980-2022)



Source: Export Promotion Bureau, PEB Analysis

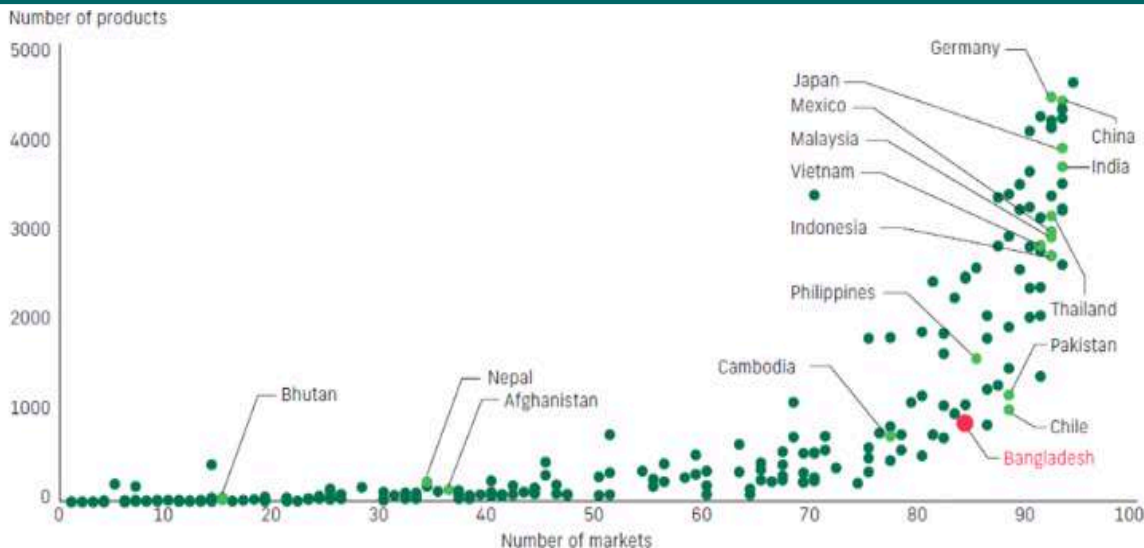
Robust Exports Performance Bedrock of Manufacturing Success

RMG Major Export Contributor (in million US\$)



Source: Export Promotion Bureau

Bangladesh Export Basket: Covers More than 80 markets and Consists of Around 1000 Products



Source: World Bank

Top 3 Manufacturing Products and Their Shares in the Export Basket, FY24-25

	Product	Share in Total Exports (%)	Value of Export in (current US\$ million)
1	Ready-made Garments	81.49	39346.97
2	Home Textiles	1.8	871.57
3	Leather & Leather Products	2.4	1145.07
	Total	85.69	41363.61

Source: Export Promotion Bureau

Total export has grown by approximately **9.66 times** in last two decades and RMG has a significant contribution.

Accelerated Growth of RMG A Key Driver of Export Expansion

RMG Export Share of Post-80s' to FY25 (in %)



RMG Value Addition (in Percentage)



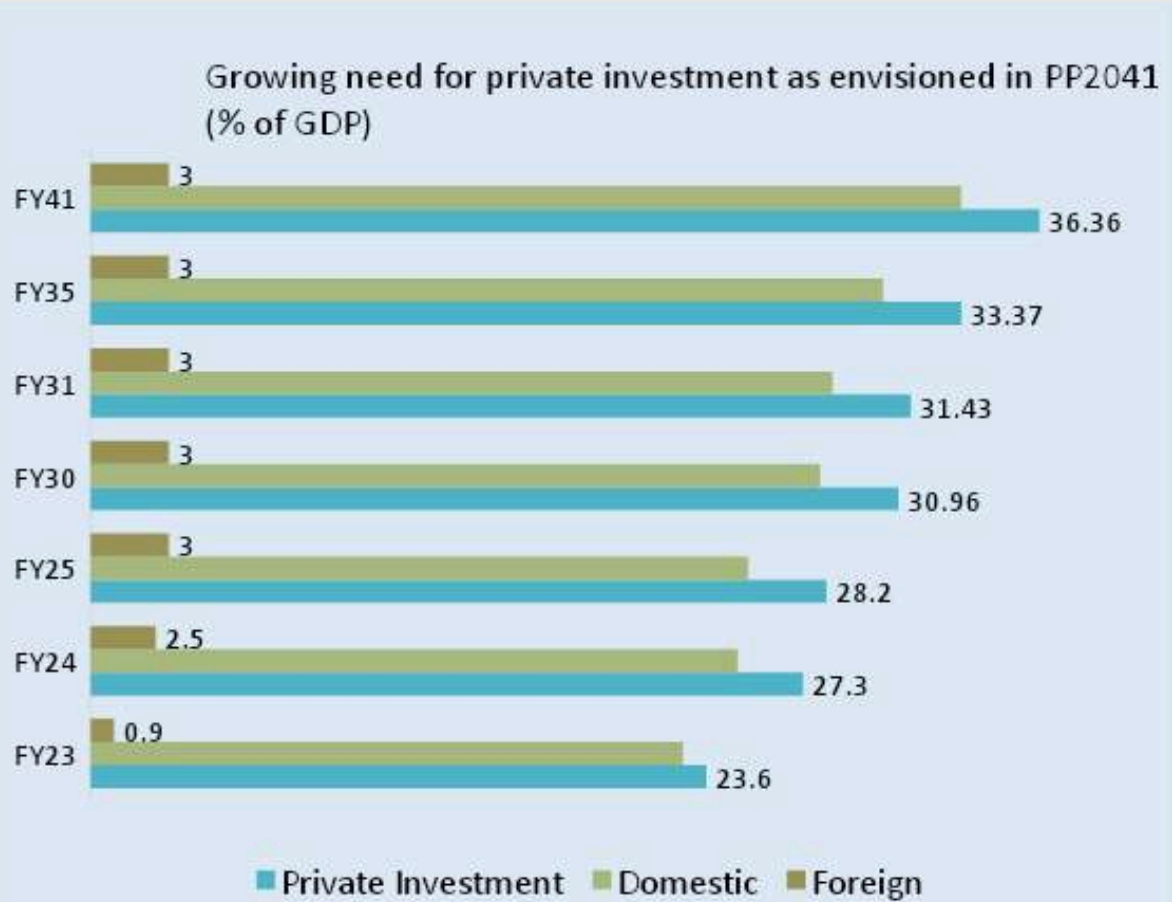
- » The share of RMG exports has grown over the decades, rising from **59.31%** in FY92 to **81.49%** in FY25.
- » Trend shows rising reliance on RMG, with non-RMG exports falling to **18.51%** in **FY25**.
- » Value addition in Bangladesh's RMG sector remains below pre-pandemic levels as **rising raw material import costs** erode export gains. *(The Financial Express, March 2025)*

Enhancing Trade, Investment and Connectivity Will be Critical Drivers of Upper Middle-Income Aspirations



Indicator	FY 30 (Target)	FY 35 (Target)	FY 41 (Target)
Gross Investment as % of GDP	40.6	43.41	46.9
Private Investment as % of GDP	30.96	33.37	36.36
FDI as % of GDP	3	3	3
Exports Growth (%)	11.5	12.05	11
Import Growth (%)	12.5	10	10.70

