

Bilateral trade and investment between Bangladesh and the UAE: prospects & existing challenges

The bilateral relationship between Bangladesh and the United Arab Emirates (UAE) has evolved into a dynamic partnership characterized by robust trade and investment flows. As Bangladesh continues to experience rapid economic growth and the UAE positions itself as a global business hub, the potential for collaboration between the two nations has never been more promising. The UAE is the Second-largest economy in the GCC zone and Bangladesh's Fifth-largest foreign investor country. As of September 2022, 529.74 million USD has been invested in different sectors like textiles, banking, ceramic, chemicals, Pharmaceuticals and infrastructural sectors (source: Bangladesh Bank). There is enormous scope for more bilateral trade and commerce engagements between the two countries. Bangladesh and the UAE have maintained a bilateral historical relationship since 1974. The two countries are celebrating 50 years of Diplomatic ties this year. This article explores the evolving economic relations between Bangladesh and the United Arab Emirates, highlighting opportunities for further collaboration and the future trajectory of their promising bilateral relationship. It will begin by presenting key statistics on Bangladesh's exports to the UAE. It will then analyse how bilateral trade has developed over the past five decades, focusing on sector-wise exports. The paper will conclude with an overview of the current situation and provide recommendations for strengthening this partnership.

To start with, the Export statistics from Bangladesh to the UAE during the last twelve years are as below: (Source: Export Promotion Bureau (EPB) and Bangladesh Bank)

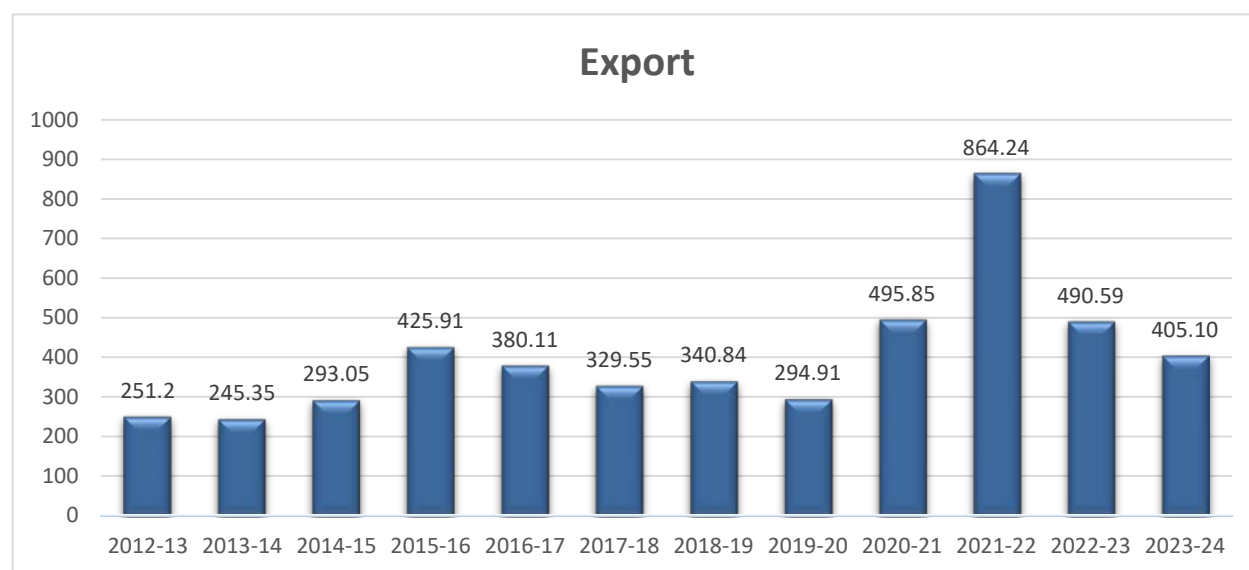


Figure 1: Export statistics from 2012 to 2024

Bilateral Trade

The trade relationship between Bangladesh and the UAE has seen significant evolution over the years, marked by a diverse range of exports and imports. Bangladesh's major exports to the UAE include woven garments, knitwear, home textiles, and agricultural products such as vegetables, fruits, and fish, while the UAE primarily exports petroleum products, minerals, gravel and crushed stones, limestone, gold, fertilizer, iron and steel and industrial raw materials to Bangladesh. Despite a gradual increase in bilateral trade that peaked in 2021-2022, recent trends show a decline, with trade volume reaching approximately 1.7 billion USD in 2023-2024 (see Figure 2).

