

## India's US tariff parity: Real threat or overblown fear for Bangladesh?

REFAYET ULLAH MIRDHA

When Indian Commerce and Industry Minister Piyush Goyal announced on February 12 that India would receive the same concessional duty access on garment exports to the US as Bangladesh, alarm bells rang across Dhaka's garment districts.

The Donald Trump administration's proposal to offer zero reciprocal tariffs on garments made from US cotton and man-made fibre, previously a distinctive advantage for Bangladesh, will now extend to India as well, according to The Times of India.

Exporters fear the development might erode Bangladesh's competitive edge in apparel shipments to the US to some extent. But experts paint a different picture.

"Bangladesh may lose its competitiveness to some extent in the US markets if similar trade benefits are extended to Indian exporters," said Anwar-ul-Alam Chowdhury (Parvez), former president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

Parvez pointed to a cascade of Indian advantages: lower production costs, favourable customs treatment, and robust government support for the textile and garment sectors.

"India is in an advantageous position in terms of cost of production, but equally treated by the US customs, and facilities offered by the Indian government to the textile and garment exporters," he said.



Mohammad Hatem, president of the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA), echoed these concerns.

He argued that if India receives the same trade benefit, "Bangladesh's competitiveness to the USA may be affected to some extent as Indian exporters enjoy more government facilities in the production of goods."

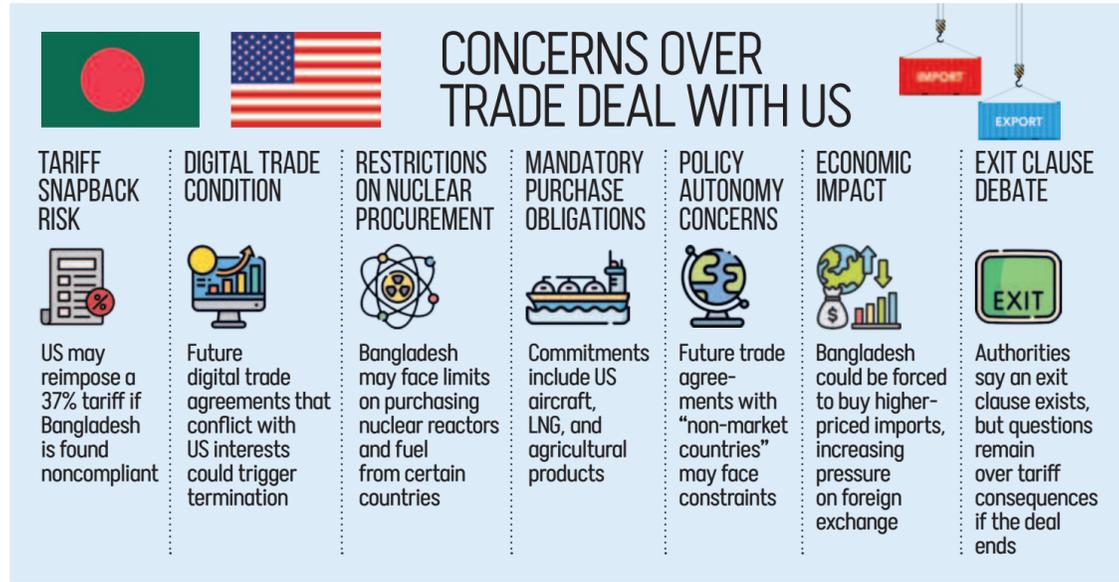
### EXPERTS SEE A DIFFERENT PICTURE

Not so fast, say industry analysts who point to a fundamental economic reality: India exports cotton, Bangladesh imports it.

"Bangladesh may not be affected too much in the US market even if the Indian exporters are given the same

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## US TRADE DEAL overshadows Bangladesh's economic freedom



REFAYET ULLAH MIRDHA and SOHEL PARVEZ

The reciprocal trade deal signed by the interim government with the United States has raised questions regarding the economic sovereignty of Bangladesh, especially in decisions on trade, energy and security.

Critics point to several binding and conditional clauses that allow Washington to terminate the agreement and restore steep tariffs if its concerns are not addressed.

