

Economic Development and Bilateral Trade Cooperation: Prospects for a Bangladesh- Malaysia Free Trade Agreement

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Abstract

Free Trade Agreement, FTA, has been considered a critical factor in economic development. Using 'Free trade' prudently, a country can boost its growth and involving trading partners can have absolute gains from it, prominent economists suggest. However, all is not well in free trade because of the nature of free trade, and it may, in some cases, be harmful to a country to grow her domestic infant industries. Looking at the bilateral trade between Bangladesh and Malaysia, it is seen that trade is disproportionately imbalanced and in favour of Malaysia. For years, Bangladesh's trade deficit with Malaysia has been growing. According to recent statistics, Malaysian export to Bangladesh is about \$2 billion, while imports are only \$140 million. Bangladesh is trying to reduce the persistent trade gap and has taken initiatives. One of the initiatives is to start negotiations with Malaysia to establish FTA. The exponents of the FTA expect that Bangladesh can be benefitted from the proposed FTA by tripling her export to Malaysia and may attract larger doses of investment from Malaysia.

Moreover, Bangladesh can be more competitive in the Malaysian market with the exporters of India and Pakistan, enjoying duty-free access to Malaysia because of the bilateral FTA. This paper examines the recent trends and prospects of trade relations between Bangladesh and Malaysia. It assesses the possibility of FTA bilaterally that can create a win-win situation for both countries.

Keywords *Free Trade Agreement (FTA) · Trade relations. Bangladesh · Malaysia ·*

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1. Introduction

Economic development, social development and environmental protection are interdependent and mutually reinforcing components of sustainable development, and economic partnership can play an important role in promoting sustainable development. Bilateral trade cooperation is the harmonious development of the economic relations between the parties through the liberalization and facilitation of trade, investment, and cooperation. It gradually eliminates difficulties and restrictions on trade in goods and services, promotes the expansion of reciprocal trade, provides fair conditions of competition in trade, removes trade barriers, creates conditions for further encouragement of investments, and promotes trade and cooperation between the Parties in third-country market. Thus, it can accelerate economic development by raising the living standard of the two countries' populations.

Bilateral trade with Malaysia is of great importance to Bangladesh, as Norlin Binti Othman, High Commissioner of Malaysia, in her National Day Message 2012. She mentioned, "the bilateral relations between Malaysia and Bangladesh in all areas of cooperation have always been warm and close since the establishment of diplomatic relations in 1972" (31 August 2012, *The Financial Express*). 'Two brotherly countries,' as coined by Norlin, can continue to grow their relationship and friendship with the constant expansion of the bilateral trade and investment, she expects.

Prominent trade experts and economists suggest that the bilateral trade relations between Malaysia and Bangladesh are desirable for mutual benefits. Being an open economy, trade plays a very significant role and is a crucial driver for economic growth in Malaysia. So, being a natural resource-rich country with a diversified production structure, Malaysia can offer enormous opportunities to Bangladesh. Malaysia could become a large market for Bangladesh's exports by expanding the demand for Bangladeshi products. On the other hand, Bangladesh can import from Malaysia at lower transportation costs as both countries share a sea route. Therefore, expanding trade between the two countries is easily understood and hardly needs any renewed emphasis. There are many areas of cooperation. Bangladesh can cooperate with Malaysia in (a) trade and investment promotion; (b) small and medium enterprises; (c) agriculture, forestry and fisheries; (d) tourism; (e) education and human resource development; (f) information and communications technology (ICT); (g) science and technology; (h) environment; and (i) intellectual property.

In recent years, the issue of establishing a bilateral FTA between Bangladesh and Malaysia has become popular and widely discussed and debated among the policymakers and politicians of both countries. This paper aims to study the prospects for a Bangladesh- Malaysia Free Trade Agreement and provides a framework for cooperation to (a) diversify economic relations between the Parties; (b) strengthen the economic competitiveness of the Parties; (c) advance human

resource development in the Parties; (d) promote sustainable development in the Parties, and (e) improve the overall well-being of the peoples of both Parties.

