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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.

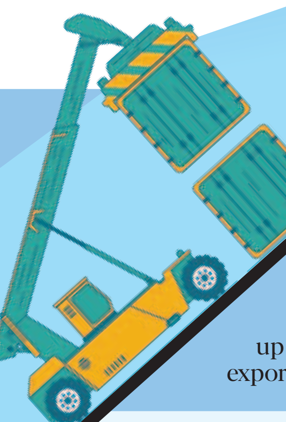
MAHFUZ ANAM
Editor & Publisher

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.

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.

"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

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.