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ESG failure may cost Bangladesh 30% of EU exports: Sanem

STAR BUSINESS REPORT

If European countries make ESG standards mandatory and Bangladesh fails to comply, exports to the bloc may immediately drop by around 30 percent, according to the South Asian Network on Economic Modeling (Sanem).

ESG – short for Environmental, Social and Governance – is a set of standards measuring a business's impact on society, the environment, and how transparent and accountable it is.

"We estimate that exports to the EU would fall by 30 percent due to the economy-wide effects of non-compliance by exporters with EU sustainability measures," said Sanem Programme Director Zubayer Hossen.

In other words, overall exports will fall by around 10 percent to 12 percent, he said.

The EU has enforced strict ESG and sustainability reporting standards through regulations. Germany's supply chain act mandates that companies ensure human rights and environmental due diligence across their entire supply chain, he added.

It is important to strengthen compliance with ESG standards in industries, ensure supply chain transparency, invest in green technology, and enhance capacity, said an expert

Japan, the US, and other markets have also included environmental issues in their trade practices, said Hossen.

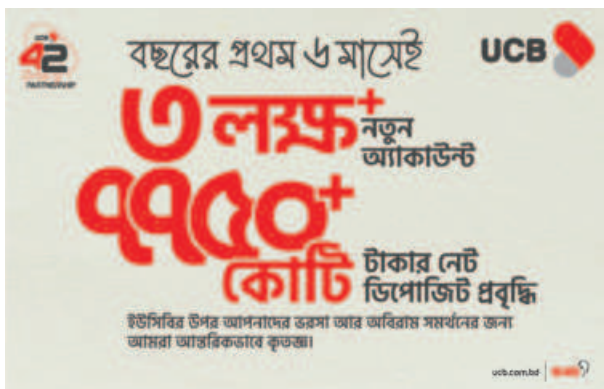
So, it is important to strengthen compliance with ESG standards in industries, ensure supply chain transparency, invest in green technology, and enhance institutional and human capacity, he said.

He was delivering a presentation at the launch of the Sanem Sustainability Centre, a new wing of the research organisation, at Sheraton Dhaka on Tuesday.

Aiming to advance sustainability-focused, evidence-based development in Bangladesh and across South Asia, the centre will focus particularly on emerging priorities of ESG standards to ensure that Sanem's work remains relevant to both national development frameworks and international sustainability benchmarks.

In addition to producing high-quality research, the centre aims to serve as a catalyst for systemic change by engaging with a wide range of stakeholders, including government agencies, the private sector, development partners, research organisations, and civil society organisations.

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HSBC will start winding down its retail banking operations in Bangladesh in the second half of this year, with the gradual process expected to take six to eight months.

The decision follows a review of its retail operations in the country and aligns with the global HSBC Group portfolio, HSBC Bangladesh said in a statement yesterday.

"As part of the exit plan, the bank will immediately stop onboarding new retail customers and will work to ensure a smooth transition for existing clients," said the multinational bank.

HSBC's Corporate and Institutional Banking (CIB) operations in Bangladesh will remain unchanged.

"The bank recognises the importance of Bangladesh to its corporate and institutional clients and continues to invest in the CIB business to drive two-way trade and investment flows," HSBC said.

The move is part of HSBC's global strategy, announced in October 2024, to streamline operations and focus on markets offering stronger growth prospects.

In December last year, Reuters, citing the Financial Times, reported that the London-based multinational was reviewing its retail banking operations outside the UK and Hong Kong. This review could lead to substantial downsizing in other countries.

The bank is looking outside its core markets to reduce consumer presence and focus on wealthier "premier" customers, the report said.

In a conference call yesterday, HSBC CEO Georges Elhedery said that the bank started reviews of its retail banking business in Australia, Indonesia and Sri Lanka, and will start winding down its Bangladesh retail business in the second half of this year, reports Reuters.

Insiders said the retail banking arm in Bangladesh had been profitable and showing growth. However, the closure forms part of a broader global reassessment. The process of shutting down local retail operations and facilitating customer exits may take six to eight months.

Sectoral focus

- Four key sectors prioritised: leather, jute, agro, and pharmaceuticals
- Committee to develop WTO-compliant, time-bound export roadmap



Govt actions

- Chief adviser orders urgent meeting to address leather sector crisis
- He stresses reform of outdated policies
- Follow-up LDC transition meeting set within two months
- Reviewed 'Tariff Policy 2023' implementation and trade facilitation

STAR BUSINESS REPORT

The finance ministry has formed a 16-member committee to identify alternatives to cash subsidies that comply with the rules of the World Trade Organization (WTO), as such facilities will be phased out following Bangladesh's graduation from least developed country (LDC) status.

Among its key priorities are four sectors identified as having high export potential in the post-LDC era: leather and leather goods, jute products, agriculture and agro-processing, and pharmaceuticals, according to a circular issued by the Ministry of Finance on Tuesday.

The committee, chaired by the principal secretary to the chief adviser, includes senior representatives from the ministries of commerce, foreign

affairs and agriculture, as well as the Bangladesh Bank, the National Board of Revenue (NBR), and the Bangladesh Standards and Testing Institution (BSTI).