The rest of the paper is as follows; Section 2 outlines the trend and pattern of Bangladesh's trade with Malaysia. Section 3 identifies the causes of the prevailing trade imbalance with Malaysia. Section 4 examines the prospects for a bilateral FTA between the two countries. Finally, Section 5 summarises the paper's significant conclusions and presents some tentative recommendations.

2. Trends in Bangladesh-Malaysia Trade

2.1 Exports, Imports and Trade Balance

Trade between Bangladesh and Malaysia has been highly uneven and disproportionately imbalanced. Trade liberalization carried out by these two countries in recent years produced a one-sided effect on their trade flows. Bangladesh's imports from Malaysia registered a phenomenal increase, as a result of which Malaysia is now at number seven among the top twenty countries based on import payments of Bangladesh, according to Bangladesh Bank statistics. In FY2018-19, about 2.9 per cent of Bangladesh's imports were obtained from Malaysia.

Imports from Malaysia registered constant increase – to \$ 1,766.44 million in FY2010-11 from \$ 691.59 million in FY2008-09 and then decline to \$ 1,399.35 million in FY 2011-12 and increase to \$ 1,902.1 million in FY 2012-13. Thus, an average annual compound growth rate of nearly 35 per cent between FY08-FY12 is observed. The imports from Malaysia declined again and reached \$ 1,496 million in FY2018-19, and the growth of imports also declined (4.68 per cent) on the average annual compound rate between FY12-FY18.

On the other hand, the picture of exports to Malaysia is mixed. Exports to Malaysia registered a constant increase – to \$ 61.98 million in FY2009-10 from \$ 11.79 million in FY2005-06 before declining to \$ 43.87 million in FY2010-11. However, exports to Malaysia again increased to \$101.11 million in FY2012-13 and reached \$ 277.22 in FY2018-19. It can be seen in Table 1 that In FY2018-19, exports to Malaysia were just 0.68 per cent of Bangladesh's total exports, whereas Bangladesh obtained 2.37 per cent of its imports from Malaysia in that year. It is also worth noting that Bangladesh's trade deficit with Malaysia in FY2018-19 was 5.45 per cent of its total deficit, one of the highest countries.

Table 1: Bangladesh's Bilateral Trade with Malaysia (Million the US \$)

	2008-09	2009-10	2010-11	2011-12	2012-13	Growth Rate*	2018-19	Growth Rate**
Total Exports	16,183.80	17,300.36	18,348.86	24,605.02	25,988.15	12.12	40,535.04	9.29
Total Imports	22,876.96	23,645.00	24,938.34	33,962.72	36,026.50	11.50	62,884.00	11.78
Overall Deficit	6,693.16	6,344.64	6,589.48	9,357.7	10,038.35	10.0	22,348.96	17.36
Exports to Malaysia	31.28	61.98	43.87	56.12	100.11	44.01	277.22	22.59
Imports from Malaysia	691.59	1,232.07	1,766.44	1,399.35	1,902.1	35.01	1,496.0	-4.68
Deficit with Malaysia	660.31	1,170.09	1,722.57	1,343.23	1,801.99	34.58	1,218.78	-7.52
Trade Ratio	1:22.11	1:19.87	1:40.26	1:24.93	1:19		1:5.40	-
Export to Malaysia as % of Imports from Malaysia	4.52	5.03	2.48	4.01	5.26		18.53	-
Exports to Malaysia as % of BD's Total Exports	0.19	0.36	0.24	0.23	0.39		0.68	-
Import from Malaysia as % of Total Import	3.02	5.21	7.08	4.12	5.28		2.37	-
Deficit with Malaysia as % of Total Deficit	9.87	18.44	26.14	14.35	17.95		5.45	-

Note: *Average annual compound growth rate between FY08-FY12, based on end-year values.