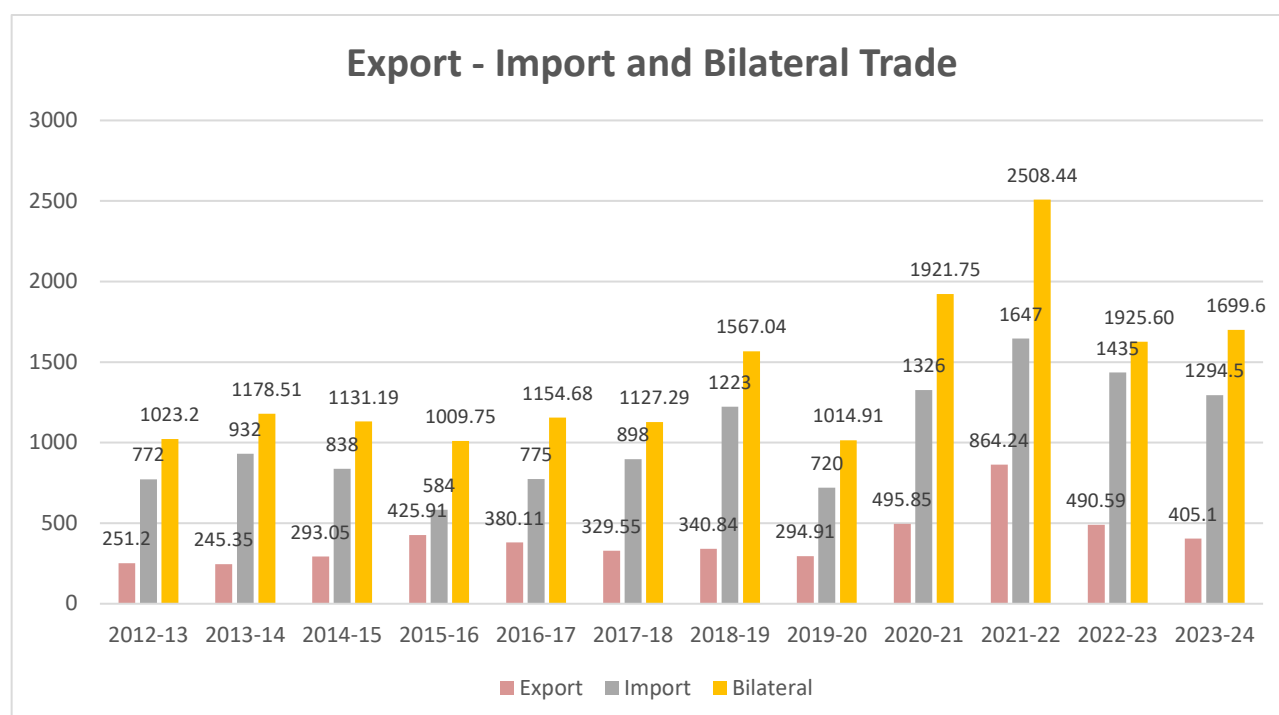


Figure 2: Bilateral Trade between Bangladesh and UAE

Between 2019 and 2024, Bangladesh's export sectors showed significant variations in performance. The woven garments and knitwear sectors experienced notable growth, reaching \$120.6 million and \$139.9 million, respectively. This increase underscores the strengthening of Bangladesh's RMG industry in its trade relationship with the UAE. In contrast, the home textiles sector witnessed a dramatic decline, plunging from a peak of \$382.5 million in one year to just \$4 million by 2023-2024, reflecting shifting market dynamics or reduced demand. Jute products, another key export, followed its unique trend during this period. These fluctuations highlight Bangladesh's export portfolio's diverse challenges and opportunities (see Table 3).

