

## Another setback for exporters

### Fresh Indian curbs on imports from Bangladesh concerning

We are disappointed by India's latest move to restrict the import of a number of Bangladeshi goods—ranging from garments and agro-processed foods to fruits, furniture, and plastics—through land ports. According to a notification issued by India's Directorate General of Foreign Trade (DGFT), garments, the single largest Bangladeshi export to India, will only be allowed entry through two sea ports. This marks India's second trade restriction in just over a month, following its April 8 revocation of transhipment facilities for Bangladesh's export cargo to third countries via Indian ports and airports. We must say the pattern that emerges from these moves is quite disturbing not only for the disruptions it will cause to our exports, but also for what it signals about the current state of bilateral cooperation and communication.

There was, according to a report, no formal communication from Delhi in advance. Sources at the Bangladesh High Commission have said they learned of the move only after it had taken effect. There was no prior notice in case of the April 8 restriction either. For decisions that affect billions of dollars in trade and the livelihoods of exporters and importers on both sides, such a lack of engagement and transparency is unbefitting of neighbours with interlinked economies. Bangladeshi exporters have already started to feel the brunt of the latest restrictions, with 17 trucks carrying products from the PRAN-RFL Group reportedly getting stuck at the Burimari land port on Sunday morning. These trucks were bound for Siliguri in West Bengal but halted due to the new import curbs.

Of course, among the sectors to be affected most is garments, with Bangladesh's apparel exports to India valued at about \$700 million annually. Around 93 percent of these exports are routed through land ports. Rerouting them now through sea ports may significantly increase costs, delay deliveries, and hurt the competitiveness of exporters. Delhi may view this as a reciprocal measure, as hinted by a section of Indian media, considering Bangladesh's move last month to block yarn imports via land ports (shortly after India suspended transhipment facilities). But we must remember that our imports from India are nearly ten times the value of our exports, indicating a significant trade deficit with India. Given this imbalance, any additional restriction on our limited exports only deepens the inequity in trade relations. Moreover, such restrictions, if truly necessary, should be introduced with proper dialogue, phased implementation, and clear intent.

We, therefore, urge the Indian authorities to withdraw these unilateral and reactive measures and engage in constructive dialogue with Bangladesh to resolve any outstanding trade issues. Both countries stand to lose if mutual trust and cooperation in bilateral trade are eroded.

## Swift justice raises hope

### Magura rape case verdict should serve as a precedent

It is encouraging that a Magura court has concluded the trial proceedings of a rape case in just 24 days after the trial commenced on April 23, 2025. Reportedly, the court sentenced 44-year-old Hitler Sheikh, the prime accused, to death for the rape and murder of his daughter-in-law's eight-year-old sister. However, three other accused were acquitted as the charges against them could not be proven beyond a reasonable doubt. That said, the surprising efficiency with which our judicial system worked in this case may serve as a model for future trials.

After the verdict, the victim's mother was reported to have expressed disappointment over the acquittal of three accused, stating, "They deserved punishment, as they assisted in the murder and concealed information." We hope proper justice will be served if the case is appealed, but for the moment, what we should take away from this case is the speed with which the trial was conducted. The same urgency should be applied to the many other rape cases pending in courts across the country. As a Supreme Court lawyer rightly pointed out, inconsistency in the pace of justice leads to disparity and undermines public confidence in the judiciary.

According to the Human Rights Support Society, at least 6,305 women and girls were raped in the past five years. Despite this alarming rate, conviction remains extremely low. Of the 20,914 cases of violence against women and children filed through 14 one-stop crisis centres between 2001 and July 2024, only 1,48 percent ended in convictions. Currently, 101 Women and Children Repression Prevention Tribunals are handling such cases, with each burdened by an average of 1,500 pending cases. To address this backlog, more tribunals must be established. Additionally, we must protect victims and witnesses as they are sometimes pressured into withdrawing cases or settling out of court. The longstanding problems of faulty investigations and inadequate forensic facilities should also be addressed through institutional reform.

In our country, rape trials often drag on for years—even in lower courts. The swift verdict in the Magura case shows that timely justice is indeed possible. While we strongly support expediting investigations and trials, it is equally important that the process be thorough and fair. We urge the government to do everything in its power to ensure both speed and quality in justice delivery.