** Average annual compound growth rate between FY12-FY18, based on end-year values.

Source: Bangladesh Export Promotion Bureau, *Export Statistics, various issues*; Bangladesh Bank, *Annual Import Payments, various issues*; Statistical, Economic and Social Research and Training Centre for Islamic Countries (SESERIC), *Basic Social and Economic Indicators Database*.

2.2 Commodity Pattern of Malaysia-Bangladesh Trade

Table 2 presents the commodity composition of Bangladesh's imports from Malaysia in FY2017-18 and FY2018-19. The five major product categories of imports in FY2018-19 -where nearly 80 per cent of total imports are concentrated-being: 1. Mineral fuels, mineral oils and products of their distillation are bituminous substances; mineral waxes. 2. Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes. 3. Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof. 4. Plastics and articles thereof, and 5. Salt; sulphur; earth and stone; plastering materials, lime and cement. Other minor import items are Electrical machinery and equipment and parts thereof; Organic chemicals; Aluminium and Articles Thereof; Rubber and articles thereof; Miscellaneous chemical products; and Cotton.

Table 2: Commodity Composition of Bangladesh's Imports from Malaysia (Fiscal year 2017-18—2018-19)

HS Section and Commodity Groups	(Million US\$)				
	Fiscal 2018-19		Fiscal 2017-18		Annual Growth Rate
	Values	%	Values	%	%
Grand Total	1496.0	100	1410.1	100	6.09
1. Mineral fuels, mineral oils and products of their distillation bituminous substances; mineral waxes	766.7	51.2	644.4	45.7	18.97
2. Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes	143.5	9.6	212.3	15.1	-32.4
3. Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	100.5	6.7	124.2	8.8	-19
4. Plastics and articles thereof	90.6	6.1	90.6	6.4	0
5. Salt; Sulphur; earth and stone; plastering materials, lime and cement	59.8	4.0	36.2	2.6	65.19
6. Iron and Steel	46.9	3.1	39.2	2.8	19.64
7. Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers and parts and accessories of such articles	34.7	2.3	19.9	1.4	74.37
8. Organic chemicals	33.7	2.2	43.4	3.1	-22.35
9. Aluminium and Articles Thereof	28.25	1.9	24.68	1.8	14.46
10. Rubber and articles thereof	25.3	1.7	25.7	1.8	-1.55
11. Miscellaneous chemical products	21.7	1.5	19.9	1.4	9.04
12. Cotton	16.4	1.1	19.2	1.4	-14.58
13. Others	128.1	8.6	110.6	7.7	15.82

Source: Statistics Department, Bangladesh Bank.

Table 3 shows the commodity composition of Bangladesh's exports to Malaysia, which are highly concentrated in a few items. The top five products accounted for 91.87 and 88.19% of the country's total exports in FY2017-18 and FY2018-19, respectively. These are 61: Articles of apparel and clothing accessories, knitted or crocheted; 62: Articles of apparel and clothing accessories, not knitted or crocheted; 19: Preparations of cereals, flour, starch or milk; pastry cooks' products; 20: Preparation of vegetables, fruit, nuts or other parts of plants; and 07: Edible vegetables and certain root and tubers.

Table 3: Commodity Composition of Bangladesh's Exports to Malaysia, Fiscal year 2017-18 — 2018-19

(Million US\$)					
HS Section and Commodity Groups	Fiscal 2018-19		Fiscal 2017-18		Annual Growth Rate
	Values	%	Values	%	%
Grand Total	277.22	100	232.42	100	
1 61: Articles of apparel and clothing accessories, knitted or crocheted	113.48	40.93	99.48	42.80	14.07
2 62: Articles of apparel and clothing accessories, not knitted or crocheted	65.32	23.56	61.74	26.56	5.79
3 19: Preparations of cereals, flour, starch or milk; pastry cooks' products	32.08	11.57	28.26	12.15	13.51
4 20: Preparation of vegetables, fruit, nuts or other parts of plants	17.02	6.13	14.54	6.25	17.05
5 07: Edible vegetables and certain root and tubers	16.64	6.00	9.55	4.11	74.24
6 27: Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	5.14	1.85	-	-	-
7 22: Beverages, spirits and vinegar	4.07	1.46	3.08	1.32	32.14
8 09: Coffee, tea, mate and spices	2.27	0.82	2.26	0.97	0.44
9 64: Footwear, gaiters and the like; parts of such articles	2.19	0.79	1.70	0.73	28.82
10 Others	18.97	6.85	11.76	5.06	61.30

Source: Bangladesh Export Promotion Bureau. Export Statistics, relevant issues.

