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ASHWIN 8, 1432 BS
starbusiness@thedailystar.net

Business SPECIAL

The Daily Star publishes a four-page special supplement on LDC graduation, offering a roadmap for the private sector and coinciding with the 23rd Bangladesh Business Awards.

POWERING the private sector

EDITOR'S NOTE

Bangladesh's upcoming graduation from Least Developed Country (LDC) status in November 2026 marks a historic turning point. It is both a celebration of decades of progress in poverty reduction, health, education, and resilience, and a moment of reflection — one that demands recognition of the risks and responsibilities that lie ahead.

As this roadmap makes clear, opinion on graduation remains divided. Entrepreneurs, citing global shocks, persistent business barriers, and insufficient preparation, argue that graduation should be delayed. Economists caution that postponement is neither feasible nor desirable, stressing that Bangladesh must inevitably adapt to a world where preferential treatment no longer shields its industries. What unites these perspectives, however, is the conviction that urgent reforms are essential if the economy is to withstand the transition.

This roadmap distils insights from four roundtable discussions hosted by The Daily Star over a four-week period, offering guidance for the private sector as it prepares for the post-LDC era. It outlines the risks of losing trade preferences, rising compliance costs, and institutional inefficiencies, but also highlights opportunities to diversify exports, improve productivity, and leverage Bangladesh's enhanced global standing.

The publication of this roadmap coincides with the 23rd Bangladesh Business Awards, held under the theme "Powering the Private Sector," jointly organised by DHL Express and The Daily Star. The timing is symbolic: as the nation prepares to step onto a larger global stage, the awards celebrate the very entrepreneurs and enterprises whose vision, resilience, and innovation will determine whether graduation becomes not just a challenge to endure, but an opportunity to seize. It is a reminder that Bangladesh's private sector has the strength and ingenuity to power the nation's transformation from an LDC into a confident, competitive and future-ready economy.

The message is unmistakable: Bangladesh cannot afford complacency. Whether graduation comes in 2026 or later, the challenge remains the same — to shift from preference-driven growth to productivity-driven competitiveness, to deepen collaboration between government and business, and to embed policy continuity, respect for entrepreneurship, and institutional reform as defining features of the next phase of development.

Handled with clarity and courage, graduation can be more than a deadline. It can be transformed from a cliff into a springboard — not merely to survive in a more competitive global economy, but to thrive as a confident, middle-income nation.

MAHFUZ ANAM
Editor & Publisher

THE DOUBLE-EDGED SWORD OF LDC GRADUATION

LDC graduation carries prestige. It signals to the world that Bangladesh has developed capacity, crossed key income and vulnerability thresholds, and is ready for the next stage of growth. This enhances the country's global image, strengthens its credit rating, and can attract investors who view graduation as proof of stability and resilience. Foreign direct investors, in particular, will see a country that has moved beyond the "poor country club," with rising purchasing power and an increasingly educated labour force.

But prestige does not guarantee preparedness. Graduation will dismantle the scaffolding that has propped up Bangladesh's export-driven economy for decades. Duty-free access to the European Union, Canada, Australia, and other markets — which currently covers 70 percent of Bangladesh's exports — will no longer be automatic. The WTO's special and differential treatment for LDCs, including extended compliance deadlines and dispute settlement leniency, will no longer apply. In the pharmaceutical sector, where 20 percent of drugs sold domestically are patented, the loss of TRIPS waivers could raise medicine prices by seven to eight times.

The implications are stark: unless the private sector rapidly adapts, Bangladesh risks losing market share to competitors like Vietnam and India, who already enjoy preferential trade deals and more efficient business environments.

ROUNDTABLE 1

HOW TO ENERGISE THE PRIVATE SECTOR

Key challenges ahead

EROSION OF TRADE PREFERENCES

The most immediate challenge will be the imposition of tariffs on Bangladeshi exports. In the European market, for instance, garments that now enter duty-free will face 12 percent duties. This erodes price competitiveness. A shirt that costs $100 to produce in Bangladesh may now cost European buyers $112 after tariffs, while an Indian shirt priced at $90 will cost $101 with tariffs included. Buyers will naturally gravitate away from Bangladesh unless productivity improves.

RISING COMPLIANCE COSTS

Graduation will expose Bangladesh to stricter scrutiny on labour rights, environmental standards, and intellectual property. As an LDC, the country benefited from tolerance — importing countries often "looked the other way" when compliance gaps appeared. After graduation, non-compliance could result in sanctions, disputes at the WTO, or exclusion from preferential schemes.

VULNERABLE SECTORS

The readymade garment (RMG) industry, which accounts for more than 80 percent of exports, is highly exposed. Not only is it concentrated in a few markets, but it is also heavily reliant on cotton products, while global demand is shifting toward man-made fibres. Pharmaceuticals, leather, and other emerging sectors face similar risks if backward linkages and regulatory readiness are not strengthened.

STRUCTURAL WEAKNESSES

High energy costs, unreliable electricity, and chronic gas shortages undermine competitiveness. Infrastructure projects like the tannery relocation and the API (Active Pharmaceutical Ingredients) park have dragged on for years, missing critical deadlines. Meanwhile, the financial sector suffers from high interest rates, weak governance, and inefficiencies that add to the cost of doing business.

Opportunities in the post-LDC landscape

Despite the challenges, graduation presents opportunities that can be leveraged with the right strategy.

- Stronger global image: Graduation enhances Bangladesh's brand, making it more attractive to investors and development partners.
- Improved creditworthiness: Rating agencies may view Bangladesh as lower risk, reducing borrowing costs.
- New market access windows: The EU, UK, Canada, Australia, and China have offered limited extensions of duty-free access, providing a transition period.
- Potential for diversification: Graduation can catalyse reforms to move beyond garments into pharmaceuticals, leather, ICT, and services.

The critical question is whether Bangladesh can convert these opportunities into lasting advantages.

