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BD stands to lose in EU, US mkts amid India tariff deals

Exporters urge making speedy EU agreement, product, market diversification

MONIRA MUNNI

India makes quantum leap with US tariff wall bent to **18%**, EU FTA announced

Pivot to MMF garment making, state stimulus like India's suggested

EBA facility ends in 2029 and Bangladesh RMG won't be under GSP-+ scheme for safeguard clauses

Bangladesh is destined to face break-neck competition both in US and EU markets with India emerging as a major competitor with double advantages of Washington-proposed tariff cutback and trade deal with the 27-nation European bloc.

Industry insiders and experts sound the alarm over the headwinds about to blow from the two destinations Bangladesh heavily bank on for its readymade garment export -- the nation's main export earner -- and urge government action.

The recent announcement of lowering tariffs on Indian-made goods may be subject to as low as 18-percent tariffs, knocked down from the earlier-imposed 50 per cent. The brusque move from Washington came a week after the announcement of the trade deal between India and European Union.

Bangladesh should immediately act to retain duty-free market access to the European Union and enhance its competitiveness by removing supply-side constraints, industry leaders urge.

A slew of must-dos they list to overcome possible impact of the trade deal between the EU and India: coordinated reforms across trade policy, energy pricing and reliability, logistics and ports, access to finance, skills development and regulatory capacity building.

They also stress both product diversification, mostly by way of producing manmade fibre- based garments, and market diversification through exploring potential non-traditional markets.

Local garment exporters will face cutthroat competition and increased price pressure on the EU market after the free-trade agreement (FTA) announced recently between the EU and India comes into effect, possibly in 2027, as it would grant the neighbouring country's garment makers access to the bloc sans duty on apparel exports, they note.

On the other hand, Bangladesh's current duty-free market access there under EBA (everything but arms) scheme is scheduled to end in 2029 as the county is set to graduate from LDC status this coming November 2026 with a three-year transition period.

Though Bangladesh can apply for GSP- plus facility, its garment products would not get duty-free market access there due to safeguard clauses and are likely to face about 12-percent duty, they said, adding that by this time, another competitor - Vietnam -- would also get duty-free market access.

Talking to The Financial Express, Md Shehab Udduza Chowdhury, vice president of Bangladesh Garment Manufacturers and Exporters Association (BGMEA), said India would be in an advantageous position with reduced rate of 18-percent tariffs compared to 20 per cent for Bangladesh.

On the other hand, the trade deal between the EU and India will be 'dangerous' for them, he said, apprehending a possible threat of losing market share there.

"The impact of the deal would be severe for us. Bangladesh is currently facing tough competition on the EU market as India and China are enhancing their focus there to offset US high-tariff impacts," says Faruque Hassan, managing director of Giant Group.

Bangladesh will become less competitive on the EU market once India secures duty-free access there, he warns.

The first and foremost tasks must be to sustain the duty-free market access there, the apparel maker-exporter told the FE, adding that the government also should initiate move to sign FTA to have an even footing on the largest market as a bloc.

Meantime, Chief Adviser of the interim government Prof Muhammad Yunus Sunday directed opening free-trade agreement (FTA) negotiations with the EU forthwith to safeguard Bangladesh's trade preferences on its largest export market.

MA Razzaque, chairman of Research and Policy Integration for Development (RAPID), says the US tariff reduction for India might not immediately affect the local garment shipment over there as Indian competitive advantage would not change because it is in disadvantage due to existing higher tariffs.

"But Bangladesh will face tremendous pressure in the medium term of three to five years as the EU-India trade deal would bring extreme challenges," he told the FE, explaining India with its backward linkages, including cotton to yarn and fabrics, will be a major competitor for Bangladesh which has to depend on imported raw materials.

Besides, there are no supply-side constraints for other major garment-producing countries like India, Vietnam, Indonesia, Cambodia and Pakistan as Bangladesh face, he adds.

