Tomato harvesting is nearing its end in Godagari upazila of Rajshahi, where the picking of larger varieties has already finished. In this photo taken recently from Kakonhat, workers collect and pack smaller tomatoes for sale to sauce producers at lower prices.

PHOTO: AZAHAR UDDIN

Fed holds interest rates steady, defying Trump pressure

AFP, *Washington*

The US Federal Reserve held interest rates steady Wednesday at its first policy gathering this year, citing robust economic growth, as the central bank resists President Donald Trump's mounting pressure for cuts.

Trump has sharply escalated his targeting of the Fed since returning to the White House, seeking to oust a key official among its leadership in what chairman Jerome Powell said could be the "most important legal case" in the institution's long history.

But on Wednesday, the Fed voted 10-2 to maintain rates at a range between 3.50 percent and 3.75 percent, an outcome that was widely expected as officials await more data on the world's biggest economy.

In a statement, policymakers flagged that economic activity was "expanding at a solid pace," while the unemployment rate showed some "signs of stabilization."

But the rate-setting Federal Open Market Committee saw two dissents.

Fed governors Stephen Miran and Christopher Waller -- the latter is seen as a potential candidate to succeed Powell -- both backed a quarter-percentage-point rate cut instead.

The Fed has made quarter-point cuts at its last three policy meetings, as officials worried about the cooling jobs market.

Gold rally continues, hits Tk 2.86 lakh per bhori

STAR BUSINESS REPORT

Gold surged past the Tk 285,000 mark per bhori from yesterday morning, breaking all previous records as the global rally of the metal continues.

Yesterday, the Bangladesh Jewellers Association (Bajus) said it started selling gold at Tk 286,001 per bhori (11.664 grammes), effective from 10:15 am, owing to a spiral in the prices of pure gold.

The association had fixed the rate of the metal at Tk 269,788 per bhori on Wednesday, up from the previous Tk 262,440 per bhori, showing that prices have risen by Tk 23,561 per bhori since January.

The announcement from Bajus came after gold hit a fresh record, nearly $5,600 per ounce, in the global market yesterday, as investors sought safety amid geopolitical and economic uncertainties, Reuters reported.

Spot gold rose 2.6 percent to $5,538.69 an ounce by 03:49 GMT, after reaching a record $5,591.61 earlier in the day. One troy ounce equals 31.103 grammes.

"Growing US debt and uncertainty created by signs that the global trade system is splintering into regional blocs, rather than a US-centric model, are leading investors to pile into gold," said Marex analyst Edward Meir.

BTMA backtracks on shutdown move

STAR BUSINESS REPORT

The Bangladesh Textile Mills Association (BTMA) has temporarily suspended its plan to shut spinning mills from February 1, following assurances from the government that the problems facing the spinning sector will be addressed through consultations with stakeholders.

The decision comes after a high-level consultative meeting at the commerce ministry on Tuesday.

The meeting, chaired by Adviser Sk Bashir Uddin, reviewed the challenges faced by the readymade garment and textile sectors, with particular emphasis on the spinning industry, according to a statement from the BTMA.

The commerce adviser acknowledged the validity of the concerns raised by industry stakeholders and underscored the strategic importance of the spinning sector in Bangladesh's export competitiveness and industrial value chain.

He reaffirmed a strong commitment to resolving the issues through lawful, equitable, and time-bound policy measures in line with existing fiscal and regulatory frameworks.

Earlier, at a press conference on January 22, the leaders of the BTMA, a platform of the country's primary textile sector, announced that millers would keep their spinning units shut from February 1 if their demands were not met within the stipulated time.

The millers demanded that the government implement the commerce ministry's proposal to withdraw the duty-free import facility of 10 to 30 count yarn, as cheap Indian yarn has been affecting the $25 billion invested domestic primary textile sector.

The National Board of Revenue (NBR) is yet to implement the commerce ministry's proposal, although BTMA leaders have repeatedly urged the government to withdraw the bond facility for yarn imports from India.

Tuesday's meeting was attended by senior government officials, including the NBR chairman, commerce secretary, representatives of the Bangladesh Trade and Tariff Commission, and the finance division.

Leaders from the BTMA, Bangladesh Garment Manufacturers and Exporters Association, and Bangladesh Knitwear Manufacturers and Exporters Association were also present.

The commerce adviser said an inter-ministerial coordination meeting involving all relevant stakeholders will be held on February 3 at the Finance Division to resolve the current crisis in Bangladesh's spinning sector.

Samsung logs best-ever profit on AI chip demand

AFP, *Seoul*

South Korean tech giant Samsung Electronics posted record quarterly profits Thursday, riding massive market demand for the memory chips that power artificial intelligence.

A global frenzy to build AI data centres and develop the fast-evolving technology has sent orders for advanced high-bandwidth memory microchips soaring.