> **"There is no denying the fact that we need more time. We must pursue this strongly."**
> **Abdul Muktadir**
> President, BAPI

Ways to overcome

COMPETING BEYOND PREFERENCES

The private sector must prepare for a world without tariff advantages. This means focusing relentlessly on productivity. Firms should adopt advanced technologies, streamline processes, and reduce waste. Lowering lead times will be as important as lowering costs — global buyers increasingly value speed to market, sometimes even more than price.

Green production is another frontier. Buyers are prioritising sustainable supply chains, and Bangladesh already has an edge with several globally recognised green factories. Expanding this commitment will not only preserve competitiveness but also strengthen reputation.

DIVERSIFICATION OF EXPORTS

Over-reliance on garments is dangerous. Bangladesh must diversify in two directions:

- Within garments: Shift from cotton to man-made fibres, and target higher-value segments like outdoor apparel, performance wear, and branded products.
- Beyond garments: Accelerate development in pharmaceuticals, leather, light engineering, IT services, and agro-processing. The pharmaceutical sector, in particular, must reduce dependence on imported APIs to withstand the end of TRIPS waivers.

Services represent a largely untapped frontier. India's experience shows how software exports can leapfrog other industries, becoming the top export within two decades. Bangladesh's youthful population, combined with targeted investments in ICT training and startup support, could enable a similar transformation.

SKILLS FOR A COMPETITIVE ECONOMY

The transition from preference-driven to productivity-driven competitiveness requires skilled workers. Yet Bangladesh's technical and vocational education system remains underdeveloped. Curricula are misaligned with industry needs, trainers are underqualified, and social stigma discourages enrollment.

The roadmap calls for a comprehensive overhaul: industry-driven curricula, upgraded training facilities, stronger public-private partnerships, and recognition of vocational qualifications. Without this, Bangladesh risks creating a labour trap — exporting more with fewer workers, leaving millions unemployed.

> **"We do not believe it is in Bangladesh's best interest to put ego before economic realities. No other country has as much to lose as Bangladesh."**
> **Syed Nasim Manzur** President, LFMEAB

TRADE DIPLOMACY AND MARKET ACCESS

Competitors like Vietnam have secured over 20 free trade agreements, including with the EU. Bangladesh has none beyond a limited pact with Bhutan. This is a glaring weakness. The government, with active input from the private sector, must urgently negotiate FTAs and Comprehensive Economic Partnership Agreements with key markets, particularly the EU, UK, Japan, and ASEAN countries.

Private sector associations must strengthen their capacity to provide evidence-based inputs to these negotiations, identifying offensive and defensive interests, sequencing commitments, and managing reciprocity.

IMPROVING THE BUSINESS ENVIRONMENT

The cost of doing business in Bangladesh remains high due to inefficiencies in customs, ports, and logistics. Reducing clearance times, digitising paperwork, and expanding bonded warehouse facilities beyond garments will be critical. Infrastructure bottlenecks — from energy shortages to poor transport links — must be addressed with urgency.

Financial sector reforms are equally urgent. High non-performing loans, weak governance, and high interest rates discourage investment. Unless the financial system is disciplined and restructured, the private sector will struggle to invest in technology and capacity.

DOMESTIC RESOURCE MOBILISATION

With concessional financing set to decline, the state's ability to support industry depends on raising domestic revenues. Bangladesh's revenue-to-GDP ratio, at 8–9 percent, is among the lowest in the world. Leakages and tax evasion worsen the problem.

Digitalising tax administration, broadening the tax base, and reconciling income with expenditure — as practiced in India — can improve collections. Higher revenues will allow the government to fund infrastructure, skills training, and industrial upgrading without breaching fiscal limits.

GOVERNANCE AND POLICY CONTINUITY

Graduation coincides with a period of political transition. While stability is necessary, it is not sufficient. Investors demand functioning institutions, predictable policies, and efficient service delivery. Past experiences show that stability without reforms does not guarantee investment.

Good governance, transparency, and anti-corruption measures will be essential. Policy continuity — especially in tariffs, taxation, and industrial support — is equally critical, as investors plan for 15-20 years ahead.

Business

Who recommends LDC graduation

With Bangladesh's graduation from the LDC category raising a reasonable amount of interest, many would like to know which agency recommends that a nation is ready to gain the developing country status.

It is the Committee for Development Policy (CDP), a subsidiary body of the United Nations' Economic and Social Council (Ecosoc).

The CDP reviews the status of LDCs, or low-income countries and monitors their progress every three years based on—Gross National Income (GNI) per capita, the Human Assets Index (HAI), and the Economic and Environmental Vulnerability Index (EVI), as well as additional country-specific information.

Based on the reviews, the CDP recommends to the Ecosoc and the UN General Assembly which countries should graduate from the list of LDCs, where there are now 44 nations.

The UN body, comprising 24 experts nominated by the UN secretary-general, also monitors countries that are graduating or have graduated from the LDC list and alerts Ecosoc to any sign of deterioration in their development progress.

Established in 1965, the UN body meets once a year and subsequently submits its report to the Ecosoc. Its first chair was Nobel Laureate Professor Jan Tinbergen.

ROUNDTABLE 2

SMART LOGISTICS FOR COMPETITIVE PRIVATE SECTOR

Logistics emerges not as a secondary issue but as the very foundation of competitiveness. Without reforms, the country risks losing its edge in ready-made garments (RMG) and other emerging sectors. With reforms, Bangladesh can transform logistics from a drag on competitiveness into an enabler of growth and diversification.

Logistics in Bangladesh today is beset by inefficiencies. Costs are high—15-20 percent of product value compared to 8-12 percent in India and Vietnam. Ports are congested, roads overburdened, waterways underutilised, and rail almost ignored. Customs and regulatory systems remain cumbersome and fragmented. These structural weaknesses, coupled with looming external pressures such as higher tariffs in the EU and US, mean that unless Bangladesh addresses logistics head-on, its competitiveness will erode. The following roadmap sets out the current state of logistics, immediate priorities, medium-term reforms, and long-term strategies, supplemented by both international and local case examples.

