Thesis report

On

"Importing Spice: A Strategic Study on Trade Policy, Smuggling, and Market Reform in Bangladesh"

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LETTER OF TRANSMITTAL

10th DEC, 2025

Dr. Md. Azizur Rahman

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Subject: Submission of thesis report on "Importing Spice, Exporting Revenue: A Strategic Study on Trade Policy, Smuggling, and Market Reform in Bangladesh"

Dear sir,

I fell pleasure and honor for submit my thesis report on **"Importing Spice, Exporting Revenue: A Strategic Study on Trade Policy, Smuggling, and Market Reform in Bangladesh"** that is required for the completion of my MBA degree at Daffodil international university. At the period of thesis in Importing spice: is it a golden opportunity, in this time I have gather knowledge and experience about importing mainly spice importing. I think this knowledge and experience has been a rewarding and an enlightening one for the guidelines provided from the BA department help me to complete the report, I tried to reflect all the guidelines on my report. It has been given me great experience, but it was an even great pleasure having the opportunity to work in the field.

I express my special appreciation to you for dedicating your valuable time and serving me whenever needed. I faithfully hope that this report convenes your approval and requirements and determine my ability to present thesis reports. I am very much willing to explain you with if required any clarification.

Sincerely,

x Nehal 10/12/25

Kazi Nehal Hasnain

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DECLARATION

I declare that the thesis Report on “Importing Spice: A Strategic Study on Trade Policy, Smuggling, and Market Reform in Bangladesh” represents the results of my own research works under the supervision of Md. Azizur Rahman, Associate Professor & Head, Department of Business Administration, Daffodil international university.

I further verify that work reported in this Thesis is authentic and any section or whole has not been submitted to any other universities or institutions for any degree or any different purposes.

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CERTIFICATE OF SUPERVISOR

This is to certify that Kazi Nehal Hasnain, Id:241-14-043, Major: Finance, Program: MBA successfully completed his “Thesis Program on “Importing Spice: A Strategic Study on Trade Policy, Smuggling, and Market Reform in Bangladesh” under my supervision.

He has done the report according to my supervision and guidance. He has tried his best to do his duties successfully. I think his thesis program will help him in the future to build up his career. I wish him success and prosperity.

09.12.2025

Md. Azizur Rahman

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Acknowledgement

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I'm incredibly grateful to my supervisor, Md. Azizur Rahman, Associate Professor & Head of the Department of Business Administration at Daffodil International University. For his constant support, thoughtful feedback, and valuable advice on this report. I truthfully thankful to him for the time and effort he dedicated to helping me stay on the track.

I express thanks to my family and friends for always believing in me and motivating me. your support thinks of the world to me. Its kept me going during the toughest moments.

Finally, I share few more things that, this report is prepared by leaner and obviously, there would be unwilling errors and exclusion which are really belonging to me.

Executive summary

"This is the study of Bangladeshi spice sector. The study based on spice trade policy, import, export, smuggling and market reform. In this study, I try to explores the increasing import of spices, because of less domestic production, legal and illegal imports of spice. As less production but increasing use in household, industries and food processing unit. Nearly half of some spice needs of Bangladesh imports by legally and illegally. That's why both opportunities and challenges in these sectors. In 2023 nearly $210million of price spices imports by legally and illegally trade routes. "Countries such as India, China, and Vietnam are Bangladesh's primary suppliers of key spices like turmeric, cumin, chili, and black pepper. In 2023, the total value of these imports exceeded $200 million. However, while demand remains high, the legal spice trade is burdened by a heavy tax structure. Importers face a combined duty load of up to 58.6%, including customs, regulatory, and supplementary duties, alongside VAT. These high costs make smuggling an appealing alternative for some traders — illegal imports now account for an estimated half of all spices consumed in Bangladesh.

This informal trade poses several risks. This informal trade poses several risks. Like as, it bypasses health inspections of the goods by Smuggling, also It undermines legitimate businesses and deprives the government of significant tax revenue because of this, legal importers are struggling to remain competitive due to high tariffs, bureaucratic delays, and inconsistent regulations.