That is also pushing up prices for less flashy chips used in consumer electronics -- threatening higher prices for phones, laptops and other devices worldwide.

In the quarter to December 2025, Samsung said it saw "its highest-ever quarterly consolidated revenue at KRW 93.8 trillion (US$65.5 billion)", a quarter-on-quarter increase of nine percent.

"Operating profit was also an all-time high, at KRW 20.1 trillion," the company said.

The dazzling earnings came a day after a key competitor, South Korean chip giant SK hynix, said operating profit had doubled last year to a record high, also buoyed by the AI boom.

The South Korean government has pledged to become one of the top three AI powers, behind the United States and China, with Samsung and SK hynix among the leading producers of high-performance memory.

Startups, venture capital

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entrepreneurs, especially younger founders, and that the new framework creates the possibility of easing that gap over time.

"It is also important to be realistic. This is not an overnight solution. Its impact will depend heavily on how it is implemented in practice, how it will be regulated within the current realities of the banking sector and whether an entrepreneur will be able to raise institutional capital for such a venture soon," he said.

"Considering the current scenario of the banking sector, I do not see major private or impact capital flowing in this direction at this stage," he added.

Murshed Alam Sarkar, chairman of the Credit Development Forum, a national network of microfinance institutions, said the ordinance opens a new window for innovation.

"If anyone wants to pursue social business, they can," he said, but added that how microfinance banks will operate is still unclear.

"This will become evident after the rules under the ordinance are formulated," he commented.

Mustafa K Mujeri, executive director of the Institute for Inclusive Finance and Development (InM), said microfinance banks will operate as specialised institutions rather than conventional banks.

They are expected to focus on rural and suburban areas, which could create competition in deposits and lending and may prompt restructuring within the banking sector, he added.

Given the sector's fragile condition, Mujeri suggested issuing a few licences on an experimental basis to assess the impact. He reminded that past wholesale licence approvals for private banks had negatively affected the sector.

Prof Mohammed Helal Uddin, executive vice chairman of the Microcredit Regulatory Authority (MRA), said that under the ordinance, investors in such social business ventures will receive dividends only up to the amount of their investment.

"However, it may take 10-15 years to recover the capital through dividends. After adjusting for inflation, the investor will recover only a portion of the real investment," he said.

He added that both the banking and microfinance sectors are under strain. "At this stage, it is unclear how a hybrid entity like this will operate. This will become evident once the law is implemented," he said.

Govt to split CAAB

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To address these concerns, the government has taken the policy decision.

Necessary laws and regulations will be enacted and amended soon to form a separate operator entity responsible for providing air navigation services and managing airports.

The move is expected to ensure compliance with international obligations and improve the quality of civil aviation-related services.

Aviation experts and private airlines welcomed the government's decision. Aviation expert ATM Nazrul Islam said, "We have long been demanding for splitting CAAB into two organisations -- regulator and service provider -- for providing better service."

"It's really a conflict of interest that those who are regulatory authorities are also the operator. The practice all over the world is that the regulatory authority will be separated from operation," he added.

"Although it's late, the government has finally taken a good decision," Nazrul also said.

He, however, said, "We will have to see how fast the government implements the decision."

Kamrul Islam, general manager of public relations at US-Bangla Airlines, also welcomed the move, saying this will enhance the service quality of the two new entities.

EU-India trade deal

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Moreover, given the safeguard provisions embedded in the EU's Generalised System of Preferences, there is a genuine risk that even if Bangladesh qualifies for GSP+ after graduation, its garment exports could still face full MFN tariffs, fundamentally altering the competitive balance in the EU market.

EU FTAs typically require double transformation for garments, a challenge for countries with weak backward linkages. While such requirements seem to have constrained Vietnam, they pose little difficulty for India, which has a deep and integrated textile base. This structural advantage is reinforced by India's explicit export strategy. India has set an ambitious target of $100 billion in textile and apparel exports by 2030, from currently around $40 billion, and backed it with a layered policy framework that combines output-linked subsidies, export rebate schemes that refund embedded taxes, input-side support, and extensive infrastructure and logistics investments. These measures reflect a sustained commitment to building competitiveness, scale, and upgrading capacity.

By leveraging LDC duty-free access while competitors such as India and Vietnam continued to face tariffs, Bangladesh was able to expand its share of the EU apparel market at a remarkable pace. As China's share of EU apparel imports declined from 45 percent in 2010 to 28 percent in 2025, Bangladesh's share rose sharply from about 7 percent to 21 percent.

This shift is particularly striking given that, in 2005, Bangladesh and India held almost identical market shares in the EU, but over the next two decades, Bangladesh would be able to increase its share by threefold as against India's declining to 5 percent. During the same period, Vietnam's share rose from 1 percent to converge with India's before being further buoyed by the EU–Vietnam FTA that entered into force in 2020. Bangladesh's rise was driven not only by tariff advantages but also by favourable EU rules of origin for LDCs, notably the single transformation rule.