Major Commodity wise Export to UAE					
Major commodity	Fiscal Year in Million USD				Source: EPB
	& BB				
	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
Woven Garments	76.3	111.5	114.7	118.8	120.6
Knit wear	71.1	114.5	137.7	145.9	139.9
Home textiles	4.6	47.1	382.5	104.6	4.0
Agri-products	62.9	80.1	78.3	65.8	87.8
Frozen & Live fish	3.0	2.6	2.5	2.9	2.1
Leather and L. goods	1.5	4.0	5.7	7.4	7.7
Footwear	5.8	7.4	5.4	7.0	2.6
Jute Goods	33.8	51.2	35.2	14.9	19.3
Pharmaceuticals	0.3	0.7	1.3	0.6	0.5
Others	35.6	76.8	70.9	22.7	20.6
Total Ex to UAE	294.9	495.9	864.2	490.59	405.10

Table 3: Commodity wise export from 2019-2024

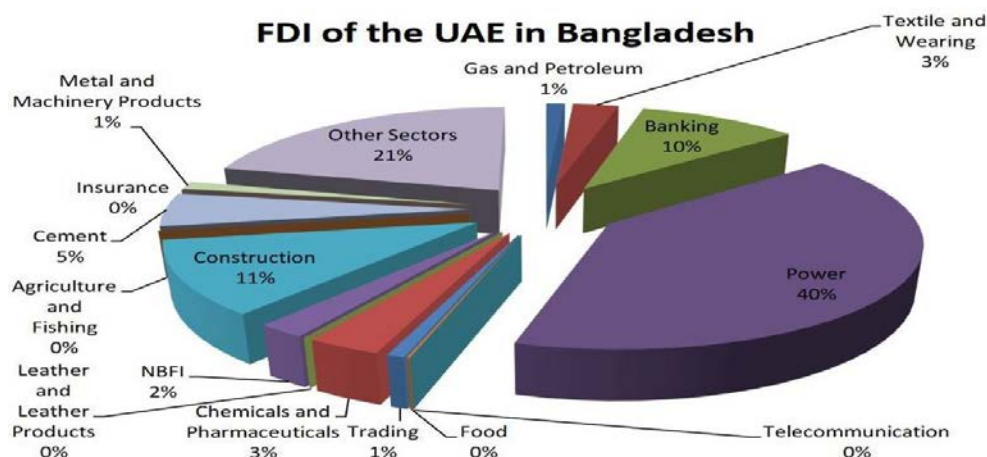
Existing Export scenario and the factors to be considered

- During the FY 2023-2024, the export figure was 405.10 million USD against the export target of 700 million USD, with a negative growth of 17.93% compared to the strategic target. As per the statistics, home textiles export has been drastically reduced compared to the previous year, affecting the total export growth in the UAE. According to the report of the EPB, during the FY 2022-2023, the export volume of home textiles to the UAE was around 104.2 million USD, but during the same period of the FY 2023-2024, the export volume of home textiles was only 4 million USD. Such poor performance in this sector is still decreasing. It is worth mentionable that in the FY 2021-2022, home textiles export was 382.5 million, and that ended up with the ever-highest export figure of 864.2 million USD in total from Bangladesh to the UAE.
- Bangladeshi importers and garments manufacturers based in Ajman, UAE import mainly stock lot or copy products from the medium/small or even large category garments manufacturers based in Narayangonj/Narshingdi/Munshigong/Chittagong/Tongi/ Savar and they re-export those to Iran, Ethiopia, Eretria, Sudan, Algeria and Tunisia. There are around 1000-1200 wholesale garment shops in Ajman, of which 80% are Bangladeshi owners. There are two Associations named “Readymade Garments Retail Shop Owners Association” and