The country has to immediately take measures to remove the supply-side constraints like gas and energy shortages, provide supports to the exporters to be ESG-compliant, develop skilled workforce, and reduce electricity and utility costs, ensure special bank interest rate and simultaneously attract foreign direct investment in RMG sector to boost MMF production.

"To ensure global work orders, FDI is a must for RMG and also for overall export diversification," he notes.

Local exporters will also face price pressure as India would be more competitive, says MA Rahim, vice chairman of DBL Group.

The entrepreneur, however, thinks the EU-India deal would not impact Bangladesh's export immediately, but it would affect gradually.

"India will be a strong future competitor for Bangladesh as the neighbouring country has its own raw materials, including cotton, yarn and fabrics, low labour cost while government facilitates the sector with a number of packages to increase competitiveness," Fazlul Hoque, managing director of Plummy Fashions, points out to underscore the urgency of counterbalancing actions.

Besides, India will jump into the market with better market access also to offset the high tariffs imposed by US administration, he notes.

Echoing Hassan's anxiety, Hoque, who ships up to 80 per cent of his total exports to the EU, says they immediately need government support to reduce cost of production and cost of fund, ensure uninterrupted gas supply and other issues that have been eating up competitiveness.

Hoque voices a consequential note: If Bangladesh fails to secure the duty-free market access under GSP-plus or a bilateral free-trade deal after LDC graduation, it will be out of the market.

The industry also needs to diversify its markets and products and produce manmade-fibre garments, exporters suggest.

They have also demanded incentives for attracting both local and foreign investment into man-made fibre or MMF wears to sustain export growth.

In the last fiscal year of 2024-25, the European Union accounted for more than 50 per cent, coming to US$19.71 billion, of Bangladesh's total garment exports worth over 48 billion US dollars.

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BD, Japan to ink EPA tomorrow

FE REPORT

In a historic move to safeguard its economic future, Bangladesh is set to sign a comprehensive economic partnership agreement (EPA) with Japan tomorrow.

Titled Bangladesh-Japan Economic Partnership Agreement (BJEPA), the agreement is a strategic "lifeline" designed to ensure continued duty-free access to the world's fourth-largest economy as Bangladesh prepares to graduate from the least developed-country (LDC) status on November 24 this year.

The deal is the first of its kind for Bangladesh.

To sign it, the commerce adviser and the commerce secretary are supposed to leave for Tokyo today.

It is supposed to be inked in the capital of Japan.

After the signing, the commerce adviser is expected to return to Dhaka on February 7.

The agreement follows seven rigorous rounds of negotiations between Dhaka and Tokyo, concluding in a framework that covers more than a dozen key sectors.

From day one of the deal's signing, some 7,379 Bangladeshi products, including readymade garment (RMG), will enjoy immediate duty-free access to the Japanese market.

In return, Bangladesh will grant duty-free access to 1,039 Japanese products.

A major win for the RMG sector is the shift to the "single stage transformation" rule.

The agreement allows apparel manufacturers to qualify for duty-free access even if they source fabrics globally, provided the final sewing is done in Bangladesh.

Japan will open 120 service sub-sectors to Bangladeshi professionals, while Bangladesh will open 97 sub-sectors to Japanese firms.

The deal is expected to trigger a surge in Japanese foreign direct investment (FDI) in automotive parts, electronics, and high-end manufacturing.

As Bangladesh faces the LDC graduation this year, experts warn that without such deals, exports could face tariffs as high as 18 per cent.

The BJEPA makes duty-free access legally binding and permanent, providing the "predictability" that international investors and local exporters have long craved.

"This is not just a trade deal; it is a strategic shift," says a senior official of the commerce ministry.

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Chattogram Port at complete standstill

Exporters fear missing deadlines as workers remain steadfast in their strike

DWAIPAYAN BARUA *and* REFAYET ULLAH MIRDHA

Chattogram Port has ground to a halt in the last two days as workers and employees went on an indefinite work abstention over the government's move to lease the key New Mooring Container Terminal (NCT) to Dubai-based DP World.