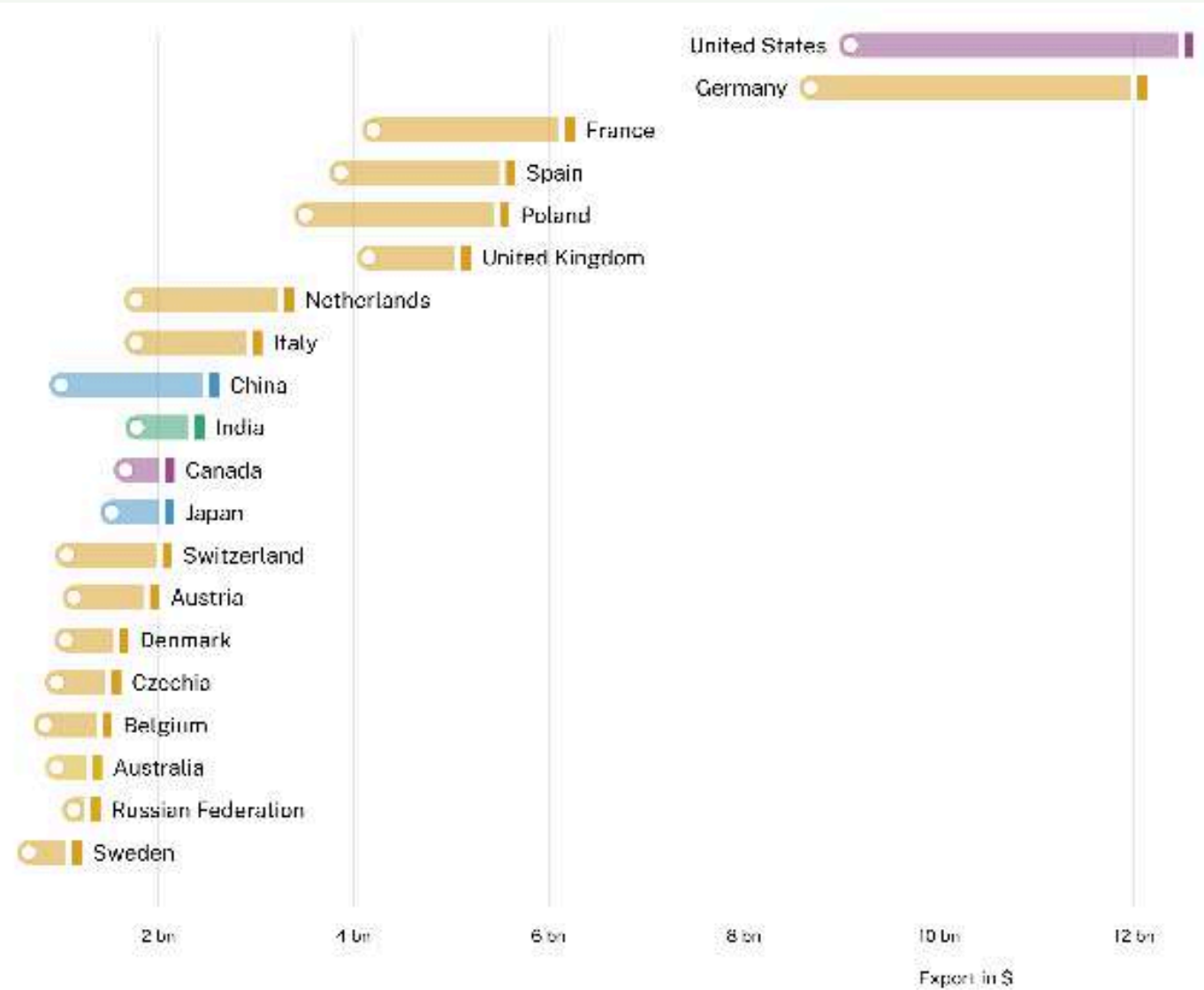
Growing Need for Private Investment and FDI as Envisioned in UMIC 2041



Tapping into Bangladesh's Unrealized \$35 Billion Export Potential



Export potential by product(Estimate for 2030)

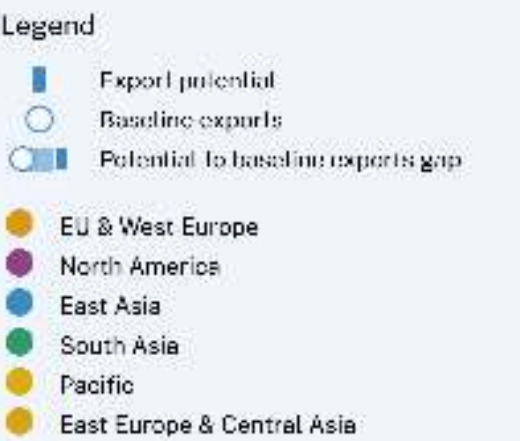


Source: International Trade Centre

Bangladesh to World for all products



Markets with potential for Bangladesh's exports



^A This country is recommended or scheduled for LDC graduation. The export potential shown does not reflect post graduation tariffs.



PART I I

Urgent Imperatives for Export Diversification and Competitiveness

Several Factor Driving the Urgency



• **Post LDC Graduation Competitive Pressure**




• **Evolving Shift of Geopolitics, Trade and Investment**



• **Low Global Value Chain participation**



• **Global Compliance Gaps**



• **Trailing Man-made Fiber (MMF) based Production**



• **Low Technology Adoption**

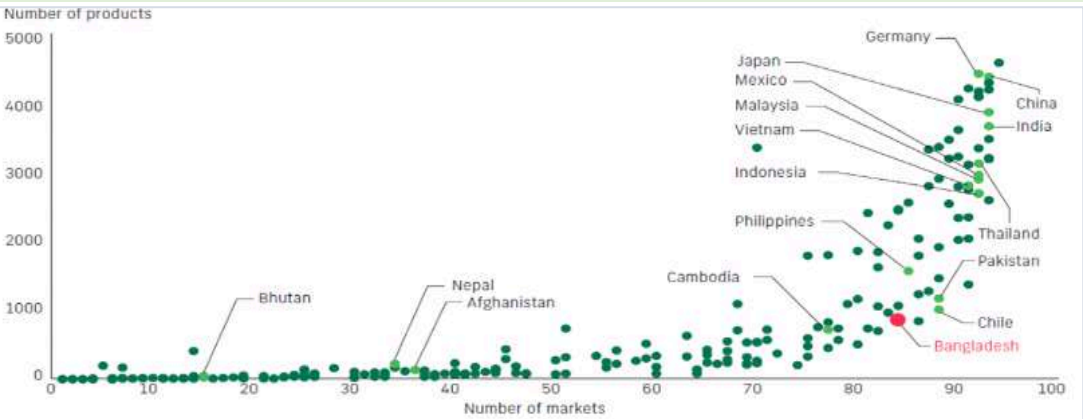


• **Limited Trade Agreements**

Narrow Export Base Limits Global Markets Potential and Presents Economic risks

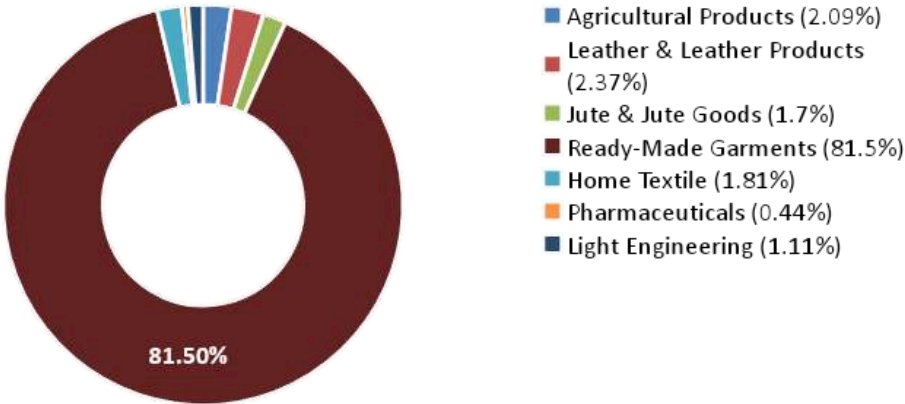
Composition of Bangladesh's Export basket

Bangladesh export basket covers more than 80 markets and consists of around 1000 products



However, data suggests that the Ready-Made Garments (RMG) have consistently dominated exports

Export Performance for Specific Items FY25



Source: Export Promotion Bureau

According to The Atlas of Economic Complexity, Bangladesh shows modest but slow and shallow diversification

