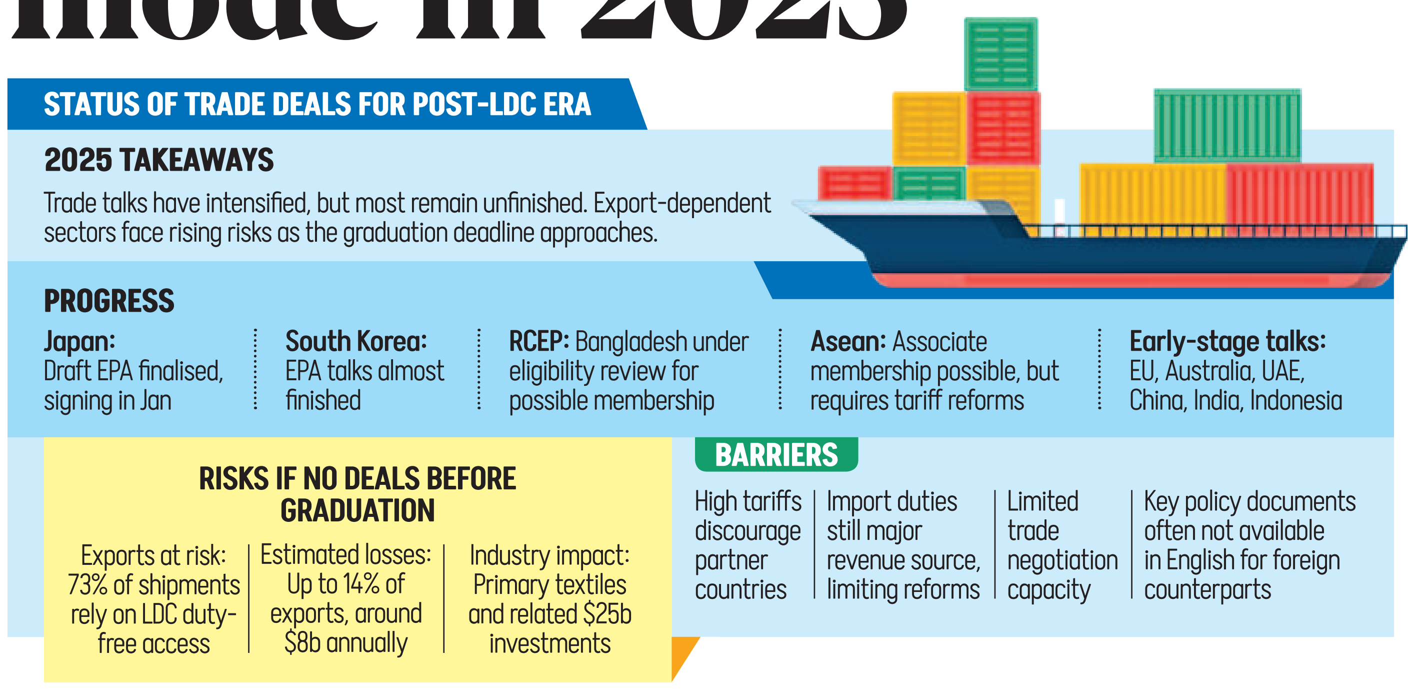
Star BUSINESS

LDC exit nears but trade deals stayed in waiting mode in 2025

REFAYET ULLAH MIRDHA



As 2025 winds down, Bangladesh is staring at an approaching deadline with growing concern.

Less than a year remains before the country formally graduates from the least developed country (LDC) club in November 2026. For an economy built on garment exports, this milestone is not just symbolic; it comes with the real risk of losing duty-free access to major markets.

The government has intensified trade talks with key partners to preserve preferential market access, guided by the Smooth Transition Strategy (STS) -- a policy roadmap designed to soften the graduation shock.

Yet, despite nearly two decades of negotiations, most agreements are still in early stages. Apart from a small number of exceptions, few have reached enforcement, leaving exporters in a state of limbo.