If the stalemate continues for long, commodity prices are likely to spike ahead of Ramadan and export deadlines will be missed, said insiders.

"This complete shutdown is absolutely unprecedented," said Fazley Ekram Chowdhury, president of the Berth Operators, Ship-Handling Operators and Terminal Operators Owners Association.

The indefinite strike comes after the protesters observed an eight-hour strike from Saturday to Monday.

The strike took a stricter turn yesterday, leaving the port's jetties and yards deserted, with no movement of people or vehicles and all sheds and offices remaining closed.

The usual long queues of cargo-carrying vehicles in and around all the port gates were absent. Both sides of the gates remained closed.

Container handling at the port's main jetties has remained completely stopped since Tuesday morning, leaving 11 vessels, including eight container ships, stranded.

No vessel could leave the port's main jetties or take berths in the last two days. Only four vessels could leave RSGT Chittagong, KAFCO jetty and two dolphin jetties under special arrangements.

Global leading shipping line Maersk issued a customer advisory yesterday, updating on the evolving situation at the port.

"As the strike continues, it is creating significant operational uncertainty and may lead to delays in vessel schedules, cargo handling, inland movements, and related services," it said.

No import, export, or empty containers could be transported between the port and the 19 private inland container depots since Tuesday morning, said Md Ruhul Amin Sikder, secretary general of the Bangladesh Inland Container Depots Association.

The deadlock has left exporters fretting if they would be able to maintain the schedule for the peak shipment season.

"We need an immediate solution... ," said Mohammad Hatem, president of Bangladesh Knitwear Manufacturers and Exporters Association.

Faruque Hassan, the former president of Bangladesh Garment Manufacturers and Exporters Association, echoed the same.

His company, Giant Group, has a consignment of 100 tonnes of yarn imported from China and India stuck at the port. The delay means he might miss his production and shipment deadlines.

"Such a situation will have a negative impact on overall export earnings," said Shovon Islam, managing director of Sparrow Group, another garment exporter.

Asked what the government is doing to solve the stalemate, Shipping Adviser M Sakhawat Hossain said he is planning to visit the port today to talk to the protesters.

He said he would ask them why they are continuing with the movement by keeping the people hostage before any deal is signed. If they do not listen, the government will take other actions.

He said that he gave his opinion that the port's interest should be ensured based on its average current income and not a single person would lose their job.

"I also said that instead of replacing workers, they should recruit more people, and that recruitment must be from within the country. No foreign workers should be brought in. They [DP World] know this and have agreed."

Asked why the government is rushing to seal the deal with the election just a week away, he said, "It is not being done in a hasty manner as they are claiming. This is an old project. It started back in 2022. This did not suddenly come up now. Negotiations have been ongoing for the last three months. It was interrupted in the middle stage due to a case in the High Court."

Otherwise, the deal would have been signed by now, he said, adding that the negotiations have not reached a final stage.

Asked about the protesters' claim that the process cannot move forward until the new appeal is settled, he said, "Our state lawyer has said that the court did not make such an observation. He said the hearing will be held on Sunday and that is what I have been informed."

The court's directive during Sunday's hearing will become effective, he said.

Meanwhile, the Supreme Court chamber judge has sent the petition that sought an order of status quo to the entire process of leasing out the NCT to DP World to the full bench for hearing on February 9.

On February 1, Bangladesh Jubo Arthanitibid Forum, a philanthropic organisation, filed the petition.

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Bangladesh to sign first-ever EPA with Japan tomorrow

Dhaka eyes auto investment as deal keeps Japanese cars off duty-free list

REFAYET ULLAH MIRDHA

Bangladesh is stepping into a new phase of trade diplomacy as it signs its first Economic Partnership Agreement (EPA) with Japan tomorrow, a deal meant to preserve duty-free market access after the country's graduation from the least developed country club later this year.