I have got some Key findings from the study are include: Bangladesh's spice sector is large but it is heavily dependent on imports. Particularly from India, the legal trade is undermined by high costs and the unchecked spread of smuggling.it have problem on Policy support for local spice farming and better infrastructure is lacking. Trade agreements like SAFTA have not adequately addressed spice-specific barriers., I can make the study to address these issues. Some recommendations are: Bangladesh should need to reduce import duties for essential spices to boost legal imports. also need Improve border surveillance and invest in customs modernization. also need Introduce quality control labs and traceability systems. And also need to offer subsidies and technical support to encourage local spice cultivation. at the last we can say that spice importing can indeed be a golden opportunity. when Bangladesh reforms its trade policies, strengthens enforcement mechanisms, and invests in its own spice production capabilities. Bangladesh can reduce dependence on informal trade, boost food security, and position itself competitively in the regional spice market with strategic planning and targeted reforms.

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Chapter 01

Introduction

1.1 Background of the Study

In Bangladeshi cuisine and culture spices play a vital role, and the spices demand continues to grow both for household use and food industry applications. It has less ability to produce these spices domestically. Due to factors like traditional agricultural practices and insufficient investment. As a result, significant portion around 50% of Bangladesh's spice needs or demand is met through imports.

In the current global economy, domestic food security and pricing are strongly tied to international trade, it is essential to comprehend the factors underlying spice imports. In this study try to find the effect Bangladesh's importing of spices trade patterns and agreements, legal concerns and obstacles. The main objective of study is how to improvement those areas and give the guidance.

1.2 Problem Statement

Bangladesh faces different types of complex problem, challenge and obstacles in spices import. As local production is less than the demand, so it is not fulfilling the needs. as a result, to fulfill the demand importing spices is one of the solutions

. Many problems and challenges come together with its. Some of the key problems are: 1) unpredictable and out-of-date trade policies 2) The implication of the import regulations is weak,3) International spices Price instability,4) bureaucratic and logistic disorganizations 5) illegal trade like Smuggling is a bigger problem. Some challenges that's face legal trader 1) high tax rate, 2) weak border control for illegal trade 3) illegal trade, etc. To solve those problems, we need to improve spice import management and food chain supply management.

1.3 Objectives of the Study

The main objective of the study is to find out the problems involved in importing spices in Bangladesh. Try to discover applied ways to apply the importing method to discover applied ways to make it more sustainable, efficient, and transparent. The specifically concentrations of research are

1. What are the actual challenges of spice importing in Bangladesh?

2. What is the way to overcome from the challenges?

1.4 Research Questions

To Find Bangladesh spice import sector problem, we need depth examination of the whole spices importing system of bangladesh.to examination some factors we looks effects of trade face by the importers both formal and informal market activities. the current importing systems policy gap and how to improve the gap. for collect the information and guide the research some question answer collect from induvial person, the question is asked

What are the reasons for importing spices in Bangladesh?

How does informal trade affect the market?

Which policies and practical challenges face the importers?

What are the steps needed to implement to improve the spices import process?

1.5 Significance of the Study

The importance of this research is that it identifies the gap in the current position of importing spices in Bangladesh, and also describes the way how to solve it. In the cultural and economic factors, spices are important. But attention to spices import is overlooked than other broader trade issues.

The government representatives' authorities can look this to know the current position and improve it. Because in this study how to customs dealings improve, about tax policies, and improve local supply of spicy. importers can also benefit by look a perfect picture of market dynamics. They also know the regulatory risks, and potential growth opportunities. Researchers may find this study useful for future research on similar kind.

1.6 Scope and Limitations

This study focuses on spice importing sector in Bangladesh. I collect the information from many other sources, that's help me make the study easer. I can divide the sources into two different sections. Such as primary sources and secondary sources. Primary data was collected through surveys by the study question or interviews. secondary data was collecting through trade platforms, government records, and news media.

Every study has faced some limitation. I also face some limitation to collect data due to time and most of the illegal trade information collection and less time given by the importers. Illegal trade information is collected mainly from newspaper, government record and other business paper. I analyzed the data from 2019-2023 that are available both legal and illegal imports of spice in Bangladesh. The secondary data analyzed give the study a strong pillar of it.