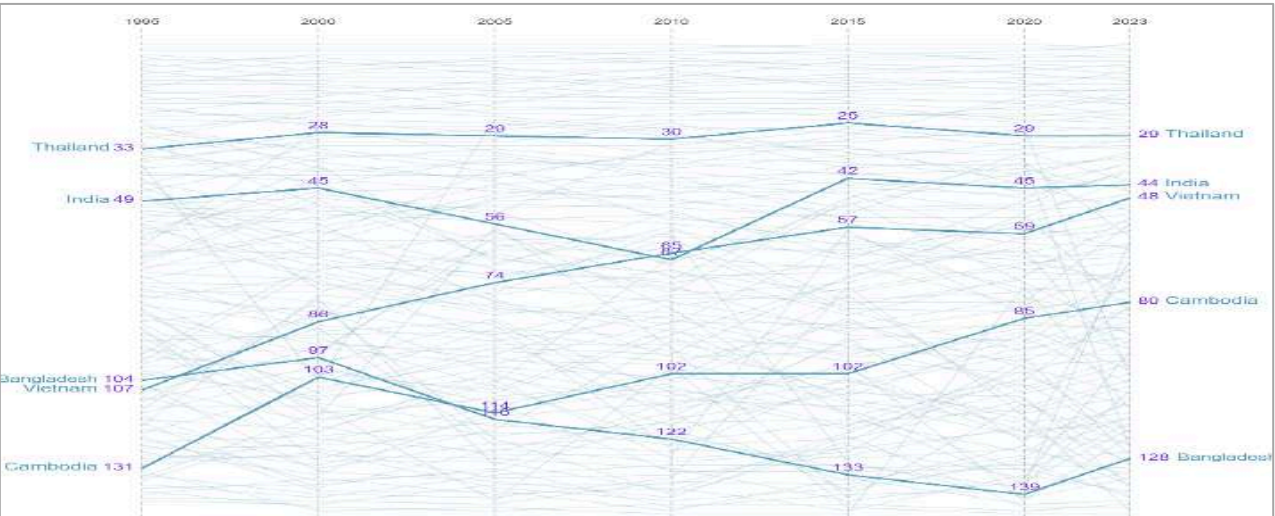
Economic Diversification Grade **C**

Diversity Rank **105TH** OF 145

Rank Change **↓ 13** OVER 15 YEARS

Source: Atlas Economy

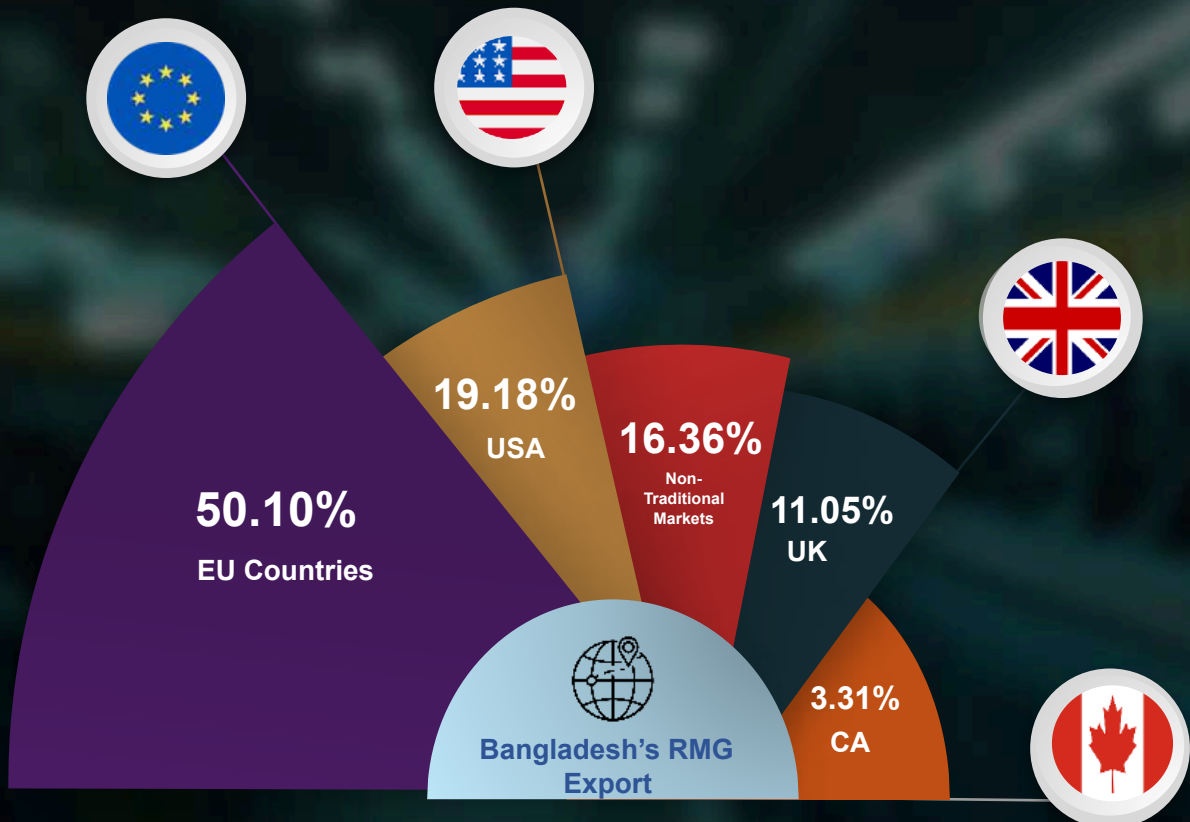
Overreliance on RMG has **limited** Bangladesh's economic complexity and diversification compared to competitor countries , as reflected in its low Economic Complexity Index.



Source: Harvard Growth Lab

Destination Market Concentration in RMG Poses a Strategic Risk

RMG Export Destination Concentration (FY25)



EU=European Union, USA=United States of America, UK=United Kingdom, CA=Canada

With More Than **80%** Of Exports Concentrated in the RMG Sector, Bangladesh Faces a Concentrated Risk

Bangladesh's RMG Export to the World (in Million USD)



Source: EPB, BGMEA

Product concentration risks RMG export growth post-LDC graduation by **heightening vulnerability to shocks**.

Main Apparel Items Exported From Bangladesh (in Million USD)





Source: EPB, BGMEA

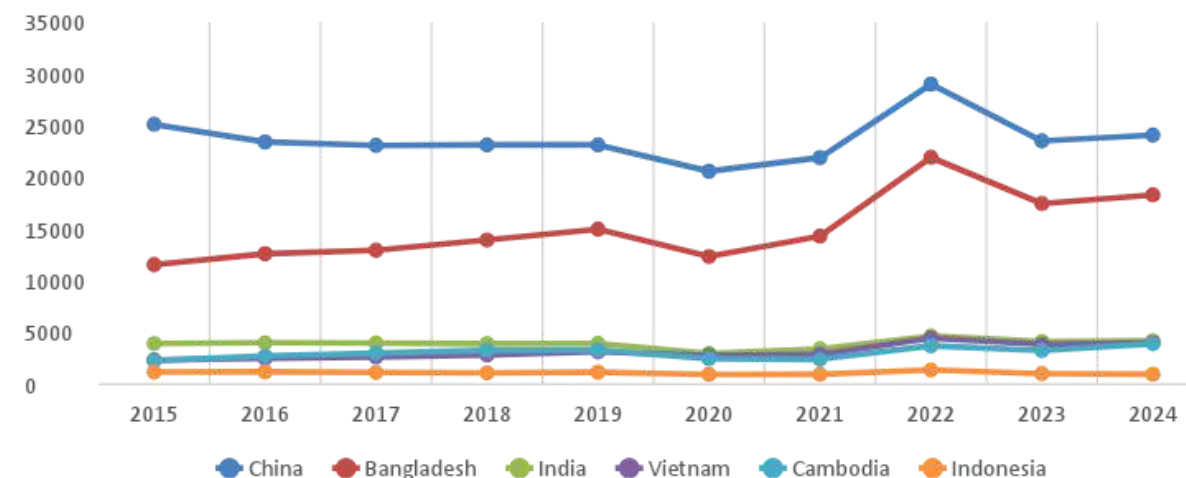
Bangladesh Ranks **73rd** out of **115 Countries** in the 2023 EDI, Reflecting Limited Diversification and High Dependence on Few