A few other minor items of export are 27: Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes; 22: Beverages, spirits and vinegar; 09: Coffee, tea, mate and spices; 64: Footwear, gaiters and the like; parts of such articles. Together, these items account for another 10% -12% of the country's exports to Malaysia. The small volume of the country's exports mainly reflects a narrow industrial base and the Bangladesh exporters' inability to enter the Malaysian market because of high tariff and non-tariff barriers. As pointed out by a chamber leader, poor marketing and lack of knowledge of the export potential are reasons for failing to grab the potential Malaysian market. (10 July 2012, the Financial Express).

3. Causes of Bilateral Trade Deficit with Malaysia

Bangladesh's growing trade gap with Malaysia has become a matter of concern among policymakers, and there are many reasons behind it. Discussing in detail all the reasons is out of the scope of this paper, and it requires a separate in-depth study. However, some potent reasons are discussed in the following.

3.1 Tariff Barriers

In 2010, Malaysia agreed to grant Bangladesh's 19 exportable items duty-free access to its market, provided that Bangladesh agreed to begin negotiations on a mutual free trade agreement. Then in 2011, the Malaysian government offered a duty-free export facility for 300 Bangladeshi products, including main export earning apparel. Major products on the list of 300 include apparel, handbags, shoes, shampoos, suits, children's apparel, wallets, hair colourants, golf balls, imitation jewellery, talcum powder, curtains, tablecloths, blankets, bed sheets, shirts, undergarments, lingerie, nightwear, perfumes and mosquito nettings. (14 June 2011, the Daily Star). However, these offers could not significantly reduce the bilateral trade gap that heavily favours Malaysia. Hence, Commerce Minister Tofail Ahmed has recently sought duty-free market access of all Bangladeshi products to the Malaysian market so that the trade ties between the two countries can reach a newer height in the coming days. (15 October 2015, the daily sun).

Because of the country's backward and undiversified industrial base, Bangladesh can offer only simple consumer goods like garments, hosiery products, knitwear, leather shoes, fruit juices, jams and pickles, and fish and fish products for the Malaysian market. These products attract much higher import duty rates in Malaysia than intermediate and capital goods.

In addition to the basic customs duty, several para-tariff measures apply to all products imported into Malaysia.

3.2 Non-Tariff Barriers

Non-tariff barriers (NTBs) significantly impede Bangladesh's exports to Malaysia. It is difficult to make an exhaustive list of NTBs as they vary from consignment to consignment. Most NTBs are non-transparent and hence are difficult to identify. Some are state-mandated impositions or requirements, while others are sheer bureaucratic interference. In his paper entitled "*Bangladesh-India Trade Relations: Prospects of a Bilateral FTA*", one of the prominent trade experts of Bangladesh, Professor Ayubur Rahman Bhuyan (2010), has discussed the most commonly used NTBs, which are: 1. Dispute over Classification of Goods for Customs Purposes; 2. Requirement of Chemical Tests; 3. Customs Valuation; 4. Arbitrary Imposition of Tariff Values; 5. Health and Quality Standards; 6. Permits and Licenses; 7. Condition for obtaining ISI Certificate; 8. The requirement to collect Health Certificate; 9. Technical Standards; and 10. Labelling and Marking Provision. The authors found that most of these NTBs are present as a barrier in the case of Malaysia-Bangladesh relations. Bangladesh exporters have found it challenging to overcome these barriers and export their merchandise to the Malaysian market. The more positive action in the form of withdrawal of tariff and non-tariff barriers by Malaysia from all products across the board would be needed to achieve any meaningful increase in exports to that country.