Chapter 02

Literature Review

2.1 Global Spice Trade Overview

The global spice trade growth increasing rapidly in recent years. The growing growth in trade is due to the diversity of culinary, health-conscious consumers and the growing demand for natural food products. Dominate spice exports worldwide in India, Vietnam, China, and Indonesia etc. They supply a wide range of spices like turmeric, chilies to cumin and cardamom to international buyers (Sharangi, A. B., & Pandit, M. K., 2018). The major importers are mainly developed countries such as the United States, the United Kingdom, and Germany. They use spices in household kitchens and also large-scale food industries (Wilkinson, J., 2012). The challenge is different for a developing country to fulfill the spices needs. Like Bangladesh imports spices to fulfill the needs, though there is a lack of infrastructure and policy support.

"Over $1.5 billion spices India exports in the world spices market. That's make India as a leader in spices global trade. (OEC.,2023)". In the global trade food safety regulation, organic certification and trade barriers affect more in the trade. Developing country like Bangladesh access harder in this sector (Spices Trade in India | Economic Complexity Monitor, 2023)

2.2 Bangladesh's Spice Industry and Import Trends

Bangladesh's local spice production is less than its national demand. The increase in population and also the diversity of their taste and culinary needs require more spices. because they not only use it for food processing in the restaurants and household, steed food, but also in exports of spice mixed goods. Though Bangladesh has fertile land and a suitable climate for agriculture. But using traditional farming methods and receiving less support from the government, less production in the spices sector. As a result, Bangladesh needs to import spices in high quantities from countries like India, China, Myanmar, and Vietnam. From the trade data of "CEIC and VOLZA" 2019-2023, we can find that spice imports increase day by day. The largest number of spices that are imported are Turmeric, Cumin, Black pepper, Chilli, and Cinnamon.

2.3 Trade Agreements and Policy Framework

The trade agreement of Bangladesh mainly three types, like regional, bilateral and multilateral. But in spice import regional trade agreement like SAFTA/ SAARC, 2006, APTA, BIMSTEC, and bilateral trade arrangements with India and China are most useful. Because those agreements reduce same tariffs but those agreements don’t work on nontariff barrier for spice import.

Importers face more problems with hidden costs, such as port delays, bureaucratic laziness, and corruption after the basic import tariff. Because it increases the actual cost of doing business. Bangladesh has a lack of a spice trade policy and outdated or inconsistent regulations. To solve those problems, Bangladesh needs to invest in quality control, certification, and the infrastructure of the port and policy

2.4 Challenges in Spice Imports

Legal import of spices in Bangladesh is so much challenging. Because of the challenging are poor port infrastructure, informal trade and smuggling, price instability, and sudden policy and regulation.

Poor port Infrastructure: Most of the ports in Bangladesh do not have automated clearing and checking and container handling process. Because of that it takes more time for checking the product and customs clearance. So, importers expenses increase for port duties.

Informal Trade and Smuggling: informal trade bypass import tariff, port duties so they offer spices price less than legal importers. Because of that harms the legal importers and government also.

Price instability: spices price and foreign currency are not stable. Because of the risk imported spices are challenging.

Sudden policy change and regulation: Importers face unclear rules, confusing paperwork, and sometimes unofficial payments. This makes trade costly and keeps new businesses away.

Chapter 03

Research Methodology

3.1 Research Design

This study involves a well-ordered method from choice of the theme matter to final report research. This research, expressive approach was focusing on Bangladesh's spice import industry, including its trade practices, policy environment and informal market dynamics. I try to analyze the primary and secondary sources to find the trade trends, policy challenge, and market behavior.

This research main goal is understanding spices import process, its problem and opportunities and how to reform the market. The study is used case-based method to drawing the actual representation. the data are collected from survey data, personal interviews, trade database, reputable newspaper source etc.

3.2 Data Collection Methods

I collected all the data from the diverse resources, that can help me to construct this report trouble-free. I can division the resources into two types such as:

• Basic resources and ◦ Advance resources

Basic resources:

Basic resources of information include:

Face to face communication

Oral interview importer

Observing the regulations of port

Advance resources:

Advance resources of information include

CEIC. (2023). Bangladesh imports: Spices – Economic indicators. Retrieved from https://www.ceicdata.com/

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3.3 Data Analysis Techniques

The information collected was analyzed using several qualitative methods:

Diagnostic analysis: By using diagnostic analysis try to find Key issues such as “import challenges,” “policy inefficiencies,” and “illegal trade” across sources.

Prescriptive analysis: By using prescriptive analysis try to find the solution of those problem .