## THIS DAY IN HISTORY



### Death of Iranian president Ebrahim Raisi

On this day in 2024, Iranian hard-line president Ebrahim Raisi died in a helicopter crash. Masoud Pashayi, the country's most reform-oriented president in decades, was elected to replace him in July.

# The bold move to a flexible exchange rate regime

## MACRO MIRROR

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Views expressed in this article are the author's own.

### FAHMIDA KATUN

The Bangladesh Bank (BB) has recently announced a shift to a flexible exchange rate system after a long period of a managed exchange rate system. Although this decision is primarily driven by conditions from the International Monetary Fund (IMF) for the disbursement of loans, it has been a widely discussed issue in the country. Bangladesh is currently under an IMF programme for a \$4.7 billion loan, but the IMF did not disburse the fourth instalment in January 2025 as Bangladesh was reluctant to adopt a market-based exchange rate. Now, with the central bank agreeing to go for a flexible exchange rate, the IMF will disburse the fourth and fifth instalments in June this year.

This is a significant policy move that follows years of concern by Bangladesh Bank (BB) about the risks of currency depreciation and volatility. In early May 2024, BB introduced a crawling peg system as part of the IMF loan programme's conditions, aiming to stabilise the foreign exchange market when pressures on reserves arose due to remittance fluctuations and trade imbalances. Adopting the crawling peg, a system where a currency is allowed to change within a set range, was a transitional mechanism since a sudden move to a free float could lead to excessive depreciation and worsen inflation.

The flexible exchange rate shift has been made because of a stable foreign exchange reserves at present. The foreign exchange reserve improved after the payments in December 2024 and robust exports and increases in remittances halted the declining trend of foreign exchange reserves. Additionally, the decline in illicit capital outflow has contributed to building up reserves.

The tight monetary policy is expected to reduce the inflation rate in the coming months, although the rate of decline is still slow as per official data. The central bank has refrained from selling dollars to the market and has been building foreign exchange reserves over recent months by buying dollars.

This policy shift of moving to a flexible exchange rate is expected to offer several economic benefits. It will enable BB to focus more on domestic issues, such as controlling inflation and managing interest rates, without the burden of constantly maintaining a fixed exchange rate.

Another benefit of a flexible exchange rate is that it enables the economy to adjust automatically when

external factors change. For example, when global prices fluctuate or a trade imbalance occurs, the exchange rate can adjust independently to maintain stability, allowing the economy to handle external challenges more smoothly, with minimal interference. Consequently, this reduces the strain on foreign exchange reserves and makes the system more stable in the long run.

Additionally, a flexible exchange rate can make the country's exports cheaper and more competitive in international markets. This can encourage foreign investment, especially in industries that focus on

of competitiveness of Bangladeshi exporters, as all competitor countries devalued their currencies. Eventually, economic reality forced BB to devalue the taka. But by then, the adjustment was swift and steep instead of gradual. As a result, imports became too costly.

Of course, BB will have to be prepared to face the associated challenges with a flexible exchange rate regime. One of the primary concerns with a flexible exchange rate is the potential for increased volatility, which could undermine investor confidence, disrupt trade, and complicate long-term business planning. While a flexible exchange rate allows the currency to adjust naturally to market conditions, it can also result in sudden and unpredictable fluctuations that could destabilise the economy. This is particularly worrisome for a low-income country like Bangladesh, which is vulnerable to external shocks.

Another challenge associated with a flexible exchange rate is the pass-through effect on inflation. When the

will require careful management and ongoing strategic interventions. BB has announced a mechanism to stabilise the currency market by establishing a \$500 million fund to sell dollars in the market as needed. This measure aims to mitigate sudden fluctuations in the exchange rate and reduce the risk of extreme depreciation. However, effective management of this fund will require close monitoring of both domestic and global economic conditions.

The transition to a flexible exchange rate may initially raise concerns among both domestic and foreign investors. Investors generally prefer stable exchange rates, as volatility can increase the risks associated with cross-border trade and investment. The fear of sudden devaluation could lead to capital flight or a reduction in foreign direct investment (FDI).

Transparent communication will be crucial for BB in managing investor expectations. Clear and consistent messaging about the central bank's



VISUAL: ANWAR SOHEL

value of the taka depreciates, the cost of imports rises, which can lead to higher prices for goods and services and increased inflation. Since Bangladesh is an import-dependent economy, this could result in higher costs, especially for essential commodities such as fuel, food, and raw materials.

