Rubana Huq

LDC graduation: Leveraging deferment for a stronger future

Rubana Huq says Bangladesh needs more time to prepare

REFAYET ULLAH MIRDHA

Ahead of the country's scheduled graduation from the least developed country (LDC) category in November next year, former BGMEA president Rubana Huq says Bangladesh needs at least another five years to prepare for the transition.

Despite progress over the past two decades, Huq argued that the country has yet to resolve long-standing challenges in logistics, industrial modernisation and market diversification.

"Criticism often falls on the private sector for not preparing adequately, but serious shortcomings remain in infrastructure and connectivity," she said.

Huq was the first woman to serve as president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), holding office from 2019 to 2021.

In an interview with The Daily Star, she pointed to the World Bank's Logistics Performance Index, where Bangladesh improved slightly from 100th to 88th place in the past seven years, while its infrastructure ranking slipped from 100th to 108th. Tracking and tracing fell from 79th to 105th.

"These figures raise legitimate concerns about rising logistics costs and the slow pace of customs and port modernisation, as well as the lack of meaningful progress in infrastructure and connectivity upgrades," said the former BGMEA president.

On the private sector side, she identified three urgent priorities. Those are industrial modernisation, market diversification and sectoral diversification.

Bangladesh, she said, holds little share in original design and brand manufacturing. Its exports remain concentrated in low-value products, with mark-ups usually below 4 percent. Reliance on labour-intensive output has created millions of jobs but kept productivity growth in check.

Huq said markets and product categories have stayed narrow. Ready-made garment exports to non-traditional destinations fell to 16.36 percent in 2024-25 from 17.10 percent in 2019-20.

Product diversification, she noted, improved only slightly, from 22.42 percent to 24.71 percent over the same period.

"In practice, Bangladesh's narrative of moving into higher value-added products has not yet convinced global buyers," Huq said. "What they look for instead is effective governance, and it is precisely this gap that has limited the country's ability to attract substantial FDI [foreign direct investment]."

She said it is not a question of blame. Rather, both the government and private sector should share responsibility and devise coordinated strategies for a sustainable graduation.

She emphasised the need for wipe more than $3 billion from exports. Meanwhile, Bangladesh's apparel competitors hold strong advantages.

"China enjoys Most Favoured Nation access. Turkey benefits from tariff and quota-free access to the EU customs union, while Vietnam already has a free-trade agreement (FTA) with the EU."

In such circumstances, she asked why Bangladesh should risk potential failure when seeking deferment through the UN and preparing for GSP+ with the EU would provide the breathing space the country deserves.

TAKEAWAYS FROM INTERVIEW

Graduation readiness

Readiness is crucial, particularly when global shocks are beyond any single nation's control

Infrastructure & logistics challenges

Logistics costs remain high as infrastructure and connectivity lag behind global standards

Bangladesh slipped in infrastructure ranking despite slight improvement in logistics index

Private sector priorities

Industrial modernisation, market diversification, and sectoral diversification are urgent needs

Exports remain concentrated in low-value products with margins below 4%

Trade & diplomatic strategy

Govt leadership in economic diplomacy is vital to secure GSP+ and trade deals

Vietnam offers lessons with its broader export base, stable policies, and FDI success

Call for collaboration

A perfect partnership between public and private sector is the only way forward

Huq said that discussions on deferment have been ongoing. "I trust that policymakers are fully aware of these deliberations and have taken them into consideration."

"As representatives of the private sector, we can only hope that the hard-won success in tariff negotiations with the United States will not be undermined by the loss of trade privileges that would negatively affect businesses," she commented.

Huq said no one wishes to remain under the LDC label indefinitely. However, readiness is crucial, particularly at a time when global shocks are unfolding beyond the control of any single nation.

She warned that the combined effects of Covid-19 and global instability could government leadership in economic diplomacy. "The immediate priority is to engage with the EU on the changes to its GSP scheme."

According to her, about $20 billion of exports now enjoy duty-free entry to the EU. Graduation would jeopardise this, since GSP+ requires compliance with double transformation rules of origin rather than the single transformation allowed under the Everything but Arms (EBA) scheme.

Meeting these rules will demand major investment in synthetic and functional fibres, as well as stronger backward linkages, said the former BGMEA president.