A Bangladesh delegation led by Commerce Adviser Sk Bashir Uddin will leave Dhaka for Tokyo today to sign the agreement, Commerce Secretary Mahbubur Rahman told The Daily Star yesterday.

The EPA, approved by the Advisory Council on January 22, will give Bangladeshi exporters immediate duty-free access to 97 percent of their export basket, including ready-made garments (RMG) and nearly 7,379 other products.

In return, Japan will receive duty-free access to 1,039 products in the Bangladeshi market.

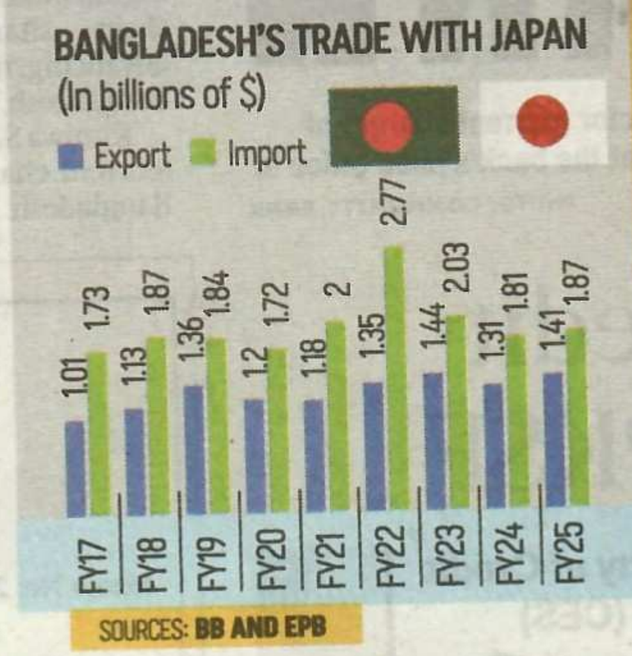
Automobiles from Japan, home to global brands such as Toyota, Honda and Subaru, will not enjoy duty-free entry under the deal, according to the commerce secretary.

Rahman said the move is deliberate to encourage Japanese entrepreneurs to invest directly in Bangladesh's vehicle segment.

Officials believe this could prompt "handsome" investment in local vehicle manufacturing, possibly reshaping the country's automotive industry.

Japan is already Bangladesh's largest export destination in Asia, with annual shipments hovering around $2 billion, mostly garments.

Imports from Japan, however, have remained relatively steady at around $1.8 billion to $2.7 billion in recent years, according to data from the Bangladesh Bank and the Export Promotion Bureau (EPB).



MARKET ACCESS

- Bangladesh to get duty-free access for 97% of exports
- Coverage includes garments, nearly 7,379 products
- Japan to get duty-free access for 1,039 products
- Bangladesh to open 97 services sub-sectors
- Japan to open 120 services sub-sectors

AUTOMOBILES EXCLUDED

- Japanese cars excluded from duty-free entry
- Move aims to spur local auto assembly, manufacturing

Officials say the EPA could help narrow this trade deficit by boosting exports while drawing Japanese capital into industrial zones across the country.

Apart from tariffs, the agreement covers trade in services, investment, customs procedures and intellectual property rights, according to the commerce ministry.

"We are expecting a major shift of Japanese investment in Bangladesh under this EPA, as Japan is looking for a favourable investment destination and is choosing Bangladesh," Commerce Secretary Rahman said.

At present, Japanese investment in Bangladesh stands at about $500 million, a small slice of Japan's global investment. Still, several Japanese firms have already set up operations at the dedicated Japanese economic zone at Araihazar in Narayanganj district.

Under the deal, Bangladesh will open 97 service sub-sectors to Japan, while Japan will open 120 to Bangladesh. Officials expect this to speed up technology transfer and encourage long-term investment.