The current state of logistics

Bangladesh's exporters are under pressure on multiple fronts. The United States has already imposed tariffs of 20 percent on certain Bangladeshi exports. Once LDC benefits expire in 2026, duty rates in the European Union could rise by 9-12 percent. These additional costs cannot be absorbed without significant efficiency gains. Yet the logistics system remains ill-prepared to deliver them.

The country ranks 88th on the World Bank's Logistics Performance Index, 334th on the Container Port Performance Index for Chattogram port, and 176th on the former Trading Across Borders index. These numbers reflect real, daily challenges. Chattogram port requires four days to handle a vessel, compared with less than a day in Singapore. Export cargoes take four to five days to clear, while imports take eight to eleven. Each day lost translates into orders missed, contracts delayed, and competitive advantage eroded.

The reliance on roads is another weakness. Over 80 percent of freight is moved by road—the most expensive and least efficient option. Rail carries just 4 percent of goods, while waterways account for 16-17 percent, far below potential. Industry data shows that road transport costs Tk 8 per tonne per kilometre, compared with Tk 2 by water. Rail is equally inefficient: costs stand at Tk 9 per tonne per kilometre in Bangladesh compared with Tk 2 in India. The consequences are stark. In the cement industry alone, logistics accounts for nearly half a billion dollars annually, much of which could be saved through better use of waterways and rail.

Air logistics presents its own challenges. Hazrat Shahjalal International Airport, the country's main hub, handles 400-500 tonnes of imports and 600-700 tonnes of exports daily. Yet congestion remains acute. At times, backlogs rise to 1,500 tonnes, forcing cargo to be stored in the open, at risk of damage. While Biman Bangladesh Airlines has introduced new systems and activated Sylhet as a second cargo hub, inefficiencies persist. International buyers, particularly in the RMG sector, expect shipments to reach Europe within 72 hours. Without timely air cargo solutions, Bangladesh risks losing critical orders.

Underlying these inefficiencies is weak governance. Logistics is split across multiple ministries and agencies, with overlapping mandates and little coordination. Regulatory reforms have stalled for years. Policies on air freight stations, regulated agents, and bonded warehouses have been discussed but not implemented. The result is a fragmented, inefficient system unable to meet the demands of modern global trade.

Immediate priorities: 12-18 months

The most urgent priority is governance reform. Bangladesh must establish a National Logistics Authority under the Ministry of Commerce to provide a single point of accountability. This body should be empowered to coordinate across ministries, implement reforms, and monitor progress. A "war room" approach—regular reviews involving both government and private sector stakeholders—would help overcome inertia and ensure accountability.

Operational reforms at Chattogram Port should aim to reduce vessel turnaround time from 13 days to under 5 days. Importers should be required to move containers quickly, supported by expanded off-dock facilities. Customs procedures must be digitised and automated, reducing delays and opportunities for arbitrary intervention. Introducing competition in lighterage services would lower costs by breaking existing monopolies.

Multimodal transport expansion should be another immediate goal. Dredging key waterways, investing in navigational aids, and piloting night navigation would increase the share of freight carried by river. Rail connections between Dhaka and Chattogram should be prioritised, with container-specific wagons and freight-friendly scheduling. These measures could reduce logistics costs by up to 75 percent in sectors like cement and bulk commodities.

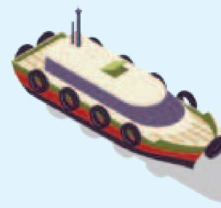
> **"The private sector is already investing in warehouse automation and digital processes. But competitiveness also depends on national infrastructure -- ports, airports, waterways."**
>
> **Md Mahbub ur Rahman** CEO, HSBC Bangladesh

Air cargo reforms are equally urgent. Reducing free storage times from 72 hours to 24 at airports, ensuring redundant EDS scanners, and operationalising transit cargo handling in Dhaka would ease congestion and improve reliability. With Terminal 3 due to open, new SOPs should reduce cargo dwell times to six hours and aircraft turnaround to two, putting Bangladesh closer to international standards.

Finally, digitalisation must be accelerated. The national single window system should be fully integrated with port and customs platforms, while freight-matching apps can reduce inefficiencies in trucking, eliminating unnecessary intermediaries.

Mid-term reforms: 3-5 years

In the medium term, Bangladesh must address structural gaps. The Bay Terminal project should be completed with the participation of global operators such as PSA and DP World. Experience from Singapore, India, and Sri Lanka shows that private management of terminals increases efficiency and competitiveness. Inland container depots and freight stations should be established in Dhaka, Gazipur, and Narayanganj, with customs clearance facilities linked to rail lines.



Regulatory reform is essential. The century-old Railway Act must be updated to allow private investment in rail infrastructure and logistics services. Policies on bonded warehouses and Air Freight Stations must be finalised and implemented. Chattogram Port should move from a "tool port" model, where government manages operations, to a "landlord port" model, where the state retains ownership but private operators manage daily operations.

Human capital development is also critical. A centralised logistics authority should support the establishment of training centres and certification programmes. Skilled personnel in customs, port management, and freight forwarding are essential to sustaining reforms. Reducing dependence on foreign experts is both a cost-saving and a capacity-building priority.

Medium-term reforms should also focus on sustainability. With the European Union's Green Deal and similar initiatives reshaping global value chains, Bangladesh must align its logistics practices with international standards. Promoting fuel-efficient trucking, incentivising clean vessels, and introducing carbon reporting for logistics companies will ensure competitiveness in sustainability-conscious markets.

Long-term vision: 5-15 years

Bangladesh's long-term vision should be to position itself as a regional logistics hub. Its geography—situated between South Asia and Southeast Asia, with proximity to India, China, and ASEAN—offers a natural advantage. To leverage this, the country must build world-class port infrastructure, seamless inland connectivity, and robust cross-border trade systems.

Matarbari Deep Sea Port will be central to this strategy. Complementing Bay Terminal, it will enable larger vessels to call and integrate Bangladesh into global shipping networks. However, without proper hinterland connectivity and integration into a broader logistics master plan, its potential will be limited.

Cross-border land ports with India, Nepal, and Bhutan must be modernised with automation, multimodal connectivity, and streamlined customs processes. This would enable Bangladesh to become a bridge between South and Southeast Asia, unlocking regional trade opportunities.

