



# US tariff hike to shake entire economy, not just exports

Entrepreneurs, economists tell The Daily Star roundtable

## STAR BUSINESS REPORT

A steep 35 percent tariff on Bangladeshi garment exports to the United States would affect far more than the country's \$8 billion annual shipments, according to economists and business leaders.

Rather, they said at a roundtable yesterday that the fallout would ripple through the entire economy, from fabric and accessories suppliers to banks and insurers.

"Here, our stakes are far higher than the headline \$8 billion export figure from Bangladesh to the US," said AK Azad, chairman and CEO of Ha-Meem Group, which exports clothing to America.

Referring to ongoing negotiations with the Trump administration and the looming deadline of August 1, when the new rates are expected to take effect, he said, "If we lose, the entire ecosystem will be affected — fabric suppliers, textile mills, spinning mills, accessories manufacturers, banks, insurance companies — the whole economy."

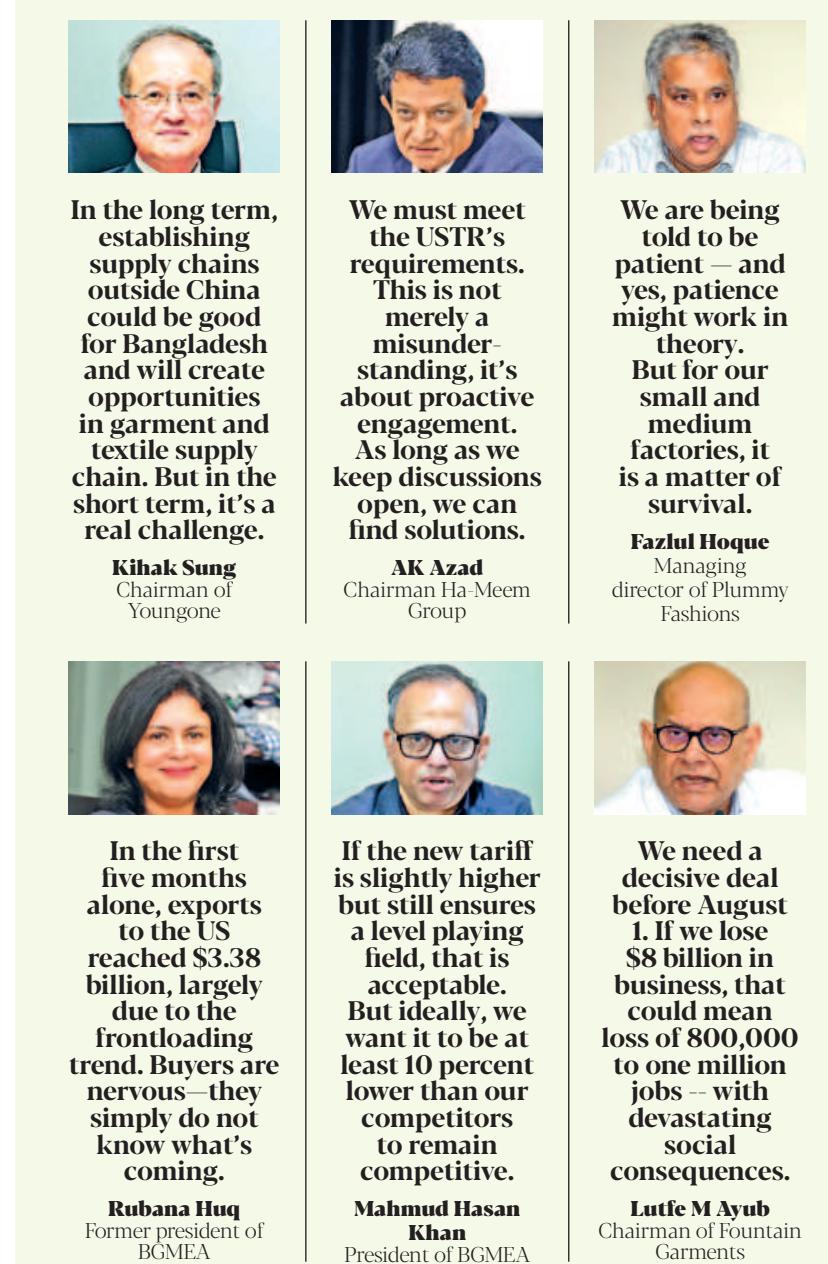
The roundtable was organised by The Daily Star at its auditorium in the capital.

Other industry leaders expressed similar concerns at the programme. Several said that the higher duties could also affect Bangladesh's position in other markets, such as Europe and Australia, by increasing competition and pushing down prices.

