

# Dhaka-EU ties set for new boost

## Comprehensive Partnership Agreement to be initialled in Brussels tomorrow

PORIMOL PALMA

Bangladesh and the European Union (EU) will initial the Comprehensive Partnership Agreement (CPA) tomorrow, adding a new dimension to the relationship that will boost trade, investment and other areas based on equal footing.

Initialling the CPA means the agreement will have a legal basis, with the draft finalised and agreed upon by both sides in January this year following five sessions of negotiation since 2024. However, the CPA will take a few months for translation to 24 European languages before it is signed.

The CPA will be initialled in the presence of Bangladesh's Foreign Minister Khalilur Rahman and EU High Representative for Foreign Affairs and Security Policy Kaja Kallas in Brussels, said ministry officials.

Khalilur Rahman will fly to Brussels today.

Officials said Bangladesh's relationship with the EU, the country's largest export destination, has been that of development cooperation under the Cooperation Agreement signed in 2001.

According to diplomatic sources, signing the CPA will be a significant elevation of the Bangladesh-EU relationship.



Bangladesh is the first LDC with which the EU is signing the CPA.

The country's exports to the EU rose from \$2 billion in 2000-01 to over \$26 billion in 2024, and the duty-free facility that the EU has been providing for Bangladeshi goods under the 'Everything but Arms' scheme will be phased out in 2029.

After that, the EU will have Generalized System of the Preferences (GSP) Plus, and Bangladesh will have to implement a variety of UN conventions related to good governance, environment, and labour rights to have duty-free access under GSP Plus.

Meanwhile, Bangladesh has been part of EU's Global Gateway Initiative, under which the country can get funding for renewable energy projects. The EU also made Bangladesh part of its Talent Partnership, under which a skilled workforce can migrate to the EU countries,

foundational agreement. We will have different joint committees on various sectors, including trade, investment, environment, labour, etc.," said a foreign ministry official.

The official also said once the CPA is signed, Bangladesh will seek to sign a Free Trade Agreement (FTA) and an investment protection agreement.

"We would like our exports to the EU protected and also ensure protection of European investments in Bangladesh," he said.

Bangladesh's former ambassador to the EU in Brussels, Mahbub Hasan Saleh, said under the Cooperation Agreement of 2001, the Economic Relations Division (ERD) was the lead agency when it comes to dealing with the EU.

With the signing of the CPA, the Ministry of Foreign Affairs will become the lead agency, and the relations will be based on equal footing.

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Bangladesh has also been drawing close attention from the EU, being a country located in the Indo-Pacific region, as well as being among the countries most affected by climate change.

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foundational agreement. We will have different joint committees on various sectors, including trade, investment, environment, labour, etc.," said a foreign ministry official.

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With the signing of the CPA, the Ministry of Foreign Affairs will become the lead agency, and the relations will be based on equal footing, he added.

Saleh also said Bangladesh and EU have a variety of areas to boost cooperation, including renewable energy, clean technology, improving value chains, and standardisation of products.



# South Asia's trade policies stifle job creation, exports

Economists warn at ninth Sanem Annual Economists' Conference

## STAR BUSINESS REPORT

Trade policies in South Asia are shielding less productive sectors while constraining job creation and export competitiveness, economists said at a session of the ninth Sanem Annual Economists' Conference held at BRAC Centre Inn in Dhaka yesterday.

"South Asia's trade policies are protecting the least dynamic parts of its economy while holding back job creation," said Franziska Ohnsorge, chief economist for South Asia region at the World Bank, in her presentation at a session on "Development challenges and policy responses in a changing world".

Around 40 percent of workers in the region are employed in sectors -- mainly agriculture -- protected by tariffs exceeding 30 percent, she noted. These sectors have contributed little, or even negatively, to employment growth over the past decade.

Ohnsorge said that, in contrast, low-tariff sectors account for nearly three-quarters of new jobs, underscoring the role of more open, competitive industries in driving employment.