According to commerce ministry documents, garments will receive immediate duty-free access under Single Stage Transformation rules, a major win for the local RMG sector as the country prepares for the post-LDC competition.

For years, Bangladesh has been looking for trade agreements with major partners and blocs, including India, Turkey, Malaysia, China, the UAE, Indonesia, Nepal, Asean and the Regional Comprehensive Economic Partnership (RCEP), to widen its footprint in Asian, African and Latin American markets.

Until now, the country has only signed a Preferential Trade Agreement (PTA) with Bhutan in 2020. This EPA with Japan marks its first full-fledged trade deal.

Dhaka and Tokyo had been progressing towards this deal since 2022, when then prime minister Sheikh Hasina said Bangladesh was open to negotiating free trade agreements, including with Japan.

Subsequently, a joint study group was formed. Talks gathered pace in July 2023, with both sides signalling their intention that it would continue duty-free market access for Bangladesh for three more years, up to 2029.

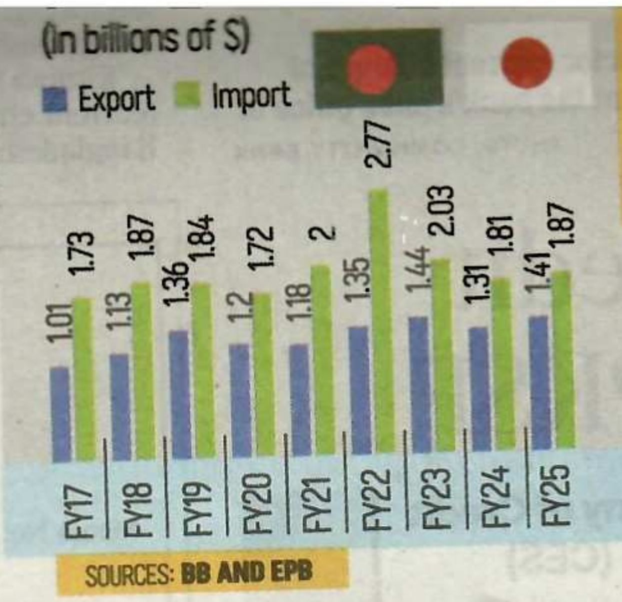
Regarding the EPA with Japan, analysts say this sends a message about the country's readiness to engage with major economies and trading blocs.

Abdur Razzaque, chairman of local think tank Research and Policy Integration for Development (RAPID), called the deal a positive signal but stressed that its success would depend on execution.

"It is a positive signal for Bangladesh to the foreign investors as it is a testimony that Bangladesh is capable of signing the deal even with Japan," he said, adding that the country should

member of the G-7. It will brighten our image," he said.

If used well, the deal could also open new doors for foreign direct investment, Reaz added.



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Subsequently, a joint study group was formed. Talks gathered pace in July 2023, with both sides signalling their intention to sign the EPA by late 2025 or early 2026, ahead of Bangladesh's LDC graduation.

Momentum picked up after the Advisory Council gave its nod on January 22 this year, following Japan's approval of the draft in December.

Last month, Japan also reaffirmed at the World Trade Organisation (WTO) that it would continue duty-free market access for Bangladesh for three more years, up to 2029.

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"It is a positive signal for Bangladesh to the foreign investors as it is a testimony that Bangladesh is capable of signing the deal even with Japan," he said, adding that the country should actively attract Japanese investment, especially in export-oriented sectors such as man-made fibre industries.

Similarly, M Masrur Reaz, chairman of Policy Exchange Bangladesh, called the agreement an excellent development.

"This EPA will enable Bangladesh to be a partner of a country which is a member of the G-7. It will brighten our image," he said.

If used well, the deal could also open new doors for foreign direct investment, Reaz added.