Rubana Huq, a former president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), echoed Azad's concern, saying the impact would not be confined to shipments bound for the US, Bangladesh's single largest export destination.

"It is not an exaggeration, it's a serious possibility. The GDP could drop by at least 1 percent if things proceed as they are now," she commented.

Until recently, Bangladesh had been paying around 16 percent duty on garments entering the US. That changed in early April, when the US announced a reciprocal tariff of 37 percent. The effect was paused for 90 days, while the revised rate of 35



percent was announced in early July. This is scheduled to come into effect on August 1. The rate is still much higher than the 20 percent Bangladesh had hoped for.

Huq said uncertainty over the new tariff has already disrupted

trade, with US buyers rushing to place orders before the rate takes effect.

"In the first five months alone, exports to the US reached \$3.38 billion, due largely to this frontloading trend. Buyers are nervous; they simply don't know what's coming," she said.

"This is not just about big business. It is about millions of workers. It

is about real lives. Respecting the NDA shouldn't come at the cost of losing jobs, shrinking investment, or undermining the very sector that drives our economy," said the former BGMEA president.

The discussion was moderated by Arun Devnath, deputy editor of The Daily Star.

At the event, Mahmud Hasan Khan, president of the BGMEA, said, "If the new tariff is slightly higher but still ensures a level playing field, that is acceptable. But ideally, we want it to be at least 10 percent lower than our competitors to remain competitive."

"Factories that export 40 percent or more to the US may face severe losses, and some may shut down entirely. This would lead to massive worker displacement and significant economic challenges," he said.

He added that while some factories may shift focus to Canada, Japan or Australia, doing so could flood those markets and trigger price drops.

Mohammad Abdur Razzaque, chairman of the local think tank Research and Policy Integration for Development (RAPID), pointed out that the overall effect would be contraction of the US market.

"Most exporting countries are going

to see tariffs being imposed, so overall tariffs in the US market will increase, and that is going to reduce the US market size. That's quite natural," he said.

He cited US trade data showing that the country imported \$84 billion worth of garments last year.

"If, on average, 20 percent tariffs are imposed on major suppliers, including Bangladesh, then the US market could shrink by \$16 billion," he commented.

A smaller US market would intensify competition elsewhere, especially in Europe, where Bangladesh has a strong presence. "Price pressure is going to be huge," Razzaque added.

Fazlul Hoque, managing director of Plummy Fashions Ltd, a knitwear exporter, said nearly 900 factories currently export to the US. If large exporters lose business, they would target the EU to make up for lost volume, disrupting the market for everyone.

"We are being told to be patient. And yes, patience might work in theory. But for small and medium factories, it is a matter of survival."

Hoque said, "Six months might be manageable for big factories, but for smaller ones that depend heavily on the US, it could be a death sentence."

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## BB buys \$313m more from 22 banks

### STAR BUSINESS REPORT

Bangladesh Bank purchased another \$313 million from 22 commercial banks in an auction yesterday, reacting to the sharp drop in the US dollar rate.

The cut-off rate was Tk 121.5 per dollar, said a senior official of the central bank, seeking anonymity.

Due to the central bank's intervention, the inter-bank exchange rate (selling) stood at Tk 121.5 yesterday, up from Tk 120.1 a day earlier.

Over the past week, the exchange rate of the American greenback continued to fall against the local currency.

To tackle the sharp fall, the banking regulator on July 13 bought \$171 million from 18 commercial banks through an auction — the first such move under the floating rate system.

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## Reverse repo rate cut by 50 basis points

### STAR BUSINESS REPORT

Bangladesh Bank (BB) has lowered the standing deposit facility rate, also known as the reverse repo rate, by 50 basis points to 8 percent, with effect from today.

The banking regulator issued a notice in this regard after its Monetary Policy Committee took the decision in a meeting yesterday. Generally, banks deposit their funds with Bangladesh Bank at the reverse repo rate.

Due to the decline in the rate, banks are likely to increase transactions in the call money market instead of parking their funds with the central bank, a Bangladesh Bank official said.