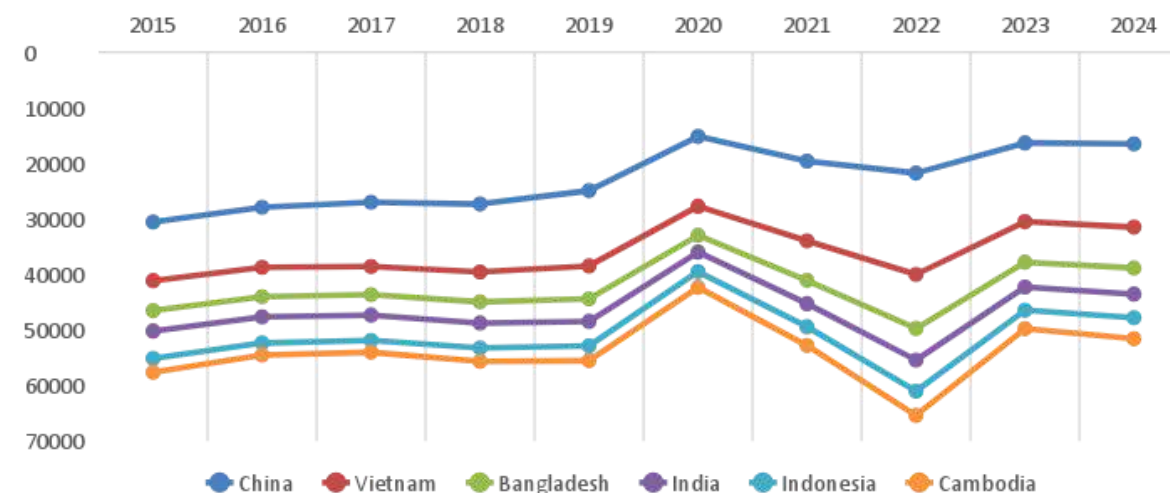
Rank	Countries	Economic Diversification Index (EDI) 2023
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	20	India	111.51
	27	Thailand	108.99
	60	Indonesia	98.72
	61	Vietnam	98.38
	73	Bangladesh	94.81
	95	Cambodia	90.43

10-Year EU Apparel Import (In Million Euro)



10-Year US Apparel Import (in Million USD)



LDC Graduation Poses Challenges to Bangladesh's Exports

Impact on Export and Competitiveness

- With LDC graduation, **74%** of Bangladesh's exports will face changes in market access. (The Daily Star, March 2025)
- Post-LDC graduation tariff hikes could cause a **14%** drop in Bangladesh's exports. (WTO, 2025)
- Post-graduation, exporters may face **11.5%** EU duties without GSP Plus. (The Financial Express, March 2025)
- Countries like Vietnam are securing **Free Trade Agreements (FTAs)** with major markets, enhancing their competitiveness.

Post Graduation Tariff Rates (%) for Bangladesh's Post LDC Graduation in Some Selected Countries

Countries	Current Tariffs	Post graduation Tariff Rates
Canada	0%	16.2%
European Union	0%	11.6%
United Kingdom	0%	0% but with more stringent ROO
India	0%	22.7%
Japan	0%	9.0%

Market Access to Other Countries



EU and UK

60% of exports safe until 2029 (EBA benefits)

EU GSP PLUS (Post-2029)

Requires compliance with **32** conventions

6.5% export rule poses a challenge

Australia & UK will provide duty-free access even after 2029



USA

Second-largest market, but **no duty-free access**



CANADA

Potential **17%** tariff on garments without new 'GSP Plus' law



JAPAN

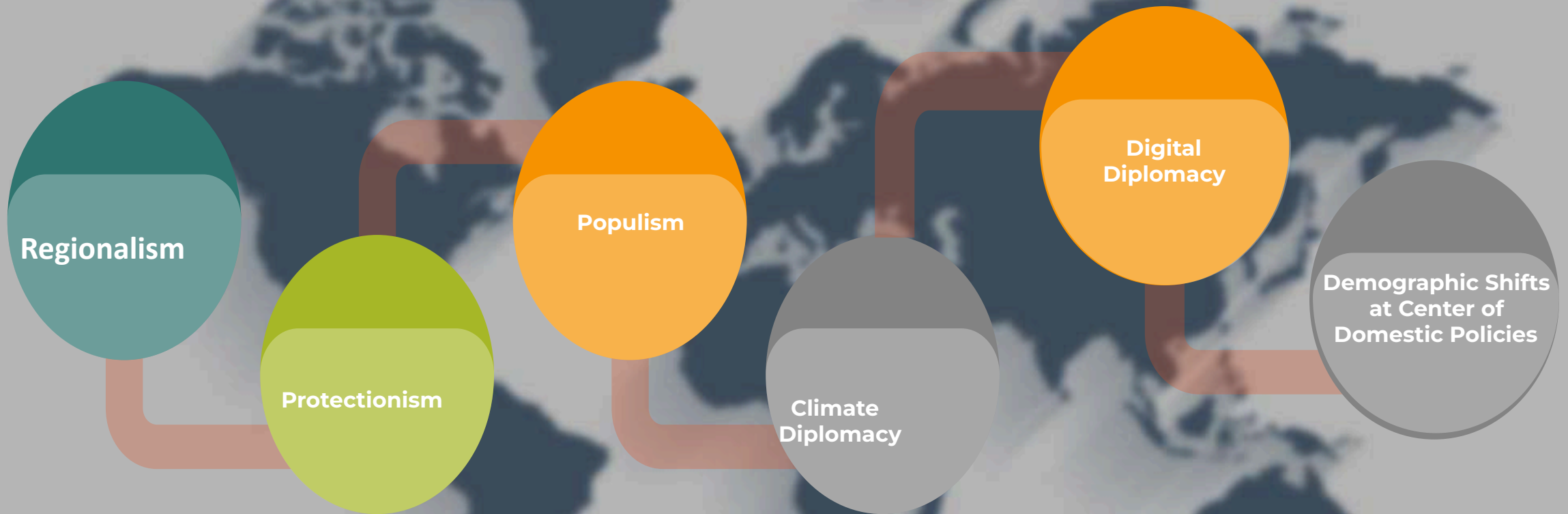
No post-graduation benefits assured



INDIA

Comprehensive Partnership Agreement **negotiations stagnant**

Shifting Global Power Dynamics Creating Ripple Effects



Trade Policy Uncertainty as the New Tariff: The Hidden Cost Reshaping Global Trade



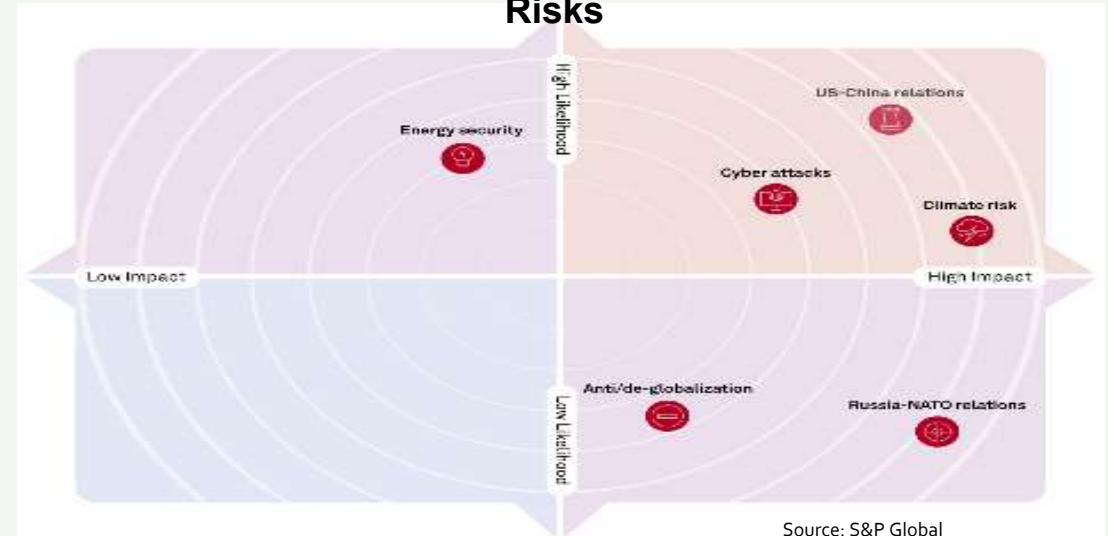
Trade policy shifts fuel global uncertainties

