



# Islami Bank's bad loans surpass Tk 1 lakh crore

Scams and irregularities by S Alam Group pushed the shariah-based bank into crisis, as toxic assets continue to surface

MD MEHEDI HASAN

Non-performing loans (NPLs) at Islami Bank Bangladesh crossed Tk 1,00,000 crore by September after years of loan scams and lending irregularities tied to S Alam Group left the once very profitable commercial lender under severe strain.

At the end of September, total loans disbursed by the bank stood at Tk 1,81,860 crore. Of this, Tk 1,06,000 crore had turned bad, according to Bangladesh Bank (BB).

BB data show that more than half of the bank's portfolio had slipped into non-performing loans.

Bad loans rose by Tk 88,248 crore in just a year. At the end of September last year, the bank's defaults stood at Tk 17,752 crore, which accounted for 11 percent of its loans.

The commercial lender also faces a provision shortfall of Tk 85,886 crore. Banks set aside provisions as a buffer against losses, and such a large shortfall points to the scale of the damage.

Islami Bank officials said S Alam Group took out loans under both official titles and proxy names during the previous regime, when the conglomerate used to dominate the board. Many of these loans later fell into default.

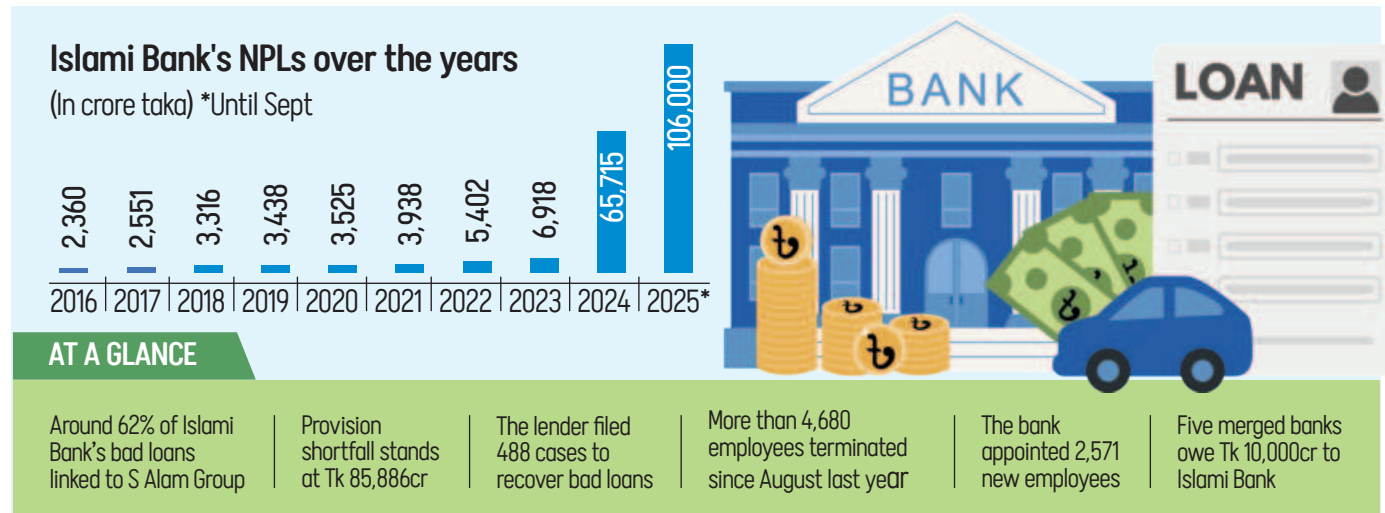
They said misdeeds by one business group have pushed the bank to its current state.

After the fall of the Awami League government in a mass uprising in August last year, the bank was freed from the control of the S Alam Group. The central bank dissolved the bank board dominated by individuals linked to Chattogram-based S Alam Group.

The political changeover also exposed long-buried toxic assets that had piled up over the years. Since then, the shariah-based bank's balance sheet has been deteriorating.

Until June 2024, bad loans at the bank were only Tk 7,724 crore, or 4.42 percent of its loans. But within a month of the government's fall, defaults jumped to Tk 17,752 crore, or 11 percent.

NPLs at the bank rose to Tk 32,817



crore, or 21 percent, by the end of last year and reached Tk 47,618 crore, or 27.38 percent, by the end of March this year.

**S ALAM ALONE TOOK OUT TK 70,000CR**

S Alam Group maintained its hold over Islami Bank for around seven years. The bank's financial performance had weakened soon after the group began influencing decisions following an ownership takeover in 2017.

Between 2017 and August 2024, the group alone took out around Tk 70,000 crore through its own businesses and a series of shadow firms.

Loans were taken in the names of Mohammed Saiful Alam, chairman of S Alam Group, his family members, and several associates, according to central bank officials.

About Tk 66,507 crore of this amount had defaulted by the end of the September quarter.

Saiful Alam and several senior officials of the group are now on the run. The Daily Star could not reach them for comment.

Nabil Group, a close ally of S Alam Group, borrowed about Tk 13,000 crore under its own name and through anonymous entities. A portion of that amount has been rescheduled recently under a special policy, according to Islami

Bank officials.

Contacted, Md Aminul Islam, managing director of Nabil Group, said, "The loans taken in the name of Nabil Group are regular, but I know nothing about the loans that were taken anonymously. I have never defaulted on any loan."

Other large borrowers of Islami Bank include Nassa Group, Noman Group, Deshbandhu Group, Jamuna Tyre, GMS Group, Murad Enterprise, AJ Trade International, Delta Group, Bashundhara Multifood Group and Mahmud Denims Ltd.

**FUNDS STUCK ACROSS TROUBLED LENDERS**

Islami Bank lent about Tk 10,000 crore to five banks that are now being merged. The lender has yet to recover the money.

A senior Islami Bank official said the central bank assured them that they would receive shares in the new merged bank instead of cash repayment.

Janata Bank also owes Tk 1,000 crore and has missed repayment, the official added.

Before the political changeover, Islami Bank had faced a severe liquidity crisis and even ran a deficit in its settlement account with the central bank.

Officials said the cash position has since stabilised and depositors are now

able to withdraw funds without difficulty, although the mountain of bad loans remains a cause for concern.

Contacted, Omar Faruk Khan, managing director and CEO of Islami Bank Bangladesh, said the bank's liquidity is now "very strong". He said the bank is stepping up loan recovery efforts through legal action and other means.

The lender has filed 488 cases against defaulters. These include 34 cases at the Artha Rin Adalat involving Tk 66,507 crore, 377 criminal cases, 1,881 involving Tk 19,996 crore, and 10 related to stock disposal worth Tk 28,064 crore.

Khan said they are prioritising cash recovery while allowing genuine businesses to reschedule their loans. "Our target is to bring down non-performing loans from 50 percent to 35 percent," he said.

He added that recovery has slowed as business activity remains sluggish ahead of national elections due next February.

"Besides, we are signing agreements with international legal firms to recover foreign assets. Our main target now is recovery," he told The Daily Star.