High tariffs also raise input costs, particularly for manufacturing, weakening export competitiveness.

"Workers in protected sectors are typically older and less skilled, suggesting that tariff protection is shielding a stagnant segment of the labour market," she said.

Ohnsorge suggested that reducing tariffs, alongside measures to ease worker mobility, could boost growth, create better jobs, and increase overall government revenue.

Mustafizur Rahman, distinguished fellow at the Centre for Policy Dialogue (CPD), highlighted a key gap in trade liberalisation debates, arguing that domestic reforms cannot be assessed without considering partner-country policies.

He stressed that trade is inherently reciprocal. "It takes two to tango," he said, warning that ignoring partners' policies oversimplifies real outcomes.

Referring to Ohnsorge's keynote, Rahman acknowledged that tariff reduction can improve resource allocation and support employment in efficient sectors, reflecting the widely accepted theory of comparative advantage.

He also noted that while Bangladesh is expected to lower tariffs on US imports, its exports could face duties of nearly 35 percent, raising annual payments to around \$3 billion.

Bringing up the garments sector, he said a mix of liberalisation and



Meaningful trade reforms remain essential to drive growth, create jobs, and ensure sustainable economic stability, said an expert. PHOTO: STAR/FILE

incentives enabled strong backward linkages and over 50 percent domestic value addition.

As Bangladesh approaches LDC graduation in November 2026 -- though the government has requested a deferment -- he urged calibrated reforms, noting that global rules allow policy flexibility amid an uneven playing field.

Anirudh Shingal of SP Jain Institute of Management and

multiple manufacturing sectors, such support has been found to boost exports from recipient countries to donor markets, offering a viable cushion for low-income economies.

Srimal Abeyratne, professor of Economics at the University of Colombo, said Sri Lanka's weak export performance remains puzzling despite decades of export-oriented reforms.

He noted that the country has endured multiple shocks in recent years, including the pandemic and the 2022 debt crisis.

While macroeconomic stability has improved and recovery is visible on the surface, poverty has deepened, businesses have collapsed, and structural vulnerabilities persist.

Abeyratne stressed that trade is central to sustaining recovery, reducing poverty, and meeting debt obligations from 2028. However, Sri Lanka faces ongoing challenges in external financing and reserve adequacy, which remain below IMF targets.

Despite this, rising foreign exchange earnings from these sources have reduced urgency for reforms. Abeyratne argued that meaningful trade reforms remain essential to drive growth, create jobs, and ensure sustainable economic stability.

Research in India highlighted practical strategies for countries facing rising trade policy uncertainty, drawing on recent research.

He said informal networks such as the Commonwealth can play a stabilising role during crises, as countries tend to trade more within culturally and linguistically connected groups when uncertainty rises.

Shingal also noted that "aid for trade" remains effective. Across

# How govt can stop the export slide

MAMUN RASHID

Over nearly four decades, through persistence and sacrifice, Bangladesh has become a reliable exporting nation. Exports expanded steadily in recent years, but that momentum is now weakening. In March, exports fell by more than 18 percent year-on-year, an unusually sharp contraction. It was the eighth consecutive month of decline, something unseen in the country's export history. According to the Export Promotion Bureau (EPB), export earnings dropped to \$3.48 billion in March from \$4.25 billion a year earlier. The \$770 million fall is significant, especially when monthly exports typically range between \$4.5 billion and \$5 billion.

Several factors explain the downturn. Externally, retaliatory tariffs imposed by the United States have reduced Bangladesh's competitiveness in a key market. At the same time, competitors such as China, Vietnam and India have strengthened their presence in the European Union by offering lower prices and faster turnaround.

Over the past eight months, this has gradually eroded Bangladesh's market share. Domestically, temporary disruptions also played a part. Eid-ul-Fitr led to factory closures averaging around 10 days, halting production and shipment for nearly a third of March. While this explains part of the monthly drop, it does not account for the sustained decline.

