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Even 5% US tariff is too much for apparel: CPD

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Even a 5 percent additional tariff on the Freight on Board (FOB) price will be difficult for Bangladesh's apparel industry to absorb, especially because it comes at a time of surging energy costs, rising interest rates, and global economic uncertainty, according to a study by the Centre for Policy Dialogue (CPD) published yesterday.

The impact will be especially severe for small and medium-sized enterprises (SMEs), which operate on razor-thin margins, warned CPD in the study titled 'Trump Reciprocal Tariffs and Bangladesh: Implication and Response'.

The study, jointly conducted by Mustafizur Rahman, Anika Tasnim Arpita, and Tanbin Alam Chowdhury, comes just days before a 35 percent reciprocal tariff is scheduled to take effect on Bangladeshi goods entering the US from August 1.

The US is Bangladesh's single largest export destination, with 19 percent of total apparel exports heading to the US. Ninety percent of these exports consist of garments and other textiles. Bangladesh maintains a hefty trade surplus with America—one that has drawn attention in Washington as the US seeks to rebalance its trade relationships.

The CPD study notes that the issue is not merely a trade concern but a geopolitical manoeuvre. It argues that the tariffs reflect Washington's broader strategic calculus, including geo-economic and geo-strategic realignments in the Indo-Pacific.

"Bangladesh will need to navigate all these complex issues by considering its trade interests with the USA and also by taking into cognisance the implications of its response for the country's bilateral relationships with other countries, its own geo-strategic priorities, and also its multilateral obligations, particularly as a member of the World Trade Organization," reads the study.

The paper criticises the government for not contesting the non-disclosure clause in the US-proposed tariff framework and for failing to mobilise a negotiation team inclusive of relevant stakeholders.

The study observes that, in spite of the softening of the stance by US President Donald Trump—indicating the reduction of the reciprocal tariffs from the initial 37 percent—businesses are already experiencing disruption, global supply chains are being adversely affected, and orders are being delayed or held back.

"These are being felt by Bangladesh as well. Brands and buyers are asking Bangladesh's producers and exporters for discounts. This is particularly pertinent for the apparel sector of the country," it says.

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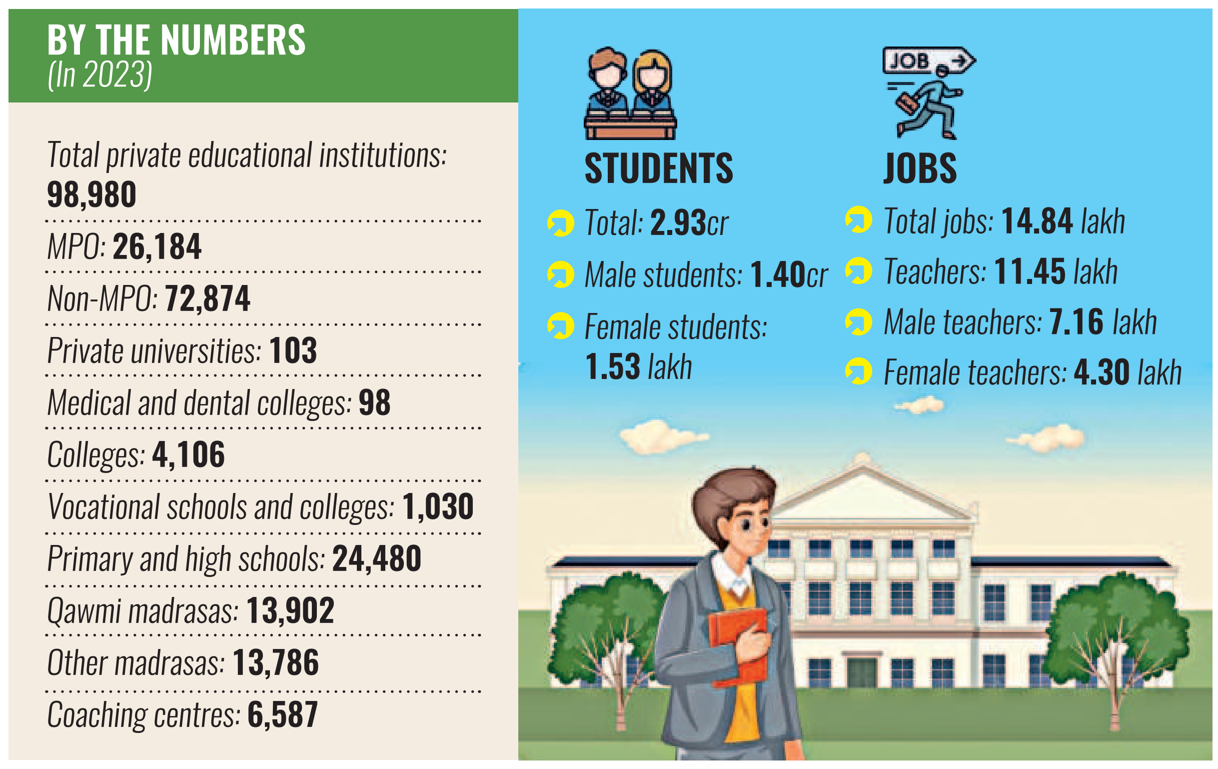
Private education sector's contribution to economy rises: BBS