In 2023, Islami Bank recorded a net profit of Tk 635 crore, the highest in four years. Next year, net profit fell sharply

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## ADB lowers Bangladesh's growth forecast further

STAR BUSINESS REPORT

For the second time, the Asian Development Bank (ADB) yesterday revised down its growth forecast for Bangladesh, citing sluggish investment ahead of the elections and slower growth in export earnings.

The Manila-based lender said GDP growth in the current fiscal year (FY2025-26) may reach 4.7 percent, down from its September forecast of 5 percent. In April, ADB had projected a 5.1 percent growth for the same year.

"The lower forecast reflects weaker than expected export performance and greater investment uncertainty due to the upcoming national elections in February," the ADB said in its report "Economic Forecast for Asia and the Pacific: December".

The agency noted that weaknesses in the financial sector also contributed to the downward revision.

Exports have been hit not only by subdued global demand but also by supply disruptions caused by a major strike at Chattogram Port in October, which handles more than 90 percent of Bangladesh's imports and exports.

Exports grew only 0.62 percent in July-November period of FY26, compared to 11.76 percent during the same period last year, according to the Export Promotion Bureau.

Private sector credit growth slowed to 6.23 percent in October from 6.29 percent in September, marking the slowest pace in at least 20 years. This shows that businesses are holding back on new investment due to high borrowing costs, political uncertainty, and weak consumer demand.

The government has recently lowered the export growth target for FY26 to 9 percent from 10 percent and reduced the GDP growth target by 0.5 percentage points to 5 percent.

In October, the International Monetary Fund (IMF) projected that Bangladesh's economy could grow by 4.9 percent in FY26, up from 3.8 percent in FY25, while the World Bank forecasted a 4.8 percent expansion.



## Govt delays blocking of unauthorised handsets by 3 months

STAR BUSINESS REPORT

The government has delayed the blocking of unauthorised mobile handsets by up to three months, a top official said yesterday.

Earlier, the blocking of unofficial handsets under the National Equipment Identity Register (NEIR) system was scheduled to begin on December 16.

Now, the implementation will be delayed by up to three months to allow the government to make the necessary preparations, said Faiz Ahmad Taiyeb, special assistant to the chief adviser on telecom and ICT, while speaking to The Daily Star.

The development comes amid protests from mobile phone sellers against the NEIR system.

Yesterday evening, mobile phone traders and their employees staged a protest at Karwan Bazar in Dhaka, blocking the busy intersection and bringing traffic in the surrounding areas to a standstill.

The demonstration began around 5:45pm, with several hundred traders participating in a sit-in.

Imran Hossain, a mobile phone trader from Bashundhara City Shopping Complex, said the protesters are demanding amendments to the newly introduced NEIR policy.

"Under the NEIR system, we have to pay around 57 percent tax to import

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## After a decade of decline, poverty rising again since 2022: Salehuddin

STAR BUSINESS REPORT

Finance Adviser Salehuddin Ahmed said the poverty rate has been rising since 2022, reversing more than ten years of steady decline.

"Bangladesh has a strong record of poverty reduction, particularly since 2010. But since 2022, we have seen a reversal," he said at an event at Pan Pacific Sonargaon in Dhaka yesterday.

After warnings from international agencies and local think tanks in recent months, the government has now publicly acknowledged that the number of people living in poverty is growing.

A World Bank report last month projected that the poverty rate in Bangladesh will rise to 21.2 percent in 2025, up from 20.5 percent the previous year. The bank estimated that more than 30 lakh people fell into poverty in 2024, a sign that the economy is losing its ability to shield vulnerable populations from economic shocks.

In August, the Power and Participation Research Centre, a policy think tank, reported that the poverty rate had surged to 27.93 percent from 18.7 percent in 2022.

**IPDC ডিজিটাইজ | ১৬৫৯৯**

In 2016, the Bangladesh Bureau of Statistics (BBS) estimated the poverty rate at 24.3 percent.

At the event, organised by the Social Development Foundation (SDF), an autonomous organisation under the Financial Institution Division, Ahmed said poverty has two dimensions.

He described these as material poverty and poverty of the mind. Material poverty, he said, reflects present conditions, while the second dimension relates to the process of improvement.

"With such a large population, addressing both simultaneously is a major challenge, and progress naturally takes time. Without setbacks, the reduction would have been greater," he added.

He said inadequate implementation of poverty reduction projects remains a key weakness.

"Our programme designs are strong, but execution is poor due to incompetence, perceived corruption, and slow laws and procedures," he said.

Mohammad Abdur Razzaque, chairman of the Research and Policy Integration for Development, said the pace of poverty reduction, while

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## Export growth hindered by regulatory gaps, weak infrastructure

Business leaders call for reforms



Commerce Adviser Sk Bashir Uddin joins business leaders and top executives at a roundtable on export diversification at the Prothom Alo office in Karwan Bazar yesterday.

PHOTO: COLLECTED

STAR BUSINESS REPORT

Regulatory inefficiencies, weak certification systems, inadequate testing facilities, complex export procedures, and poor logistics remain major obstacles to export growth in Bangladesh, according to business leaders.

"Bangladesh must strengthen its certification, compliance, and logistics systems to boost export competitiveness," said Rupali Chowdhury, president of the Foreign Investors' Chamber of Commerce and Industry (FICCI).

She spoke at a roundtable titled "Export Diversification: Challenges and Way Forward," jointly organised by Prothom Alo and Pran-RFL Group at the Prothom Alo office in Karwan Bazar yesterday.

Citing Berger's move to locally produce food-grade cans, Chowdhury said that these products still require certification abroad,

mainly in India or Singapore, highlighting gaps in Bangladesh's testing capacity.

She called for major investment to modernise the Bangladesh Standards and Testing Institution (BSTI) and build essential pharmaceutical testing labs—projects that would cost several billion dollars.

Customs delays, limited automation, and weak compliance frameworks continue to hurt exporters, Chowdhury said. However, she added that trade restrictions in countries like China and Vietnam could create new opportunities for Bangladesh.

**DIVERSIFICATION NOT OPTIONAL**

Md Mahub ur Rahman, CEO of HSBC Bangladesh, stressed the importance of identifying non-apparel sectors and supporting them with focused policies. "Twenty years ago, our exports were \$9 billion. Now they're close to \$50 billion—but 80 percent still comes from apparel," he said.

Rahman highlighted the potential of SMEs, saying, "But the process is too complex. We need to simplify it and build a strong support mechanism."

He also pointed to untapped markets in the Middle East and Asean countries.

Nahian Rahman Rochi, executive member of Bangladesh Investment Development Authority (Bida), warned that relying solely on RMG, which now brings in around \$48 billion, will not meet the country's long-term goals. "Export diversification is not optional but a mathematical reality for Bangladesh," he said.

Citing Vietnam and Korea's success, he stressed sector-specific strategies, skill transfer, partnerships, and better use of Bida support mechanisms. "We're here to facilitate, not just regulate," he said, promising to raise key issues in the next national budget.

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# Fuel shortages, weak transmission put energy security at risk: AmCham

STAR BUSINESS DESK

Energy security has become "critically important" for Bangladesh as the country grapples with fuel shortages, outdated transmission systems and declining gas reserves, said Syed Ershad Ahmed, president of the American Chamber of Commerce in Bangladesh (AmCham).

