Star BUSINESS

RMG exporters to shoulder EU tariffs in post duty-free era

Study warns of pressure on profits

STAR BUSINESS REPORT

Bangladeshi apparel exporters are likely to absorb much of the future European Union (EU) tariffs by cutting their own prices once duty-free access ends, according to a new study that warns of pressure on profits and long-term competitiveness.

If the EU imposes a 10 percent tariff on Bangladeshi garments after the end of trade preferences, exporters will need to cut their pre-tariff export prices by about 4 percent to remain competitive, according to the study on tariff and exchange rate pass-through in apparel exports to the EU. Tariff pass-through refers to the extent to which exporters transfer new tariffs to buyers in their selling price.

This means that nearly 40 percent of the tariff cost would be absorbed by exporters themselves, rather than being fully passed on to European buyers or consumers.

The study, presented at an event in Dhaka organised by the Research and Policy Integration for Development (RAPID) in collaboration with the International Growth Centre (IGC) yesterday, examines how exporters are likely to respond to higher tariffs and exchange rate movements after Bangladesh graduates from least developed country (LDC) status in 2026.

Duty-free and quota-free access to the EU under the Everything But Arms (EBA) scheme is set to end in 2029, following a transition period.

Once preferences expire, apparel exports, more than 90 percent of which consist of low-value garments, could face Most Favoured Nation (MFN) tariffs of about 12 percent.

Using a counterfactual pricing model based on comparator exporting countries, the researchers find that tariff pass-through is likely to be incomplete in such a scenario.

Instead of transferring higher tariffs to buyers, exporters are expected to lower their own prices to protect market share in the EU, a strategy that may help sustain export volumes in the short term but would significantly compress profit margins.

The study cautions that prolonged price absorption could weaken firms' capacity to invest, upgrade technology and move into higher-value segments.

The research also suggests that exchange rate depreciation will provide only partial relief after preference erosion.

"About half of changes in the exchange rate are passed through to export prices, suggesting that currency depreciation alone cannot neutralise the impact of higher tariffs," said Md Deen Islam, research director of the RAPID, while presenting the keynote paper.

This is particularly relevant as Bangladesh has moved toward a more market-based exchange rate regime since mid-2024, increasing volatility for exporters.

Telecom giants leave a heavier carbon footprint in Bangladesh

Disclosures show Bangladesh delivers strong revenue for Grameenphone and Robi, alongside higher carbon emissions

AHSAN HABIB

Global telecom giants are generating more carbon emissions in Bangladesh than in most of their developed markets, company disclosures show, a pattern environmental activists say exposes weaknesses in international climate agreements.

In 2024, Norwegian telecom group Telenor, the parent company of leading local operator Grameenphone, recorded its highest greenhouse gas emissions in Bangladesh among all its global operations, according to Telenor's annual report.

The same year, Robi Axiata, another leading telecom provider in Bangladesh, reported the second-highest emissions among the operating units of its Malaysian parent company, Axiata Group Berhad.

Both Telenor and Robi Axiata attribute their higher emissions in Bangladesh to a more carbon-intensive energy mix than in other countries where they operate

Environmental activists argue that the Paris Agreement placed stronger emissions-cutting expectations on developed nations, while developing countries were not subject to the same obligations.