The future logistics system must be digital and data-driven. A national logistics data platform should integrate information across all modes of transport, offering real-time visibility to exporters and importers. Blockchain-enabled trade documentation, automated container terminals, and AI-driven logistics management should be mainstreamed. Emerging technologies like drones and autonomous vehicles could also find a role in specialised niches.

Financing this long-term vision will require diversified strategies. Government-to-government partnerships, supplier financing, international syndicates, and private investment must all be mobilised. A 30-year national logistics master plan should guide investments, phasing projects to avoid overcapacity while ensuring full utilisation of assets.

International case examples

SINGAPORE: A BENCHMARK FOR EFFICIENCY

Singapore's logistics success is the product of governance, technology, and competition. The Maritime and Port Authority of Singapore coordinates all stakeholders, ensuring integration of ports, customs, and logistics providers. The port achieves average vessel turnaround times of less than 24 hours, aided by automation such as automated guided vehicles and fully automated terminals. The lesson for Bangladesh is clear: efficiency comes not only from infrastructure but also from clear institutional responsibility, discipline in process, and openness to competition.

> **"Lead time and transit time are now as critical as product cost in the RMG sector, but airport delays, customs hurdles, and poor coordination continue to erode competitiveness."**
>
> **Syed M Tanvir** MD, Pacific Jeans

VIETNAM: LEVERAGING MULTIMODAL TRANSPORT

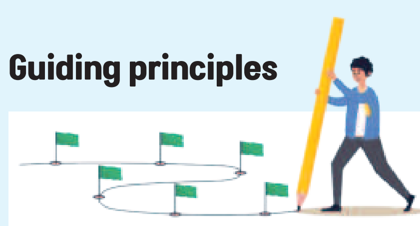
Vietnam has successfully harnessed its waterways and rail systems to reduce logistics costs and dependence on roads. River transport plays a significant role in bulk cargo movement, while rail links connect industrial zones directly to ports. At the same time, Vietnam has proactively pursued free trade agreements, which reinforce the importance of efficient logistics. The integration of customs reform, investment in logistics parks, and multimodal transport has been central to Vietnam's rise as a global manufacturing hub. Bangladesh can draw lessons from Vietnam's ability to maximise existing assets while aligning reforms with trade strategy.

BANGLADESH: LESSONS FROM CHATTOGRAM AND PANGAON

Chattogram port illustrates both the scale of Bangladesh's challenge and its potential. With rankings near the bottom globally, inefficiencies are glaring. Yet reforms—such as reducing dwell times, introducing competition in services, and separating regulation from operations—could deliver rapid improvements. Pangaon Inland Container Terminal, meanwhile, shows how underutilisation often reflects policy rather than capacity. Treated as an extension of Chattogram rather than as a standalone hub, it has failed to reduce congestion as intended. With the right policies, both could become symbols of transformation rather than bottlenecks.

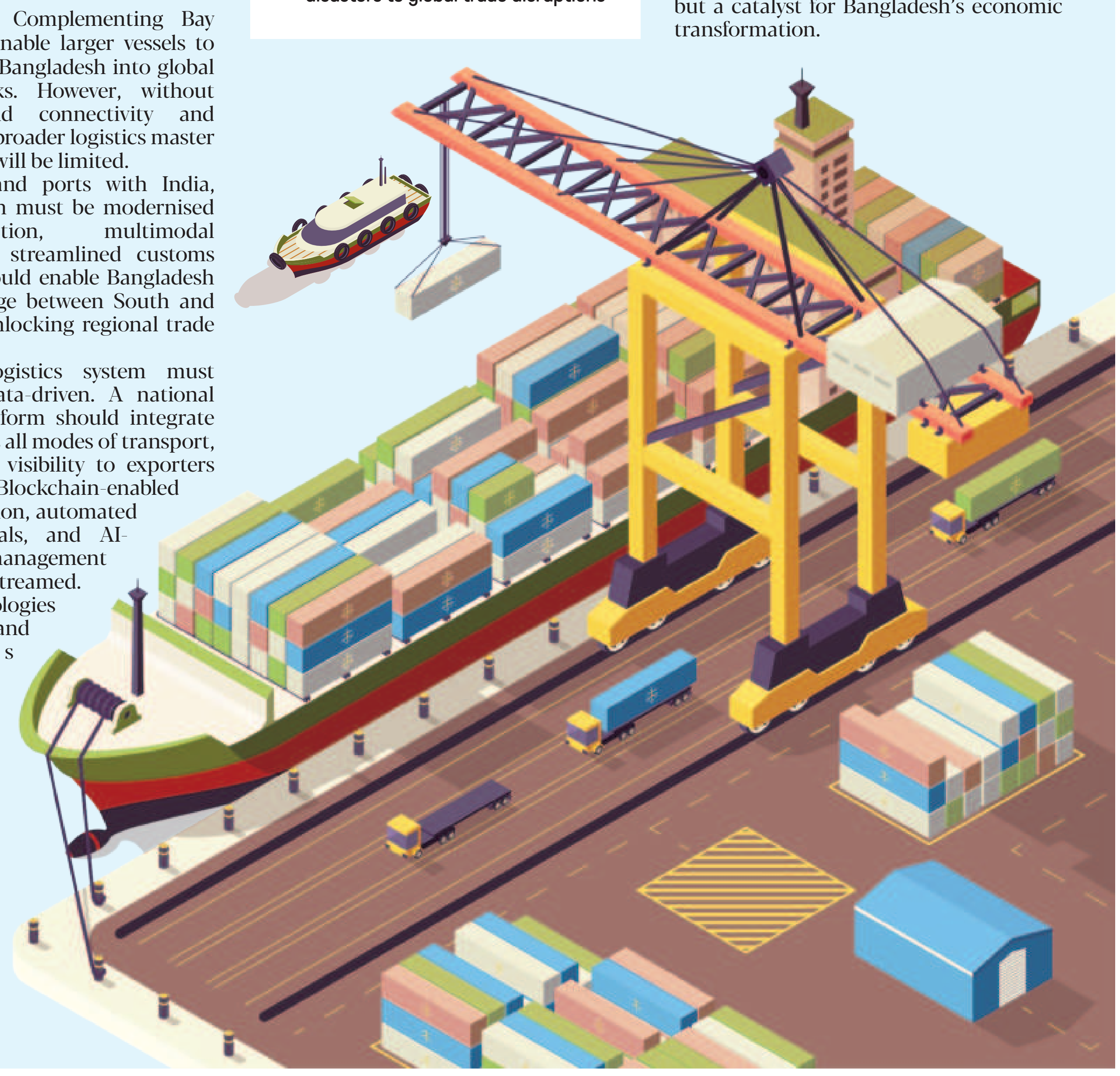
Bangladesh's logistics sector is both a weakness and an opportunity. Left unreformed, it will weigh down exporters with high costs, delays, and missed opportunities. But with bold action, it can become the country's greatest strength, enabling diversification, attracting investment, and positioning Bangladesh as a regional logistics hub. The roadmap is clear: governance reform, multimodal investment, regulatory modernisation, digital transformation, and sustainability. What remains is the political will and institutional clarity to deliver. If achieved, logistics will no longer be a bottleneck but a catalyst for Bangladesh's economic transformation.