He made the comment at a focus group discussion titled "Powering Bangladesh Toward Energy Security", organised by AmCham at Sheraton Dhaka in the capital's Banani on Tuesday, according to a press release.

"The country's energy sector faces persistent fuel shortages, outdated transmission systems, declining gas reserves, and overreliance on imported fuels, which undermine reliability and industrial growth," he said.

Strengthening regulatory governance, accelerating exploration, upgrading infrastructure, expanding renewables and

enabling clearer investment pathways are essential to building a resilient, secure and future-ready energy ecosystem, he added.

The event was supported by Chevron Bangladesh, whose 30-year partnership has significantly contributed to Bangladesh's economic growth and community development. The company has invested approximately \$4.2 billion and is currently the country's largest gas producer, supplying nearly 60 percent of domestic demand.

Paul Frost, commercial counselor at the US Embassy in Dhaka, moderated the session, reflecting the continued commitment to strengthening US-Bangladesh trade and investment cooperation. Eric M Walker, vice president of AmCham and president of Chevron Bangladesh; Prof M Tamim, vice-chancellor of the International University of Business Agriculture and Technology; and Muhammad Imrul Kabir, director of corporate affairs at Chevron Bangladesh, were also present.



Syed Ershad Ahmed, president of the American Chamber of Commerce in Bangladesh, attends a discussion, titled "Powering Bangladesh Toward Energy Security", at Sheraton Dhaka in the capital's Banani on Tuesday. PHOTO: AMCHAM

# Riad Mahmud elected BAPLC president

STAR BUSINESS DESK

Riad Mahmud, managing director of National Polymer Industries PLC, has been elected president of the Bangladesh Association of Publicly Listed Companies (BAPLC) for a two-year term (2026-2027).

The BAPLC, the top body representing companies listed on Bangladesh's stock exchanges, also elected Syed Ishtiaq Ahmed, managing director of Saiham Cotton Mills Ltd, as its vice-president.

Other elected members of the Executive Committee include Rokeya Quader, chairman of Dosh Garments Ltd; Syed Farhad Ahmed, managing director and CEO of Aamra Networks Ltd; Md Nurun Newaz, chairman of National Credit and Commerce Bank PLC; Mohammed Younus, vice chairman of Shahjalal Islami Bank PLC; Md Imam Shaheen, managing director and CEO of Asia Insurance PLC; Farzanah Chowdhury, managing director and CEO of Green Delta Insurance PLC; Shahriar Ahmed, chairman of Apex Spinning & Knitting Mills Ltd; Humayun Rashid, managing director and CEO of Energypac Power Generation PLC; Mohammad Shamsul Islam, managing director and CEO of National Housing Finance PLC; Zeyad Rahman, director of Delta Life Insurance Co Ltd; and Sharif Shah Jamal Raz, director of Robi Axiata PLC.

The newly elected committee will assume office on January 1, 2026, following the association's annual general meeting (AGM) scheduled for December 24 this year.



# Prime Bank offers loan benefits for BYD car buyers



Hafizur Rahman Khan, chairman of BYD Bangladesh, and Md Nazeem A Choudhury, deputy managing director of Prime Bank PLC, pose for a photograph after signing an agreement at the former's showroom in Tejgaon, Dhaka recently. PHOTO: PRIME BANK

STAR BUSINESS DESK

Prime Bank PLC has signed an agreement with CG Runner BD Limited, the authorised distributor of BYD vehicles in Bangladesh, to provide special loan benefits for customers purchasing BYD cars.

Md Nazeem A Choudhury, deputy managing director of Prime Bank PLC, and Hafizur Rahman Khan, chairman of BYD Bangladesh, signed the agreement at the latter's showroom in Tejgaon, Dhaka recently, according to a press release.

Under the partnership, Prime Bank customers taking car loans to buy BYD vehicles will receive additional free services from CG Runner. Customers availing loans between Tk 30 lakh and

Tk 40 lakh will get one extra free service on top of the existing complimentary services.

For loans ranging from Tk 40 lakh to Tk 60 lakh, customers will receive two additional free services, offering greater value, convenience and peace of mind throughout their ownership journey.

The collaboration is part of Prime Bank's commitment to enhancing lifestyle benefits for its customers and employees, the release added.

Sajid Rahman, senior executive vice-president of corporate and institutional banking at the bank, and Pranav Kumar Das, director of BYD Bangladesh, were also present, along with other senior officials of both organisations.

# KDS Accessories declares 10% dividend

STAR BUSINESS DESK

KDS Accessories Ltd has announced a 10 percent cash dividend for the year 2024-2025.

The announcement was made at the company's 34th annual general meeting (AGM), which was held virtually yesterday, according to a press release.

Khalilur Rahman, chairman of KDS Accessories Ltd, presided over the meeting.

At the meeting, Rahman expressed his gratitude to all stakeholders for their contribution to the company on its 34th anniversary and thanked the shareholders for their trust in the company. He also briefly discussed the company's growth potential, international competition, and its ambition to become a strong backward linkage industry.

Debasis Daspal, chief executive officer, also expressed gratitude to all stakeholders for their contributions and highlighted the company's future plans to strengthen its competitive edge and become a key player in the backward linkage industry.

Among others, Salim Rahman, managing director; Tahsina Rahman, director; Kamrul Hasan Siddiqui, representative director; Prof Sarwar Jahan, independent director; Biplob Kanti Banik, chief financial officer; and Mohammad Ilias were also present, along with the independent scrutiniser and shareholders.



Khalilur Rahman, chairman of KDS Accessories Limited, attends the company's 34th annual general meeting yesterday. The meeting announced a 10 percent cash dividend for 2024-25. PHOTO: KDS ACCESSORIES



Ahsan Zaman Chowdhury, managing director and chief executive officer of Trust Bank PLC, inaugurates the "UnionPay International Card Issuance" at the bank's head office in Dhaka recently. PHOTO: TRUST BANK

# Trust Bank launches UnionPay cards

STAR BUSINESS DESK

Trust Bank PLC has launched a new card, titled "UnionPay International Card Issuance", expanding its card portfolio and enhancing global payment convenience for customers.

Ahsan Zaman Chowdhury, managing director and chief executive officer of Trust Bank PLC, inaugurated the service at the bank's head office in Dhaka recently, according to a press release.

The Trust Bank UnionPay cards will offer global acceptance, enhanced security, domestic and international usage benefits, and an affordable fee structure.

This initiative reflects Trust Bank's commitment to providing modern, secure and innovative financial solutions through continuous product diversification and strategic partnerships.

# Global trade set to top \$35tn in 2025: UN

GENEVA, Switzerland

Global trade in 2025 is set to surge past \$35 trillion for the first time, but the outlook for 2026 is more subdued, the United Nations said Tuesday.

The assessment by the UN trade and development agency UNCTAD said east Asia and Africa drove global trade in 2025, while US imports stayed strong and Chinese imports lagged.

If current projections hold, global trade in 2025 will exceed \$35 trillion, an increase of around \$2.2 trillion – roughly seven percent – compared to 2024, it said in its final update of the year.