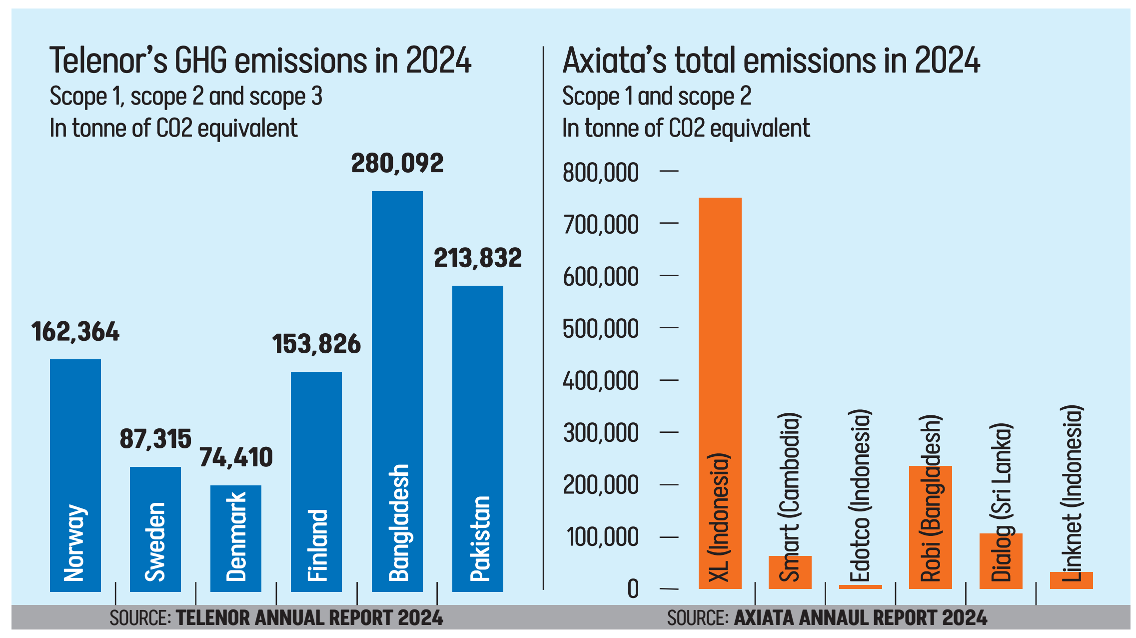
"So many multinational companies are taking those opportunities," M Zakir Hossain Khan, chief executive of climate action think tank Change Initiative, told The Daily Star.

In 2024, Telenor Group's total greenhouse gas emissions in Bangladesh reached 280,000 tonnes, compared with 210,000 tonnes in Pakistan.

Emissions in Norway, where the company is headquartered, were 160,000 tonnes. Emissions in Finland were 150,000 tonnes. In Sweden and Denmark, it was less than 90,000 tonnes each last year, according to Telenor data.

Global Carbon Budget data show that Bangladesh's total carbon emissions were 1.08 billion tonnes in 2024, suggesting that Grameenphone alone accounted for roughly 0.26 percent of the national total. In the same year, Robi Axiata, the Bangladeshi arm of Axiata Group Berhad, contributed 19.7 percent of the group's total emissions.

Robi's scope 1 and 2 emissions, covering direct operations and purchased energy, amounted to 234,000 tonnes, while scope 3 emissions, including



the supply chain, are expected to be considerably higher. A comparison of annual reports shows that Robi generated more carbon dioxide relative to turnover than Grameenphone.

It also shows that emissions by the multinationals in developed markets remain far lower than in countries such as Bangladesh and Pakistan.

Grameenphone reported that its scope 1 emissions, totalling 13,715 tonnes of carbon dioxide, came mainly from diesel used in backup generators. Scope 2 emissions from purchased grid electricity reached 169,570 tonnes.

Telenor has been operating in Bangladesh under the Grameenphone brand since 1996, holding 55.8 percent of shares. Bangladesh is also Telenor's second-largest revenue source, generating 14,995 million Norwegian krone in 2024, compared with 25,054 million krone in Norway.

In a written response, Grameenphone told The Daily Star that high emissions in Bangladesh are due to reliance on a carbon-intensive national grid and the widespread use of diesel generators to ensure uninterrupted service.

Grameenphone said that in Nordic countries, Telenor benefits from renewable electricity and well-established green power procurement mechanisms.

Bangladesh has recently approved a policy framework allowing private companies access to renewable energy through corporate power purchase agreements, but key guidelines and operational procedures are not yet fully in place, it said.

Meanwhile, Robi Axiata said its high greenhouse gas emissions reflect the country's energy and infrastructure challenges. Diesel generators are widely used to back up an unreliable grid, while network expansion into rural areas and rising data consumption increase energy demand.

The company said emissions are closely linked to its technical footprint, including the number of sites, coverage area, and hours of generator operation, which do not directly correlate with revenue. To reduce its carbon footprint, Robi said it is upgrading network equipment, optimising cooling systems, and implementing sleep-mode features.

Change Initiative chief executive Khan said multinationals focus on reducing carbon in developed countries while continuing to profit in developing nations without taking full responsibility for emissions.

He suggested the government introduce carbon taxes on companies and explore international carbon markets to mobilise funding for environmental projects.

