Evaluating the Impact of Eliminating Export Subsidy in Bangladesh

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Abstract:
Export subsidy reform is a critical policy debate for many developing counties like Bangladesh. This study analyses the impact of eliminating export subsidies using the MyGTAP framework incorporating the Bangladesh social accounting matrix. The simulations indicate that the partial removal of export subsidies has a positive effect on GDP. If we reduce the export subsidy by 50 percent and transfer this amount of money from the government to targeted seven low-income household groups, the real GDP may increase by about 1.3 percent. Government transfers to households lead to an increase in real income to all different households, especially on average rising by 2.5 percent for rural households. This study indicates there is a huge opportunity costs of export subsidies, and household income could be enhanced by redirecting the spending to more productive channels.

Key Words: Export Subsidies; Income Distribution; Bangladesh; MyGTAP; Least Developed Country.

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