Of that \$2.2 trillion rise, goods contribute around \$1.5 trillion, up six percent on last year, while service accounts for around \$750 billion, up nearly nine percent.

"Trade continued expanding through the second half of 2025, even

as geopolitical tensions, higher costs and uneven global demand slowed momentum," the agency said.

It said global trade growth slowed in the third quarter of 2025, but remained up 2.5 percent on April to June.

However, uncertainty is shaping the outlook for next year, it said.

"Looking to 2026, UNCTAD expects weaker growth as slower global activity, rising debt, higher trade costs and persistent uncertainty weigh on performance," it said.

Geopolitical fragmentation and heightened vulnerability are also likely to weigh on trade activity, it added.

UNCTAD said manufacturing grew 10 percent over the last four quarters compared to the previous four, led by electronics linked to artificial intelligence-related demand.

Meanwhile automotive trade fell by four percent.

# Islami Bank's bad loans surpass

FROM PAGE B1

to Tk 109 crore. During the January-September period this year, profit of the bank stood at Tk 99 crore, down from Tk 267 crore in the same period last year.

STAFF HIRED BY S ALAM REMOVED

Islami Bank has dismissed 4,685 employees who were allegedly recruited by S Alam Group without proper procedures. It has since hired 2,571 new staff.

An internal audit found that more than 10,000 of the bank's 21,000 employees had been appointed after the 2017 takeover.

Bank documents show that 7,224 people from

Chattogram were hired between 2017 and 2024, with more than 4,500 from Patiya upazila alone – the hometown of Saiful Alam.

M Kamal Uddin Jasim, additional managing director of the bank, said most of the 11,000 appointments made during the period were not transparent, with no official circulars issued.

He said those whose recruitment raised the most serious concerns had been dismissed.

The bank has recruited 1,400 trainee assistant officers (cash), 806 messengers cum guards and 365 security guards as part of its restructuring, he added.

# Amazon to invest \$35b

FROM PAGE B4

Amazon said it will build on existing investments that have "digitised 12 million small businesses and enabled \$20 billion in exports", it added.

"We're excited to continue being a catalyst for India's growth," top Amazon official Amit Agarwal said.

It is the latest in a slew of major tech investments in India.

On Tuesday, Microsoft said one of the key priorities of its investment plan was "building secure, sovereign-ready hyperscale infrastructure to enable AI adoption in India".

"At the heart of this effort is the significant progress being made at the India South Central cloud region, based in Hyderabad – that is set to go live in mid-2026," Microsoft added.

**বাংলাদেশ বিদ্যুৎ উন্নয়ন বোর্ড**  
Bangladesh Power Development Board

নির্বাহী প্রকৌশলীর পদে  
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ওয়েবসাইট: [www.bpd.gov.bd](http://www.bpd.gov.bd)  
ইমেইল: [chakariabpd@yahoo.com](mailto:chakariabpd@yahoo.com)

Memo No. 27.11.2216.755.38.2025.1257 Dated: 10.12.2025

**Invitation for e-Tenders**

e-Tenders are invited in the National e-GP System Portal (<https://www.eprocure.gov.bd>) for the Procurement of following work:

SN.	Tender ID	Name of works	Published date and time	Last selling date and time	Closing date and time
1	1190285	CM-01 Repair, Painting and Accessory repair work of the Sub-Assistant Engineer's room, the Administrative Section, the Accounts Sections and the Bathroom under the Sales and Distribution Division-Chakaria, BPDB, Cox's Bazar.	18 Dec 2025 10:00am	04 Jan 2026 14:00pm	05 Jan 2026 11:00am
2	1193061	CM-03 Jungle clearance, drainage repair and ancillary repair of 33/11 KV Chakaria Substation, 33/11 KV Aziznagar Substation, and the courtyard of the Executive Engineers' Office under the Sales and Distribution Division-Chakaria, BPDB, Cox's Bazar.	18 Dec 2025 10:00am	04 Jan 2026 14:00pm	05 Jan 2026 11:00am
3	1193063	CM-04 Repair of the Main gate of the Divisional Store of S&D D Chakaria and maintenance of the razor wire of the boundary wall of the warehouse, including accessory repair and maintenance work under the Sales and Distribution Division-Chakaria, BPDB, Cox's Bazar.	18 Dec 2025 10:00am	04 Jan 2026 14:00pm	05 Jan 2026 11:00am

These are online tenders, where only e-Tenders will be accepted in the National e-GP System Portal and no offline/hard copies will be accepted.

To submit e-Tenders, registration required in the National e-GP System Portal (<https://www.eprocure.gov.bd>).

The fees for downloading the e-Tender documents from the National e-GP System Portal have to be deposited online through any registered bank.

Further information and guidelines are available in the National e-GP System Portal and from e-GP help desk ([helpdesk@eprocure.gov.bd](mailto:helpdesk@eprocure.gov.bd))/Contract Number (01762625528-31).

Engr. Md. Asaduzzaman  
ID No. 01-02007  
Executive Engineer  
S&D D-Chakaria  
BPDB, Cox's Bazar

10.12.25

বিদ্যুৎ/জম-০৮৯(২)/১০/১২/২৫

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# Bangladesh economy projected to grow 5% in 2026: Mastercard

STAR BUSINESS REPORT

Bangladesh's economy is projected to grow around 5 percent in 2026, supported by easing inflation and strong remittance inflows that are expected to help households despite structural challenges, according to the Mastercard Economics Institute (MEI) 2026 Outlook released yesterday.

Inflation stood at 8.29 percent in November, up slightly from 8.17 percent in October but lower than November of the previous year, which recorded 11.38 percent, according to data from the Bangladesh Bureau of Statistics.

Remittance inflows rose 31.34 percent year-on-year to \$2.88 billion in November, the highest in six months.

The MEI report said South Asia continues to show solid momentum.

India is forecast to expand 6.6 percent, driven by domestic demand, monetary easing, and growth in digital and services sectors.

Sri Lanka is expected to grow 3.7 percent as private consumption, rising tourism receipts, and accommodative monetary policy sustain its recovery.

Bangladesh's 5 percent projection places it between these two regional peers.

Growth in Southeast Asia will diverge, with Indonesia and the Philippines leading at 5 and 5.6 percent, respectively.

Malaysia and Singapore are expected to normalise at 4.2 and 2.2 percent, while Thailand lags at 1.8 percent amid energy and demand risks.

The MEI highlighted three defining forces shaping 2026: trade shakeup, AI and policy, and travel trends.

**Easing inflation and strong remittance inflows are expected to help households despite structural challenges, according to the Mastercard Economics Institute (MEI) 2026 Outlook**

Global trade continues to reorganise following tariff shifts in 2025. The Chinese mainland has diversified exports to new corridors, while the US share of Chinese e-commerce sales fell from 28 percent in 2024 to 24 percent by August 2025.

For the Asia-Pacific region, this brings both risks and opportunities. Markets

importing more low-cost goods from China are seeing disinflation, while exporters in Japan and South Asia face pressure from US tariffs and softer demand.

AI adoption and fiscal support are expected to provide meaningful tailwinds. MEI's AI Spending Index shows strong momentum in South Korea, Japan, India, and Hong Kong.

