BANGLADESH

Bangladesh’s economic freedom score is 54.4, making its economy the 123rd freest in the 2023 Index. Its score is 1.7 points better than last year. Bangladesh is ranked 26th among 39 countries in the Asia-Pacific region, and its overall score is below the regional and world averages.

The foundations of economic freedom in Bangladesh remain fragile. Corruption and judicial inefficiency undermine the rule of law. Structural problems and weak governance constrain development. The inefficient regulatory regime is often heavily politicized, and policies needed to liberalize or sustain open markets are undercut by government interference in the economy.

ECONOMIC FREEDOM SCORE

Bangladesh’s economic freedom score is 54.4, making its economy the 123rd freest in the 2023 Index. Its score is 1.7 points better than last year. Bangladesh is ranked 26th among 39 countries in the Asia-Pacific region, and its overall score is below the regional and world averages.

The foundations of economic freedom in Bangladesh remain fragile. Corruption and judicial inefficiency undermine the rule of law. Structural problems and weak governance constrain development. The inefficient regulatory regime is often heavily politicized, and policies needed to liberalize or sustain open markets are undercut by government interference in the economy.

BACKGROUND: The British partition of India in 1947 resulted in the creation of West Pakistan and East Pakistan. In 1971, following a conflict for independence from West Pakistan, East Pakistan declared itself the independent state of Bangladesh. India is Bangladesh’s largest regional trade partner, and the two countries are negotiating a comprehensive economic partnership. Prime Minister Sheikh Hasina of the Awami League secured a third term in 2018 parliamentary elections amid accusations of fraud. Economic growth, led by garment exports, has been robust despite political instability and the ruling party’s authoritarian tendencies. Inflation and rising fuel prices have sparked popular discontent.
The overall rule of law is weak in Bangladesh. The country’s property rights score is below the world average; its judicial effectiveness score is below the world average; and its government integrity score is below the world average.

The top individual and corporate tax rates are, respectively, 25 percent and 32.5 percent. The tax burden equals 10.2 percent of GDP. Three-year government spending and budget balance averages are, respectively, 13.3 percent and –4.6 percent of GDP. Public debt equals 35.5 percent of GDP.

The obstacles to business are many and include poor infrastructure, unreliable electricity, inaccessible financing, and a bloated bureaucracy. Labor laws are not enforced well. The most recent available inflation rate is 5.6 percent.

The trade-weighted average tariff rate is 11.5 percent, and layers of nontariff barriers continue to impede dynamic flows of trade and investment. The financial sector is dominated by banks, and state interference is considerable.