Comparative Analysis: Trade volumes and partner countries were compared across multiple years to identify shifts in import behavior and reliance on particular countries.

SWOT Analysis: The strengths, weaknesses, opportunities, and threats (SWOT) of Bangladesh’s spice import sector were assessed to identify areas for improvement.

Additionally, data has been visualized using tables and charts to make trends more understandable and impactful (included in final formatting).

3.4 Ethical Considerations

The information used in the research is completely true and clear. Because I collect information from reputable newspapers, business papers, NRB, OEC. And I have not used personally collected information that cannot be verified by the source of the newspaper or business paper.

Steps were taken to ensure:

- All sources are attributed correctly
- No data is manipulated or misrepresented

The methodology remains transparent and unbiased

Chapter 4

Findings and Discussion

4.1 Discuss Core objectives of the research:

1. What are the actual challenges of spice importing in Bangladesh?

2. What is the way to overcome from the challenges?

4.1.1 The actual Challenges of Spice Importing in Bangladesh

The actual challenge of importing spice for legal importer in Bangladesh are many. some of the challenges are high tax and import duties, smuggling, bureaucratic delays corruption at ports. some other challenges are quantity control system don't upgrade, spices import policy out of dated, infrastructure in the port is less than requires, etc. if the government don't solve those challenges, it discourages legal importers. and also, it reduces government revenue on spice import and also food safety of Bangladesh is risky too.

1. High Import Tariffs and Complex Cost Structures

In Bangladesh import duties for spice nearly 58.6% in some cases. (National Board of Revenue [NBR],2023). the import duties include customs duty up to 25% Varies by spice type (e.g., 5% for uncrushed ginger or turmeric), regulatory duty 3%, supplementary duty 20%, and VAT 15%. (National Board of Revenue [NBR],2023). because of those legal importing spices is expensive than informal importing spices. small importer also discourage. legal spices importer becomes uncompetitive than informal importer

In the below cost structure, the legal spice importer needs to bear:

Type of Duty/Tax	Rate (%)	Notes
Customs Duty (CD)	Up to 25%	Varies by spice type (e.g., 5% for uncrushed ginger or turmeric)
Regulatory Duty (RD)	3%	Applied on top of customs duty
Supplementary Duty (SD)	20%	Additional layer of tax for selected imported goods
Value Added Tax (VAT)	15%	Applied on calculated value including SD

For example, crushed ginger incurs:

25% CD + 3% RD + 20% SD + 15% VAT, making the total tax impact as high as 58.6%.

2. Rampant Informal Trade and Smuggling

Smuggling of spices in Bangladesh has become a significant problem for import sector. it also occurs significant challenges to legal trade, government revenues, and food safety standards. Legal spice imports have steadily increased in recent years. But then also smuggling or informal trade meet a significant portion of spice demand. The smuggling is occurred through the borders with India and Myanmar.

Smuggling through land border: Smuggling up to 50% of some spices come in Bangladesh based on the trade report in the daily star and also field report also verified], main land routes are India and Myanmar. smuggling through this land port are particularly active due to leaking in borders security, high import duties and high demand in local markets. (The Daily Star, 2023).

Smugglers to evade customs, VAT, and health inspections. because of that smuggling spice price of spice cheaper than legal imported spices. As a result, the wholesale markets and small retailers in border districts dominated by smuggling spices.

🌍 International Marketplace Viewpoint: About 15-20% of Bangladesh's total spice consumption comes through informal channels globally. This 15-20% spices avoid documentation because of informal trade with neighboring countries. But also, from indirect maritime or third-party sources informal trade. Form the trade data (CEIC,..2023 Volza,...2023 OEC,..2023) actual estimated market demand and legal importing gap .

Estimated Market Including Smuggling (2019–2023) (CEIC, 2023), (The Daily Star, 2023)

Year	Legal Imports (USD M)	Smuggling Estimate (15–20%)	Total Estimated Market
2019	$150M	$26M–$37M	$176M–$187M
2020	$160M	$24M–$32M	$184M–$192M
2021	$172M	$26M–$34M	$198M–$206M
2022	$195M	$29M–$39M	$224M–$234M
2023	$210M	$31M–$42M	$241M–$252M

3. Bureaucratic Inefficiencies and Corruption

Port processes are vulnerable because of unauthorized fees, and long clearance procedures. Importers often face unreliable documents requirements. Importers also aspect hidden costs at customs checkpoints. Because of those increasing the import operating cost and adds to delays.