But generates employment at a slow rate



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The private education system has generated employment at a slow rate, yet its contribution to the economy has risen at a higher rate, according to the latest survey report of the Bangladesh Bureau of Statistics (BBS).

Total gross output (contribution) of the sector rose 7.65 percent year-on-year to Tk 85,357 crore in 2023.

At the same time, jobs in the private education sector rose 2.5 percent to 14.84 lakh.

Out of the 14.84 lakh jobs, 11.45 lakh were of educators. Of the teachers, 7.16 lakh were males while 4.30 lakh were females. In other words, around 38 percent of the teachers were females.

Private educational institutions are significant contributors to Bangladesh's education sector. Their presence not only enriches overall prospects for the delivery of education in the country but also plays a vital role in fostering a more prosperous future, the report said.

A total of 2.93 crore students availed education from the private educational institutions in 2023, which was 13 lakh higher than that in the previous year.

Of the students, 1.40 crore were males while 1.53 crore were females, the BBS data showed.

In both years, the percentage of female students was slightly higher than that of male students, demonstrating an equitable gender distribution within the educational institutions.

The proportion of female students in medical, dental, and nursing and midwifery colleges was significantly higher in both years.

This higher representation of female students in medical fields could be due to

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US, Bangladesh to hold next tariff talks on July 29

REFAYET ULLAH MIRDHA

The United States Trade Representative (USTR), the chief trade negotiation body for the American government, has invited Bangladesh to resume the third and final round of tariff negotiations on July 29, said Commerce Secretary Mahbubur Rahman.

Earlier, Bangladesh sent the country's position paper to the USTR on July 22 and proposed July 26 as the date for resuming the final round of negotiations at the USTR office in Washington DC.

However, the USTR finally set July 29 as the date for resuming the talks, where Commerce Adviser Sk Bashir Uddin will lead the Bangladesh team, the commerce secretary told The Daily Star over the phone.

If the meeting is held in person, the Bangladesh team will leave for the USA on July 27. However, there is also a possibility that the meeting will be held virtually, the secretary said.

This time, some exporters from the private sector may join the Bangladesh team, but they will not take part in the negotiation meetings, which will be held in a government-to-government format, he added.

The secretary expressed hope that the Trump administration will lower the tariff rate for Bangladesh at the end of the negotiations, as rates have already been lowered for some countries.

For instance, the US government has reduced tariffs to 15 percent for Japan, 19 percent for Indonesia, 20 percent for Vietnam, and 19 percent for the Philippines.

Moreover, Bangladesh has so far negotiated well with the USTR, and it is expected that the tariff rate for Bangladesh will also be significantly lower than the existing 35 percent.

Bangladesh has already offered zero-duty import of US commodities such as cotton, wheat, liquefied natural gas, aircraft, and other agricultural products.

To increase imports from the USA, Bangladesh signed a deal with American wheat suppliers on July 20 to import 0.7 million tonnes of the cereal grain, and advanced-level negotiations are underway to purchase 14 Boeing aircraft.

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Ordinance issued to transform Moheshkhali into industrial hub

A view of Matarbari power plant in Moheshkhali upazila of Cox's Bazar. The government plans to form Moheshkhali Integrated Development Authority to oversee and coordinate the area's development.

PHOTO: FARUQ AZAM

STAR BUSINESS REPORT

The government has issued an ordinance to transform Cox's Bazar's Moheshkhali area into a major industrial and commercial centre, anchored by the establishment of the Matarbari deep-sea port, to attract both domestic and foreign investment.

Published on July 23, the ordinance mandates the formation of the Moheshkhali Integrated Development Authority (MIDA), which will be responsible for overseeing and coordinating all development efforts in the region.

The authority will prepare a comprehensive master plan to ensure the rational use of land to develop a modern industrial and commercial city with a seaport.

