The Business Standard
11 AUG 2026

Polish brand LPP to continue business in Bangladesh, will help exporters recover dues

RMG - BANGLADESH

TBS REPORT

Polish apparel brand LPP has decided to retract its decision to suspend business operations in Bangladesh, 12 days after announcing the halt over payment disputes with local exporters.

The brand will continue its business as usual, Mahmud Hasan Khan Babu, president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), told The Business Standard yesterday.

Following a meeting between BGMEA leaders and LPP representatives yesterday, he said, both parties drafted a joint statement to officially announce the withdrawal of the suspension.

"They [LPP] will continue their business. However, it was decided that LPP will assist Bangladeshi exporters in recovering payments for goods shipped to a Russian company," the BGMEA president said.

The dispute stems from an estimated $40 million in unpaid export proceeds owed to around 40 Bangladeshi suppliers by a Russian company, FES Retail. Local exporters allege that LPP's Dhaka office facilitated the deals with the Russian buyer.

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After some exporters filed a lawsuit in a Dhaka court, law enforcement agencies reportedly raided the residences of several officials from LPP's Dhaka office. Amid the escalating situation, the Polish brand announced the suspension of its business with Bangladesh on 30 July.

Currently, approximately 772 Bangladeshi factories supply apparel to LPP, with annual exports exceeding $700 million.

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Exporters seek share of $100b US tariff refunds

HOW EXPORTERS COULD RECOVER COST

TBS Insights by IPDC FINANCE

- Supplier receive share of refunded tariff
- Buyers adjust prices in subsequent orders
- Buyers increase business volume to offset losses
- Offset through air shipments, penalties or discounts
- Any arrangement requires buyer-supplier negotiation

TRADE - BANGLADESH

REYAD HOSSAIN

At the height of the 2025 reciprocal tariff hikes, many US apparel buyers pressured Bangladeshi garment exporters to share the burden, forcing suppliers to cut prices or offer discounts to keep orders flowing.

Many exporters agreed, effectively absorbing part of the tariff burden to protect their business with major US buyers.

Now, the equation has changed.

Following the US Supreme Court's February ruling declaring the tariffs illegal, major US buyers have begun receiving refunds for the duties they paid. The Trump administration has so far issued around $100 billion in tariff refunds out of the $166 billion it had collected under the reciprocal tariff regime.

This has left Bangladeshi exporters asking: if buyers are getting their tariff money back, what happens to the suppliers who helped bear the cost?

Exporters say they are now seeking a share of the refunds or, at the very least, some form of compensation through their continued business relationships with US buyers.

Rakibul Alam Chowdhury, managing director of HKC Apparels, said, "At that time, we shared one-third of the additional cost with buyers, and in some cases, up to half. Now that the money has been refunded, we've started communicating with buyers."

"The buyers are saying they will refund the money," he told The Business Standard.

HKC Apparels is among the Chattogram-based garment manufacturers affected by SEE PAGE 2 COL 1

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the tariff. About 90% of the company's exports go to the US market.

Representatives of US buyers also believe suppliers should receive compensation.

However, they said direct refunds may be difficult. Instead, the losses could be partially offset through higher prices in subsequent orders, increased order volumes, or concessions on costs such as air shipments and discounts when such situations arise for local suppliers. They said any such arrangement would require negotiation between buyers and suppliers.

However, neither of the two major apparel industry associations has data on how much of the tariff-related cost burden was actually absorbed by Bangladeshi exporters.

Trump admin refunds $100b

According to an Al Jazeera report published on 6 August, the Trump administration has refunded about $100 billion in tariffs since the US Supreme Court ruled against its use of emergency powers to impose duties on dozens of trading partners.

The administration had collected about $166 billion from US importers before the Supreme Court struck down a large part of Trump's tariff regime in February. The Tax Foundation, a Washington-based tax policy think tank, estimated that the tariffs cost the average US household an additional $1,000 in 2025.

Compensation in some form

Mohammad Hatem, president of the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA), said buyers now should compensate suppliers for the price cuts made to offset the reciprocal tariff.

"The amount deducted from suppliers should be returned to them in some form from the refunded funds," he told The Business Standard.

The managing director of a Dhaka-based garment factory, speaking on condition of anonymity, told TBS that a US buyer had asked the company to reduce its price by 5%, but it agreed to a 1% cut, costing the company about $25,000.