Policies on AI hubs, data centres, smart cities, and semiconductors are laying the foundation for the next phase of digitisation.

Travel remains one of Asia-Pacific's most resilient drivers. In the first half of 2025, Singapore's outbound spend was \$2.7 billion higher than in 2019, while Indonesia and the Philippines led regional growth with outbound travel spending up 40 percent and 28 percent, respectively.

# Banglalink gets primary approval for digital wallet

STAR BUSINESS REPORT

After Grameen Telecom, Banglalink has secured primary approval from Bangladesh Bank to launch a digital wallet service.

The telecom operator yesterday received a 'No objection certificate' (NOC) from the central bank to commence operations as a payment service provider (PSP).

Earlier in June this year, another telecom operator, Grameen Telecom, received the final licence from the banking regulator to operate as a PSP.

In a statement, Banglalink said the approval marks a significant milestone in ensuring wider access to digital payments for all.

Generally, Bangladesh Bank issues a one-year NOC, with the company required to meet several regulatory conditions to obtain the final licence.

The proposed digital wallet company must also implement anti-money laundering and counter-terrorism financing policies, ensure customer due diligence, and comply with ICT security standards applicable to scheduled banks in the country.

# After a decade of decline, poverty rising again

FROM PAGE B1

impressive over several decades, has slowed in recent years.

Razaque said persistent inflationary pressure is expected to have pushed millions back below the poverty line.

"In this context, directly targeted, community-driven, externally financed anti-poverty interventions have significant potential to serve as an important complementary instrument within the development policy toolkit," he said.

A mid-term review of the SDF project titled "Resilience, Entrepreneurship and Livelihood Improvement Project" was presented at the event.

According to the report, around 37 percent of beneficiaries achieved at least a 30 percent rise in income, and roughly 38 percent moved out of poverty.

**'VAT MISSES STATE COFFERS'**

In a separate development, the

adviser yesterday said value added tax (VAT) does not always reach public coffers even though consumers pay it when purchasing goods or receiving services.

He made the remarks while speaking as the chief guest at a seminar marking "VAT Day" at the National Board of Revenue (NBR) headquarters in Dhaka.

"It is unfortunate and reflects a persistent weakness in the VAT system," Ahmed said. "One key aspect of VAT is that the system must be very simple, with no scope for manipulation. If you or I pay VAT, it must reach the government exchequer."

Highlighting consumer behaviour, he noted that in many countries, there is no escape from VAT. "However, in Bangladesh, many consumers look for shops that do not charge VAT, which reinforces non-compliance among businesses," he said.

"I have seen many people, even

relatives, ask, 'Does this shop have VAT?' If the answer is yes, they immediately look for another shop. If a businessperson says they will not charge VAT, people accept it. This mentality must change," he added, stressing that taxpayers should be assured of receiving services in return for what they pay.

NBR Chairman Md Abdur Rahman Khan presided over the event.

The finance adviser also cited international examples, saying, "In some countries, the tax-to-GDP ratio is 26 percent. So why do people pay? Because they are convinced the money will not be siphoned abroad and will be used properly. From the government's side, we must guarantee service delivery."

He recalled his experience in India, where a pharmacy refused to sell medicines without issuing a proper cash memo, despite the process being time-consuming, because accountability was

culturally expected. "These practices have to grow in our society," he said.

Speaking at the seminar, NBR Chairman Khan said VAT is widely misunderstood in Bangladesh, as many businesses believe they are the ones paying it. In reality, firms merely collect VAT from consumers and deposit it with the government.

"They pay income tax, but VAT is not their tax. The same is true for import duties; these costs ultimately fall on the public," he explained.

He added that the existing VAT system has become unnecessarily complicated and needs simplification, particularly to help businesses properly understand and use the VAT credit system.

Khan also cautioned officials against penalising businesses for

minor mistakes, saying such actions would be like "slaughtering the goose that lays the golden eggs."

Other speakers at the seminar included Md Khairuzzaman Mozumder, secretary to the Finance Division; Md Shahriar Kader Siddiky, secretary to the Economic Relations Division; Nazma Mobarek, secretary to the Financial Institutions Division; Yasir Azman, vice-president of the Foreign Investors' Chamber of Commerce & Industry (FICCI); Mahbubur Rahman, president of the International Chamber of Commerce (ICC) Bangladesh; and Zaidi Sattar, chairman of the Policy Research Institute.

Syed Mushfequr Rahman, member (VAT Audit) of the NBR, and Md Azizur Rahman, member (VAT Policy), among others, were also present.

# Govt delays blocking of unauthorised handsets

FROM PAGE B1

mobile phones, which would nearly double the retail price compared to current rates," he said.

"We will not leave the streets until the government announces the necessary amendments to the NEIR policy," Hossain added.

This correspondent visited the protest at 8:20pm, when a mobile phone trader said they were leaving the streets as the government had delayed the implementation of the NEIR system by three months.

"But we want written assurance from the government by tomorrow (Thursday)," the trader told The Daily Star.

# Export growth hindered

FROM PAGE B1

Ahsan Khan Chowdhury, chairman and CEO of Pran-RFL Group, said boosting exports must be a national priority. "There is no alternative. We must decide whether we want to remain import-dependent or become an export-driven economy," he said.

He criticised rising demurrage charges, high air shipment costs, and urged direct shipping routes to major markets like the US. "If we can send goods directly from Chattogram to New York, we could alone export \$1 billion worth of products," he said.

Sk Bashir Uddin, adviser to the Ministry of Commerce, called for unified, practical reforms rather than blame-driven discussions. He pointed to weak institutions and regulatory problems as core challenges, warning that over Tk 1,00,000 crore in non-performing loans—over 30 percent of GDP—reflects poor financial governance.

He cautioned against blindly relying on Free Trade Agreements

and criticised the sidelining of small entrepreneurs, calling it a form of "chronic capitalism." On LDC graduation, he said solutions must be context-specific, noting Vietnam as a reference.

**SECTOR-SPECIFIC INSIGHTS**

Syed S Kaiser Kabir, managing director of Renata PLC, stressed the strategic importance of pharmaceuticals for exports, talent retention, and global credibility. He criticised the current policy environment as unfriendly to pharma entrepreneurs and called for supportive policies and relaxed foreign exchange rules to aid global expansion.

Mohammad Hasan Arif, vice chairman of the Export Promotion Bureau (EPB), stressed diversifying products and destinations, noting that 44 percent of exports go to the EU and 18 percent to the US.

Nasir Khan, chairman of Jennys Group, pointed to bureaucratic red tape and bonded warehouse inefficiencies as major obstacles.

"Over 30 licences and 190 documents are needed to operate—this alone drives away foreign investors," he said.

Sayema Haque Bidisha, provice chancellor of the University of Dhaka, said that many SMEs in food processing and agro-based sectors lack institutional support. She also stressed the need to enforce environmental compliance in the leather sector and improve branding for jute and pharmaceuticals.

Shamim Ahmed, president of the Bangladesh Plastic Goods Manufacturers and Exporters Association, said the real export value of plastics exceeds \$1.8 billion, far above the \$300 million officially reported.