“Readymade Garments Manufacturers Association.” As per the statement of the business leaders and shop owners there, previously, the importers here had to pay customs duty and other port-related costs of around 25,000 USD for a container of 40 feet, but now, as they claim they are to pay 60,000 USD and even above for the exact size of the container. Generally, in a 40-feet container, there remain 600-700 cartoons of garments products. According to the Ajman Bangladeshi importers, the customs authority back in Bangladesh considers the stock lot/ copy products as valuable as the branded products but in reality, that is not the fact. Due to such a change of customs duty during the FY, the export of stock lot, copy products and even their own brands had drastically been reduced during recent months. In addition to that per CBM export cost is now nearly three times higher than twelve months before. Nearly one year back, the number of imported containers of garments goods to Ajman, UAE was more than 300-350 per month, but due to the recent development of the customs duty and export end cost, it has been reduced to 35-40 containers per month as per the statement of the business people there. They are also facing shortage of required containers in the Chittagong port. Consequently, the export from Bangladesh to Ajman and the re-exports of the same goods from here to the other destinations of Africa and Middle East zones as well had been reduced. It is worth mentioning here that in the meantime, garments products of the Same categories from China and Vietnam are being exported here, and in the same way, those are being re-exported to the same destinations where the Bangladeshi exporters used to re-export. The African and the GCC buyers are now importing their RMG directly from China/ Vietnam. This is a serious concern for the Bangladeshi export/ re-export market in the UAE. Facilitation from the concerned ministry to ease the issue should get top priority if we want to increase our export volume to this market. In this regard, discussion with the National Board of Revenue/Customs authority in Chittagong port, Cargo owners’ association and the Freight Forward Associations could be organized.

FDI from the UAE: UAE is the Fifth largest foreign investor as a country in Bangladesh. As of September 2022, a total of \$529.74 million has been invested across various sectors in the UAE, including textiles, banking, ceramics, chemicals, pharmaceuticals, and infrastructure. To date, Bangladesh has received \$192.85 million in economic assistance from the UAE, comprising \$175.65 million in project loans and \$17.2 million in grants.

FDI stock of the UAE by major sectors as on September/2022



12

Figure 4: FDI of the UAE in Bangladesh

More FDI from the UAE could be sought for LNG terminals, power sectors, port management, blue economies, portfolio investments, and infrastructure development projects. The UAE can invest in the textile, leather industry, jute and jute products, electricity, renewable energy, bio-technology, tourism, and ICT sectors. The UAE authorities and investors have a vast capacity to invest, but they are not interested in establishing new industries and have limited capacity to implement such projects. If local entrepreneurs or investors in Bangladesh take the initiative to implement a big project, the investors of the UAE may provide funding for it. The BIDA can ask for specific proposals for such projects through the concerned ministries or divisions. After receiving those projects, these may be placed for the consideration of the UAE authorities/potential investors.

Potential products of Bangladesh for export to the UAE:

Apart from the RMG & Agro products, Pharmaceuticals, ceramic products, Jute and jute goods, leather products, plastic goods, footwear, handicrafts, saplings, vegetables, etc., have massive demand in the UAE markets and in the GCC and MENA zones as well.

High-level visits from Bangladesh and MoUs signed with the UAE related to investment prospects in Bangladesh and promote people-to-people connection between the two nations:

- During the five-day high officials visit in the UAE in March 2022, Bangladesh and the UAE signed four MoUs to boost bilateral cooperation between the two countries. The instruments

are: MoU on Cooperation in Higher Education and Scientific Research between Bangladesh and the UAE. MoU on Cooperation between Bangladesh Institute of International and Strategic Studies (BIISS) and the Emirates Centre for Strategic Studies and Research (ECSSR). MoU is concerned with cooperation between the foreign services academies of the two countries, and MoU is concerned with cooperation between the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) and Dubai International Chamber.

- During the top-level visit of the Bangladesh government to the UAE on 17-19 February 2015, four Memorandums of Understanding (MoUs) were signed on the Investment related to trade and power Sectors. The government of Dubai and the Public Private Partnership (PPP) authority of Bangladesh signed the first MoU to set up a port, dry port, and industrial park in Bangladesh. The second MoU was signed between Emirates National Oil Company (ENOC) and the Power, Energy, and Mineral Resources Ministry of Bangladesh to supply LNG to Bangladesh long-term and develop a land-based LNG receiving terminal in Payra. The third MoU was signed between Sheikh Ahmed Dalmook Al Maktoum and the Bangladesh Power Development Board (PDB). The objective of this MoU was to set up an integrated 800-1000 MW LNG power plant in two phases. There will also be a 100MW solar power project. The fourth MoU was signed between the private office of Sheikh Ahmed Dalmook Al Maktoum and the Bangladesh Investment Development Authority (BIDA). This MoU focused on setting up a special economic zone in Matarbari. They wanted 300 acres of land where they would set up a company for investment.
- Bangladesh imports 7 million tons of raw materials for the production of plastic products per year, and this industry's growth is around 20%. However, Bangladesh does not have a petrochemical raw material producer. UAE investors can invest in the production of petrochemical raw materials in Bangladesh's special economic zones. Special initiatives can be taken in this regard.
- The UAE controls about 25 per cent of the world's business in the semiconductor industry. This type of investment can be possible in the 28 under-construction high-tech parks/IT parks in Bangladesh. The concerned people should be contacted in this regard.
- A Memorandum of Understanding (MoU) was signed between the FBCCI and the UAE Chamber on 10th March 2022. The implementation of the MoU will help increase the