THE REWIND

Over the years, some progress has been made. One notable breakthrough came yesterday as Bangladesh and Japan concluded negotiations on a bilateral Economic Partnership Agreement (EPA). The deal, once signed and ratified, will grant duty-free access to 7,379 Bangladeshi products to Japanese market, including ready-made garments, while Bangladesh will offer zero-duty entry to 1,039 products from the island nation.

The agreement also covers services, with Bangladesh opening 97 sub-sectors and Japan 120, creating scope for investment and technology transfer. The EPA will now move towards formal signing and approval by Japan's parliament, the Diet, before it comes into force.

South Korea is another relative bright spot.

According to Commerce Secretary Mahbubur Rahman, talks on a separate EPA with Seoul are close to a conclusion. The authorities hope for a near-term signing.

Apart from Japan and South Korea, Bangladesh is juggling preliminary discussions with a number of partners, including the European Union, the Regional Comprehensive Economic Partnership (RCEP), Asean countries, China, India, Australia and the United Arab Emirates.

However, having so many talks has not accelerated progress. In many cases, Dhaka is still waiting for dates to sit across the table from prospective partners.

For slow progress, economists point to structural constraints at home.

For example, the average import tariff of Bangladesh is more than 28 percent, far higher than regional peers such as Malaysia, where rates are around 5 percent.

"High protection discourages potential partners from committing to comprehensive trade agreements," said Zaidi Sattar, chairman of local think tank Policy Research Institute of Bangladesh (PRI).

While lowering tariffs could speed up negotiations, it runs into fiscal realities. Import duties are still a major source of government revenue. Trade policy reform is therefore politically and economically sensitive.

According to the PRI chairman, institutional capacity also poses a barrier.

Bangladesh often does not have sufficient negotiating manpower, and key export-import policy documents are not always available in English. These issues limit the accessibility of foreign counterparts.

Meanwhile, the business community watches the developments anxiously.

High interest rates, inconsistent energy supplies, rising production costs and inflation are already squeezing enterprises, making the timing of LDC graduation particularly challenging.

"Trade agreements take time, and we had urged the government to seek a deferment of LDC graduation," said Anwar-ul Alam Chowdhury (Parvez), president of the Bangladesh Chamber of Industries.

"This is not the right moment for graduation, given the economic pressures businesses are facing," added the business leader.

Garment exporters, who are the backbone of the country's export sector, are especially concerned.

Inamul Haq Khan, senior vice-president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), said businesses are critical stakeholders whose concerns often go unheard.

Industry leaders have repeatedly called for a six-year deferment of graduation, citing the absence of major trade agreements and limited preparedness on both public and private fronts.

"The country is going to graduate next year, but it is very unfortunate that we have yet to sign any trade agreements to retain the major trade partners," Khan said.

He warned that the loss of duty-free access could put exports under severe pressure.

"Export incentives have already been reduced, and while government support schemes aim to boost competitiveness, their impact may not be enough to offset the loss of LDC benefits," he added.

Other sectors are also facing the pinch.

Showkat Aziz Russell, president of the Bangladesh Textile Mills Association (BTMA), said primary textile manufacturers are already under strain.

"Cheap yarn imports from India have surged, rising 137 percent over the past year, squeezing domestic spinning mills grappling with inadequate gas supply."

He warned that any setback in the garment sector could jeopardise roughly $25 billion invested in the country's primary textile industry.

Despite the challenges, some policymakers see opportunities.

Mohammad Abdur Razzaque, chairman of local think tank Research and Policy Integration for Development (RAPID), described the Japan EPA as a meaningful milestone.

He said that RCEP has requested documentation to assess Bangladesh's eligibility for membership in January, alongside Hong Kong, Chile and Sri Lanka.

If approved, it would give Bangladesh access to the world's largest trade bloc, added Razzaque.

He said negotiations with the EU should secure the GSP Plus facility, preserving access to European markets.

The stakes are high. At present, about 73 percent of Bangladesh's exports rely on LDC-related duty-free access to 38 countries. Studies suggest losing these preferences could slash up to 14 percent of exports, roughly $8 billion annually.