Guiding principles



REFORM OF LOGISTICS IN BANGLADESH MUST BE GUIDED BY FIVE PRINCIPLES

- Integration over fragmentation: A single authority should oversee the sector as a whole
- Public-private collaboration: Reforms must be co-created and co-implemented with the private sector
- Global benchmarking: Success should be measured against international standards, not domestic averages
- Accountability and transparency: Progress must be tracked, reported, and enforced
- Resilience and sustainability: Infrastructure and processes must withstand shocks, from natural disasters to global trade disruptions



BANGLADESH'S LDC GRADUATION JOURNEY

1975 Bangladesh included in the group of Least Developed Countries (LDCs)

2015 Transitioned from a low-income to a lower-middle income country in World Bank classification

2018 Fulfilled LDC graduation criteria for the first time (43 years after joining)

2021 Met graduation criteria again, graduation recommended

2024 Met the criteria for the third time

2026 Nov 24 Set to graduate from LDC status

2029 End of 3-yr grace period for trade benefits in EU,UK, Australia, and Canada

Likely impact on Bangladesh after graduation

Bangladesh is likely to face tariff hikes in major export markets

EU: Tariffs on 93% of exports to increase to 9.6-12%.

Canada: Tariffs on most garments to rise to 16-18%.

Japan: Tariffs on garments to climb to 7.4-12.8%.

Pharmaceuticals
Patented drug prices to rise

Recommended for graduation
Djibouti
Kiribati
Tuvalu

NATIONS APPROACHING GRADUATION AND GRADUATED

Scheduled to graduate alongside Bangladesh

Lao PDR 2026 | Nepal 2026 | Solomon Islands 2027 | Cambodia 2029 | Senegal 2029

Already graduated

Botswana 1994 | Cabo Verde 2007 | Maldives 2011 | Samoa 2014 | Equatorial Guinea 2017 | Vanuatu 2020 | Bhutan 2023 | São Tomé and Príncipe 2024

Delayed graduation

Bangladesh	Lao PDR	Bhutan	Nepal	Solomon Islands	Maldives	Vanuatu
2	2	2	5	6	8	20

Years of delay

ROUNDTABLE 3

POLICY AND REGULATORY CHALLENGES IN THE PRIVATE SECTOR

The everyday struggles of business

REGULATORY UNPREDICTABILITY

Entrepreneurs complained of abrupt rule changes, contradictory directives, and an absence of consultation. A factory may be operating smoothly one day, only to find the next day that a new regulation requires a different licensing procedure or imposes new compliance burdens. Labour rules, environmental directives, and fiscal policies are often introduced without warning, leaving investors scrambling.

As one participant put it: "Unless a file has 20 signatures from 10 desks, it will not move. This culture of complexity suffocates us."

FISCAL BURDEN AND TAX COMPLEXITY

The taxation regime is particularly daunting. Businesses face multiple overlapping taxes: VAT, supplementary duties, corporate income tax, advance income tax deductions, spectrum fees, and revenue sharing. In the telecom sector, this adds up to an effective tax burden of 73-78 percent of revenue — compared with about 20 percent in peer countries. Instead of rewarding compliance, the system often penalises firms that pay more, undermining trust and discouraging investment.

Predictability is missing. As one executive noted: "If you do good, if you pay more tax, you should be rewarded. Instead, you face more claims from government agencies. How can that encourage compliance?"

CUSTOMS AND PORTS

Even when infrastructure exists, customs clearance and port processes are painfully slow. Exporters lose orders because raw materials sit idle at airports or ports for days awaiting clearance. Importers use ports as cheap storage, clogging facilities and increasing costs for others. Customs procedures remain largely manual and paper-heavy, with little automation or real-time tracking.

> **"Bangladesh must simplify business processes, improve NBR operations, and ensure a regulatory environment that supports both exports and domestic production."**
> **Zaved Akhtar** President, FICCI

The inefficiency is particularly damaging for the ready-made garment (RMG) sector, where buyers demand ultra-fast turnaround. One exporter explained: "We are already losing orders due to long lead times. If we cannot reduce transit and clearance delays, the percentage of lost business will only grow."

LICENSING, APPROVALS, AND CORRUPTION

Business registration and approvals remain among the most time-consuming in the region. It takes an average of 31 days to register a company in Bangladesh, compared to 9 days in India and just 1 day in Singapore. Land registration can take over two years. Entrepreneurs recounted stories of applications for factories and permits being stuck indefinitely for "small reasons," with approvals often requiring under-the-table payments.

One participant summed it up: "To get a boiler license costs six times the official fee. Gas connections cost three times more. This is corruption embedded into the system."