cooperation, collaboration and communication between the businessmen of Bangladesh and the UAE. Moreover, Road Shows for attracting investors in the UAE could be arranged since the trade and business cooperation between the two countries are increasing. Single-country Trade Fair events focusing on promoting and accelerating Bangladeshi products exported to the UAE markets should be organized. Such initiatives can ensure the maximum potentiality of our exports to this market.

- The UAE's special skills in the desalination and renewable energy sectors could create scopes for cooperation and assistance in these two sectors.
- In 2015, the UAE agreed to build a hospital on 110 acres of land gifted as complimentary gestures by Bangladesh to the UAE in Rangunia Upazila of Chattogram districts. The Ministry of Health and Family Welfare issued no objection to the “Sheikh Zayed bin Sultan Al Nahyan Hospital Building” design. Afterwards, no progress was made on the UAE side. If the Ministry of Health and Family Welfare kindly forwards a full proposal for the construction of the hospital and medical college/nursing college on that land, it could be submitted to the UAE authority for approval and further progress.

Some issues during bilateral discussions can be put into priority:

- Acceleration of implementations of the signed MoUs with the UAE. So far, we have signed MoUs related to setting up a port and an industrial park in Bangladesh for supplying LNG to Bangladesh on a long-term basis and developing a land-based LNG receiving terminal in Payra port, for setting up an integrated 800-1000 MW LNG power plant in two phases including 100 MW solar power project, for setting up a special economic zone in Matarbari, Chattogram where the office of Sheikh Ahmed Dalmoock Al Maktoum wanted 300 acres of land to set up a company for investment. Apart from the above MoUs, during the five-day visit by the then Prime Minister of Bangladesh in March 2022, Bangladesh and the UAE signed four MoUs to boost bilateral cooperation between the two countries. The instruments are- MoU for cooperation in Higher Education and Scientific Research between Bangladesh and the UAE, MoU on cooperation between Bangladesh Institute of International and strategic Studies (BIIS) and the Emirates Centre for Strategic Studies and Research (ECSSR), MoU on cooperation between the Foreign Services academies of the two countries and MoU on cooperation between the FBCCI and the Federation of UAE Chambers of Commerce and Industry.

- A joint collaboration between business bodies like FBCCI and the UAE Chambers of Commerce, as per the signed MoU, from Bangladesh some business leaders' names had been forwarded to the UAE International Chamber, but their process is slow. This collaboration effort should be addressed to accelerate bilateral trade and commerce between the UAE and Bangladesh.
- Increase the number of visits by business leaders from the UAE to Bangladesh. Over the last few years and even during Expo 2020, several visits by business leaders and ministers from Bangladesh were seen, but from the UAE side, no such visits had yet been conducted. Visiting—G2G/ B2B/Exchange of information and sharing ideas, along with the feasibility study—can explore the potentialities of trade and commerce between the two countries.
- Due to the changing global geopolitical landscape, if we want to meet the challenges of our export proceeds, we can exchange views and discuss the issues of signing a bilateral business treaty or PTA/FTA/CEPA with the UAE, which can open the scopes for exporting our products to the GCC/MENA zone as well.
- Moreover, the existing export products and export potential of our Pharmaceuticals and Saplings in the UAE market are very high. The UAE is very concerned about the greenhouse effect, and due to its geographical location, the country needs to plant more trees and plants. Currently, the GCC countries are working to grow about 50 billion plants to make the zone safe from the wrath of global warming BY 2050, and the UAE is a significant player in this regard. Moreover, though we are exporting our pharmaceutical products to more than 150 countries of the world, we have yet to explore the UAE and the GCC markets. There can be a fruitful discussion with the authority of the UAE regarding the export of pharmaceuticals to the UAE.
- UAE is geographically unable to cultivate its food products on its land, and it has to depend on imports to ensure its food chain flows as per demand. Since we have fertile land with an ideally agro-friendly environment and comparatively cheap labour market, the UAE government and entrepreneurs in Bangladesh can discuss 'Contract Farming', at least on a limited scale. This can pave the path of FDI flow and can open employment opportunities in Bangladesh.
- UAE is inviting 'Skilled Labour Force' from across the globe. To encash this potentiality, immediate discussions could be initiated regarding the Emirati standard of our driving license so that our certified drivers can get the scope of employment in the UAE with that license got in Bangladesh. Because, in the UAE, our licensed drivers have to again take the license from the UAE with a heavy expenditure of nearly 10000 to 12000 dirhams, and it often takes a