However, realising this potential requires proper

Bangladesh's untapped lever for leather export growth

Poor management of tannery solid waste is undermining compliance, competitiveness, and livelihoods in Bangladesh's leather sector—yet with the right policies, waste recovery could unlock billions in export value and inclusive employment

Ferdaus Ara Begum
CEO, BUILD

Effective management of tannery solid waste (TSW) has emerged as a critical determinant of export sustainability and competitiveness in Bangladesh's leather sector. Despite strong global demand for leather and leather products, inadequate handling of solid waste—such as fleshings, trimmings, chrome-containing sludge, and buffing dust—has constrained market access, particularly in environmentally sensitive markets such as the EU and North America.

However, if these waste streams are properly utilised, they could add export value amounting to approximately Tk1,000–1,500 crore, while simultaneously creating employment opportunities for marginalised communities.

Bangladesh has set export targets of $5 billion by 2029 and $12.5 billion by 2030 for leather and leather goods. Achieving these targets will require closing existing compliance gaps and moving towards higher value-added production.

According to the Export Promotion Bureau (EPB), Bangladesh earned approximately $1.145 billion from leather, leather products, and footwear exports in FY2024. This figure declined to $1.039 billion by June FY2025.

While footwear continues to drive export earnings, leather goods and by-product-based exports have experienced year-on-year declines.

The estimated waste generation of around 232 tonnes per day implies that up to 850 kilograms of solid waste are produced for every 1,000 kilograms of raw hide processed. This underscores the scale and intensity of the waste challenge if not properly managed.

This waste comprises multiple fractions, each with distinct chemical and physical properties. Dusted salt, generated at a rate of approximately 300 kg per tonne of raw hide, is often contaminated with bacteria and dirt.

Limed fleshing, removed during the pre-tanning stage, is rich in fats and proteins. Chrome shavings and buffing dust, produced during finishing stages, contain high concentrations of trivalent chromium, posing significant management and environmental challenges.

Effective TSW management can contribute substantially to export growth by ensuring compliance with international environmental and social standards. It also enables value recovery through by-product utilisation and enhances the sector's environmental reputation.

By adopting circular economy approaches, management in line with environmental standards, including obtaining the necessary regulatory approvals and certifications.

The relocation of tanneries from Hazaribagh to the Savar Tannery Industrial Estate (STIE) was intended to mark a turning point towards modernisation, environmental compliance, and deeper integration into global markets.

In practice, however, this promise remains largely unfulfilled. Critical infrastructure—most notably the Central Effluent Treatment Plant (CETP) and a dedicated solid waste management system—remains incomplete or non-functional.

As a result, solid waste generated within STIE cannot be safely processed or transported, leading to widespread open dumping along the Dhaleshwari River.

Historically, around 100–150 small enterprises in Hazaribagh produced gelatin for the textile and jute industries. Many were forced to cease operations due to shortages of raw materials following relocation.

Other small-scale industries produced Shirish, a type of glue. However, many of these businesses lacked training and failed to meet compliance standards, preventing them from obtaining environmental licences.

Although relocation was expected to facilitate improved TSW management and higher value-added production to offset these losses, such improvements have not materialised.

The relocation has had a twofold impact. First,

> By adopting circular economy approaches, strengthening regulatory enforcement, and encouraging private investment in waste processing technologies, Bangladesh can transform tannery waste from a compliance burden into a source of export diversification, employment generation, and foreign exchange earnings.

it disrupted small entrepreneurs who previously relied on tannery waste to produce a wide range of products, including gelatin, fertilisers, gloves, shoe soles, belts, wallets, mosquito coils, paint, and poultry feed.

Second, informal poultry feed production historically relied on contaminated tannery scraps, introducing toxic heavy metals into the human food chain—a practice banned by the High Court in 2011 and reaffirmed in 2017.

These developments have left small TSW-based entrepreneurs highly vulnerable.

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A recent study by The Asia Foundation identified eleven types of tannery solid waste, a significant portion of which is currently disposed of directly. These include fleshing, trimming before splitting, trimming before shaving, toggle trimming, and buffing dust.