During the first nine months of FY 2025-26, total exports fell by 4.85 percent to \$35.39 billion, compared with \$37.72 billion in the same period a year earlier. July exports were unusually high as exporters rushed shipments to the United States ahead of tariff implementation. That created a temporary spike, followed by a correction from August onwards.

The readymade garment sector, which generates the bulk of export earnings, has been hit particularly hard. In March, garment exports fell by 19.35 percent to \$2.78 billion, down from \$3.45 billion a year earlier. Over the nine-month period, RMG exports declined to \$28.58 billion from \$30.25 billion.



Eid-related holidays contributed to the March fall, but the broader trend reflects deeper structural and global challenges.

Global conditions have also turned adverse. Conflict in the Middle East has disrupted energy markets and pushed up oil prices, reducing consumer purchasing power in Europe and the United States. As demand weakens in these key markets, export-dependent economies such as Bangladesh feel the strain. Other sectors are under pressure. Home textiles fell by 21 percent, pharmaceuticals by 20 percent, vegetables by 45 percent, leather goods by 7 percent and jute products by 13 percent. A few segments, including frozen fish, crabs and plastic products, have shown resilience, but their scale remains small relative to

The Daily Star

19 APR 2026

Domestic constraints compound the challenge. Exporters face high lending rates, inconsistent electricity and energy supply, and logistical inefficiencies. Concerns over law and order, labour productivity, and port congestion further weaken competitiveness. In such conditions, sustaining export growth becomes harder. The response must be pragmatic and coordinated. First, the government should engage closely with exporters to understand sector-specific constraints and act quickly.

Access to finance needs improvement through lower lending rates and adequate liquidity. Second, exchange rate management should remain flexible and market-responsive to preserve competitiveness. Any misalignment can quickly erode margins in price-sensitive markets.

Third, targeted incentives may be required for sectors facing intense competition. These should be time-bound and performance-linked to avoid long-term fiscal costs. Fourth, infrastructure and energy reliability must be prioritised. Consistent power supply and efficient port operations are essential to compete globally. Bangladesh should also monitor how competitors support their exporters and adapt accordingly. The global trade environment is shifting quickly, and policy must keep pace.

Export growth cannot be taken for granted. It demands sustained policy attention, coordination and a willingness to confront both external shocks and domestic weaknesses. The current slowdown is a warning. The response must be timely and decisive.

The writer is an economic analyst and chairman at Financial Excellence Limited

# US buyers begin recalibrating apparel sourcing strategies



Pursuing four sourcing strategies, including sourcing diversification, reduced sourcing from China, expanding sourcing from other lower-cost manufacturing hubs in Asia, mostly Bangladesh and Vietnam

BGMEA chief laments lack of mechanism to deal with developments

Apparel owners entreating govt ministries concerned to go for renegotiation of deal terms, zero-duty mkt access for products using US cotton

## Textile, apparel-specific provisions in special consideration, attuned to tariff, geopolitical tensions

MONIRA MUNNI

American buyers are carefully monitoring the newly negotiated US trade agreement with Bangladesh, especially its textile -and apparel-specific provisions, to recalibrate their apparel- sourcing strategies amid tariff and geopolitical tensions, a new study reveals. The Agreement on Reciprocal Tariff between Bangladesh and the United States, signed on February 09, reduces the reciprocal tariffs imposed on Bangladeshi products on the US market from 20 per cent to 19 per cent. It also introduces duty-free facilities for using American inputs. Garment produced from cotton and man-made fibres imported from the United States will not be subject to any reciprocal tariff whatsoever.

According to the study findings, US fashion companies identified shifting consumer demand, macroeconomic volatility, tariff hikes, and ongoing policy uncertainty as their main business concerns.

It also reveals that they are following four sourcing strategies- continuing sourcing diversification, including reducing sourcing from China,

expanding sourcing from other lower-cost manufacturing hubs in Asia, mostly Bangladesh and Vietnam, and exploring near-shoring opportunities in Mexico and Central America and taking advantage of lower-tariff benefits.