BB can utilise its monetary policy tools to control inflation in case of exchange rate fluctuations. For instance, by adjusting interest rates, the central bank can work to keep inflation at a moderate level. However, this will require coordination with fiscal policies to ensure that higher expenditures do not drive inflation too high and economic stability is not undermined.

Therefore, navigating the challenges of a flexible exchange rate

polices, including the mechanism for market interventions and strategies to maintain stability, will help reduce investor uncertainty.

The decision by BB to adopt a flexible exchange rate is a bold step in aligning Bangladesh's economy with global market dynamics. While the shift presents several challenges, such as increased volatility, inflationary pressures, and the need to build investor confidence, the opportunities it offers, particularly in terms of economic resilience, adaptability, and competitiveness, are significant. Only prudent macroeconomic management backed by appropriate policies and political stability can help achieve the benefits of a flexible exchange rate system.

## We need a free trade agreement with the UK, like India



## RMG NOTES

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### MOSTAFIZ UDDIN

The recent signing of a free trade agreement (FTA) between the UK and India marks a significant shift in global trade dynamics. This deal, which eliminates tariffs on 99 percent of Indian exports to the UK and reduces duties on 90 percent of goods from the UK entering India, is projected to boost bilateral trade by 25.5 billion pounds a year by 2040. This agreement will no doubt positively impact India's textile industry, for which Europe is a major target market.

As a manufacturer deeply invested in our nation's economic future, particularly in the RMG sector, this development is both inspiring and concerning. More than anything, it highlights the urgency for Bangladesh to pursue similar trade agreements to maintain and enhance our competitiveness in key markets like the UK.

Bangladesh's RMG industry is a cornerstone of our economy,

contributing significantly to export earnings and employment. In 2024, RMG exports reached an impressive \$38.48 billion, with the European Union accounting for over 50 percent of this total. The UK remains one of our top export destinations, with earnings from apparel exports to the UK increasing by 3.74 percent to \$2.92 billion in the July-February period of FY25.

However,

the global trade landscape

is rapidly evolving.

Countries

are actively seeking bilateral and multilateral agreements to secure favourable trade terms amid heightened protectionist measures by the US. This picture is changing fast. Each day, fresh news emerges of new trade deals being negotiated, and events in the US have certainly had a cascading effect around the world. For this reason, I believe Bangladesh must move quickly.

India's recent FTA with the UK

is a testament to this trend, aiming to provide Indian exporters with enhanced market access and reduced trade barriers.

I believe the UK-India FTA sets a precedent that could potentially disadvantage Bangladeshi exporters if similar agreements are not pursued.

With India securing tariff-free access for its textiles and other goods, Bangladeshi products might face relatively higher duties, making them less competitive in the UK market.

We all know that fashion and textiles is an industry of fine margins. Price elasticity is high. A small change in prices or costs can have a significant impact on demand. Likewise, small alterations in duties can confer significant advantages.

We must also consider that the UK's trade data indicates a decrease in imports from Bangladesh, amounting to 3.3 billion pounds in the four quarters at the end of Q4 of 2024. It is a 2.3 percent decline compared to the previous year. This trend, coupled with India's enhanced access, could further erode Bangladesh's market share in the UK. It is concerning and we need to act now to address this slide and make sure it does not become a long-term issue.

More generally, I am hearing anecdotal evidence of a slowing down of orders for suppliers in

Bangladesh amid ongoing challenges in global trade. We urgently need some breathing space right now.

In the face of these developments, Bangladesh must act decisively to negotiate its own trade agreements with key partners, including the UK. Such agreements should aim to secure favourable terms for our exports, particularly in the RMG sector, to ensure continued growth and competitiveness. I know from my many visits to the UK and dealings with UK companies that they greatly value Bangladesh as a competitive, reliable business partner.

Negotiating an FTA is a complex process that requires careful planning, stakeholder engagement, and alignment with national interests. However, the benefits of such agreements, including enhanced market access, reduced tariffs, and strengthened economic ties, are too significant to ignore.

The global trade environment is shifting, and Bangladesh must adapt to maintain its economic momentum. By proactively seeking trade agreements that protect and promote our key industries, we can ensure that Bangladesh remains a competitive player on the international stage. The time to act is now before the window of opportunity narrows further.

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