Md Shahjahan Chowdhury, president of the Bangladesh Frozen Foods Exporters Association, said the sector could reach \$3 billion within five years with proper support.

The discussion was moderated by Shawkat Hossain, head of online at Prothom Alo.

**Government of the People's Republic of Bangladesh**  
Local Government Engineering Department  
Office of the Upazila Engineer  
Upazila: Narail Sadar, District: Narail  
[www.lged.gov.bd](http://www.lged.gov.bd)

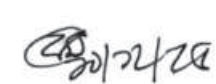
Memo No. 46.02.6576.000.14.184.18-1009 Dated: 10.12.2025

**e-Tender Notice: 01/2025-26 (NCT, OTM)**

e-Tender is invited in the National e-GP System (<http://www.eprocure.gov.bd>) for

Sl	Package No.	Name of scheme	e-TID No.	Tender last selling (date & time)	Tender closing (date & time)
01	e-Tender/PEDP4/NAR/SA D/2025-2026/W14-3869	Construction of Boundary Wall & Gate of Tarashi GPS under PEDP4 Narail, Sadar Upazila, Narail.	1183927	23-Dec-2025 05:00pm	24-Dec-2025 13:00am
02	e-Tender/PEDP4/NRL/SA D/2025-26/W15A.03203	Construction of Head teacher's room with attached toilet of i) P. Mira Para ii) Vodrobila GPS under PEDP4 under Sadar Upazila, Narail.	1172800	23-Dec-2025 05:00pm	24-Dec-2025 13:00am
03	e-Tender/PEDP4/NAR/SA D/2025-2026/W14-3734	Construction of Boundary Wall & Gate of Paikmari GPS under PEDP4 Narail Sadar Upazila, Narail.	1163752	23-Dec-2025 05:00pm	24-Dec-2025 13:00am
04	e-Tender/PEDP4/NRL/SA D/2025-26/W15A.02188	Construction of Head teacher's room with attached toilet of i) Narail South East Model ii) Hobo Khali iii) Malj Para GPS under PEDP4 Narail Sadar Upazila, Narail.	1163732	23-Dec-2025 05:00pm	24-Dec-2025 13:00am

This is an online tender, where only e-Tender will be accepted in the National e-GP Portal and no offline/hard copies will be accepted. To submit e-Tender registration in the National e-GP System Portal (<http://www.eprocure.gov.bd>) is required. The fees for downloading the e-Tender documents from the National e-GP System Portal have to be deposited online through any registered bank's branches up to 23-Dec-2025 Time 05:00pm. Further information and guidelines are available in the National e-GP System Portal and from e-GP help desk ([helpdesk@eprocure.gov.bd](mailto:helpdesk@eprocure.gov.bd)). For any queries interested tenderer are requested communicated with the undersigned during office hours.

  
**Md. Khairul Islam**  
 Upazila Engineer  
 Narail Sadar, Narail  
 Mob No. 01708-161526  
 E-mail: [us.narail-sd@lged.gov.bd](mailto:us.narail-sd@lged.gov.bd)

GD-2708

**Government of the People's Republic of Bangladesh**  
**Program on Agricultural and Rural Transformation for Nutrition, Entrepreneurship and Resilience in Bangladesh (PARTNER)**  
Khamarbari, Dhaka-1215

Memo No. 12.01.0000.918.040.07.0084.25.1135 Date:10/12/2025

**e-GP: REoI Notice (Service)**

e-REoI is invited in the National e-GP System Portal (<http://www.eprocure.gov.bd>) for the procurement of following goods:


Sl. No.	ID No.	Name of Goods
1.	Tender ID: 1186260	Development & Operations Services of Krishak Digital Financial Module (KDFM) (Package No.: SD/PARTNER-DAE/16)

**EoI Closing Date & Time:** 31 December 2025 15:00  
**EoI Opening Date & Time:** 31 December 2025 15:00

This is an online REoI, where only e-EoI will be accepted in the National e-GP Portal and no offline/hard copy will be accepted.

To submit e-EoI, registration in the National e-GP Portal (<http://www.eprocure.gov.bd>) is required.

Further information and guidelines are available in the National e-GP System Portal and from e-GP Help Desk ([helpdesk@eprocure.gov.bd](mailto:helpdesk@eprocure.gov.bd)).

  
**Abul Kalam Azad**  
 Program Coordinator (PARTNER)  
 E-mail: [procurement.taraps@gmail.com](mailto:procurement.taraps@gmail.com)  
 Phone No.: 02223314883

GD-2709

**Civil Aviation Authority, Bangladesh**  
Office of the Executive Director  
Hazrat Shahjalal International Airport  
Kurmitola, Dhaka  
[www.caab.gov.bd](http://www.caab.gov.bd)

Memo No: 30.31.0000.172.3258133/1132 Dated: 09/12/2025

**e-Tender Notice(OTM)**

e-Tender is invited in the National e-GP System Portal (<http://www.eprocure.gov.bd>). Package information is available in tender notice under e-GP system portal.

This is online tender where only e-Tender will be accepted in the National e-GP Portal and no offline/hard copies will be accepted.

To submit e-Tender, registration in the National e-GP System Portal (<http://www.eprocure.gov.bd>) is required.

The fees for downloading the e-Tender Documents from the National e-GP System Portal have to be deposited online through any registered bank's branches. Detailed of the Goods listed below:

No	Name of Goods	Package No.	Tender ID	Last Selling Date and Time	Closing Date and Time
1	Supply of 05 (five) kg Carbon Dioxide Portable Fire Extinguishers for use in Banani Residential Area, Aviation Bhaban-1, Aviation Bhaban-2, Kurmitola Residential Area and Temple of Residential Area.,04 Mosques of CAAB, Complaint Center, Pump Power House, and Irshal Residential Area and Temple of Residential Area at Hazrat Shahjalal International Airport.	30.31.0000.145.09.0016.23.837 dt 02.12.2025	1190291	29-Dec-2025 at 16:00	30-Dec-2025 at 12:00
2	Supply of fire fighting Delivery Hose, Nozzle, Hydrant female Coupling with controlling wheel Gasket for Terminal building fire box at HSA.	30.31.0000.145.09.010.25.838 dt 02.12.2025	1190317	29-Dec-2025 at 16:00	30-Dec-2025 at 12:05 Hrs

Further information and guidelines is available in the e-GP System Portal and from e-GP help desk ([helpdesk@eprocure.gov.bd](mailto:helpdesk@eprocure.gov.bd))

  
**Group Captain S M Ragib Samad**  
 Executive Director  
 Hazrat Shahjalal International Airport  
 Kurmitola, Dhaka-1229  
 Email: [edhsia@caab.gov.bd](mailto:edhsia@caab.gov.bd)

স্মারক নং-৩০.৩১.০০০০.০৫১.০৬.০০১.২৫/৫৩১  
 তারিখ: ১০/১২/২০২৫ খ্রি.

GD-2712

# VAT dominance squeezes consumers as income tax lags

MD ASADUZ ZAMAN

Over the past two decades, Bangladesh's tax structure has shifted sharply, with value-added tax (VAT) emerging as the largest source of government revenue. The change has increased the burden on consumers, as VAT is an indirect tax that applies equally to everyone, regardless of income.