External developments further intensify the challenge. With US tariffs constraining India's export prospects, Indian exporters are likely to redirect efforts toward alternative markets. The EU-India FTA facilitates this shift, intensifying competition in Europe, with Bangladesh among those most exposed.

What do the numbers tell us?

The structure of exports to the EU differs sharply between India and Bangladesh. In 2024, India exported about $80 billion worth of goods to the EU from a diversified basket dominated by engineering goods, chemicals, minerals, pharmaceuticals, and agricultural products, with textiles and apparel accounting for less than 10 percent. Bangladesh's exports, by contrast, amounted to about $21.4 billion in FY25, more than 90 percent of which came from garments. Such concentration leaves Bangladesh particularly vulnerable to shocks in a single sector, with limited scope to offset losses through diversification.

Quantitative modelling exercises undertaken by Research and Policy Integration for Development (RAPID) reinforce these concerns. Partial equilibrium estimates, when the impact is assessed separately for individual products at the HS 6-digit level, suggest that, with Bangladesh's continuing LDC preferences, its garment exports would decline by $190 million due to the EU-India FTA, with marginal losses in textiles and footwear. The picture changes dramatically once LDC graduation is factored in. When erosion of LDC preferences is combined with India's duty-free access, Bangladesh's garment exports are estimated to fall by more than $5.7 billion.

General equilibrium simulations using the GTAP model point in the same direction. In the scenario where Bangladesh faces post-LDC MFN tariffs, while competitors such as India and Vietnam enjoy duty-free access, Bangladesh's exports are found to decline by 36.5 percent.

Even under a less severe scenario, where post-LDC Bangladesh retains duty-free access but faces stricter rules of origin such as double-stage transformation, exports are still projected to fall by around 16 percent.

It must be noted that these model-based estimates inevitably rely on simplifying assumptions and abstract from important real-world constraints such as adjustment frictions and buyer–supplier relationships. Even so, they provide valuable insight into the direction and relative magnitude of competitiveness pressures Bangladesh is likely to face.

Beyond tariffs: the new sources of advantage for India

It is so easy to overlook the competitive implications of the EU–India agreement that extend well beyond the headline issue of tariffs and rules of origin. Provisions on customs facilitation, regulatory cooperation, and standards alignment are expected to reduce transaction costs, improve predictability, and shorten lead times. For Indian exporters, these measures reinforce existing strengths, including stronger backward linkages and a growing ecosystem of logistics and compliance services, deepening integration into European value chains. The agreement also needs to be viewed alongside the EU's tightening regulatory regime under instruments such as CBAM and the Corporate Sustainability Due Diligence Directive. While formally non-discriminatory, compliance capacity matters. India's institutional readiness and regulatory cooperation with the EU may ease adaptation, whereas for Bangladesh, rising compliance costs and weaker preparedness risk translating into higher effective trade barriers.

What options do we have?

The first and foremost priority is to address the uncertainty surrounding post-graduation market access to the EU. Securing duty-free access for garments under GSP+, alongside workable rules of origin, should be treated as an urgent trade priority. Despite being identified in the Smooth Transition Strategy, progress on engagement with the EU remains limited. The UK's recent relaxation of rules of origin for garments under its Developing Countries Trading Scheme offers a precedent that Bangladesh should actively leverage.

Beyond market access, export competitiveness must be elevated to a national economic priority. This requires coordinated reforms across trade policy, energy pricing and reliability, logistics and ports, access to finance, skills development, and regulatory capacity.

Currently, the most visible policy action has been the withdrawal of export subsidies, driven largely by fiscal constraints and packaged as a move toward WTO compliance. While compliance with international rules is necessary, it should not lead to a passive retreat from export support. Expanding WTO-compliant mechanisms for export financing, technology upgrading, and compliance support is essential.

Persistent governance failures also continue to impose avoidable costs. Unresolved issues such as the Savar CETP, unreliable energy supplies, congested ports, and inefficient customs procedures directly undermine competitiveness. At the same time, non-price competitiveness related to sustainability and due diligence is receiving limited policy attention, despite its growing importance. Addressing these challenges will require state investment alongside private sector initiatives.

Finally, sustaining export growth without significantly higher foreign direct investment will be difficult. Targeted incentives for FDI into man-made fibres, leather, footwear, and other export-oriented sectors, supported by predictable policies and serviced industrial land, are critical for export competitiveness.

What is most troubling, however, is the persistence of inertia. As competition intensifies and preferential margins erode with the approach of LDC graduation, the reform agenda remains largely confined to paperwork. Even from the time of the previous regime, there has been no shortage of reports and recommendations on building export competitiveness, however, the key results have yet to materialise. In a dynamic world, such inaction can yield anything but competitive strength.

The author is chairman of Research and Policy Integration for Development (RAPID), a think tank.