Dhaka Int'l Trade Fair begins on Jan 1

STAR BUSINESS REPORT

The month-long Dhaka International Trade Fair (DITF) will begin on January 1, 2026, bringing together local and international exhibitors.

Chief Adviser Muhammad Yunus will inaugurate the 30th edition of the fair, which is being co-organised by the commerce ministry and the Export Promotion Bureau (EPB) at the Bangladesh-China Friendship Exhibition Centre in Purbachal.

Commerce Secretary Mahbubur Rahman shared the information at a press conference held at the venue yesterday.

According to the fair's layout plan, a total of 324 pavilions, stalls and restaurants of different categories have been allocated with full transparency to domestic producer-exporter organisations, general business establishments and foreign companies, Rahman said.

A wide range of local products will be showcased at the fair, including textiles, machinery, carpets, cosmetics and beauty aids, electrical and electronic items, furniture, jute and jute products, household goods, and leather and artificial leather products, including footwear, he said.

The use of polythene bags and single-use plastics has been banned at this year's fair, Rahman said. As an alternative, environmentally friendly shopping bags will be supplied at subsidised prices through the Ministry of Textiles and Jute, he added.

Besides Bangladesh, 11 companies from six countries -- India, Turkey, Singapore, Indonesia, Hong Kong and Malaysia -- are participating in this year's fair. Last year, 343 companies took part.

Visitors will need to buy tickets priced at Tk 50 to enter the fair.

In order to ease transportation to the Bangladesh-China Friendship Exhibition Centre in Purbachal, around 200 buses will operate during the fair. In addition, ride-sharing services will offer special discounted fares for visitors.

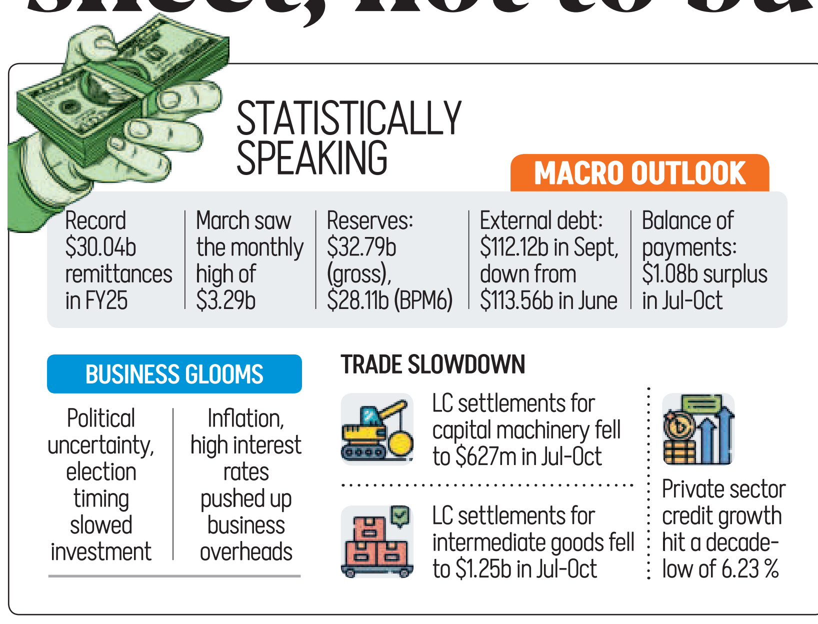
2025 brings calm to external balance sheet, not to businesses

MD MEHEDI HASAN

In 2025, some macroeconomic indicators improved, but the mood on the ground did not.

On the external front, the year opened on a stronger note. The country ends the year with record remittance inflows, a steadier foreign exchange market and rising dollar stocks. Together, they brought a welcome sense of relief to the country's external sector.

Stopping large-scale loan scams in the banking sector and easing the dollar shortage were among the interim government's major successes, said Mohammad Hatem, president of the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA).



THE REWIND

There was also some bad news. While headline numbers showed improvement, the trade and business environment remained largely gloomy throughout the year.

Political uncertainty, weak law and order and high interest rates continued to weigh heavily on investor and business confidence.

According to the BKMEA leader, deteriorating law and order stood out as one of the major failures of the interim government, which was formed in August last year after the mass uprising toppled the Awami League regime.