INSTITUTIONAL FRAGMENTATION

Another barrier is the lack of a single authority for business and logistics issues. Investors must navigate a maze of ministries — commerce, finance, shipping, civil aviation, and others — none of which have full accountability. This fragmentation creates gaps, duplication, and delays. Participants repeatedly called for a strengthened Ministry of Commerce to serve as the central coordinating body for competitiveness and private sector policy.

SMEs, startups, and the risk of collapse

While large corporates may have the resilience to weather shocks, SMEs and startups are at serious risk.

Each year, 10,000-12,000 new businesses register in Bangladesh, but most fail within three to five years. Startups face particular difficulties raising funds. Debt is expensive, with bank interest rates of 12-14 percent, and collateral requirements exclude most young firms. Equity investment and FDI are constrained by vague rules on profit repatriation, long delays in land and company registration, and inconsistent enforcement.

The result is a thinning pipeline of innovative firms. One entrepreneur recalled training 300 engineers in the Internet of Things (IoT), securing work in Japan, and attempting to seed a domestic IoT market. Despite repeated proposals to government ministries to include smart building requirements in public tenders, not a single policy move was made. The entire project collapsed, and the trained engineers were lost to underemployment.

By contrast, Vietnam deliberately gave its inexperienced local firms major government contracts, enabling them to gain expertise and later dominate regional markets. "They leapfrogged because their government believed in them. We lost our chance because ours did not," lamented one participant.

Without urgent reform, SMEs will collapse under the combined weight of bureaucracy, financing costs, and lost preferences after graduation.

The culture of disrespect for entrepreneurs

Perhaps the most emotional theme was the lack of respect for the private sector. Despite creating the majority of jobs, exports, and GDP, entrepreneurs described feeling treated as "second-class citizens" — or worse.

"When we succeed, we are treated with suspicion. We are not celebrated; we are demonised," said one business leader. Another noted how think tanks and government often highlight negatives but rarely acknowledge private sector achievements.

Examples abound:

•The back-to-back letter of credit (LC) policy, which helped launch the RMG sector, came from visionary collaboration with entrepreneurs.

•A 1994 pharmaceutical policy allowing companies to set most drug prices spurred a world-class industry that now exports globally.

These successes, participants argued, show what entrepreneurs can achieve when government trusts rather than controls them.

> **"When the private sector talks, they (government officials) always believe that it is for a vested interest... We create more jobs than the public sector. So, Sir, start listening."**
> **Ahsan Khan Chowdhury** Chairman, Pran-RFL

Ways to overcome

The roundtable converged on several recommendations, grouped here into short-, medium-, and long-term priorities.

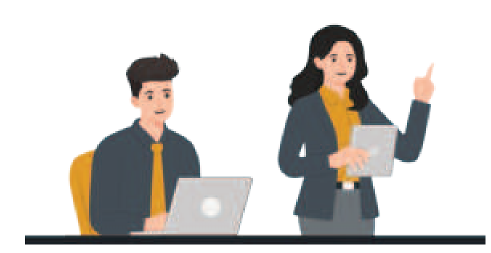
SHORT-TERM (0-2 YEARS)

•Simplify tax and customs procedures: Reduce overlapping taxes, harmonise VAT, and introduce time-bound digital clearance systems.

•Digitalise approvals: Move company registration, licensing, and compliance fully online, with track-and-trace systems to eliminate face-to-face corruption.

•Enforce policy predictability: Introduce consultation processes before new regulations are enacted, preventing sudden shocks.

•Respect SMEs: Introduce subsidised credit lines and simplified loan approvals for high-growth SMEs, especially in technology and diversification sectors.



MEDIUM-TERM (2-5 YEARS)

•Empower the Ministry of Commerce: Establish it as the lead coordinating body for private sector and trade, with authority to cut through overlaps between ministries.

•Skills development: Create a National Skills Council and Skills Passport to certify vocational training, bridging the gap between unemployment and skill shortages.

•Arbitration and dispute resolution: Establish specialised commercial courts and consistent arbitration laws to resolve business disputes within set timeframes.

•Promote local firms in public procurement: Ensure a share of government contracts goes to Bangladeshi companies, enabling them to build expertise and scale.

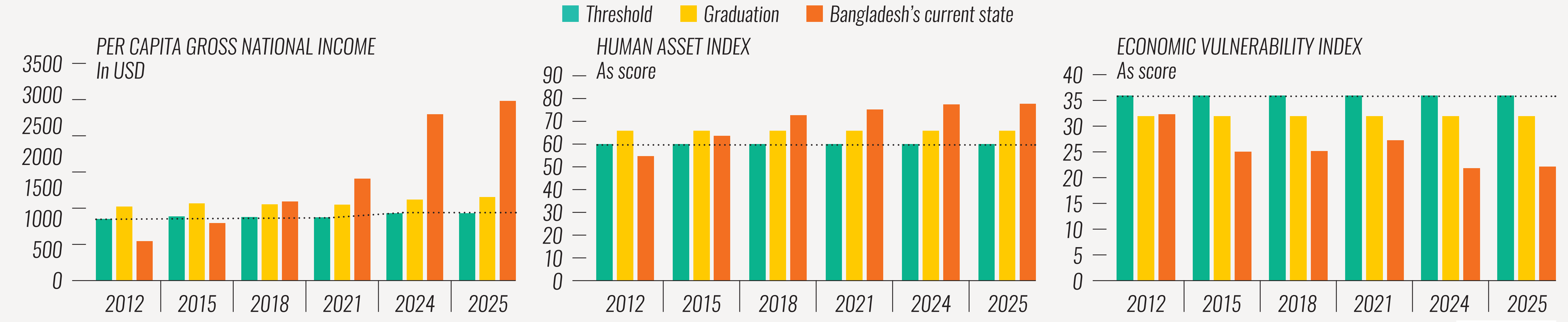
LONG-TERM (5-10 YEARS)

•Negotiate FTAs and EPAs: Secure agreements with the EU, UK, Japan, and regional partners to offset the loss of LDC preferences.

•Reform logistics: Move from "tool port" models to landlord port models, involving private operators in efficient management.