long time. According to their requirements, the UAE authority can engage/ authorize some organizations to evaluate/ monitor the drivers' skills in Bangladesh. In the same way, they can train our young workforce as per their needs in the tourism and hospitality/ medical/ ICT and ITES/infrastructure development sectors. If we want to get the demographic dividend, it is high time for us. As a single source country, the UAE is now Bangladesh's top remitter. Nearly 1.2 million Bangladeshi nationals live here, next to the number of Indian and Pakistani diaspora.

- We can invite UAE investors to invest in our Special Economic Zones like Mirersharai Upazila and Chattogram. We can even offer the UAE investors a special economic zone dedicated to them and invite them to invest in tourism /Blue economy/ infrastructure development/ pharmaceuticals/leather industry/ jute industry/renewable energy/biotechnology/semi-conductor industry in the hi-tech parks of Bangladesh and even in our garments and capital market sectors.
- Finally, the importers here in the UAE who import goods from Bangladesh feel that direct shipping or increasing the number of Air Cargoes with reduced freight and ground handling charges can help them catch up bigger market here. Moreover, it will help them to bring fresh products within the shortest possible time and improve their competitiveness in the UAE market. They also severely need cold storage and packing houses adjacent to the airport. Sometimes, the sudden change of flight schedules causes a long delay. Since the fruits and vegetables are brought in advance at the airport premises and there are no sufficient arrangements to preserve these goods, the quality of their perishable items deteriorates. The goods that are preserved under the open space often lose their freshness. Sometimes, the goods have to be off-loaded due to the sudden change from the big capacity carrier to the small capacity carrier or technical difficulties such as when the scanner machine becomes out of order. The off-loaded fruits and vegetables lost their freshness due to the lack of cold storage facilities. The fruits and vegetables businessmen demand a modern cold storage facility with a packing house adjacent to the International Airports.

Recommendations:

For Direct Shipping Line:

The inadequate flow of containers between Bangladesh and the UAE fails to attract shipping companies to start a direct shipping line from Chittagong to Dubai. Discussions with some shipping line experts mark that the minimum required number of containers for a feeder vessel is around 600-800 units. However, the total number of containers from Bangladesh to the UAE in a month is not

more than 600 units. These containers are also shipped at different times of the month. At least a weekly 01 trip requires 400 containers to start operation. Shipping lines also consider the demand for round-trip containers to start an operation. To overcome this problem, some alternative ways can be effective for export acceleration.

Approach 01:

Some prominent shipping companies, such as Hapag-Lloyd, Maersk, Mediterranean Shipping Company, Cosco Shipping Lines, CNA Shipping Lines, Ocean Network Express, etc, have worldwide connectivity. Bangladeshi goods move to Western destinations from Singapore, Colombo or Malaysian ports through these shipping lines. If these companies have offices in the UAE, they could be offered that once a week, a feeder vessel will bring goods from Bangladesh to the UAE. Dubai-bound containers will be unloaded and transported to their destinations. On the other hand, western destination-bound containers will be loaded to the above-mentioned shipping line vessels. Instead of going to Singapore, Colombo or Malaysia, this process will also reduce significant time for both UAE and western-bound containers. The RMG sectors of Bangladesh would benefit from this.