One of the four sourcing strategies that stand out is "Carefully monitor newly negotiated trade agreements with the US, especially those with textile and apparel-specific provisions, such as the one with Bangladesh." Meanwhile, many companies note that full sourcing realignment takes 12-18 months or more, according to the report conducted by Sheng Lu, professor, Department of Fashion and Apparel Studies, the University of Delaware.

This study examines US fashion companies' evolving apparel sourcing and business practices in response to a shifting business environment, including ongoing rising tariffs and geopolitical tensions.

The study has been conducted on available data, transcripts of the latest earnings calls held between February and April 2026 from about 30 leading publicly traded US fashion companies. As an example of sourcing strategies, it has cited Kontoor Brands as saying: "Of particular interest to us is the trade agreement with Bangladesh, which we highlighted. That trade agreement reflected a potential reciprocal tariff ranging from zero to 19 per cent, depending on the US-grown cotton content of products sourced from Bangladesh."

It says more than 80 per cent of the products Kontoor Brands source from Bangladesh do not include US-grown cotton, adding that

"Bangladesh is our largest country of origin from a sourcing perspective, so by nature, it's also our largest source of tariff pressure.

"We are pleased to announce that we are moving forward with phase two of our Bangladesh complex. Over the next 18 months, we will begin construction of our second large-scale textile facility, with initial production expected to come online in the later part of 2027. Expanding our Bangladesh footprint is central to reinforcing our cost leadership in ring spin and innerwear"

The buyer also says they are increasing their internal capacity in Bangladesh and in Central America, "obviously in anticipation to support the Hanes integration."

Quoting Land's end, the study says, "Our teams just got back

from a sourcing trip in India with one of our major airline partners, and they couldn't be happier about the breadth that we're able to offer, and the opportunity that we're creating for their employees." As their broader mitigating actions take shape, country of origin shifts. "You'll start to see those all come into play as we move through fiscal 2027," says Ralph Lauren. Asked about the latest developments concerning the country's largest export sector, Bangladesh Garment Manufacturers and Exporters Association (BGMEA) president Mahmud Hasan Khan said a mechanism must be developed to determine the use of US cotton in garment produced here in Bangladesh and exported to the US.

"But no such mechanism we

have received yet from the concerned authority," he rues. Talking to the FE, Shovon Islam, managing director of Sparrow Group, said buyers are looking into the issue their own way though the speed was much higher before the Middle East war, US high court verdict on tariff imposition while US launched new investigation.

"The situation becomes uncertain due to all of those factors," he notes, adding that both buyers and suppliers are working together. He, however, says they (local manufacturers) are pushing government authorities, including commerce and foreign ministries, to renegotiate for zero-rated duty-no reciprocal and existing duty-on garment produced using US cotton.

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19 APR 2026

## US trade deal affects energy sovereignty: Debapriya

Govt urged to quickly form reform commission promised in BNP's election manifesto

Economist and Distinguished Fellow at the Centre for Policy Dialogue (CPD), Dr. Debapriya Bhattacharya, has claimed that the trade

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agreement signed by the interim government with the United States undermines Bangladesh's energy sovereignty.

Speaking as the chief guest at a pre-budget shadow parliament debate organized by Debate for Democracy in the capital, Dr. Debapriya criticized the restrictive nature of the deal, reports UNB.

"The trade agreement with the US is compromising our energy sovereignty.

While the new government claims it will not pursue country-specific foreign policies, this agreement dictates from whom we can purchase oil. Requiring permission for such decisions is a direct hit to our independence," he said.

He also questioned why the International Monetary Fund (IMF) has delayed the release of loan instalments and why the reform proposals prepared during the final days of the interim government have not been implemented.

"A white paper on the economy has been prepared, and various sector-specific reform books have been published. It seems these proposals are now destined for the museum," he remarked, urging the government to quickly form the reform commission promised in the BNP's election manifesto.

Describing the energy and banking sectors as the "two lungs" of the economy, the economist noted that the country is struggling to breathe due to both these vital sectors being beset by crises.