Economic policy uncertainty and Trade policy uncertainty indexes, July 2020 – June

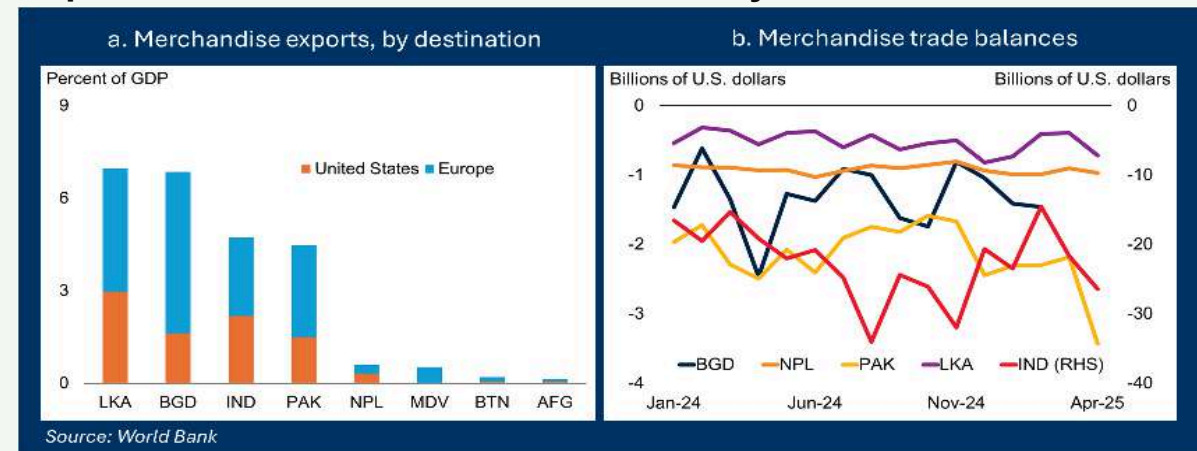


Source: UN Trade and Development (UNCTAD) based on World Uncertainty Index.

Likelihood and Impact of Top 2025 Geopolitical Risks



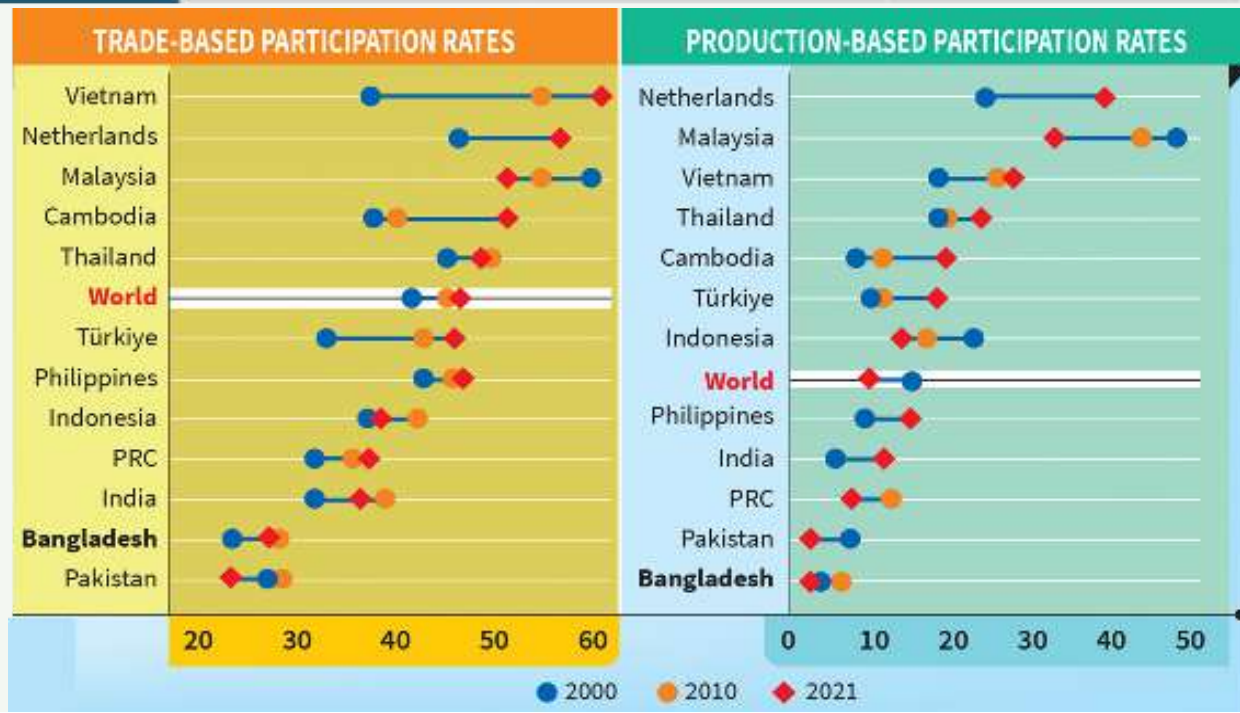
Export Destinations and Trade Balance Dynamics in South Asia



Global Measures Indicate Significant Room for Competitiveness GVC Participation Improvements

		Bangladesh	India	Vietnam
Global Competitiveness Index (GCI)		105th	68th	67th
Global Innovation Index (GII)		106th	39th	44th
Global Skills Report (2024)	Global Rank	94th	87th	54 th
	Regional Rank	19th	17th	10th
Total factors Productivity (TFP) Changes (1970-2022)		0.72	2.14	1.17

Bangladesh Global Value Chain Participation Rates, 2000, 2007–2021 (%)



- ✓ The ranking and score of the above metrics suggest that the current state of competitiveness requires significant ramp Up
- ✓ Bangladesh has demonstrated long-term improvement in its GII ranking and is among the economies showing high potential through sustained rank increases since 2013..
- ✓ Bangladesh's trade-based global value chain (GVC) participation rate **(22.6%–26.01%)** is well below the global average **(40.6%–46%)** and far behind Vietnam's 60%+, reflecting structural weaknesses in integration.

Global Compliance Gaps Can Undermine RMG Exports to Key Markets



Key International Compliance Policies in

The EU promoting Human Rights and Environmental Due Diligence (HERDD) in and outside of Europe

The framework helps businesses to identify, prevent, and mitigate human rights and environmental risks within their operations and supply chains.

The **UN's Guiding Principles on Business and Human Rights (UNGPs)** was adopted in 2011, address corporate abuse in relation to human rights

The principles consist of *three pillars*:

- The state's duty to protect rights
- The companies' responsibility to respect rights
- Provisions facilitating access to remedy for victims of corporate abuse.

The EU adopted **The Corporate Sustainability Due Diligence Directive 2024** mandates companies to prevent human rights and environmental harms

Which involves:

- ☐ Forced labour
- ☐ Unsafe working conditions
- ☐ Ecological harm

Largest Bangladeshi Garment Buyer Leads Sustainable Compliance

Initiative



H&M's **2030 goal** for **100%** sustainable materials aims to cut environmental impact in Bangladesh.



International Policies Promoting Circular Economy for RMG and Textile

The **European Union Circular Economy Action Plan (CEAP)**, updated in 2020, targets **sustainable products, consumer empowerment, and resource-intensive sectors**

Spain has adopted **policies promoting sustainability and circular economy**, **Spanish Strategy for Circular Economy: España Circular 2030** strategy approved in 2020

Germany is advancing toward **industrial circularity** through policies like the **National Circular Economy Strategy**

The **U.S.** has committed to initiatives like:

- **Circular Economy Incubator**
- **Circular Economy Mapping Week**
- **New York's Fashion Sustainability**
- **Social Accountability Act**

Promotes ethical and transparent fashion supply chains.