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## Govt to import four lakh tonnes of rice

Aims to stabilise prices, build stocks

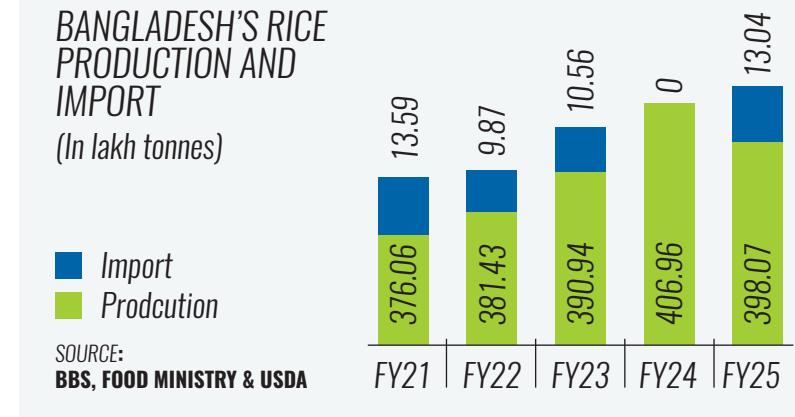
SUKANTA HALDER and REJAUL KARIM BYRON

The government yesterday decided to import 4 lakh tonnes of rice in its efforts to curb the spike in prices of the staple and build adequate stocks in advance so that it can intervene in the market in case of volatility originating from crop losses due to natural disasters like floods in the coming months.

The decision came at a meeting of

occurred, the government was unable to make adequate preparations. So, we have initiated the process of advance procurement to buy rice through international tenders," he added.

Last year, Bangladesh witnessed repeated floods, mainly in August and September, which damaged Aus and Aman rice crops and pushed up prices of the grain. The production estimate by the Bangladesh Bureau of Statistics (BBS) released later



the Food Planning and Monitoring Committee (FPMC).

At the meeting, the panel under the food ministry also decided to request the commerce ministry to take necessary steps to facilitate the import of another 5 lakh metric tonnes of rice by the private sector, said Food Adviser Ali Imam Majumder.

"Last year, when the floods

indicates that production of rice from both seasons declined.

The latest decision comes at a time when rice prices have been increasing despite the recent Boro harvest and continuing imports of the staple grain.

The harvest of Boro rice, which accounts for more than half of the total annual rice production, was

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## Potato prices rise, bringing slight relief to farmers

AVERAGE PRICE OF POTATO (Taka per kg)



SUKANTA HALDER and TANJIL HASAN

Prices of potatoes have begun to rise after months, adding slight pressure on consumers struggling with high inflation but also bringing relief to farmers reeling from losses.

According to retailers and data from the state-owned Trading Corporation of Bangladesh (TCB), potato prices at the retail level have increased by Tk 5 to Tk 10 per kilogramme (kg) over the past week.

The vegetable sold at Tk 25 to Tk 30 per kg in various kitchen markets in the capital yesterday, according to TCB data, marking a 3.77 percent increase in one week.

### RETAIL PRICES RISE

Prices of potatoes have remained relatively affordable since April, with the average price standing at Tk 22.5 per kg that month, Tk 21.5 in May, and Tk 22.5 in June. In July, the price surged to Tk 27.5, according to TCB data.

The latest potato price hike was observed at the retail level in Dhaka and some major potato producing hubs. Prices at the wholesale level have, however, remained low.

In Dhaka's Mirpur, consumers said potato prices rose by up to Tk 10.

"I bought one kg of potatoes for Tk 15 a week ago, but yesterday, I had to pay Tk 25 for the same amount," said Monir Hossain, a resident of Pallabi's Duaripara area in Mirpur.

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## Govt reinstates jute export fees

### STAR BUSINESS REPORT

The government has refrained from hiking fees on the export of raw jute and jute products and instead reinstated previous rates, according to a notification issued by the Ministry of Textiles and Jute.

Under a gazette notification issued on July 12, exporters will continue to pay Tk 2 per bale (around 180 kilograms) of raw jute and 10 paisa on every Tk 100 gained from the export of jute products.

A previous order issued on April 7, 2025 sought to raise the export fees.

The ministry had proposed raising the fee on raw jute to Tk 7 per bale from Tk 2 per bale, which was fixed in 1995.

It had also planned to increase the fee on jute products to Tk 0.50 per Tk 100 of export value from Tk 0.10, which was set three decades ago. The April 7 order was cancelled through a notification dated June 26, 2025.

Welcoming the move, Md Farhad Ahmed Akanda, chairman of Bangladesh Jute Association (BJA), a platform of jute exporters, said the government's decision to retain the existing rates has brought "slight relief" to exporters.

Meanwhile, Tapash Pramanik, chairman of Bangladesh Jute Spinners Association, cautioned that there were other taxes and fees which were threatening the country's jute exports by raising costs and eroding competitiveness.

"Exporters are already burdened with charges like source tax and a 1 percent advance income tax on exports," he said.

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