3.3 Weak Production Structure

The root cause of Bangladesh's trade imbalance with Malaysia is the country's narrow production base in exports and import substitutes. The country's industrial sector being in a rudimentary stage of development, it cannot meet the growing demand of the domestic market. The result is the country's acute dependence on imported supplies. Export production in Bangladesh is also narrowly based and undiversified. Most of the products that Bangladesh can export to Malaysia are the ones Malaysia itself produces and exports.

3.4 Uneven Competition

Bangladeshi exporters are also facing uneven competition with the exporters of India and Pakistan. They enjoy duty-free access to Malaysia due to a bilateral FTA with Malaysia (9 September 2013, the daily Dhaka Tribune).

4. Prospects for a Bilateral Free Trade Agreement with Malaysia

This section has two sub-sections. The former deals with the prospects of FTA and the opinion and initiatives of various stakeholders, while the latter discusses the likely impact of this proposed bilateral FTA on Bangladesh's economy.

4.1 Prospects and Initiatives for FTA

FTAs are legally binding trade agreements between two or more countries. FTAs partner countries provide each other favourable treatment on trade and investment, provision of trade facilitation, and economic and technical cooperation. (MATRADE, 2010). The FTA signing with Malaysia was mooted in 2004 following the growing ties between Kuala Lumpur and Dhaka and expanding trade relations between the two friendly nations, with the trade balance heavily in Malaysia's favour. The FTA's prime objective is to trim the trade imbalance against Bangladesh in the two-way trade between the two countries. A report published in Bernama on 4 June 2012 illustrates that In 2010, the International Trade and Industry Minister of Malaysia, Datuk Seri Mustapa Mohamed and the then Bangladesh Minister of Commerce, Muhammad Faruk Khan, had verbally agreed for the talks to commence. It took nearly two years to work on the proposal. Bangladesh presented it to the Malaysian government in 2012 after a study was conducted by the Bangladesh Tariff Commission (BTC) and the National Board of Revenue (NBR). Many Malaysian companies have shown keen interest in participating in infrastructure projects in Bangladesh in areas like power generation, sea-port development, waste disposal system, construction of roads and highways, and services sectors such as education and healthcare, the source said.

Bangladesh-Malaysia Chamber of Commerce and Industry (BMCCI) was established in 2002 as a non-profit, service-oriented organization and has played a vital role in enhancing bilateral relations. BMCCI has been working with a mission to foster strategic capabilities among the business communities through different

sources like organizing business forums, trade fairs, and exchange of business delegations leading to boosting trade and investment between Bangladesh and Malaysia. (15 September 2015; the Financial Express). In 2004, former prime minister and the architect of modern Malaysia Tun Mahathir bin Mohamad visited Bangladesh being invited by BMCCI, and his visit drew enormous attention among the people of Bangladesh and especially to the business community, said Syed Moazzam Hossain in a television interview (ETV, 7 October 2015). One of the major initiatives to promote close-knit trade relationships between the countries that BMCCI is taking is to organize “Showcase Malaysia” in Dhaka and “Showcase Bangladesh” in Kuala Lumpur. From Brochure 2015 published by BMCCI, it is seen that “Showcase Malaysia” was held in 2008, 2011, 2013 & 2015 in Dhaka, while “Showcase Bangladesh” was held in 2010, 2012 & 2014 in Kuala Lumpur.

Trade experts forecast that trade relations with Malaysia in the form of FTA can benefit both countries. From Bangladesh’s point of view, the objective of the agreement should be to obtain duty-free access for its products to the Malaysian market, hoping that it will have a favourable impact on Bangladesh’s exports, just as the Malaysia-Sri Lanka FTA has led to a significant expansion of Sri Lanka’s exports to Malaysia. A similar result could be expected from an FTA between Malaysia and Bangladesh. A bilateral trade agreement would also be in Malaysia’s economic interest. The Malaysian economy will derive dynamic benefits, for example, increased efficiency in economic activities. Malaysia’s exports to Bangladesh would also experience a further increase because greater access to the Malaysian market should raise Bangladesh’s capacity to import. Consequently, the volume of Bangladesh’s essential imports from Malaysia would increase, too.