Many of these waste streams have strong potential for conversion into value-added products with both domestic and international demand. However, realising this potential requires proper ...tory approvals and certifications.

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Industries still operating in Hazaribagh with limited TSW-based production face considerable uncertainty due to the absence of official plots and formal recognition.

Support from BSCIC is required to enable these entrepreneurs to continue their activities through legitimate and compliant channels. Some women are engaged in producing oil for iron plates, while fleshing is stored in rudimentary and unsafe conditions.

A comprehensive roadmap is urgently needed to support unemployed and underemployed individuals and to ensure residual tannery waste is utilised sustainably and safely.

Some entrepreneurs who have retained small investments in Hazaribagh I SEE PAGE 14 COL 1

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report strong demand in China for salt-added cutting leather used in dog food. This demand has created raw material shortages for gelatin production.

As a result, some producers are now using split-leather waste to manufacture gelatin, often sourcing materials unofficially from STIE, where such waste streams are strictly regulated.

More recently, a Chinese-owned firm—Bangladesh JW Animal Protein Co. Ltd.—has established a modern facility in Savar with the stated objective of producing gelatin and industrial protein powder for export to China and Russia.

This investment represents a milestone in formalising waste recovery and demonstrates the latent value embedded in TSW.

However, it has also intensified competitive pressures on local small and medium enterprises (SMEs), many of which lack access to capital, technology, and regulatory support to upgrade their operations or compete on quality and compliance.

The Government of Bangladesh has licensed seven organisations to produce by-products from TSW in a compliant manner and export value-added products to markets such as China and Vietnam.

The impact on domestic enterprises has been severe. Competition for TSW has intensified, driving prices up from around Tk2 per kg to as much as Tk12 per kg in some cases.

When managed properly, tannery solid waste can effectively be treated as a valuable resource. However, given Bangladesh's limited geographic space and high population density, pollution-intensive and hazardous entrepreneurial activities must be carefully regulated to ensure sustainability.

TSW management has therefore become a priority, while also needing to balance the interests of small entrepreneurs.

Several donor organisations have expressed willingness to support the tannery sector in achieving full compliance. To capitalise on these opportunities, Bangladesh must be prepared to equip entrepreneurs with the necessary skills, technology, and resources.

Workers in this sector are highly vulnerable to health and safety risks, often handling chemicals, lime, water, and salt without adequate guidance—practices that are unsustainable in the long term.

A comprehensive analysis of the entire TSW supply chain is required, alongside strengthened regulatory oversight, to ensure safe, sustainable, and compliant operations.

Several European countries are significant exporters of leather waste and leather composition waste under HS Code 411000. Spain, China, Italy, and the EU are among the world's leading exporters, indicating active global trade in solid leather by-products used for further processing or industrial applications.

In 2023, the EU exported over 2.1 million kg of leather waste to markets including India and the USA, reflecting strong international demand.

In the same year, Pakistan exported more than 2 million kg of leather and composition leather waste—primarily to Italy, a major leather processing hub—demonstrating how solid waste itself can become a traded commodity.

India, with its large tannery base—particularly in the Kolkata–Bantala leather complex—also exports leather solid waste to countries such as China, the UK, Singapore, and the USA.

These waste materials are used in downstream industries that convert them into usable products.

Bangladesh has immense potential to utilise its TSW more effectively. However, inadequate TSW management has emerged as a critical constraint to achieving international Environmental, Social, and Quality (ESQ) compliance.

This is particularly true for the standards required by the Leather Working Group (LWG), which function as non-tariff barriers to entry into premium export markets in the EU and North America.

By demonstrating a viable economic case for TSW conversion and implementing the necessary regulatory and policy reforms, the sector can develop a replicable model of circular industrial development that aligns environmental compliance with export competitiveness.

Targeted interventions could create meaningful opportunities for women and marginalised entrepreneurs by providing skills development, formalisation pathways, and safer, higher value-added roles within emerging TSW by-product value chains.

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