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Bangladesh seeks Chinese joint venture investment in textile industries

ECONOMY - BANGLADESH

TBS REPORT

Bangladeshi entrepreneurs have urged Chinese investors to explore joint venture opportunities in the country's textile sector, particularly in sick and non-operational industrial units.

At a meeting with leaders of the Bangladesh China Chamber of Commerce and Industry (BCCCI) and the Chinese Enterprises Association in Bangladesh (CEAB) at the CEAB office in Dhaka, Bangladeshi representatives highlighted the sector's potential for investment, according to a BCCCI press release issued yesterday.

BCCCI President Md Khorshed Alam underlined that rehabilitating dormant or non-operational factories through joint ventures would be more profitable than setting up entirely new industries.

Han Kun, president of CEAB, highlighted several priority areas for enhanced cooperation, including infrastructural development, government-to-government (G2G) projects, power generation and renewable energy initiatives, and expanded trade in construction materials, the release reads.

Jamilur Rahman, a BCCCI official, proposed forming a Joint Working Body comprising representatives from both BCCCI and CEAB to identify, assess, and address bilateral trade-related disputes, operational barriers, and other challenges faced by Bangladeshi and Chinese businesses.

Among others, AZM Azizur Rahman, senior vice president of BCCCI, Mike Ge, president of the CEAB Textile and Garments Branch, Tao Tao, marketing director of CEAB's Bangladesh Branch, Ma Rui, vice president of CEAB and Zhou Meimei, secretary of CEAB, spoke at the meeting.



Exchange rate rise erodes export competitiveness

JASIM UDDIN HAROON

Bangladesh's exports may get costlier to foreign buyers while imports cheaper as the local currency, taka, appears increasingly overvalued in the foreign-exchange basket in real terms.

Economists explain that this economic paradox appears for sluggish import demand, weak private-sector credit growth, and stubbornly higher inflation on the economy. Bangladesh Bank's latest data show the real effective exchange rate (REER) climbed to 106.55 in October against 104.53 in September last or a month earlier. This REER rise signals that the local currency remains stronger than its equilibrium level.

Economists alert that the overvaluation could erode export competitiveness and disrupt the country's external balance if left unaddressed. A key gauge of currency valuation against a basket of 15 major trading partners, covering more than 80 per cent of Bangladesh's external trade, the latest REER indicates that the taka is stronger than its equilibrium value. A REER below 100 typically signals improved

export competitiveness, while a reading above 100 points to a stronger domestic currency that makes exports less attractive and imports cheaper.

The REER is an index that indicates what the nominal exchange rate should be, as there is no other alternative benchmark to measure the equilibrium level of exchange rate of an economy. As a result, policymakers across the globe aim to keep the index close to 100.

Based on the September 2025 reading, the dollar's equilibrium rate should be around Tk130.04. Instead, it traded at Tk122.05, suggesting the taka was overvalued by about Tk7.99, according to Bangladesh Bank data released Monday. People familiar with the matter at the central bank told the FE that the Bangladesh Bank stopped buying dollars, a move that could help tame the rising exchange-rate index.

They say the main reason behind the surge is the inflation differentials with peer economies, as inflation in competing countries remained much lower than in Bangladesh.

"The main reason is the inflation differential with peer economies," a senior central banker told the FE

Tuesday.

Earlier since July, the central bank had bought US\$2.0 billion through multiple market-intervention operations.

Private-sector credit growth narrowed to 6.29 per cent (y-o-y) in September 2025 compared to 9.02 per cent in September 2024.

"We don't want to have a big jump in depreciation so we are adopting strategies that cool the index," the banker adds. Economists strike a note of caution that the overvaluation poses risks to the country's trade competitiveness, particularly for exporters.

"This is having a negative impact on export earnings," says Dr M. Masrur Reaz, Chairman and CEO of Policy Exchange Bangladesh.

"We enjoyed a favourable position in recent past, but the situation is now becoming volatile."

Chief Economist at Bangladesh Bank Dr Akhtar Hossain says that higher index of REER is a bad thing for Bangladesh's economy as SME exporters might be impacted.

He notes that Bangladesh faces steep competition from many Asian economies, underscoring the need for a balanced real effective exchange rate or REER to support the economy.

He further says the central bank would take appropriate decisions in interest of the economy.

However, he mentions that the main culprit remains stubbornly high inflation, which may ease soon with the arrival of winter vegetables and Aman rice on the market.

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