VAT is charged at every stage of production and sale, and consumers always bear the final cost. Families end up paying more for everyday items such as edible oil, biscuits, soap, detergents, medicines, LP gas, and clothes.

Data from the National Board of Revenue (NBR) shows that in FY01, VAT accounted for 27.11 percent of total tax receipts, income tax for 19.44 percent, and import tariffs for 53.45 percent. By FY25, VAT had risen to 38.15 percent, income tax to 34.8 percent, while import tariffs had fallen to 27.05 percent.

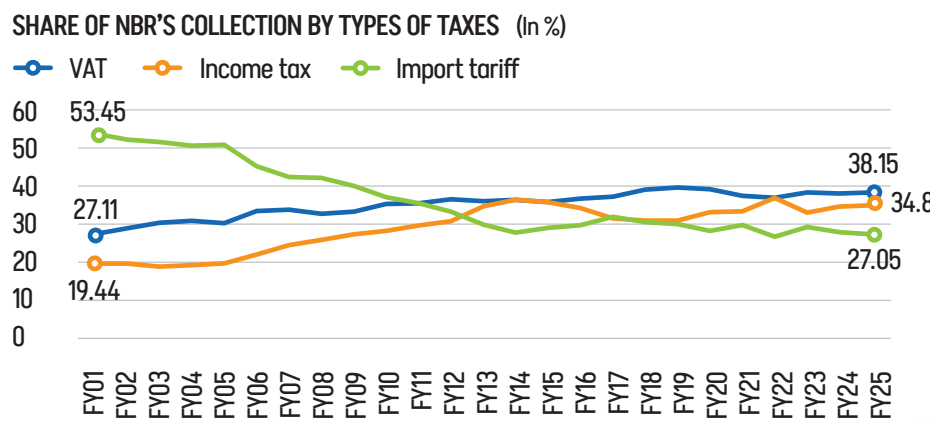
VAT became dominant in FY11, surpassing import tariffs for the first time, as customs revenue declined under trade liberalisation.

Introduced in 1991, VAT has increasingly shifted the tax burden onto consumers, made government revenue more sensitive to inflation, and added compliance pressures for small and medium businesses.

Economists say that as import duties have declined, the government has relied more heavily on VAT, placing extra strain on households already facing high living costs.

"VAT is inherently regressive; everyone pays the same rate regardless of income," said Prof Abu Eusuf, executive director of Research and Policy Integration for Development.

"The growing dependence on indirect taxes, without a similar rise in direct taxes, is putting an unfair burden on low- and middle-income people. While advanced economies rely mainly on direct taxes, Bangladesh's pattern is reversed,"



SOURCE: NBR

he added.

Prof Eusuf also said that the government favours VAT because it is easier to administer. "Efforts to identify potential taxpayers or integrate databases have not yet produced visible results," he added.

As Bangladesh approaches LDC graduation in November 2026, declining tariff revenues are expected to push the government to rely even more on VAT.

NBR Chairman Abdur Rahman acknowledged this reliance. "No advanced economy depends heavily on trade-based taxes, and Bangladesh must gradually shift toward domestic revenue sources," he said yesterday while observing VAT Day at the NBR headquarters in Dhaka's Agargaon.

"Despite the potential of income tax, there are significant leakages. In the long run, most revenue should come from income tax, followed by VAT, while customs duties should play only a minimal role. With LDC graduation, this shift will become unavoidable," he added.

**CALLS FOR A MORE BALANCED TAX SYSTEM**

A new OHCHR study suggests that a more balanced tax system could reduce poverty and improve fairness. If direct

taxes were increased and reliance on VAT reduced, the national poverty rate could drop from 18.7 percent to 17.7 percent, with the poorest households seeing poverty fall from 37.2 percent to 33.2 percent. The study also finds that this shift would slightly reduce income inequality.

Towfiqul Islam Khan, additional research director of the Centre for Policy Dialogue (CPD), said, "From the perspective of welfare and economic justice, those with greater ability should pay more. So, direct taxes should take priority. If VAT's share remains high, it simply means we're not collecting income or property taxes properly."

He added, "Tax evasion happens in both direct and indirect taxes. Even within indirect taxes, a major problem is that consumers pay, but the money does not reach the exchequer. Our direct tax collection is not working properly. Eliminating tax evasion should be the number one priority."

Finance Adviser Salehuddin Ahmed also raised concerns over VAT evasion, saying the tax often does not reach the government even though consumers pay it. "It is an unfortunate and persistent weakness in the VAT system," he said at a seminar marking VAT Day.



# Put domestic industry and business first

MANWAR HOSSAIN

I write as a manufacturer, a Bangladeshi manufacturer at heart. I believe in protecting our ability to make products at home. I agree with the idea behind tariffs, but they must be used smartly, not as slogans. My concern is simple and existential: Bangladesh's real economy is seriously bruised, and unless we act immediately to start the healing process, many factories will not survive to see the upswing.

In real terms, since 2018, and particularly since 2020, domestic demand has never fully returned, yet input costs have soared and credit has turned prohibitively tight. Capacity kept being added. This was because misleading headline indicators like foreign-exchange reserves and gross domestic product growth masked the reality on the ground.

Today, many firms are deeply loss-making. Even a few of the biggest names are living on prayers. Businesses such as those in steel and cement are drowning in unutilised capacity and equity erosion.

We see this stress daily. Several financial institutions are unable to adjust letter of credit (LC) facilities to absorb the devaluation of the taka. Some are struggling to extend already-approved working capital, and some cannot clear cheques. Business owners can feel the systemic pressure building inside a fragile system. The government may look rich on paper, but if its industrial base collapses, the entire economy follows.

Also remember that in times like these, capital erosion, especially in heavy and capital-intensive industries, happens quickly and pushes industries towards monopoly; the big get bigger, and small and even medium firms grow weaker.

Some industries already see up to 70 percent of the market controlled by as few as two players — a situation that may not seem urgent to a politically busy government but will be paid for dearly by the people sooner than we think.

Historically, governments have used construction to fight stagflation and recession. But we have almost stopped all major infrastructure projects or chosen not to launch new ones. Construction — our primary economic flywheel — has lost half its public-sector buyers.

The slowdown in the private sector is equally tragic. It is caused not only by squeezed money markets but also by suffocating bureaucracy. Real estate approvals have become slow by default. Understandably, political representatives have been temporarily replaced by bureaucrats as heads of city corporations, upazilas, and municipalities. Many of them hold multiple positions on top of their regular duties. They are very cautious because this is not their area of expertise. I can't blame them. Files sit until an elected representative takes office. Projects wait while the economy suffers.

Several countries already practise e-approval for construction — and, yes, they're building faster, and getting money circulating earlier.

We are running out of time. Elections are scheduled for early 2026. The new government will need months to form a team, settle in, and prepare. The fiscal year 2026-27 budget will already be drafted by then. In all likelihood, a conservative approach like the current budget will follow. Practically, real policy room may not open until FY2027-28. Waiting that long is not an option.

Factories are not lines on a spreadsheet; they are homes and communities; they are workers' shrines. Construction sites are not just concrete-pouring sites but the epicentres for creating jobs in those 3,600 support industries.