(Source: Alam et. al, INTERNATIONAL CIRCULAR ECONOMY POLICY TRENDS, Feb 2024)

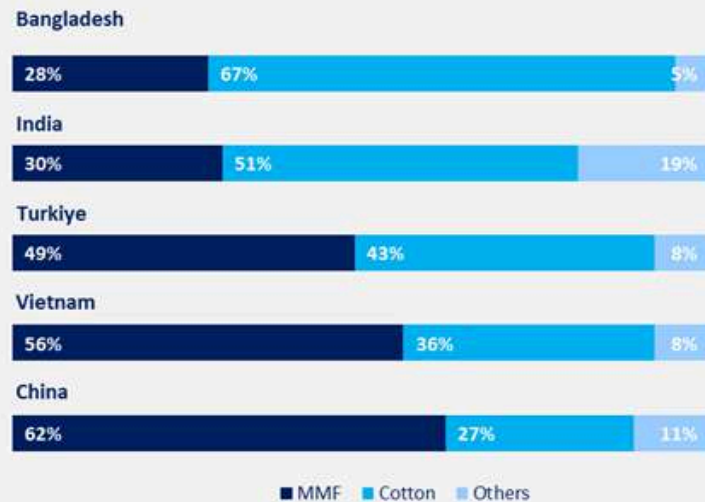
Bangladesh Lags Behind Incorporating MMF production

EU Policies Promoting MMF for RMG and

Textile

The EU's Textile Regulation (EU No 1007/2011) emphasizes marking requirements for textile products, including man-made fibers.

Fiber Mix of Top Apparel Exporting Nation (2022)



(BGMEA)

Bangladesh lags behind peers like India and Vietnam, which have achieved **30–56%** MMF integration, compared to Bangladesh's **28%**.



Limited Initiatives for MMF Transition



Current Constraints



Limited MMF export:

MMF is **70%** of the global apparel market, but only **28%** of Bangladesh's exports; **70%** remain cotton-based.



Reliance on Imported raw-materials

90% of the raw materials for Bangladesh's **25%** MMF-based exports are imported, primarily from China, Indonesia, and India.




Underinvestment in MMF Raw Materials:

Despite **70 %+** global MMF demand, Bangladesh invests little in local production.

(Source: Textile Today)

Technology in RMG in Bangladesh Falling Behind Key Competitors

Comparative Outlook of Global Level of Automation within the Production Process

Automation Level Across the Production Process	 China	 Vietnam	 Bangladesh	 India
Spinning				
Weaving and Knitting				
Dyeing and Printing				
Textile Finishing				
Fabric Inspection				
Spreading and Cutting				
Sewing				
Spot Cleaning and Washing				
Ironing				
Folding and Packing				

 Automated & 4IR Integrated Automated Semi-Automated Manual

Source: A comprehensive landscape study of the apparel industry and the future for women workers (BUNON)



PART III

High-potential Sectors for Export Diversification

High-potential Sectors for Export Diversification: Critical Enabler for Bangladesh's Growth



Agribusiness



70M+
Metric tons annual agri output

13%
CAGR in agro-sector performance

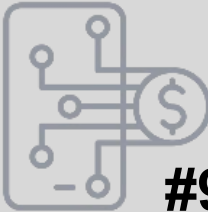
\$7.3B
Packaged food market

700
Items exported to 140+ countries

GLOBAL AGRO-LEADER

Ranks 2nd globally in jute, goat milk, and jackfruit, 3rd in rice and freshwater fish, and is a major exporter of shrimp, seafood, vegetables, dry food

Digital Economy



#9th
Globally in total mobile connections

\$2.1B
IT services market 2025

650K+
Registered freelancers

4.5k
IT & software companies

GLOBAL EXPORT EXPANSION

350+ Bangladeshi IT firms now export to 80+ countries. Key markets US, UK, Finland, Sweden, Denmark, Australia, Germany

Pharma & API



98%
Domestic medicinal demand met

\$6B
Pharma market size 2025

\$1.3B
Annual API import

150+
Export destinations

INFRASTRUCTURE DEVELOPMENT & API ACCELERATION

The 200-acre API Park established by BSCIC in Munshiganj is catalyzing domestic API production

Leather & Leather Products



8th
largest global footwear producer

3600+
footwear making units

10%
of global leather demand met

10.19%
YoY export growth in FY25


ROBUST DOMESTIC MARKET & PRODUCTION CAPACITY

The footwear industry comprises over 3,500 MSMEs and 90 large-scale firms, producing around 378 million pairs annually with 53% to 66% consumed locally

High-potential Sectors for Export Diversification: Critical Enabler for Bangladesh's Growth



Light Manufacturing



80k
Light Engineering Enterprises

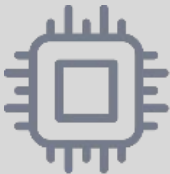
\$8.1B
Domestic demand

\$20B
Sectoral investment

\$12B+
Export target by 2030

SKILLED WORKFORCE
A dedicated talent pool of **1 million** skilled workers, representing 7% of the national workforce.

Semiconductor



\$1T
Global Market by 2033

\$8M+
Exports in 2024

20K+
Graduates in EEE & CSE

EXPORT TARGET
Association targets **\$1 billion** in semiconductor exports by 2030, up from \$8 million currently.

Plastics



\$3B
Domestic market

21%
Export growth in FY25

6000+
Factories

20%
Annual market growth

JOB CREATION & COST ADVANTAGE
1.5 million workforce & competitive average monthly wage of USD 66, the industry offers a compelling cost advantage.

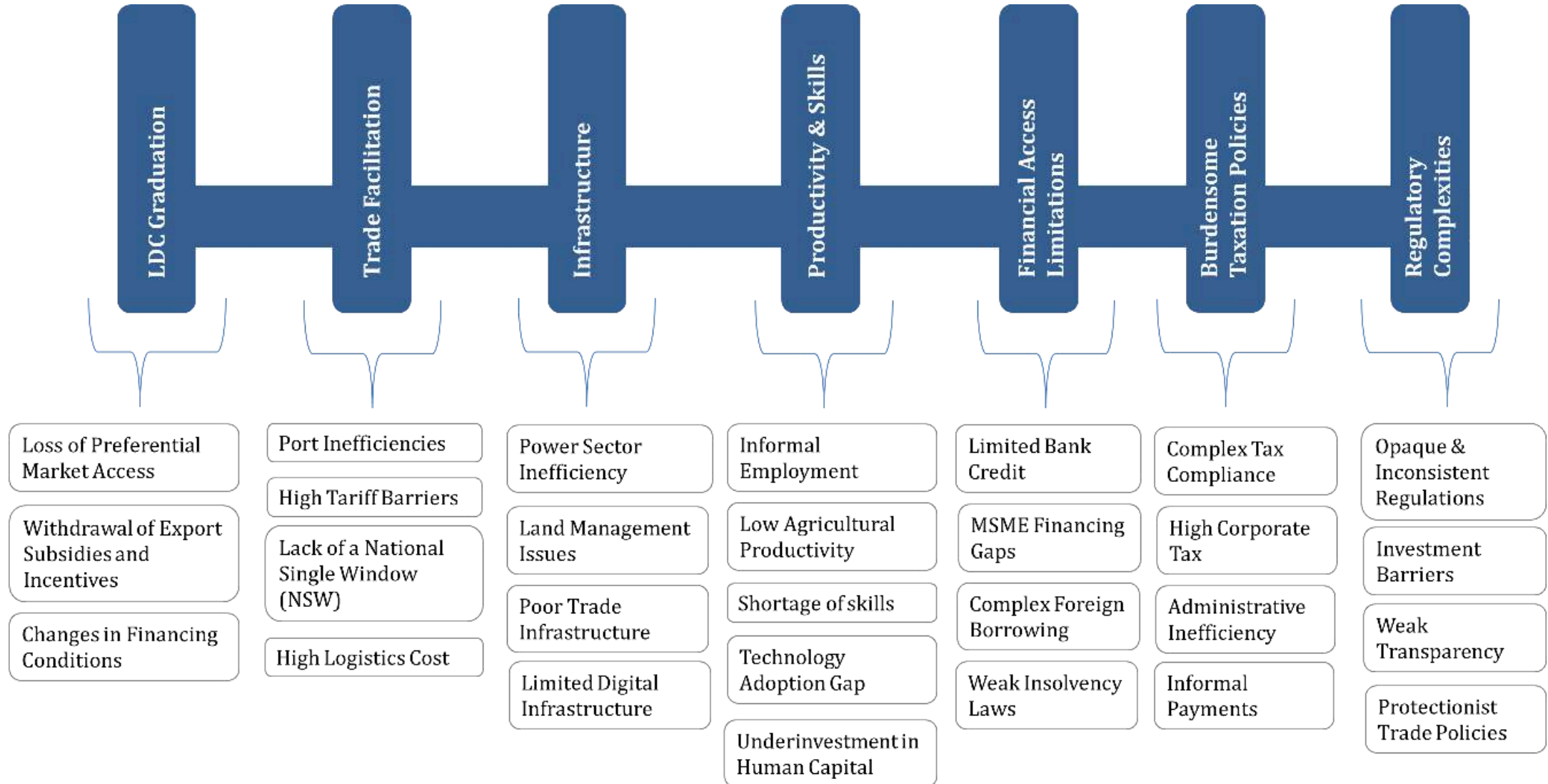
An aerial photograph of a large container ship sailing on a dark blue ocean. The ship's deck is covered with numerous colorful shipping containers in shades of red, blue, orange, and green. The ship's superstructure, including cranes and other equipment, is visible towards the stern. A semi-transparent text box with a dark blue background and light green border is positioned in the center-right of the image, containing the title and subtitle. The text is in a clean, sans-serif font.