For example, take the digital trade facilitation provision in the deal.

The agreement says that if Bangladesh signs a new digital trade deal with any

country that jeopardises essential US interests, Washington may terminate the pact and reimpose the 37 percent reciprocal tariff on Bangladeshi exports.

That was the tariff rate the US had proposed in April 2025.

The same condition applies if Bangladesh enters into a new bilateral free trade or preferential agreement with what the US terms "a non-market country" -- nations it does not recognise as market economies.

The agreement says that if consultations with Bangladesh fail to resolve American concerns, the United States may withdraw from the deal and reinstate the 37 percent tariff.

The rate is high enough to sharply reduce Bangladesh's exports to the US, a costly prospect given that the country earns roughly one-fifth of its export revenue from garments and other goods sold to American buyers.

The deal, signed on February 9 between the interim government and the Trump administration, also restricts Bangladesh from purchasing "any nuclear reactors, fuel rods, or enriched uranium from a country that jeopardises essential US interests".

An exception applies to "the procurement of proprietary materials for which there are no alternative suppliers or technologies, or materials contracted prior to the entry into force of this agreement required for existing reactors".

This suggests that supplies for the Rooppur Nuclear Power Plant, built with Russian technical and financial support through Russian state corporation Rosatom, may continue.

But any future nuclear project could fall under tighter scrutiny.

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## Stocks see minor correction after three-day rally

STAR BUSINESS REPORT

Stocks in Bangladesh saw a slight correction yesterday after a consecutive three-day rise, mainly due to a profit-booking tendency among investors.

Correction refers to a short- to medium-term decline of 10 percent or more, but less than 20 percent, in a major index or individual stock from its recent peak.

It acts as a market reset, revaluing overvalued assets back to their long-term trend, and is often considered a healthy, temporary pullback rather than a long-term recession.

The DSEX, the benchmark index of the Dhaka Stock Exchange (DSE), fell 11 points, or 0.19 percent, to 5,589. The DS30, the index of blue-chip companies, dropped 9 points to 2,135, while the sharia-based DSES declined 8 points to 1,118.

With all the indices falling, DSE turnover also fell 1.4 percent, to Tk 1,257 crore. Among the traded stocks, 153 advanced, 218 declined, and 26 remained unchanged.

A top official of a leading brokerage firm said there was slight selling pressure on the well-performing stocks that had surged in the previous three trading days. Some of these companies advanced by 10 to 15 percent during that period, so it is common for investors to book profits.

As the turnover was high, it shows that there were enough buyers for these shares. A trend was seen in the market where low-performing companies have been rising for several

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## Development spending plunges to 16-year low

Health spending hit hardest, threatening services amid rising out-of-pocket costs

MD ASADUZ ZAMAN

The government's development expenditure in the first seven months of the current fiscal year 2025-26 (FY26) has slumped to its lowest level in at least 16 years amid fiscal restraints and political disruptions.

Ministries and divisions spent just Tk 50,556 crore -- a mere 21.18 percent of the total Annual Development Programme (ADP) outlay -- during the period, shows Implementation Monitoring and Evaluation Division (IMED) data published yesterday.

During the same period in FY25, when operations were disrupted by a mass uprising and administrative instability, the ADP implementation rate stood at 21.52 percent. The rates were 27.11 percent and 28.16 percent in FY24 and FY23, respectively.

The slowdown is particularly acute in the health sector, which has recorded dismal implementation rates despite growing concerns about healthcare accessibility.

The Medical Education and Family Welfare Division has utilised only 2.98 percent of its allocation, while the Health Services Division has managed just 6.59 percent, according to the IMED.