•Institutionalise public-private dialogue: Establish permanent mechanisms where business concerns are integrated into policymaking.

LDC GRADUATION CRITERIA AND BANGLADESH'S PERFORMANCE



SOURCE: RAPID

ROUNDTABLE 4

EMPOWERING THE PRIVATE SECTOR TO FACE THE CHALLENGES OF LDC GRADUATION

Government perspective: Inevitability and opportunity

From the government's point of view, Bangladesh's graduation is a matter of "when," not "if." Officials have emphasised that the process is embedded in international rules, not simply subject to the government's discretion. Once a country meets the three criteria set by the

UN Committee for Development Policy (CDP) across two consecutive triennial reviews, the UN General Assembly endorses graduation. Bangladesh has already cleared these hurdles and even benefitted from an extension once before, due to the disruptions of the Covid-19 pandemic. To demand another deferment now, they argue, would be both technically difficult and diplomatically awkward.

Anisuzzaman Chowdhury, special assistant to the chief adviser, illustrated the situation vividly by comparing it to an aircraft already in mid-flight. Bangladesh boarded in 2018, went through its safety checks in 2021, and was given an extra two years because of Covid-19. "We are now airborne," he said. "Postponement can only mean asking for a few extra years to reach cruising altitude, not a chance to return to the runway."

The government insists that whether graduation occurs in 2026 or later, the fundamental task remains unchanged. The country must shift away from a model of preference-driven growth that relies on tariff-free access and concessional financing, toward productivity-driven competitiveness rooted in efficiency, innovation, and sustainability. According to Chowdhury, this demands policy continuity, institutional reform, and above all, closer collaboration between the state and private sector.

A series of reforms are already in motion. The National Single Window has been rolled out, issuing more than half a million trade licences digitally within just two months, a move designed to cut red tape and reduce opportunities for corruption. The One Stop Service is also operational, easing investment approvals and reducing bureaucratic bottlenecks. In pharmaceuticals, risk-based permitting is replacing the cumbersome licensing process that used to delay imports of active ingredients for months. To address broader structural issues, the government has announced two national dialogues—one on tax and credit policy, another on energy security—before the end of this year. Chowdhury has personally engaged with entrepreneurs across sectors, from garments to shipbuilding and pharmaceuticals, to identify bottlenecks and propose remedies.

Officials acknowledge that some sectors will inevitably suffer once LDC-specific privileges are withdrawn. Yet they maintain that Bangladesh is in a stronger position than other graduating countries such as Nepal and Lao PDR, thanks to its larger and more diversified export base and relatively strong macroeconomic fundamentals. For them, graduation is not just a necessity but an opportunity to press ahead with long-overdue reforms.

Key challenges ahead

Private sector concerns: Fear of premature leap

If the government views graduation as a sign of confidence, the private sector sees it as a looming storm. Business leaders argue that the economy is not yet ready for such a leap, and that the loss of preferences will hit the very sectors that employ millions of Bangladeshis.

Energy insecurity remains one of their greatest fears. Industrial units face load-shedding lasting eight to nine hours daily, while new factories cannot secure gas connections. Domestic reserves are depleting at a rate of 12 percent per year, and projections suggest that Bangladesh could become almost entirely dependent on imported LNG by 2030. Such dependence would cost billions of dollars annually, straining reserves and raising the cost of production. Already, power shortages and fuel import bills are undermining the competitiveness of export industries.

Beyond energy, corruption and bureaucratic inefficiency continue to erode the business climate. Entrepreneurs report being forced to pay exorbitant bribes to renew trade licences, sometimes as high as 1.8 million taka. Municipal officials and local political operatives are often accused of turning routine licensing into rent-seeking opportunities. While reforms like the Single Window and One Stop Service have been introduced, business leaders insist that entrenched corruption still inflates costs and breeds uncertainty.

"Whether graduation comes in 2026 or later, the task is the same: to shift from preference-driven growth to productivity-driven competitiveness."
Anisuzzaman Chowdhury
Special assistant to the CA

The fragility of the banking sector adds another layer of concern. Non-performing loans have ballooned to more than 30 percent of total loans, while estimates suggest that over $28 billion has been siphoned out of the country through illicit channels. Interest rates remain higher than in competitor economies, and exporters struggle to secure affordable financing. The banking system, riddled with weak governance and capital flight, appears ill-equipped to support exporters once concessional lending terms disappear.

Perhaps the most acute worry is trade competitiveness. Currently, 75 percent of Bangladesh's exports benefit from LDC-related tariff preferences. After graduation, garments entering the EU are expected to face tariffs of 12 percent, while Canada may impose rates of 16 to 18 percent. Japan's tariffs will also rise. For labour-intensive industries like garments and footwear, where margins are razor-thin, such tariffs could prove devastating. Large international buyers such as H&M and Inditex have already warned Bangladeshi suppliers that if tariff preferences disappear, orders will shrink. The result, business leaders fear, will be massive job losses in sectors that employ millions of workers, many of them women.

"There are sufficient arguments why we should not rush to graduation. We have to preserve our international trade preferences. These are going to erode the moment we graduate."
Kamran T Rahman President of MCCI

Adding to these anxieties is a widespread sense of exclusion. Private sector leaders argue that they were not meaningfully included in the planning for graduation, and that the government's claims of preparedness are exaggerated. Technical eligibility, they insist, does not equal readiness. As one business leader bluntly put it, "The bureaucrats' claims of preparation are fake. The private sector is not ready for LDC graduation."

Banking and finance: A fragile foundation

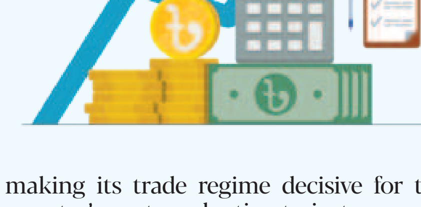
The challenges of graduation are compounded by vulnerabilities in the banking and financial system. The loss of concessional borrowing terms will reshape the financing landscape for both government and business. Agencies like Jica and the World Bank, which have long extended loans at favourable rates, will offer less generous terms once Bangladesh graduates to middle-income status. This will raise the cost of borrowing for infrastructure projects, energy investments, and industrial expansion.

