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CONTENTS

Bangladesh experiences trade deficits since long. Though export is growing at a much faster rate than of import in a recent time, trade gap still widens. Ready made garments (RMG), main exportable, constitute 75% of our exports. The export performance of LDCs including Bangladesh depends on preferential margin, product coverage and rulers of origin under GSP schemes, which vary across countries. At present Bangladesh enjoys preferential market access under 17 GSP schemes. The GSP schemes offered two important benefits: (a) preferential market access in the ICDs; (b) enhanced market access in the form of increased quotas or quota/calling-free entry of products into domestic quota/calling-free markets of developed countries. These preferential market access schemes are necessarily subject to various rules of origin ((RoO)) which are specific to individual GSP schemes, and often vary between products within a single GSP Scheme. Export of knitwear with GSP schemes to EU has been increased to US $2.82 billion in 2007 experiencing much faster rate of 15.5 percent than that (6.7 percent) of woven garments export to EU with no GSP, which reached to US $1.49 billion in 2007. However, the growth rates of export of knitwear and woven garments with no preference to the USA are 8.9 percent and 7.4 percent during 2002-2007 respectively.

The article of this issue deals with testing purchasing power parity (PPP) in Bangladesh using a co-integration approach. Bangladesh abandoned fixed rate exchange rate regime in 2003 and made itself as a preliminary practitioner of monetary targeting. Prior to this, adjustments in exchange rate were made while keeping in view the trends of Real Effective Exchange Rate (REER) index based on a trade weighted basket of currencies of major trading partners of Bangladesh. The paper empirically examines the relationship between exchange rate movements and relative prices between Bangladesh and its two trading partners, USA and India. The findings suggest that PPP hold for Bangladeshi taka with US dollar during the study period, while it fails to explain the movement of nominal exchange rate and relative prices for Bangladesh and India. The second article reviews the export structure of Bangladesh and its behavior. The paper also evaluates the trade liberalization, especially after post MFA and analyzes its implication on export performance of Bagladesh. One of the main findings of the paper is that despite the good performance of overall exports, market and product concentration index are still very high implying that export sector may face a threat if any external shock occurs. Thus the paper suggests that product and market diversification be continuously pursued to avoid risk exposure of our exports. The third article investigates the dynamic relationship between foreign direct investment (FDI) and economic growth in Bangladesh employing con-integration analysis. The findings of the paper suggest that FDI has a positive impact on economic growth in the long fun only in Bangladesh, despite the fact that FDI flow as a percent of GDP turned out to be meager and not significant. However, the appropriate types and direction of FDI according to our needs have to be chosen if we have to realize the positive impact of FDI upon economic growth.

Last but not the least, building capacities of trade supporting institutions, good governance, appropriate investment regime, improved law and order condition, developed port and road networks, improved railways and telecommunication facilities, removal of shortage of power and exploration of gas and other natural resources for its effective utilization etc. are indeed crucial to esure the increased flow of export and FDI and thereby enables us to achieve economic growth.

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Editor

30 June 2006