Huq said government backing will be vital, with policies to encourage man-made fibre production, promote FDI, manage the exchange rate, and pursue regional and bilateral trade deals.

She called for bilateral FTA talks with the EU and other trading partners, and for joint ventures in diversified fibre-based industries to reduce risks.

Vietnam offers lessons, she said, with its broader export base, stable macroeconomic policies, and success in attracting FDI since its Doi Moi reforms.

"Bangladesh must design a comparable national export and industrial strategy to achieve similar diversification."

She said an effective public-private working group should run continuously to address GSP+ requirements, monitor compliance, and propose adjustments to the policy framework.

She also urged the government to request extended cumulation with regional partners to tackle the double transformation hurdle.

Premature termination of EBA, Huq argued, without recognising Bangladesh's vulnerabilities, would contradict the EU's founding principles.

She contrasted Bangladesh's export scale with Nepal and Laos, whose far smaller economies rely heavily on remittances or tourism.

"With a significantly larger population, far greater export volume, and a deeply integrated role in global supply chains, Bangladesh's context and challenges are of an entirely different order," she said.

She said that Myanmar and Timor-Leste have delayed their graduations, while Angola has deferred multiple times. "Precedents for deferment do exist," she said.

After the graduation, Huq said there would be tariff shocks across the sectors.

She said leather, footwear, frozen fish, agro-processed goods and home textiles would face duties of 8 to 15 percent, while jute products could face 3 to 6 percent. Pharmaceuticals would lose TRIPS flexibilities, and ICT services would suffer preference erosion.

Emerging sectors such as light machinery, bicycles and electronics could struggle to compete with Vietnam, Cambodia and China, which enjoy stronger FTAs and better logistics.

About new work orders after the new US tariffs, she said, "It is still too early to make a definitive comment."

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Bangladesh and the US tariff on India

MAMUNUR RAHMAN

When Washington imposed a 50 percent tariff on Indian garments this week, it did not just rattle New Delhi. It cracked open a multi-billion-dollar market window that will not stay open for long. For Bangladesh, the stakes could not be clearer: move quickly and claim this ground, or watch rivals take it away.

The numbers speak louder than speculation. In 2024, the US imported about $4.1 billion worth of apparel and textiles from India. Overnight, those goods have become prohibitively expensive. At the same time, Bangladesh shipped $9.7 billion in ready-made garments to the US that year. Absorbing even half of India's displaced trade would mean a huge leap in market share, enough to fuel hundreds of thousands of jobs and ripple growth across our textile ecosystem. This is not just a windfall. It is a chance to redefine Bangladesh's place in global apparel for the next generation.

But opportunities this big attract predators. Vietnam exported $14.5 billion to the US in 2024, with its growing reputation for high-value, complex garments. Cambodia, with $4.3 billion in US exports, offers an alternative for buyers of basics. Indonesia is also moving steadily, exporting nearly $5.2 billion in apparel to the US, with strong competitiveness in knitwear and footwear. And while China remains the largest supplier by far, shipping over $28 billion in garments and textiles, it faces continuing US trade restrictions that create openings for others.

If Bangladesh hesitates, the $4.1 billion India has lost will not vanish. It will be redistributed among these rivals.

So, the choice before us is stark: act like a stopgap supplier, or step forward as a strategic partner for US buyers. That requires strengthening backward linkages to reduce reliance on imported raw materials and cut lead times. It also means moving up the value chain, producing not just T-shirts and trousers, but high-end apparel, technical textiles, outerwear and fashion-forward designs. Diversification is now critical. US buyers are looking for a wider portfolio, including knitwear, athleisure, lingerie, footwear and home textiles. If Bangladesh broadens its export basket beyond basic garments, it can embed itself deeper in the US supply chain.

Equally vital is tackling infrastructure bottlenecks. Ports, customs and transport inefficiencies make us vulnerable in a time-sensitive market. Every extra day in transit strengthens Vietnam's hand. We need efficiency that matches our scale.

Sustainability must be the other pillar. US brands face rising consumer scrutiny on ethical and green manufacturing. Bangladesh has a strong story to tell here. With more than 200 LEED-certified green factories, the sector has set global benchmarks. Ella Pad's pioneering model, turning garment waste into reusable sanitary pads, rebranded the country as the leading global case of circular fashion, proving that Bangladesh can lead not only in volume but in innovation. By promoting these achievements, we can outflank competitors who still struggle to shed reputations of exploitative practices.