Approach 02:

Feeder vessels can start the journey with around 250 containers from Chattogram Port. They can then stop at Colombo Port and receive the remaining containers bound for the Jebel Ali Port. Without any unloading procedure, this process might reduce significantly in time.

Approach 03:

Another approach is to consider Dubai a commercial hub. So, all the exportable items of the GCC countries could be sent through a feeder vessel to Dubai. Then, goods would be transported to other destinations from Dubai. This process would also reduce time and cost. In this case, we could also grab the African markets.

For Cold Storage and Packaging Houses:

- The Civil Aviation Authority of Bangladesh may allocate land to build a cold storage for perishable items. The concerned export associations may build the cold storage by PPP model or any other way.
- A cold storage canopy can be established so that off-loaded products can be preserved for any flight delay or cancellation.
- The government can allocate spaces to build cold storage adjacent to the airport area.

- To attract fruit and vegetable exporters, BADC's current cold storage can be renovated with modern facilities, including packing house services.
- Modern packing houses shall be established adjacent to airports and seaports so that packing can be done hours before the cargo leaves for its destination.
- Refrigerated trucks can be introduced as many as possible to maintain the quality of fresh fruits and vegetables while bringing them from the source of production.

For ground handling and freight forwarding charges:

Reasonable ground handling & Freight forward charges should be introduced to make fruits and vegetables price competitive. Due to very high ground handling and Freight Forward charges in Bangladesh compared to those of India and Pakistan, Bangladeshi fruits and vegetables importers are lagging behind in market competitiveness. According to the latest information available from the Bangladeshi Fruits and Vegetables importers based in the Al Aweer Market (the largest market of its kind in the UAE) **by air from Dhaka to Dubai per kg fruits/vegetables costs BDT 286.40, from Chittagong to Dubai costs 190.50 BDT. Whereas, the same cost from Karachi to Dubai BDT 160.50, Peshawar, Pakistan to Dubai costs BDT 160.48, from Kolkata to Dubai costs 192.34 BDT, From Mumbai to Dubai costs BDT 177 and from South India to Dubai it costs 145.14 BDT per kg. And the cost per kg of the same goods by sea- from Chittagong to Dubai 87.32 BDT, from Karachi to Dubai costs BDT 55.46 per kg and from Mumbai to Dubai it costs per kg BDT 62.54 (1 USD = 118 BDT). The other major setback for the Bangladeshi importers here is that it takes nearly 18-20 days for a ship to reach Dubai from Chittagong Sea port whereas it takes 3-4 days from Karachi/Mumbai Sea ports to Dubai.**

- Considering the above facts, our government may consider to introduce all-cargo flight operations between Dhaka/Chittagong to Dubai.

For products:

- The export potential goods discussed above should receive special attention. We can analyze the current products of the importing country and design our product accordingly to enter the UAE market.
- Sensitize the related associations, taking necessary actions to increase the export.
- Indian companies are successful in the generic pharma market, as Pharmexcil (Pharmaceutical Export Promotion Council of India) is doing great. In Bangladesh, we don't have a focused government agency like Pharmexcil that can facilitate the export process of such products.

- Some agro-products require temperature-sensitive containers for shipment. However, these temperature-sensitive materials/support are not readily available in Bangladesh, which is one reason the export process is delayed or hampered.

In conclusion, the bilateral relationship between Bangladesh and the United Arab Emirates has evolved significantly over the past five decades, with strong trade and investment ties forming the backbone of their collaboration. While sectors, such as, woven garments and knitwear have seen robust growth, others, like home textiles, have experienced sharp declines, reflecting the complexities of global market demands. The steady rise in investment from the UAE and fluctuating trade patterns signal opportunities and challenges for future engagement. To sustain and expand this partnership, both nations must focus on diversifying their economic ties, addressing sectoral shifts, and exploring new avenues for collaboration. With the right strategies, Bangladesh and the UAE are well-positioned to deepen their economic relationship, fostering mutual growth in the coming years. It is also high time for our policymakers to identify strategies to enhance the bilateral ties, paving the way for a more resilient and diversified economic partnership.

(Ashish Kumar Sarkar)

Commercial Counsellor

Bangladesh Consulate General

Dubai, UAE

Email: dubai.cc@mincom.gov.bd

Date: 29.09.2024