As the year ends, the status of trade negotiations is clear.

Bangladesh has opened channels, laid out strategies, and crossed a few important milestones. Yet the distance between negotiation and enforcement remains the defining challenge on the country's trade frontier.

BB asks five merging banks to set shareholder equity at zero

STAR BUSINESS REPORT

The Bangladesh Bank (BB) has instructed five shariah-based banks undergoing a merger to declare their shareholder equity at zero, after assessments showed the net asset value of those shares to be negative.

The directive was issued yesterday to First Security Islami Bank, Social Islami Bank, Global Islami Bank, Union Bank and EXIM Bank, according to a letter sent by the central bank.

The decision was taken under the Bank Resolution Ordinance 2025, said Areif Hossain Khan, executive director and spokesperson of the Bangladesh Bank.

"An assessment found that the net asset value per share of these banks is negative," he said. "As a result, the shareholders' equity has been written down to zero."

In November this year, Bangladesh Bank Governor Ahsan H Mansur announced that shareholders of the five banks would not receive any stake in the merged new bank as their shares carried negative value, ranging from Tk 350 to Tk 420 per share.

"So the central bank is not taking them into consideration, as they hold zero liability," Mansur said at the time. "No shareholder of the merged banks will get anything."

The write-down has wiped out shareholder investments worth around Tk 4,500 crore in face value -- the original value assigned when the shares were issued.

At market value, the loss was around Tk 1,022 crore, as the shares were trading well below their face value.

Following the merger order by the central bank, the Dhaka and Chattogram stock exchanges suspended trading of the five banks' shares last month.

On November 30, the Bangladesh Bank granted the final licence to Sammilito Islami Bank PLC, formed through the merger of the five lenders. It is now the largest state-owned shariah-based bank in the country.

The central bank said the approval was part of a broader banking sector reform programme launched in September 2024 to restore governance, ensure accountability and bring discipline to the financial system.

The authorised capital of Sammilito Islami Bank PLC stands at Tk 40,000 crore, with each share valued at Tk 10, amounting to 4,000 crore shares. The paid-up capital will be Tk 35,000 crore.

Of this, Tk 20,000 crore has already been provided by the government, which will hold Class A shares, according to the finance ministry.

Another Tk 7,500 crore will come from permanent deposits of depositors of the transferring banks and financial institutions, converted into equity and designated as Class B shares.

The remaining Tk 7,500 crore will be sourced from deposits of other institutional depositors, excluding banks, financial institutions and multinational companies. These will be converted and classified as Class C shares.

Court stays SMP curbs on GP for three months

MAHMUDUL HASAN

The High Court (HC) has recently stayed the enforcement of significant market power (SMP) regulations on Grameenphone (GP) for three months.

The order means the country's largest mobile operator will not need prior approval from the regulator to roll out new service campaigns during the period. Its customers switching networks under the mobile number portability facility will also avoid a shorter lock-in requirement.

The stay also restores Grameenphone's inter-operator call charge to Tk 0.10 per minute, up from Tk 0.07 set under the SMP rules.

Earlier this month, an HC bench comprising Justice Foyej Ahmed and Justice Md Monjur Alam issued the order after hearing a writ petition filed by Grameenphone, according to court documents.

Alongside the stay, the bench asked officials from the Ministry of Posts, Telecommunications and IT and the Bangladesh Telecommunication Regulatory Commission (BTRC) to explain within four weeks why the SMP restrictions imposed on Grameenphone should not be rendered null and void.

In 2018, the telecom regulator introduced the SMP regulations to prevent monopolistic market practices. It set a 40 percent threshold based on customer base, revenue or spectrum holdings.

A year later, the commission assessed the market and designated Grameenphone as an SMP operator, having exceeded the threshold in both subscribers and annual revenue.

Under the SMP framework, Grameenphone faced three of the 20 possible regulatory conditions.

These included the requirement of pre-approval from the commission for each service campaign. Customers porting into the network were also subject to a shorter lock-in period than those of rival operators.