PART IV

Key Constraints Bangladesh must Address for Better Trade

Bangladesh's Economic Landscape: Unpacking Structural Constraints and Systemic Challenges

Constraints Along the Bangladesh's Economic Space



Bangladesh Lags Behind Peers in Trade Capabilities

	India	Vietnam	Bangladesh
Logistics Performance Index (LPI) (Rank)	38	43	88
Trading Across Borders (Rank)	68	104	176
Agility Emerging Markets Logistics Index (2022) (Rank)	2	10	35
Container Port Performance Index (CPPI) 2023	Mundra: 27	Haiphong:70	Chittagong: 334
	Jawaharlal Nehru Port: 96		
	Chennai: 80		
Liner Shipping Connectivity Index (2021) (Index Value=100)	58.9	77.5	14.7
Trade Freedom 2024 (Rank)	139	24	138
Trade Openness 2023 (Rank)	127	13	146

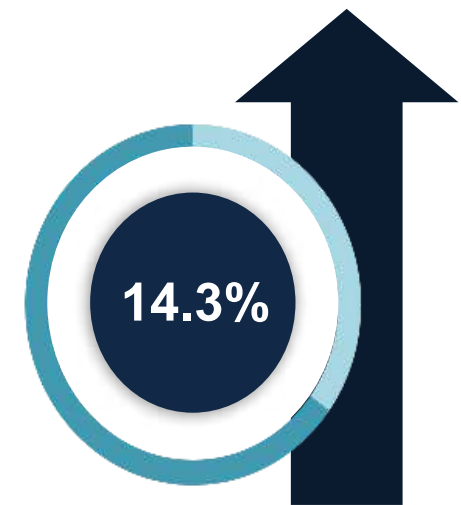
Upgrading Trade Facilitation Capabilities Will Enhance Integration with Global markets



Total Export Value of Vietnam (2024)

\$405.53 billion

Increase in Total Export Value Compared to 2023



Export Value of Textiles and Garments (2024)

\$37.04 billion

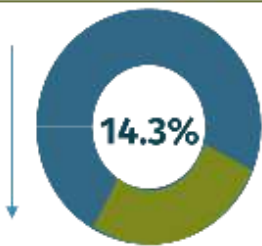
Increase in Total Export Value of Textiles and Garments Compared to 2023



The importance of Trade Facilitation has been acknowledged globally through the introduction of the **Trade Facilitation Agreement (TFA)** under the WTO framework

> Advantages of Implementing TFA (In Terms of Cost):

Expected **Average Reduction of Trade Costs** on Full Implementation of TFA



Expected **Boost in Global Trade**







Biggest Beneficiaries: **Poorest Countries**

Trade Facilitation Indicators Simulator

Information availability	1.45	1.667
Involvement of the trade community	1.286	1.429
Advance rulings	1.833	1.222
Appeal procedures	1.444	1.667
Fees and charges	1.455	1.846
Formalities - documents	0.778	1.444
Formalities - automation	0.455	1.231
Formalities - procedures	0.704	1.607
Internal border agency co-operation	0.636	1.455
External border agency co-operation	0.364	1
Governance and impartiality	1.125	1.778

Source: World Trade Organization, Vietnam Customs

Global Competitiveness Index (GCI) Ranking (1/3)

		Bangladesh	India	Viet Nam
	Infrastructure	114	70	77
	Institution	109	59	89
	Business Dynamism	121	69	89
	Product Market	119	101	79
Overall Score		105th	68th	67th

Skills and Technology Gaps Limit Productivity Gains

Productivity and Availability of Skills

Low Productivity & Skills Shortages

- Global Skills Ranking: 94/109 (Bangladesh), Vietnam 54, India 87.
- Female labor force participation: 35%.-

Global Skills Report 2024

Japan

Viet Nam

India

Bangladesh

Global Rank

2nd

54th

87th

94th

Regional Rank

1st

10th

17th

19th

Business: 96%

Technology: 99%

Data Science: 99%

Business: 58%

Technology: 58%

Data Science: 48%

Business: 11%

Technology: 33%

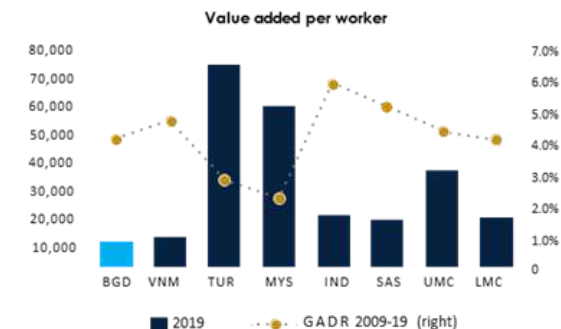
Data Science : 30%

Business: 22%

Technology: 12%

Data Science : 16%

LABOR PRODUCTIVITY GROWTH, BANGLADESH AND PEERS



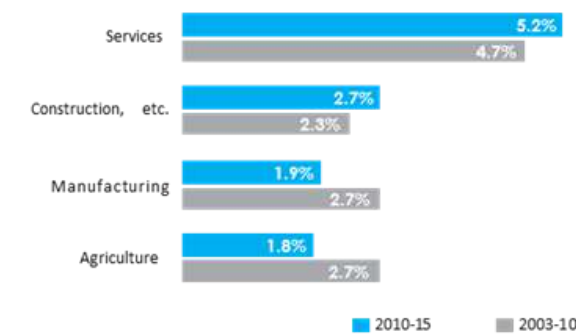
Source: World Development Indicators.

Note:

CAGR = compound annual growth rate.

Countries are BGD = Bangladesh; VNM = Vietnam; TUR = Turkey; MYS = Malaysia; IND = India;

ANNUAL PRODUCTIVITY GROWTH, BY SECTOR, 2003-16



Source: National accounts and Labor Force Surveys in Farole and others 2017.

Note: Productivity gap is calculated in taka per worker.