REMITTANCES LEAD THE TURNAROUND

Following the uprising, remittance inflows started to rebound, with money sent home by expatriates emerging as the most decisive stabilising force of 2025.

Many attributed the surge to a renewed sense of patriotism among Bangladeshis abroad. A sharp decline in illegal money transfer channels such as hundi and hawala also played an important role.

Bangladeshis living overseas sent home a record $30.04 billion in the fiscal year 2024-25, the highest amount ever received in a single fiscal year. The figure marked a 25.50 percent increase from $23.74 billion in FY24, according to Bangladesh Bank data.

Monthly inflows reached a historic high in March, when remittance receipts climbed to $3.29 billion. The surge improved liquidity in the banking system and eased pressure on the foreign exchange market.

FOREX STABILITY, RESERVE REBUILDING

Although the central bank introduced a market-based exchange rate regime in May, the foreign exchange market remained largely stable throughout the year.

Strong remittance inflows, slower import payments and steady export earnings supported the shift, which was required to meet conditions tied to an ongoing $4.7 billion loan programme by the International Monetary Fund (IMF).

Many had feared the taka would weaken further and that volatility would intensify under the new system. Those concerns did not materialise.

For most of the year, the exchange rate of the US dollar hovered around Tk 122, with the Bangladesh Bank intervening when the rate moved sharply above or below that level.

In the year, the central bank shifted from selling dollars to purchasing them from the interbank market to stabilise the exchange rate and rebuild reserves. Dollar purchases crossed $3 billion in the ongoing fiscal year.

Between FY21 and FY25, the Bangladesh Bank sold more than $25 billion from reserves to cover imports of fuel, fertiliser and food. Since the beginning of the current fiscal year, it has focused on rebuilding reserves as dollar inflows improved.

As of December 24, gross foreign exchange reserves stood at $32.79 billion, while reserves calculated under the IMF's BPM6 method amounted to $28.11 billion.

A year earlier, gross reserves were $24.94 billion. The central bank has set a target of raising reserves to $35 billion.

Improved forex liquidity also strengthened the country's external position.

The balance of payments recorded a surplus of $1.08 billion during the July-October period of the current fiscal year, compared with a deficit of $2.19 billion in the same period a year earlier. The financial account also moved into surplus.

By the end of September this year, external debt stood at $112.12 billion, down from $113.56 billion at the end of June, reflecting improved repayment capacity.

STILL BUSINESSES UNDER STRAIN

Despite relief on the external front, trade and business activity remained weak throughout 2025.

Political changeover in August last year and uncertainty surrounding the election timeline dampened investor confidence.

Many businesses postponed expansion plans and fresh investments amid unclear policy signals.

High borrowing costs added to the pressure. The central bank kept the policy rate at 10 percent, the highest among neighbouring economies, while lending rates rose to 16 percent to 17 percent, discouraging borrowing and investment.

Hatem said banks delayed back-to-back letters of credit in 2025, preventing industries from operating on schedule. Manufacturing units also faced inconsistent energy supplies.

The slowdown was reflected in trade data. During the July-October period of the current fiscal year, letter of credit settlements for capital machinery fell 10 percent year-on-year to $627 million.

Settlements for intermediate goods declined 19 percent to $1.25 billion.

Foreign loan commitments soar 133% in Jul-Nov

STAR BUSINESS REPORT

Foreign loan commitments to Bangladesh surged by 133 percent in the first five months of the current fiscal year, with most funding coming from the Asian Development Bank (ADB), European partners, and several other countries and organisations.

From July to November, total foreign loan and grant commitments reached $1.22 billion, up from $523 million during the same period last fiscal year. A commitment is recorded once a multilateral organisation or country approves a loan and signs an agreement with the government of Bangladesh.

Within the said period, the ADB provided $582 million, the World Bank $18.44 million, while Europe and other countries or organizations contributed $619 million.

Meanwhile, foreign aid disbursement increased by 26 percent during the same period. Total utilisation in the five-month period stood at $1.95 billion, compared to $1.54 billion in the same period last year.

The largest disbursement came from Russia, amounting to $552 million, primarily for the implementation of the Rooppur Nuclear Power Project. Authorities from Bangladesh and Russia are emphasising the commissioning of at least one unit next year.