At the same time, the domestic banking system is already under strain. With non-performing loans consuming nearly a third of outstanding credit, governance problems, and widespread capital flight, banks are in no position to fill the gap. Exporters who already face borrowing costs higher than their Vietnamese or Indian competitors will find themselves at a further disadvantage. Bankers warn that unless reforms are introduced, the sector will become a drag rather than a driver of the post-graduation economy.

Foreign exchange reserves, meanwhile, have fallen sharply in recent years, putting further pressure on financial stability. Inflation has eroded consumer purchasing power, while the taka has depreciated by more than 40 percent in just a few years. These trends not only undermine confidence but also complicate the country's ability to manage its external obligations in a post-preference world.

Trade and diplomacy: The external battle

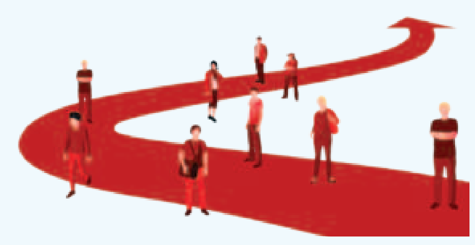
Nowhere will graduation be felt more acutely than in trade. Bangladesh's dependence on preferential access is unparalleled, with three-quarters of its exports relying on tariff exemptions. The European Union alone accounts for half of Bangladesh's export earnings, making its trade regime decisive for the country's post-graduation trajectory.



While Bangladesh can apply for the EU's GSP+ scheme, the pathway is narrow and uncertain. GSP+ requires countries to ratify and effectively implement 27 international conventions covering labour rights, environmental standards, and governance. Although Bangladesh has ratified these conventions, implementation remains patchy, raising doubts about eligibility. Even more concerning, the EU's safeguard clause under Article 29 excludes garments from GSP+ benefits once a supplier exceeds 6 percent of the EU's total imports. Bangladesh's market share is already above 20 percent, meaning that its most important export sector—the very lifeline of its economy—would gain no benefit from GSP+.

This leaves Bangladesh with limited options. One pathway is to negotiate for waivers or special treatment, convincing the EU to exempt Bangladesh from safeguard clauses. Another is to pursue bilateral and regional trade agreements, following Vietnam's example. Vietnam's free trade agreement with the EU has given its exporters duty-free access, a competitive edge that Bangladesh lacks. To remain viable, Bangladesh must urgently explore similar agreements with the EU, India, Japan, and other key partners.

Some experts also advocate for collective lobbying with fellow graduating LDCs such as Nepal and Lao PDR. Together, they could argue for transitional support or sector-specific waivers. Others suggest that Bangladesh should prepare to leverage its upcoming review with the UN CDP in November, presenting not only its eligibility but also its macroeconomic vulnerabilities as grounds for additional time or flexibility.



Yet few underestimate the difficulties. Global politics has become increasingly competitive, with less room for concessions. African LDCs may not support Bangladesh's cause, viewing it as a rival rather than a peer. India, facing its own tariff battles, may have little incentive to champion Bangladesh. Without the blessing of the EU and the United States, any push for deferment at the UN General Assembly is unlikely to succeed.

Structural and institutional reforms: The only sustainable path

Beyond diplomacy, all stakeholders agree that Bangladesh's long-term survival depends on structural reforms at home.

"When industries don't have energy security, then proceeding with the LDC graduation will be suicidal with the imposition of export tariffs."
AK Azad Chairman, Ha-Meem Group

Energy is the most urgent priority. With domestic gas reserves dwindling, the country must diversify into renewables and ensure reliable electricity supply for industries. Delays in energy reform risk crippling competitiveness.

Logistics and ports also demand immediate attention. Clearance times at Chattogram remain far higher than in regional peers, raising costs and frustrating exporters. While reforms such as the Single Window have begun to simplify procedures, systemic inefficiencies persist. Unless ports and customs are modernised to global standards, Bangladesh's export competitiveness will remain constrained.

Equally important is investment in technology and skills. A Technology Upgradation Fund, coupled with stronger vocational training, could help industries modernise and workers adapt. Backward linkages in textiles, leather, and other sectors require major investment, yet entrepreneurs cannot shoulder these costs alone. Government support, donor financing, and innovative public-private partnerships will be critical.

Compliance with global sustainability standards is another looming challenge. The EU's Carbon Border Adjustment Mechanism will impose new costs based on carbon emissions, regardless of LDC status. Similarly, labour rights and environmental standards are becoming prerequisites for market access. Instead of viewing these as burdens, experts argue, Bangladesh should embrace them as opportunities to improve productivity, attract responsible investment, and differentiate its exports in a crowded market.

Finally, institutional reform is essential. Bangladesh's tax-to-GDP ratio remains among the lowest in the world, starving the state of fiscal space. The National Board of Revenue must be modernised, revenue mobilisation strengthened, and corruption reduced. Without stronger institutions, even the best policy intentions will falter in implementation.

Ways to overcome

The path forward demands a mix of urgent diplomacy, medium-term reforms, and long-term transformation. In the immediate term, Bangladesh must lobby intensively with the EU, the US, and India for transitional support, seek sector-specific waivers—particularly for pharmaceuticals—and expand export financing through the Export Development Fund and re-financing windows. Energy security and tax reform dialogues must be fast-tracked within months, not years.

In the medium term, the government should secure entry into GSP+ while negotiating waivers to safeguard garment exports, pursue bilateral and regional trade agreements, and establish funds to support technology upgrades and backward linkages. Port modernisation and customs reform should be treated as national priorities, with measurable targets for improvement.

In the long term, Bangladesh must diversify its export base beyond garments, investing in pharmaceuticals, ICT, agro-processing, leather, and light engineering. Productivity-driven competitiveness must replace reliance on preferences. Institutional resilience, from banking governance to tax collection, must be strengthened. Sustainability and compliance with global standards should be integrated into the country's development strategy, not treated as afterthoughts.