Grameenphone had challenged the SMP designation in court five years ago without success. The latest writ, which described the designation as "arbitrary and unlawful", resulted in the stay.

Tanveer Mohammad, chief corporate affairs officer of Grameenphone, said the company had sent four letters to the regulator this year seeking a review of the SMP status. Without any response from the BTRC, it filed the writ.

"The Honourable High Court Division has stayed the operation of the SMP directives. We trust that all concerned parties will duly comply with the order," he told The Daily Star.

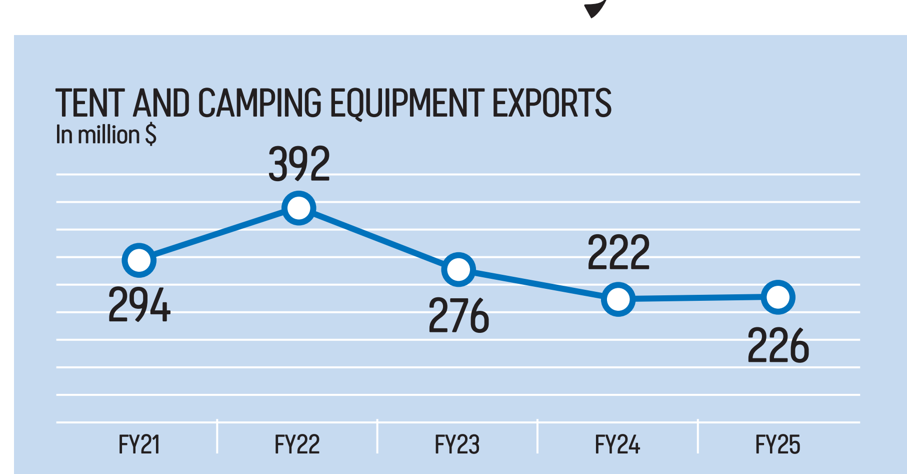
The regulator, however, signalled a legal response. Major General (Retd) Md Emdad ul Bari, chairman of the commission, said it would challenge the HC order.

Despite the SMP restrictions, Grameenphone continues to dominate the telecom market in profit, revenue and subscriber numbers.

As of October 2025, the operator held 45.56 percent of the mobile market, according to BTRC data. Robi Axiata followed with 30.69 percent, Banglalink with 20.17 percent and state-owned Teletalk with 3.58 percent.

Tent, camping gear exports show signs of recovery

SOHEL PARVEZ



Tents and camping gear exports are showing signs of revival, with global buyers placing fresh orders after selling off pandemic stockpiles.

During the July-November period of the fiscal year (FY) 2025-26, exports of tents and camping items grew 18 percent year-on-year to around $50 million, compared with the same period in FY25.

The increase comes more than a year after the sector's exports fell sharply by $170 million to $222 million in FY24, according to Export Promotion Bureau (EPB) data.

The sector reached $392 million in exports in FY22 but suffered a decline in the following two years. Trade recovered slightly in FY25, rising 2 percent to $226 million.

Hong-Woo Lee, chief executive officer of Campvalley Global Ltd at the Karnaphuli Export Processing Zone (EPZ), said the sector had benefited from a Covid-driven surge in camping, when many consumers chose local outdoor activities over overseas travel.

"After Covid ended, a large inventory remained in the market," he said. "Once that was sold off, demand picked up. I think FY26 will perform better than FY25."

Campvalley Global specialises in instant tents and plastic moulds, exporting mainly to the United States.

Lee added that Bangladesh has become an attractive manufacturing base for tent makers, as major global brands now run production facilities here.

"This is beneficial for buyers," he said, adding that the company is interested in investing in the Mirsarai Export Processing Zone (EPZ).

Bangladesh has more than half a dozen tent and camping equipment manufacturers, mostly located in export processing zones.

Rafat Husain, managing director of HKD Uni-Tech Ltd at Chattogram EPZ, said the main export markets are the United States, Canada, Europe and Japan.