Diplomacy must keep pace with industry. Government and associations need to be in Washington, lobbying for trade preferences, reassuring buyers of political stability, and showcasing our transformation. If we combine scale with speed, sustainability and policy outreach, Bangladesh can not only absorb India's lost share but also move into the spaces left vulnerable by China's trade disputes and Indonesia's slower climb.

The tariff on India is more than a penalty. It is a shockwave reshaping sourcing strategies. Bangladesh can let the moment pass and watch others divide the spoils, or it can seize it to secure long-term dominance in the US market. The window is open, but it will not stay that way. Now is the time to move fast, smart and united.

The writer is coordinator of Ella Alliance and founder of Ella Pad

India is not 'profiteering' from Russian oil imports

Minister says

REUTERS, *New Delhi*

India is not "profiteering" from Russian oil imports and its purchases have stabilised markets while keeping prices from rising to as much as $200 a barrel, Hardeep Singh Puri, country's oil minister, said in the Hindu newspaper on Monday.

The US has targeted India for its Russian oil purchases, with President Donald Trump imposing tariffs on Indian exports to the US to discourage the country's crude buying.

Treasury Secretary Scott Bessent accused India of profiteering by importing Russian oil at lower prices and then reselling refined fuel at a higher rate. White House trade adviser Peter Navarro said Indian purchases were funding Moscow's war in Ukraine.

"Some critics allege that India has become a 'laundromat' for Russian oil. Nothing could be further from the truth," Puri wrote in an editorial.

Puri's comments come as Prime Minister Narendra Modi is meeting Russian President Vladimir Putin in China at a regional summit.

India has emerged as the largest buyer of Russian seaborne oil. The country has taken advantage discounts for the oil as Russia sought new buyers after European countries and the US shunned purchases and imposed sanctions on Moscow for its invasion of Ukraine in February 2022.

"Russian oil has never been sanctioned like Iranian or Venezuelan crude; it is under a G-7/European Union price cap system deliberately designed to keep oil flowing while capping revenues" Puri said.

He said every Indian oil transaction is done using "legal shipping and insurance, compliant traders and audited channels".

European factories return to growth, Asia activity shrinks

REUTERS, *Bengaluru/Tokyo*

Euro zone factory activity expanded for the first time since mid-2022 as domestic demand offset the impact from US tariffs while the Asian manufacturing sector saw shrinkage, private surveys showed on Monday.

There were mixed signals over the Chinese economy, however, as one such survey unexpectedly indicated modest expansion, contradicting an official readout the day before which showed activity continuing to shrink.

Export powerhouses Japan, South Korea and Taiwan all saw manufacturing activity shrink in August, underscoring the challenge Asia faces in weathering the hit from sharply higher trade barriers erected by US President Donald Trump.

In Europe, Greece and Spain led factory growth while manufacturing in Germany, the bloc's largest economy, shrank albeit at a slower pace.

The HCOB Eurozone Manufacturing Purchasing Managers' Index (PMI) rose to an over-three-year high of 50.7 in August from 49.8 in July, surpassing the 50.0 threshold that separates growth from contraction.

"The recovery is real but remains fragile. Inventory levels continue to decline, and the slightly accelerated drop in order backlogs shows that companies are still suffering from uncertainty," said Cyrus de la Rubia, chief economist at Hamburg Commercial Bank.

"Domestic orders have risen and are offsetting the weakening demand from abroad. In fact, the best remedy against US tariffs may be to strengthen domestic demand."

Meanwhile, manufacturing in Germany rose to a 38-month high of 49.8, a whisker away from the 50 mark, offering hope for the economy that shrank 0.3 percent last quarter on slowing demand from its top trading partner the US.

The EU and the US struck a framework trade deal in late July but only the baseline tariff of 15 percent has so far been implemented.

In Britain, outside the European Union, factory activity suffered a fresh setback in August after signs of a recovery due to worries about trade tensions and with the US that eased, but not removed, the pressure on their export-reliant economies.

"It's a double-whammy for Asian economies, as they face higher US tariffs and competition from cheap Chinese exports," said Toru Nishihama, chief emerging market economist at Dai-ichi Life Research Institute.