"However, we won't ask them to return the money. Instead, we'll ask them to increase the volume of business they do with us. Higher business volumes can help us recover the financial loss," he said.

A BGMEA leader, speaking on condition of anonymity, said buyers did not put equal pressure on all Bangladeshi exporters to absorb the additional tariff burden.

"Some buyers did not put any pressure on exporters at all. So, considering the overall situation, the amount absorbed by exporters may have averaged around 10%," he said.

He added that exporters that shipped under the Landed Duty Paid (LDP) arrangement, rather than Free on Board, had to absorb the additional tariff burden. Under LDP terms, the supplier is responsible for customs duties and tariffs imposed by the importing country.

Not all exporters, however, expect to recover the money they had conceded to buyers.

Rafiqul Anam Chowdhury, managing director of Chattogram-based RMG manufacturer Meadow Apparel, told TBS, "We also had to offer price concessions at the time. But I don't think we will be able to recover that money in any way."

LDP exporters can seek tariff refunds with legal help

Mahmud Hasan Khan Babu, president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), said he was not aware whether exporters were negotiating with buyers to recover the money they conceded tariffs.

"If anyone is negotiating, they are doing so independently. Those who had absorbed a significant share of the cost may negotiate with their buyers. We believe the cost can be recovered through increased business, even if it is not returned directly," he said.

Babu further mentioned that exporters who had shipped merchandise under LDP may be able to claim the tariff payments with legal assistance. "Those that exported under LDP terms can hire lawyers and claim the money. Lawyers from the US recently came and discussed the matter with us," he said.

The association does not have precise data on the share of Bangladesh's US exports shipped under LDP terms. Babu said, however, that it is likely to be less than 10%, with more than 90% shipped under FOB terms.

Buyer reps also believe in compensation

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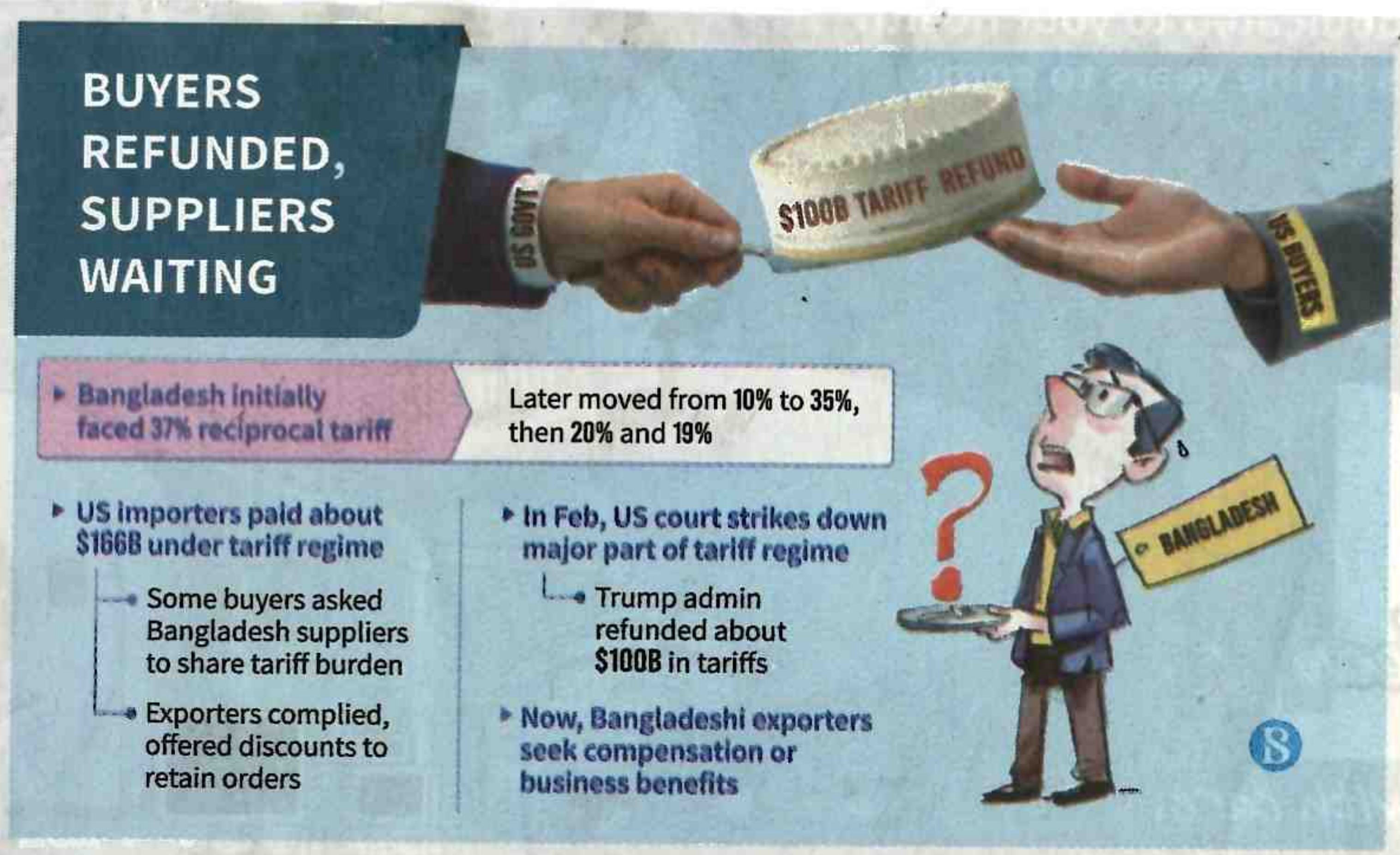