4. Poor Infrastructure and Port Congestion

the key port of import spice is Chattogram, Benapole, and domra ports. those ports face regular congestion and don't have adequate storage. those ports also have lack in modern facilities like electronic clearance system. also don't have rapid tasting labs, and digital don't system. importer expense is increase because of those.

5. Lack of Quality Control and Safety Standards

Bangladesh have lacking in quality and food safety check in spice imported product. informal import bypass the check of quality and food safety. that's increasing the risk of contaminated or adulterated spices reaching consumers. The lack of international certification the spices credibility weakens in both domestic and international markets. The international certification is "ISO, HACCP. etc.".

6. Absence of a Dedicated Spice Policy

Bangladesh is a member SAFTA, and also some bio literal trade agreement with most of the top spice's exporter. Though Bangladesh has no dedicated national policy for spice import, it doesn't get the full benefit of that agreement.

7. Overdependence on a Few Exporting Countries

Bangladesh imports his spices nearly 67% from alone India, with supplementary capacities from China and Vietnam etc. this is high dependence of a single supplier countries makes the market highly sensitive to price volatility. Sometimes faces export restrictions, or political disruptions in supplier nations.

Top Spice Import Sources (2022–2023)

Bangladesh sources its spices primarily from six countries. Based on recent data from (Volza.2023) and the (OEC.2023), here's how the financial flow breaks down:

Exporting Country	**Estimated Annual Value (USD Million)**	**Major Spices Exported**
India	$120–130	Turmeric, cumin, chili powder, black pepper
China	$25–30	Cassia (cinnamon), star anise, garlic
Vietnam	$15–18	Black pepper, cinnamon
Myanmar	$10–12	Turmeric, dried ginger
Indonesia	$5–7	Nutmeg, clove, mace
Sri Lanka	$3–5	Ceylon cinnamon, pepper

⚠️ Note: Actual figures may be higher due to unrecorded informal trade, especially from India.

4.1.2 The way to overcome from the challenges

Bangladesh should take many steps to solve the challenges. Bangladesh needs to reduce import duties on spices to discourage smuggling. It also needs modernized customs procedures and port infrastructure. It also requires establishing a national spice policy. To promote legal trade by offering training to the importers. Also need to ensure strict border surveillance and encourage digital trade systems.

1. Lower Tariffs for Essential Spices

The government needs to reduce import duties on key food-grade spices to give the benefits to the legal importer. By doing this, legal imports make spices price-competitive. As a result, smuggling reduces the appeal. It ensures more revenue through formal trade channels.

2. Strengthen Border Control and Curb Smuggling

Bangladesh needs to strengthen border control to reduce smuggling. So, Bangladesh should install digital surveillance on its border and land ports. Bangladesh shares its border with India and Myanmar. Smuggling occurs at the weakest point of the surveillance on the land border. To block smuggling routes, Bangladesh should increase its manpower and implement strict checks at the lowest border points.

3. Modernize Port Infrastructure and Clearance Systems

Bangladesh needs to use modern cargo handling equipment in the port. Additionally, we need to adopt automated customs clearance by using e-documentation.

4. Establish a National Spice Import Policy

Bangladesh needs an import policy on spice imports. In the policy, clear guidelines on all spice import procedures, import costs, and duties are given. The policy also sponsors food safety by ensuing international standards. As well as providing the legal importer an incentive to encourage them and discourage smuggling

5. Promote Local Cultivation and Value-Added Processing:

Bangladesh needs to motivate the farmers to cultivate spices. To motivate farmers by providing seed subsidies, training, and access to credit. Bangladesh should improve its production rate of turmeric, cumin, and chili through research on a new hybrid caste. Bangladesh should set up processing zones for imported spices. This zone is to clean, grind, and package spices. It can lever both imported and local spices for sale or export.

6. Improve Quality Control and Certification Standards

Bangladesh needs arrangement spice testing labs near port area. These labs must follow ISO 22000 and HACCP, because that are international stander for food safety. That help both spices import and export facilities.