I am not asking for favours, but I am crying out loud: with each day that passes, our capital erodes, businesses fail, and the very people you have taken responsibility for are weakened.

The writer is the chairman of Anwar Group of Industries

## Fahmida Khatun appointed to UN expert panel

STAR BUSINESS REPORT

Fahmida Khatun, executive director of the Centre for Policy Dialogue (CPD), has been appointed to the United Nations Secretary-General's Independent Expert Advisory Panel on the Multidimensional Vulnerability Index (MVI).

According to a press release, the 15-member panel, comprising global experts serving in their personal capacities, will guide the future development and application of the MVI.

It will work with the MVI Secretariat and the UN Statistical Commission to ensure the index remains methodologically sound, relevant, and effective for global policy processes.

Under UN General Assembly Resolution 78/322, the panel is mandated to review the MVI every three years, recommend methodological improvements, and monitor developing countries' progress in reducing vulnerabilities and strengthening resilience.

Fahmida's appointment is an important recognition of Bangladesh's contribution to global development discourse, the press release said.

She will serve in her personal capacity, contributing to the panel's technical and policy-facing work to strengthen the relevance, robustness, and accessibility of the MVI.

Fahmida is also a member of the High-level Advisory Board on the Productive Capacities Index of UNCTAD, a board member of BRAC, and a director of the Bangladesh Bank.



## ICDs postpone decision to suspend container handling

STAFF CORRESPONDENT, Ctg

Private inland container depots (ICDs) have postponed their earlier decision to suspend handling of export and empty containers for a month after a fruitful meeting with the Chittagong Port Authority (CPA) chairman yesterday afternoon.

Citing that they are currently unable to cover their expenses because the proposed increase in charges has not been implemented, ICD operators had earlier verbally informed their clients of the suspension of all export and empty container handling operations from December 11.

The move sparked fears of a potential disruption to the export supply chain through Chattogram port.

CPA Chairman Rear Admiral SM Moniruzzaman held an emergency meeting with the leaders of the Bangladesh Inland Container Depots Association (BICDA) at Chattogram port at 4 p.m. to discuss the issue.

BICDA President Khalilur Rahman, Vice Presidents Imran Fahim Noor, Haji Md Hossain, Benojir Nissan, and Secretary General Md Ruhul Amin Sikder attended the meeting. CPA Secretary Md Omar Faruk said the CPA

chairman urged the BICDA leaders to postpone their move for a month and resolve the issue through discussion with all stakeholders. The BICDA leaders agreed to the request.

BICDA Secretary General Md Ruhul Amin Sikder said the ICD owners, at the meeting, placed three-point demands, including the withdrawal of a case with the High Court related to the ban on the ICD tariff increase.

They also demanded the abolishment of the one-sided tariff committee from the ICD Policy, citing the majority representation of service takers, as well as a logical adjustment of the ICD charges, said Sikder.

BICDA, in July, announced an increase in charges for handling export cargoes and empty containers by as much as 60 percent, effective from September 1, citing rising operational and investment costs, currency devaluation, and inflationary pressures.

Port users, from the beginning, opposed the decision and refused to pay the increased rate.

As several mediation attempts failed, the issue went to the High Court, which suspended the revised tariff.

The shipping ministry later clarified that no new charges could be imposed without approval from the tariff committee.

## Amazon to invest \$35b in India by 2030

AFP, Mumbai

E-commerce giant Amazon said Wednesday it would nearly double its investment in India, seeking to expand exports, create jobs and invest in artificial intelligence in the world's most populous nation.

Several global corporations, including technology giant Microsoft, have announced large investments this year in the South Asian nation, the world's fifth-largest economy, and which is projected to have more than 900 million internet users by year's end.

"Amazon has announced plans to invest more than \$35 billion across all its businesses in India through 2030, building on nearly \$40 billion invested in the country so far," the US online giant said in a statement.

"This investment will focus on business expansion as well as three strategic pillars: AI-driven digitisation, export growth, and job creation."

The announcement comes a day after Microsoft said it will invest \$17.5 billion to help build India's artificial intelligence infrastructure, with CEO Satya Nadella calling it "our largest investment ever in Asia".

Amazon said it had invested in both building physical and digital infrastructure, including transportation networks, data centres, digital payments infrastructure and technology development.

"The investment will create one million jobs, boost cumulative exports to \$80 billion, and deliver AI benefits to 15 million small businesses", the e-commerce company statement added, in an announcement made in New Delhi.

READ MORE ON B2

## How China Inc is marching into Vietnam amid US tariffs

REUTERS, Hanoi

Chinese firms are expanding in Vietnam, leading investment inflows and sending record shipments to Hanoi in defiance of US calls for decoupling, as the Communist neighbours beef up ties.

Recent steps that Hanoi had long resisted on security grounds include sensitive tech contracts for Chinese telecoms firms Huawei and ZTE; approval of Chinese loans for high-speed rail links; and Chinese-made COMAC planes cleared by regulators for a leading airline.

Hanoi's overtures to Beijing may reflect its long-standing policy of balancing foreign ties after pledges made to Washington in trade talks, said Alexander Vuving of the Asia Pacific Center for Security Studies.

But if the trend continues, Vietnam "may become a 'torn country' rather than a 'swing state'," he added, citing risks to Western relations.

While the Southeast Asian nation opened its economy to US multinationals and technology after Washington lifted its embargo in the 1990s, it stayed cautious over China, after their 1979 war and disputes over South China Sea boundaries.

Now Beijing's influence is rising and US

ties are strained by tariffs.

Chinese firms make pledges to transfer technology, rare until now, and increasingly view Vietnam as a consumer market rather than just an assembly base, a Reuters review of data and industry interviews showed.

The shift has been turbocharged by tariffs of 20 percent imposed by Washington, said Phan Xuan Dung, a researcher at the ISEAS-Yusof Ishak Institute in Singapore.

"Vietnamese officials were displeased by what they saw as punitive US measures,

and this pushed them to hedge by leaning economically further into China," he added.

Vietnam's foreign ministry and the White House did not respond to requests for comment.

China's foreign ministry said economic cooperation benefits both countries.

**RECORD IMPORTS FROM CHINA**  
Despite US pressure to curb reliance on Chinese technology and components, imports from China stood at about \$168 billion through November, up nearly 30 percent on the year and already well above all of 2024, itself a record year, Vietnamese data shows.

Nearly one-third are electronic parts, often re-exported in goods bound for the United States. Consumer imports, including vegetables and cars, are also climbing.

Fading anti-China sentiment among younger Vietnamese is helping drive the surge, dovetailing with Beijing's push to find new markets amid US tariffs, and emboldening Chinese companies to take on domestic champions.

E-scooter maker Yadea sold more than 36,000 units in Vietnam in the year's first 10 months, ranking fourth nationwide, according to non-public registration data obtained by Reuters.



PHOTO: REUTERS/FILE

A container is loaded onto a cargo ship while docked at Hai Phong port in Hai Phong, Vietnam. Chinese firms make pledges to transfer technology, rare until now, and increasingly view Vietnam as a consumer market rather than just an assembly base.