At the country level, Malaysian Prime Minister Najib Razak paid an official visit to Bangladesh on 17 November 2013, and Bangladesh Prime Minister Sheikh Hasina visited Malaysia on 2 December 2014. In both meetings, the two leaders discuss how to reduce the bilateral trade gap and establish an FTA between Bangladesh and Malaysia.

4.2 Likely Impact of the FTA on Bangladesh economy

The likely impact of this proposed bilateral FTA on Bangladesh’s economy is discussed in the following:

4.2.1 Reducing the Trade Deficit by increasing Exports

Maintaining healthy trade relations with Malaysia is incredibly important for Bangladesh to reduce the existing trade deficit as much as possible. The most sensible option for Bangladesh to reduce the bilateral trade deficit should be to raise its exports to Malaysia. For that to happen, it would be necessary on the part of Malaysia to grant entirely free access to substantially all of Bangladesh’s exports. Many consumer items and readymade garments have proven in demand in Malaysia and could be exported if restrictions on their import were removed.

In this context, Malaysia, the larger and relatively more developed trading partner, is responsible for initiating moves to meet better trade terms with Bangladesh so that the latter's exports can easily access Malaysia's domestic market. Given the large size of the Malaysian economy in terms of natural resources, geographical area, and the level of industrial development relative to Bangladesh, unilateral concessions offered to Bangladesh would hardly have any adverse effect on the Malaysian economy. On the contrary, this goodwill gesture would improve mutual trade relations and gain both countries.

4.2.2 Effects on Imports from Malaysia

Increased imports would have significant welfare consequences for Bangladesh. One immediate consequence would be the lost government revenue because the protective tariffs would no longer apply to Malaysia's imports. As against the adverse effects of FTA, increased imports from Malaysia will significantly benefit the Bangladesh economy. The bulk of Bangladesh imports from Malaysia is from essential raw materials and intermediate inputs used in industrial production. The FTA will contribute to the expansion of the country's manufacturing industries. Duty-free or low-duty imports will bring down production costs, and the user industries will become competitive in domestic and international markets. Second, while revenue from import duty will decline, increased production in the manufacturing sector will generate more government revenue through VAT and excise duty, which may outweigh the lost revenues from import duty. Third, increased import competition will spur domestic industries' efficiency, which will be forced to raise efficiency and productivity to remain competitive or go out of business. However, to protect critical local industries from severe injury or threat of serious injury, the provision of safeguard measures will need to be incorporated into the FTA treaty.

4.2.3 Effect on Investment

The FTA will likely encourage investment and joint ventures by Malaysian entrepreneurs in Bangladesh. For example, the Malaysia- Pakistan FTA has unleashed a trend of increased Malaysian investment in Pakistan. The Malaysian companies in Pakistan are involved in the oil & gas exploration projects, power plant projects, telecommunications networks, information technology, construction of low-income housing, infrastructure development/road construction, port development, coastal plantation, crop cultivation for export, textile industry, water supply for urban centres, coal mining, pollution control, "Halal" meat industry, and gems & jewellery. (Paracha & Manzoor; undated). Another good example, Malaysia is performing very well in the halal industry. Especially, halal certification endorsement by the Malaysian government has allowed Malaysian companies in the halal food industry to compete well in the Japanese market.

Malaysia is going to establish a halal park in Japan. (2 August 2012, Bernama). To conclude, an FTA may spur Malaysian investment in Bangladesh, as the experience of Pakistan and Japan indicates.