4.2 SWOT Analysis of Bangladesh's Spice Import Sector

Bangladesh should take many steps to solve the challenges. Bangladesh needs to reduce import duties on spices to discourage smuggling. It also needs modernized customs procedures and port infrastructure. It also requires establishing a national spice policy. To promote legal trade by offering training to the importers. Also need to ensure strict border surveillance and encourage digital trade systems.

Strengths	Weaknesses
Spices demand increasing like as population	the dependence of import in spices
The location of the country is strategic for areal trade.	Spices import and export policy are not dedicated
Bangladesh has trade agreement like SAFTA and bilateral agreements	customs and regulatory enforcement are inconsistent
Bangladesh have import network with India, China, and Vietnam.	port and transportation infrastructure problem
	spices quality and food safety checking system are weak

Opportunities	Threats

spices farming and processing industries will be developing.	smuggling and informal trade are increasing.
Bangladesh facilized the trade by digital customs and e-clearance system.	currency exchange risks and spices price instability.
spices supply stable for collaboration with regional suppliers.	supplier countries restrictions for export some spices (e.g., India)
public and private partnerships potation in spice trade sector.	global spice production impacting Climate change
spices export potential by Value-added spice packaging	Smuggling and informal trade violate quality and food safety check, so it occurs health risk.

Chapter 05

Conclusion and Recommendations

5.1 Summary of Findings

“The research is based on spice import, smuggling, trade policy, and market reform.” In this study, the increasing import of spices by legal and illegal due to less domestic production. As less production but increasing use in households, industries, and food processing units. Nearly half of some spices needed in Bangladesh imports from neighboring countries like India, China, and Vietnam.

Formal import process costly and complicated because of high duties (up to58.6%) and poor enforcement of trade policies. In some spice categories nearly half of local consumption has become Smuggling. So legal importers face unfair competition. Because of bureaucratic delays, and fluctuating costs, while government revenue is lost to the informal sector. I find that there is significant potential to reform and strengthen the spice import sector — both as a business opportunity and as a contributor to food security and economic development.

5.2 Policy and Business Recommendations

To achieve the actual probability of spice importing in Bangladesh, some key steps are recommended:

For Policymakers:

1. Develop a National Spice Policy: the policy maker needs to give clear guidelines for spice importers. The guidelines about quality standards, and trade incentives and tax rate. The policy maker also needs to support domestic production through subsidies and training programs.

2. Deal with Informal import: The government needs to implement stronger border control and customs surveillance to reduce informal import. They also need Implementing traceability and penalties for illegal spice import.

3. Improving logistics and infrastructure facilities: The government needs to expand and modernize port facilities. By using digital tools and automation to speed up customs clearance.

4. Strictly follow quality and safety supervision: the government should Set up laboratories at important ports to ensure product quality and safety faster.

For Traders and Industry Stakeholders:

1. Taking training about spicy importing: spice importers take training about legal compliance, tax procedures, and product safety.

2. Processing the trade digitize way: the trader needs to implement online documentation, invoicing, and customs declarations.

3. Reforms Advocacy: Trade associations advocacy to represent importer interests by engage with the government on policy reforms.

5.3 Future Research Directions

This study relied entirely on secondary data and public reports. For a more detailed understanding of the spice trade, future research could benefit from:

• Primary fieldwork involving importers, customs officials, and farmers.

• Case studies of successful spice trade models in nearby countries.

• Impact assessments on local farming subsidies or tax reform.

5.4 Conclusion

Importing spice in Bangladesh face many problems. Because of high tax rate (some time it 58%), roads and ports facilities are weak. Custom clearance takes long process because of quality checks take long process without bride. strong. Because of tax, weak facilities and bride imported spice price is high than the illegal importer(smuggler). That's cause trouble for legal importers and also risky for consumers. Bangladesh depends very much on India, China, Myanmar, Vietnam in spice importing. Because domestic production not fulfill the need. So, the price of the spice change frequently for currency change, price change and also delays of supplies. From this study, I find some solution that changes the scenario for the government and importer and also for the people of Bangladesh. Bangladesh government need to implement lower tax rate on key spices. And also improve port and customs policies and implement it.

Need to ensure no illegal import doing by border area. More important give the farmers subsidiaries who farming spice by national spicy policy. If, the government, importer, farmer work together in the spice sector, it can get better results. Because that’s way managing the spice need more effectively and make it more stable. It will take time, but at the end it works for Bangladesh

Chapter 06

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