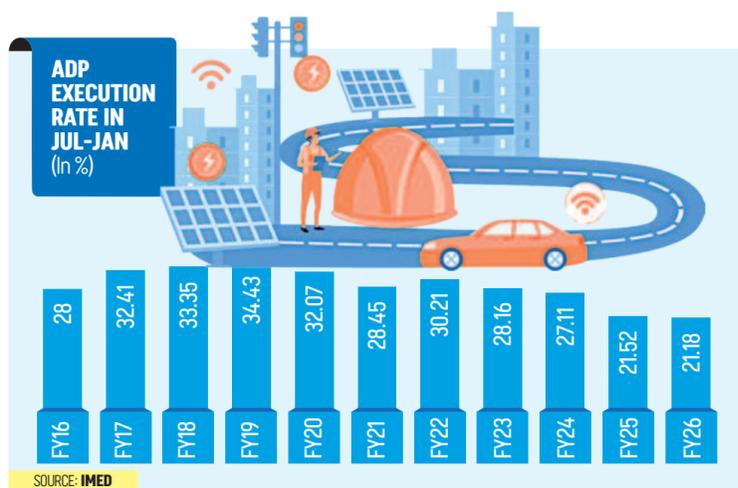
Md Deen Islam, research director at Research and Policy Integration for Development (RAPID), blamed lackings in "institutional capacity" for the slow spending.

"The underperformance in the health sector reflects deeper governance challenges. In many cases, those in charge hesitate to take bold decisions, particularly when procurement-related scrutiny creates a climate of fear. That affects implementation," he added.

The underperformance comes as Bangladesh continues to grapple with one of the world's highest rates of out-of-pocket health expenditure.

This has led to a "structural vulnerability that demands urgent policy attention," Islam said.

"A single chronic or terminal illness



can push a non-poor family into poverty," he warned, citing data from the Multiple Indicator Cluster Survey showing stagnation in key health indicators.

He emphasised that without immediate increases in health investment and execution, Bangladesh risks falling further behind on crucial development metrics.

The broader spending slump reflects multiple headwinds. For the current fiscal year, the government allocated Tk 238,695 crore for the ADP, including funds from autonomous bodies.

However, during the July-January period, utilisation of both state funds and foreign loans has declined sharply.

Foreign fund spending fell to approximately Tk 18,668 crore, while government funds amounted to Tk 28,052 crore, down from Tk 30,096 crore in FY25.

This deceleration comes as the interim

government implemented a reduced, austerity-focused ADP that slowed or postponed certain projects initiated by the previous administration.

Planning ministry officials note that several contractors fled the country before completing their work following the mid-2024 political changeover, further hampering implementation.

RAPID's Islam largely agreed, noting that smaller projects may have received less attention as larger initiatives were prioritised. Infrastructure sectors have fared considerably better than social services.

Among the top 15 recipients of allocations, the Ministry of Water Resources achieved the highest implementation rate at 41.10 percent, followed by the Energy and Mineral Resources Division with 40.66 percent, and the Local Government Division with 36.91 percent.

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## BB defers primary nod for digital bank licences

STAR BUSINESS REPORT

Bangladesh Bank (BB) yesterday reviewed the progress of its digital bank licensing initiative but did not grant primary approval to any applicants, following protests from a group of BB officials.

The central bank's Banking Regulation and Supervision Department-I had placed an agenda titled "Selection of eligible applicants for establishing digital banks" before the board of directors during a meeting yesterday.

The meeting was presided over by BB Governor Ahsan H Mansur.

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## HC adjourns hearing on NBR split

STAFF CORRESPONDENT

The High Court yesterday adjourned the hearing of a writ petition challenging the government's decision to separate the functions of the National Board of Revenue (NBR) and create two new divisions.

The bench of Justice Razik-Al-Jalil and Justice Md Anwarul Islam set the matter down for hearing in two weeks without issuing any rule on the government's decision.

Barrister Md Omar Farouq, representing the NBR, told The Daily Star that the court deferred the hearing as a new parliament is expected to begin functioning soon and may address the relevant ordinance concerning the separation of the NBR.

He said the government promulgated an ordinance on May 12 last year to separate the NBR's policy-making functions and establish two new entities: the Revenue Policy Division and the Revenue Management Division.

Tanvir Ahmed, a joint secretary at the Cabinet Division, filed the writ petition with the High Court on February 2 this year, challenging the legality of the ordinance.

Farouq argued that the petition lacked merit, adding that a government officer cannot file a writ petition before the High Court challenging a government decision.

Barrister Fida M Kamal appeared for the petitioner during yesterday's hearing.