4.2.4 Advantages of FTA with Malaysia

Some of the advantages of FTA with Malaysia are discussed in the following:

1. **Generating Employment:** Major imports of Bangladesh from Malaysia are raw materials or semi-finished goods, most of which go directly into export production. FTA will help create more manufacturing activity in Bangladesh and generate additional employment. Another direct way to generate employment is to export manpower from Bangladesh to Malaysia. So far, more than half-a-million Bangladeshis have been working in Malaysia. In most cases, being unskilled, they work in 3D jobs (Dirty, Dangerous and Difficult), i.e., plantation and construction. The proposed FTA might open the door of opportunities for Bangladesh to export skilled manpower, i.e. doctors and engineers, to Malaysia.
2. **Making Bangladeshi manufacturers truly competitive:** Duty-free import of raw materials and semi-finished goods will bring down production costs, and manufacturing industries will thrive and become globally competitive. In the event of FTA, Bangladeshi manufacturers can import raw materials and semi-finished goods from Malaysia at a price, in most cases, that would be lower than the procurement price of a Malaysian manufacturer. This advantage could make Bangladeshi manufacturers competitive, especially in labour-intensive industries. It is the primary reason Bangladesh's RMG sector could remain competitive vis-à-vis its Malaysian counterpart.
3. **Expanding Bangladesh's export basket:** The FTA will help expand Bangladesh's export basket, which is heavily anchored around apparel and clothing. With the generation of more manufacturing activity, the share of industrial production in GDP will go up and correspondingly, the level of employment will increase.
4. **Cooperation in tourism:** Malaysia is one of the top ten countries in the world and 1st in Southeast Asia for tourist arrivals. In 2013, Malaysia recorded 25,715,000 tourist arrivals (World Bank). On the other hand, despite many attractive tourist destinations, Bangladesh's arrivals were 1,48,000. This picture shows many lessons from Malaysia to attract tourists to Bangladesh. Hence, the proposed FTA may be a path of cooperation in tourism.
5. **Concluding Remarks and Policy Recommendations**

Because of low and stagnant exports and fast-growing imports, Bangladesh's trade deficit with Malaysia has steadily increased over the past decade. While Bangladesh has been able to obtain a significant part of its essential

development imports from Malaysia at a lower cost, which has contributed to the country's industrial growth and exports to other parts of the world, the persistent increase in the country's trade deficit has raised demands for taking appropriate action to reduce the deficit. Inadequate market access opportunity for Bangladesh's exports to Malaysia is blamed as a significant cause of the deficit. However, the more important reasons are the country's narrow export base and inability to produce many of the goods in demand in Malaysia. This paper recommends the conclusion of signing a bilateral FTA with Malaysia to reduce the trade gap. Other specific policy recommendations are as follows:

1. **Providing for Negative List.** The Agreement may also provide for Negative Lists of products, which the two countries may consider most sensitive. However, these lists should be kept as short as possible, and products of export interest to Bangladesh should not appear in Malaysia's Negative List.
2. **Dismantling of NTBs and Para-Tariffs.** All non-tariff and para-tariff barriers mentioned in this paper should be removed along with phasing out tariffs.
3. **Safeguarding Provisions.** The FTA should include a provision offering Bangladesh the right to impose non-tariff restrictions on Malaysia's exports if that would appear necessary to protect its nascent infant industries.
4. **Expanding Production Base and Building Export Capacity.** To harness the potential arising out of the FTA, there is a tremendous need to build the country's export capacity for various products. For Bangladesh to increase its bilateral exports, this proposed FTA can have the provision that Malaysia shall extend non-reciprocal duty-free access to Bangladesh's exports on an across-the-board basis. The objective should be to enhance Bangladesh's exports to Malaysia.
5. **Attracting large investors of Malaysia to invest more in Bangladesh infrastructure.** Bangladesh's primary target should be attracting large investors from Malaysia to invest more in Bangladesh's infrastructure rather than industries. We do not have proper roads, power and ports, so these are opportunities for foreign investors. Local entrepreneurs now can invest in several million-dollar industries but cannot afford to invest in a multi-billion-dollar infrastructure project.

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