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Buyer reps also believe in compensation

Some representatives of US buyers sourcing from Bangladesh believe suppliers should be compensated in some form if they had absorbed part of the additional costs caused by the tariffs and buyers receive refunds.

The country manager of a US brand's Dhaka office, speaking on condition of anonymity, said, "If a supplier absorbed part of the additional cost because of the tariffs, they should receive a share of the refund now."

However, he said that even if a brand wanted to return the money, Bangladesh Bank's existing policies could make it difficult to transfer the funds directly to suppliers.

"In that case, a better option could be to adjust prices upward in subsequent orders through mutual agreement," he said. "The amount could also be offset by offering concessions if a shipment from the relevant Bangladeshi supplier needs to be sent by air, or if a situation arises where the supplier faces a penalty."

On 2 April 2025, the US announced steep reciprocal tariffs based largely on trade imbalances. Bangladesh initially faced an additional tariff of over 37%. A 10% tariff took effect on 10 April and remained until early August. The rate was later raised to 35%, then revised to 20% and finally 19% for Bangladeshi products.

Bangladeshi goods already faced a general US tariff of around 15%, making the reciprocal levy an additional burden. Rates varied by country.

Although US importers formally pay tariffs, Bangladeshi exporters said some US buyers asked suppliers to share the burden. Some exporters agreed, cutting prices to retain orders and meet wage and benefit obligations.

The Financial Express
11 AUG 2026

New ICD born for trade container treatment

Karnaphuly Drydock's facility is permitted to handle both empty and export containers

FE REPORT

A newly established off-dock is in place to handle empty and export containers, in the wake of Bangladesh's growing external trade transactions, sources say.

Chittagong Port Authority (CPA) has granted the permission for the new inland container depot of Karnaphully Drydock Limited (KDDL) company to handle both empty and export-cargo containers.

The permission was given recently in accordance with the ICD/CFS Policy 2016 and the Policy for setting up and operating private ICD/CFS or Off-dock 2021 issued by the National Board of Revenue, according to a CPA letter.

The off-dock, located in Anwara, Chattogram, will store empty containers of various sizes arriving under accounts of various shipping agents and mainline operators and handle export containers.

- Co has to maintain compliance with International Maritime Dangerous Goods (IMDG) Code
- Also asked to keep updated ISPS Certificate suiting all prescribed standards

The off-dock authority has been asked to take "appropriate measures in compliance with the International Maritime Dangerous Goods (IMDG) Code. Also it has been asked to keep updated the ISPS Certificate in compliance with all standards prescribed by the Department of Shipping".

Also, the authority has to transfer containers under the proper supervision of Chittagong Customs House and Chittagong Port Authority using electric cargo-tracking system (ECTS)/GPS tracking system.

"The cargo-laden containers must undergo scanning prior to transfer, and overall operational activities must be monitored via CCTV," says the direction to the off-dock authority.