The master plan will divide the 34,181-acre area into four primary hubs—port and logistics, industry and manufacturing, power and energy, and a fisheries processing hub. These will be supported by residential townships and ancillary service hubs to ensure holistic development.

The move comes as the government pursues several major infrastructure projects aimed at converting the island, located in the southeastern coastal region, into an investment-ready industrial zone.

For example, the Japan International Cooperation Agency (JICA) is financing 11 projects, including the Matarbari Port Development Project, the Matarbari Ultra Super Critical Coal-Fired Power Project, and the Chattogram-Cox's Bazar Highway Improvement Project.

In April this year, the Chittagong Port Authority (CPA) signed a deal with a Japanese joint venture to construct a terminal for a deep-sea port at Matarbari, some 350 kilometres southeast of the capital Dhaka.

The 760-metre terminal will comprise a container jetty with a handling capacity of 800,000 TEUs a year and a multipurpose jetty.

The ordinance says the master plan will include completed and ongoing projects in the area.

The government will publish the draft master plan within one month in the gazette after it receives the plan, to receive opinions from stakeholders.

It will approve the finalised master plan within four months of the issuance of the gazette, according to the ordinance.

In the master plan on land use, specific areas could be selected for establishing export processing zones, areas for establishing domestic market-oriented industries, and protected areas with special privileges for foreign investors.

To attract investment, the MIDA will introduce a one-stop service linked to the Bangladesh Investment Development Authority's system. It will also prepare guidelines on incentives for local and foreign investors, facilitate environmental clearances, and ensure dedicated port and customs facilities for investors.

The authority may offer bonded warehouse benefits and other customs privileges for industries in its jurisdiction. Additionally, it will provide incentives similar to those available under the export processing zone law to promote export-oriented industries, according to the ordinance.

The governing board, which will provide policy guidance and approve activities, will be chaired by the chief adviser or the prime minister. The board will play a central role in shaping development decisions for the region.

Non-apparel subsidies wasteful

Economists call for reform

STAR BUSINESS REPORT

Bangladesh's current strategy of subsidising non-RMG (ready-made garment) export sectors is economically inefficient and fiscally burdensome, as these industries have failed to demonstrate significant growth despite generous incentives and high tariff protection, said economists at a day-long event yesterday.

"Subsidies are being provided without time limits, and if they were effective, we'd see significant growth in non-garment exports," said Zaidi Sattar, chairman of the Policy Research Institute of Bangladesh (PRI), during his keynote presentation on the Monthly Macroeconomic Insights (MMI) organised at PRI's Banani office yesterday.

The MMI, a new analytical initiative by PRI's Center for Macroeconomic Analysis, has been developed with support from the Australian Department of Foreign Affairs and Trade.

According to MMI analysis, the total value of Bangladesh's merchandise exports stood at $48.36 billion in the last fiscal year (FY) 2024-25, marking an 8.6 percent year-on-year growth. Of this, RMG exports rose by 8.8 percent to $39.34 billion, while non-RMG exports increased by 7.4 percent to reach only $8.94 billion.

> **"Subsidies are being provided without time limits, and if they were effective, we'd see significant growth in non-garment exports," said Zaidi Sattar, chairman of PRI**

Bangladesh currently offers up to 15 percent cash subsidy on exports. But Sattar noted that non-RMG sectors already enjoy much higher indirect subsidies given to import-substitution sectors, which effectively shield them from foreign competition, undermining the need for export incentives in the first place.

Worse still, he pointed out, nearly half of the cash subsidies are being directed toward exports and remittances, sectors already benefiting from a 40 percent exchange rate gain since the local currency began depreciating in May 2022.

The economist stated that Bangladesh's total subsidy allocation for fiscal year 2024-25 has ballooned to Tk 322.3 billion, a 43.8 percent rise from the previous year.

Agriculture received the highest allocation of Tk 170 billion. "This amounts to 2.28 percent of the total expenditure and 0.3 percent of the country's gross domestic product, marking a significant 107 percent year-on-year increase in FY25," he added.

Besides, Tk 78.3 billion was allocated for export incentives to promote growth in export-oriented industries, reflecting a 5.8 percent year-on-year increase in export incentives.

"These subsidies, like protective tariffs, should be time-bound and performance-based," Sattar said, adding that Bangladesh must begin phasing them out in preparation for its LDC graduation.

The economist also said the recent slowdown in the economy has kept import demand low, but with improved foreign exchange reserves, the import controls imposed over the past few years should be lifted.

Going forward, exchange rates should determine import levels, in line with the current policy being pursued by the Bangladesh Bank, he added.

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