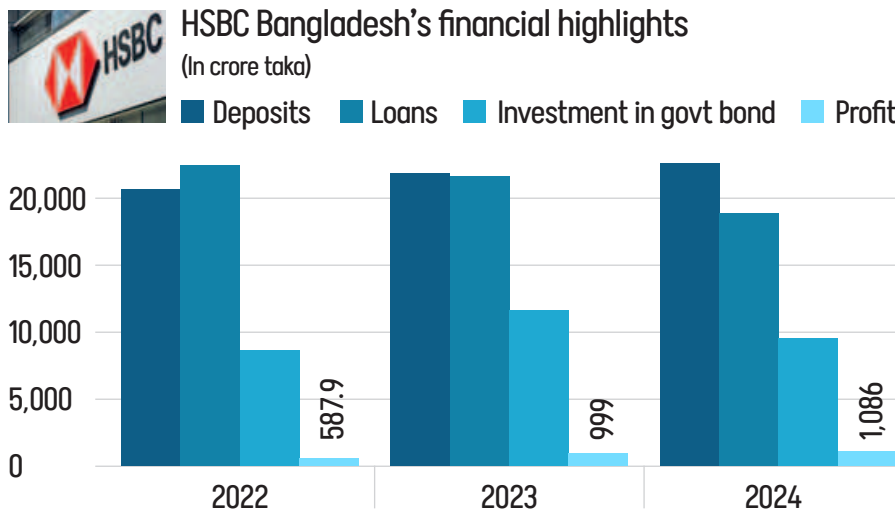
It has been tasked with developing a time-bound action plan to ensure sustained growth and competitiveness without relying on direct financial incentives.

Meanwhile, CA Muhammad Yunus yesterday expressed deep dissatisfaction over what he described as the prolonged neglect of the country's leather industry.

He instructed the relevant ministries to convene a follow-up meeting within the next two months to finalise the course of action for the country's LDC graduation, according to a press statement issued by the CA's press wing.

READ MORE ON B3

HSBC to wind down retail banking in Bangladesh



SOURCE: HSBC BANGLADESH'S FINANCIAL STATEMENTS

HSBC Bangladesh recorded a 9 percent year-on-year rise in profit to nearly Tk 1,100 crore in 2024.

Deposits at the foreign bank increased by 3 percent year on year to Tk 22,695 crore in the last financial year. However, loans dropped 18 percent to Tk 18,927 crore in 2024 compared to the previous year, according to its financial statements.

As a result of the retail exit, staff in the division may be affected, according to insiders. However, the bank will give priority to those employees when recruiting for corporate banking and other roles, provided their skills are a match.

Apart from Bangladesh, HSBC is also considering selling its retail bank in Australia, reports the Financial Review.

In February this year, the bank announced it had agreed to sell its retail operations in Bahrain to Bank of Bahrain and Kuwait, as part of its ongoing global restructuring, according to Reuters.

Yesterday, HSBC Holdings reported a sharper-than-expected fall in profit, driven by write-downs linked to a Chinese bank and property exposure in Hong Kong, even as it pressed on with its worldwide overhaul.

Its 26 percent slump in pretax profit in the first half showed the challenge ahead for CEO Georges Elhedery, as the Europe's largest bank racked up losses in China, where it has increasingly pinned its plans for growth in recent years after shrinking in Western markets.

The lender's corporate and institutional banking businesses were unaffected by these developments, he said.

The bank posted a profit of \$15.8 billion for the first six months of the year, falling short of brokers' forecasts of \$16.5 billion.

HSBC shares listed in London dropped 4.5 percent, mirroring earlier losses in Hong Kong trading.

HSBC opened its first office in Dhaka in 1996. In Bangladesh, it provides a range of financial services including global payments solutions, trade services, treasury, and custody and clearing.

WHAT CUSTOMERS NEED TO DO

In a notice to customers, HSBC said the wind-down of its retail banking operations in Bangladesh would take place over six to eight months in phases.

While the bank will honour all existing agreements, it has already stopped accepting new applications for accounts, loans, term deposits, debit cards, student files, and investment products such as Sanchayapatra and bonds, according to the notice.

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US to impose 25% tariff on India

REUTERS, Washington

President Donald Trump said on Wednesday the United States will impose a 25 percent tariff on goods imported from India starting on August 1.

He said India, which has the world's fifth largest economy, will also face an unspecified penalty on Aug. 1, but did not elaborate on the amount or what it was for.

"While India is our friend, we have, over the years, done relatively little business with them because their Tariffs are far too high, among the highest in the World, and they have the most strenuous and obnoxious non-monetary Trade Barriers of any Country," Trump wrote in a Truth Social post.

"They have always bought a vast majority of their military equipment from Russia, and are Russia's largest buyer of energy,

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Panel formed to address post-LDC subsidy shift

Yunus slams leather sector neglect

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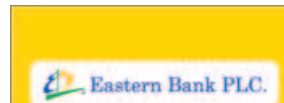
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