With the new one, the number of privately-owned off-docks in the country rises to 24, located mainly in Chattogram. The off-docks handle cent per cent of the export cargoes, 65 specific categories of import goods, and majority of the empty containers.

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The Financial Express
11 AUG 2026

OPINION

Fast-tracking FTA talks with EU

Bangladesh needs to fast-track its move towards an FTA with the EU, while the new advisory panel must turn its broad representation into a clear negotiating mandate, a strict timetable and technically sound proposals

writes

Syed Fattahul Alim

The government has done well to have formed a 17-member advisory panel to guide the free-trade agreement (FTA) with the European Union (EU). According to a report published in this paper recently, the commerce minister will chair it and the Head of the commerce ministry's FTA Wing will be member-secretary. The body brings together officials from finance, foreign affairs, the National Board of Revenue (NBR) and the Bangladesh Trade and Tariff Commission (BTTC), along with business leaders and economists. On paper, it is an impressive gathering. Will this be another committee that loses time before deciding what to do? Time is exactly what Bangladesh cannot afford to lose. The European Commission's trade profile says the EU was Bangladesh's largest trading partner in 2025, accounting for 21.5 per cent of its goods trade. Bilateral goods trade reached 23.3 billion euros, while textiles constituted almost 94 per cent of EU imports from Bangladesh. Notably, Bangladesh was the largest beneficiary of the EU's Everything But Arms (EBA) scheme, with 19 billion euros of exports enjoying preferences in 2024. After graduation from the least-developed country (LDC) category, the country will retain EBA benefits at least through 2029 under the new EU rules. But three years is hardly long for negotiating, legally reviewing, signing and ratifying a comprehensive FTA. Meanwhile, competitors have not remained idle. The EU-Vietnam agreement, in force since August 2020, eliminates 99 per cent of tariffs, with duties on apparel and footwear phased out. The EU and India concluded their FTA negotiations in January 2026. Bangladesh's garment, leather and footwear exports will therefore compete with products enjoying preferences, while Bangladeshi apparel may face duties of 9.0 to 12 per cent after the EBA transition. Small wonder exporters are worried. An FTA is not merely about retaining a privilege. It is about securing predictable access to the country's biggest market and creating room for non-garment exports, services and investment.

How can the panel help clinch the deal early and effectively? First, it should meet immediately and adopt a time-bound work programme before negotiations create problems. A permanent technical secretariat under the FTA Wing should prepare documents, preserve institutional memory and coordinate ministries. The government should name an empowered chief negotiator who can speak for the country between rounds. Within three months, the panel needs a product-by-product assessment showing Bangladesh's offensive interests, defensive concerns and trade-offs. The NBR and BTTC can map tariffs and revenue implications; business bodies can identify export bottlenecks; and research institutes can test liberalisation scenarios. Without such homework, even an experienced negotiator would enter the room half-blind. The panel should divide the work among specialised groups covering goods, services and investment, rules of origin, customs, standards, labour, environment, intellectual property, digital trade and procurement. Rules of origin deserve special attention because the apparel industry still depends on imported inputs. Bangladesh should seek workable cumulation provisions and long transition periods, while offering phased access for EU machinery, chemicals and other products. The EU-India texts and EU-Vietnam agreement can help the teams anticipate Brussels' demands. At the same time, consultations cannot remain confined to garment associations and Dhaka-based experts. Leather, jute, pharmaceuticals, agro-processing, light engineering, small enterprises, trade unions, women workers and consumers must also be heard, since an FTA creates losers as well as winners.

No doubt tariff preferences are the immediate concern. However, an EU trade agreement also covers labour rights, environmental protection, product safety, customs administration, competition, public procurement and good governance. These should not be treated as last-minute concessions to Brussels. The panel should prepare a reform matrix assigning each task to a ministry, setting deadlines and monitoring implementation. Bangladesh may pursue GSP+ as a bridge or insurance against delay, but that cannot be an excuse to postpone the FTA. It should begin pre-negotiation engagement with the European Commission, seek an early scoping exercise and establish a calendar for formal rounds. Publication of non-confidential progress reports would keep ministries accountable and prevent disagreements from surfacing too late. Bangladesh needs to fast-track its move towards an FTA with the EU, while the new advisory panel must turn its broad representation into a clear negotiating mandate, a strict timetable and technically sound proposals.

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