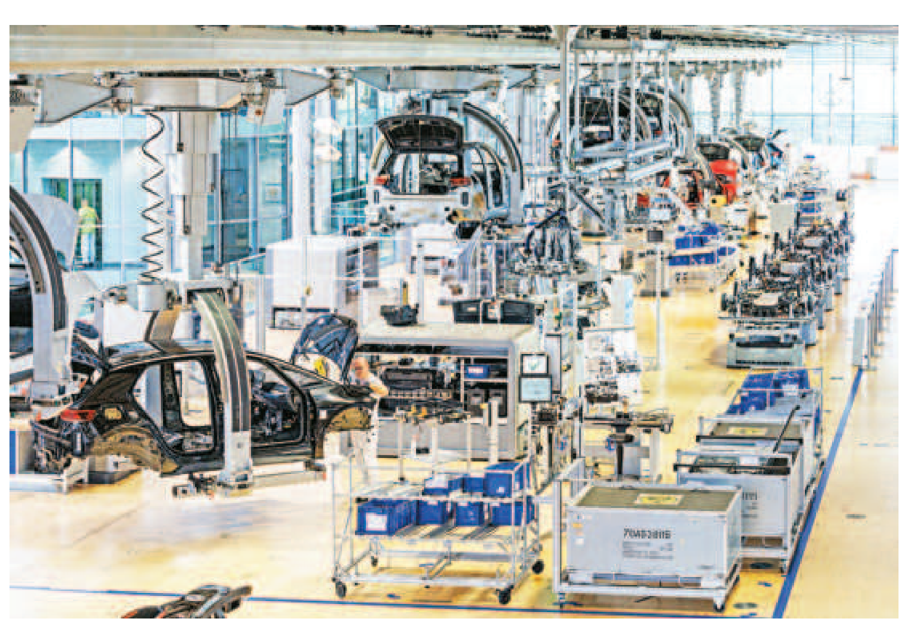

PHOTO: AFP/FILE

Employees work on the assembly line for an electric car of German carmaker Volkswagen at its production site in Dresden, eastern Germany. Manufacturing in Germany, Europe's largest economy, shrank in August albeit at a slower pace.

tax increases at home.

The S&P Global Japan Manufacturing Purchasing Managers' Index (PMI) stood at 49.7 in August, improving from 48.9 in July but staying below the 50 threshold for two straight months.

South Korea's factory activity also shrank with the S&P Global PMI standing at 48.3 in August, up from 48.0 in July but contracting for the seventh straight month.

Both countries struck a trade deal

"We'll likely see the hit from US tariffs intensify going forward, with countries reliant on US-bound shipments like Thailand and South Korea particularly vulnerable," he said.

However, the RatingDog China General Manufacturing PMI, compiled by S&P Global, unexpectedly rose to 50.5 in August from 49.5 in July, exceeding the 50-mark that separates growth from contraction.

Dollar hits lowest since end-July

REUTERS

The dollar hit a five-week low on Monday as investors looked ahead to a raft of US labour market data this week that could affect expectations for the Federal Reserve's monetary easing path.

Traders were also assessing Friday's US inflation figures and a court ruling that most of Donald Trump's tariffs are illegal, as well as the US president's ongoing tussle with the Fed over his attempt to fire Governor Lisa Cook.

Money markets have recently priced an around 90 percent chance of a 25 basis-point Fed rate cut in September and around 100 bps of easing by autumn 2026, according to the CME FedWatch tool.

Against a basket of currencies, the dollar eased 0.22 percent to 97.64 , after hitting 97.534, its lowest level since July 28. It clocked a monthly decline of 2.2 percent on Friday.

Investors will be focussed on Friday's US nonfarm payrolls report, which will be preceded by data on job openings and private payrolls.

Analysts said the US economy is no longer outperforming as it did for much of the past decade, justifying a weaker dollar, and further signs of a softening labour market are expected to bolster that narrative.

"Severe weakness (in economic data) would point to an even more forceful Fed response than market pricing predicts," Societe Generale economist Klaus Baader said.

"But if May/June weakness is revealed as a statistical mirage, rate cuts would seem unwarranted given the almost certain prospect of rising inflation over the next year or so."

Some analysts still see the chance of a 50 basis-point move by the Fed later this month.