Global Innovation Index (GII) 2024-Ranking (2/3)

	Bangladesh	Cambodia	India	Viet Nam
Overall GII	106	103	39	44
Institutions	108	89	54	58
Human Capital and Research	128	111	51	73
Infrastructure	86	103	72	56
Market Sophistication	92	39	23	43
Business Sophistication	126	124	58	46
Knowledge and Technology Outputs	92	98	22	44
Creative Outputs	88	106	43	34



Frontier Technologies Readiness Index 2025-Ranking (3/3)

	Bangladesh	Cambodia	India	Viet Nam
ICT rank	140	118	99	81
Skills rank	132	143	113	120
R&D rank	61	106	3	51
Industry rank	108	67	10	23
Finance rank	90	6	70	15
Total Score	112 ↑	110 ↓	36 ↑	64 ↓





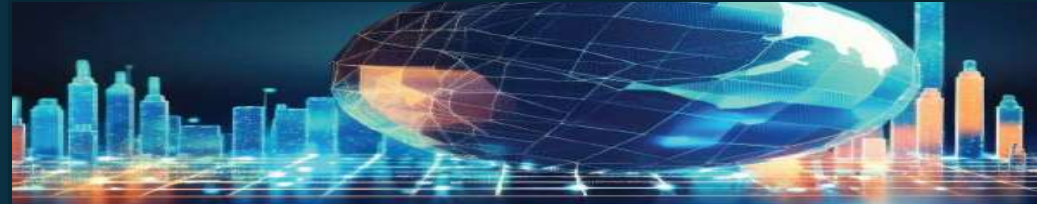
PART V

Priorities Going Forward

Preparing for the Shifting Trends in Global Trade and Investment: Strategic Considerations for Bangladesh



The Future of Global Competitiveness: Navigating Geopolitics and Regulation



Four scenarios for the future of competitiveness in 2030



Two Critical Drivers

1. Geopolitical Volatility – shaping trade, investment, alliances, and multilateralism
2. Regulatory Stringency – balancing growth, protection, innovation, consumer trust, and sustainability

Four Scenarios for 2030

1. Fortress Economics – High volatility + strict regulation → protectionism, fractured alliances, weaponized resources
2. Negotiated Order – Stability + strong regulation → predictable rules, long-term strategies, and regulatory arbitrage
3. Survival of the Fastest – Instability + weak regulation → volatile markets, fractured competition, “race to the bottom”
4. Fluid Order – Stability + light regulation → rapid innovation and open competition, but uneven benefits and eroded safeguards

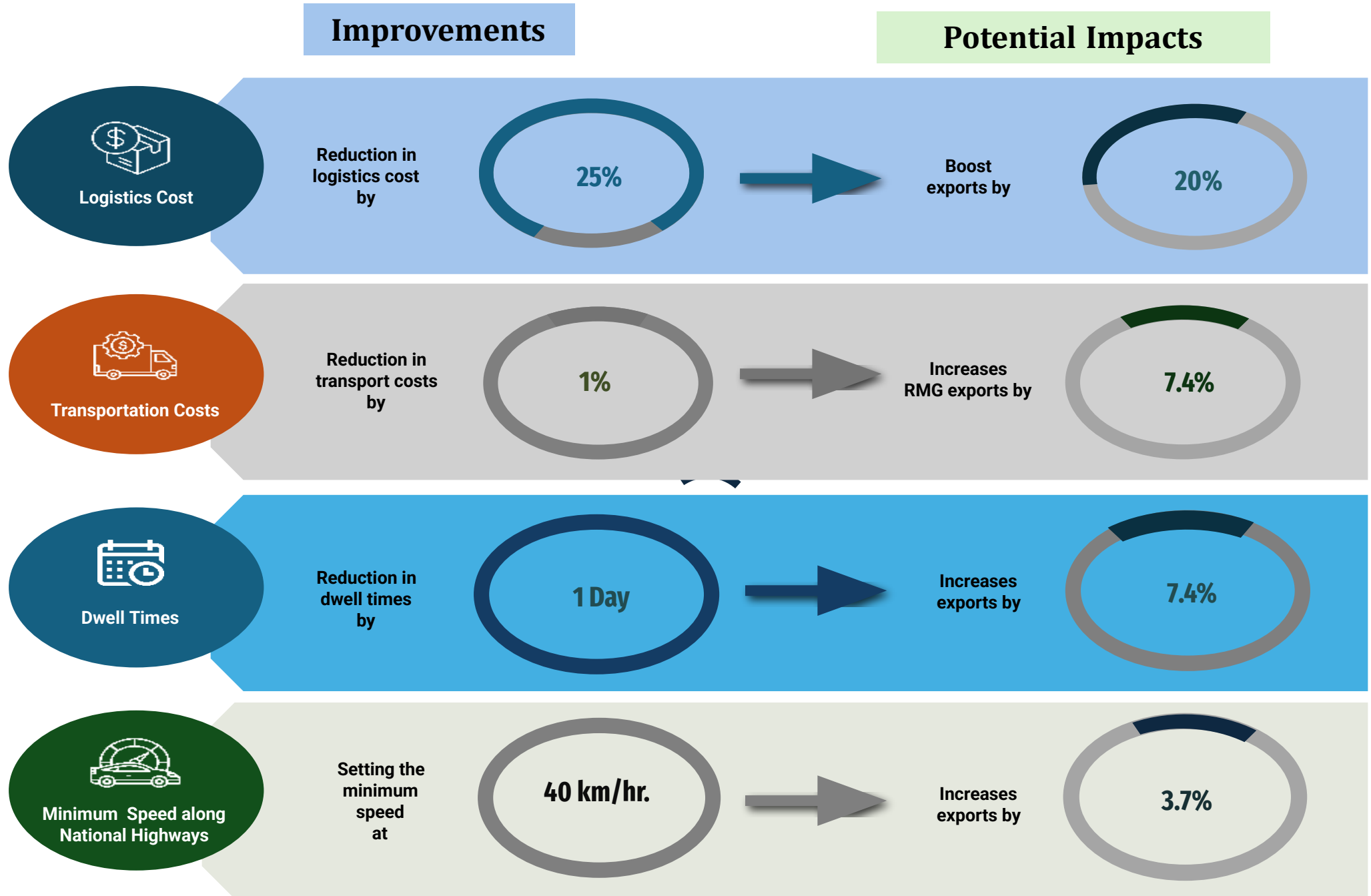
Thematic Area Specific Recommendation to Boost Competitiveness

Area	Key Recommendations
1. Strengthening Logistics Infrastructure and Connectivity	<ul style="list-style-type: none"> - Upgrade transport and logistics infrastructure to lower trade and production costs - Improve multimodal connectivity (road, rail, ports, and air) to reduce bottlenecks - Expand cold chain and warehousing capacity for agriculture and manufacturing exports. - Encourage PPPs and foreign investment to boost logistics efficiency - Develop skilled manpower to enhance logistics service quality
2. Develop Integrated Economic Corridors	<ul style="list-style-type: none"> - Establish well-coordinated economic corridors linking key industrial and trade hubs - Integrate physical, regulatory, and digital infrastructure to streamline trade - Facilitate regional connectivity and industrial clustering to promote balanced growth - Use corridor development to attract FDI and support diversification beyond RMG
3. Ensure a Controlled and Strategic Transition for LDC Graduation	<ul style="list-style-type: none"> - Fully implement the Smooth Transition Strategy (STS) to avoid post-graduation shocks - Negotiate favorable post-LDC trade arrangements with key partners (EU, China, etc.) - Pursue FTAs and strengthen trade negotiation capacity - Attract FDI to develop backward linkages and sustain export competitiveness - Maintain macroeconomic stability to ensure smooth structural transformation

Area Specific Recommendation to Boost Competitiveness in Bangladesh

Area	Key Recommendations
Skills	<ul style="list-style-type: none"> - Align training with global skills demand in AI, ICT, and green economy - Integrate green skills into vocational and technical training - Promote industry-integrated training models and apprenticeships - Strengthen international labour migration strategy with certification programs
Trade Facilitation	<ul style="list-style-type: none"> - Streamline customs and reduce informal payments through automation and oversight - Fully operationalize Bangladesh Single Window across agencies - Strengthen coordination among trade-related agencies via joint task forces - Modernize ports and logistics infrastructure (terminals, multimodal links) - Expand SME access to trade facilitation tools (AEO, OSS) - Conduct sector-specific risk assessments and mitigation strategies for export firms post-LDC graduation - Support market diversification and competitiveness programs - Provide guidance on post-LDC tariffs, trade rules, and regulatory changes
Technology Adoption	<ul style="list-style-type: none"> - Expand digital infrastructure (high-speed internet, reliable power) - Launch nationwide digital literacy and technical skills programs - Provide SME incentives and establish regional digital hubs - Promote e-commerce with targeted sector support - Enhance policy reforms and public-private collaboration for digital growth.

Potential Gains of Improving Logistics



Source: Dappe, M. H., Kunaka, C., Lebrand, M., & Weisskopf, N. (2020). *Moving Forward Connectivity and Logistics to Sustain Bangladesh's Success*. World Bank Group

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