

# How garment makers can manage the Middle East logistics shock



**RMG NOTES**  
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Bangladesh's garment exporters are facing a fresh logistics shock as the escalating Iran crisis is now leading to operational restrictions by ocean carriers and airlines. On March 3, Denmark's shipping and logistics company Maersk confirmed it has suspended all new bookings between the Indian subcontinent, including Bangladesh and the Upper Gulf markets, with immediate effect, citing the "evolving situation" in the Middle East. The suspension covers the UAE, Bahrain, Qatar, Iraq, Kuwait, and Saudi Arabia's Dammam and Jubail.

This move is one of the clearest signs yet that the crisis is now disrupting commercial cargo flows, not just raising risk premiums. At the same time, shipping and insurance markets are reacting to rising threats around the Strait of Hormuz after Iran issued warnings to vessels and multiple ships reported damage in the wider area. Reuters said at least 150 ships were stranded around the strait till Monday, while major marine insurers moved to cancel war risk cover effective from March 5 in parts of the Gulf. This is sharply pushing logistics costs higher.

For Bangladesh's exporters, the crisis splits into two problems. The first is the disruption to direct trade to Gulf destinations, including the UAE, which functions as both a consumer market and a regional distribution hub for apparel. The second is a wider network disruption. Even if a shipment is bound for Europe or North America, carrier rerouting, higher fuel costs, reduced schedule reliability, and container equipment imbalances can still feed into longer lead times and higher costs.

I believe Maersk's wording is important.

It is suspending "new bookings" for the corridor, which means exporters may still be moving previously accepted cargo, but with a higher risk of delays and schedule changes as networks adjust. Maersk also separately flagged restrictions on certain cargo types, including "reefer, dangerous or special cargo acceptance" in and out of multiple Gulf countries, which might affect garment accessory supply chains. Exporters selling into the Gulf should assume that even when a carrier continues to "accept cargo," space may be limited, routing may change at short notice, and surcharges can be introduced with little notice.

However, Bangladesh's biggest apparel volumes head to Europe and the US, not the Gulf. And the Iran crisis arrives amid an already fragile Red Sea. Container lines had been tentatively assessing a return to the Suez Canal corridor, but new security concerns are pushing carriers back towards longer routings around the Cape of Good Hope. *The Wall Street Journal* says the Middle East crisis has significantly delayed the return of container shipping to Suez, reinforcing the industry shift back to diversions around Africa. In practice, that means longer and less predictable transits between Asia and Europe.

For Bangladesh, exporters should plan for possible delays, even where the scheduled transit time is unchanged. When ocean schedules become volatile, brands often push urgent top-ups by air or at least move samples and approvals by air. But air is also being hit. Widespread regional airspace disruption is reported, with key hubs including Dubai and Doha affected, and airlines resuming only

limited operations, including select cargo and moving flights. Bangladeshi exporters that route urgent cargo through Gulf hubs should not assume air capacity is available at normal notice periods or normal prices. Where air freight is unavoidable, exporters may need to secure uplift earlier, accept longer routings, or use alternative hubs outside the most disrupted air corridors.

The crisis is also feeding directly into

costs tend to flow through into carrier fuel mechanisms.

The combined effect is that Bangladeshi exporters may face both higher freight bills and a higher probability of "unplanned" cost items appearing after contracts are signed, including emergency surcharges and insurance-related fees. While our garment exporters cannot control geopolitics, they can prepare and communicate. The most

routings, or revised delivery dates.

As for shipping to Europe, buyers will still judge manufacturers on whether orders arrive on time. But right now, the bigger problem is that shipping times are unpredictable. Manufacturers should allow extra time between finishing production and booking the shipment, especially for ranges where a two- to three-week delay would cause real commercial damage. If the schedule is already tight, manufacturers should start producing the most time-critical styles first, so they are ready earlier. Manufacturers should also talk to their forwarder and carrier representative now, even if they are not shipping this week. They should ask which services are being rerouted, which transshipment hubs are under pressure, and where equipment shortages may emerge. Where possible, they should lock space earlier than usual and confirm cut-off times in writing.

They may also need to revisit commercial terms for surcharges. Some exporters will be able to pass certain surcharges through to the buyer under contract terms. Others will not. Either way, they should get clarity early and document what is agreed. If unsure, take legal advice before relying on *force majeure* or similar clauses. Many problems arise because buyers hear about delays too late. Manufacturers should update buyers early with a clear explanation that this is a fast-moving security and logistics issue, and that carriers are already restricting bookings on certain Middle East corridors.

The shipping industry is reacting in real time. When insurers change cover terms, carriers often respond immediately with new safety rules, booking restrictions, or surcharges. What we are now seeing is how quickly those decisions can hit Bangladesh directly, even when Dhaka is not at the centre of the conflict.

The key point for buyers and manufacturers is that you can't plan logistics around one "normal" route right now. Both parties should plan for different outcomes instead, and should also expect occasional restrictions, last-minute changes in space and services, and ongoing swings in insurance and fuel costs until the situation calms down.



Birds fly near a boat in the Strait of Hormuz amid the US-Israeli conflict with Iran, as seen from Musandam, Oman on March 2, 2026.  
PHOTO: REUTERS

shipping costs via insurance and security surcharges. Reports suggest war risk insurance is being withdrawn or repriced rapidly, and we are seeing sharp increases in premiums within days as risk assessments change. There are also concerning reports of major insurers cancelling war risk cover in the Gulf starting March 5, with freight rates on some lanes jumping sharply over the weekend. Separately, rising oil prices are critical for apparel logistics because bunker

practical response is to treat the next few weeks as a lead time management exercise.

Exporters can start with mapping exposure by shipping lane rather than by customer. If they supply the Gulf directly, they should identify which orders are on the Maersk-affected corridor, which are already gated in, and which are still in production. They would also be wise to assume that new bookings to the listed Upper Gulf markets may need alternative carriers, alternative

## Deregulation, yes, but we also need smart regulation



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Let me begin with a story. Several years ago, I attended a workshop in Dhaka where one of the sessions featured a leading businessman of the country. It was an hour-long session in which, during the first 30 minutes, he described what a typical working day looked like for him. Much of his day, he said, was spent not on figuring out how to increase productivity, branch into new products, or explore new export markets. Instead, it was consumed by navigating regulatory hurdles.

His day began with a visit to the tax office to argue over import valuation issues. Then, after a hurried lunch, he had to navigate Dhaka's atrocious traffic to reach the regulator's office for a factory operating licence. Despite building the factory, installing machinery, and training workers, he could not begin operations without the licence. After three months and multiple document submissions, additional requirements kept delaying progress. Frustrated, he questioned why the office had not informed him earlier about the missing documents, highlighting the persistent bureaucratic delays that hinder business development.

There was more he had to endure on a typical day, but the above episode is enough to understand what was on Finance Minister Amir Khasru Mahmud Chowdhury's mind when, in an interview soon after taking office, he talked about Bangladesh becoming "an over-regulated country." He also stated his government's desire for "serious deregulation" and liberalisation.

The idea of removing redundant procedures, simplifying compliance, and eliminating rules that no longer serve a clear purpose should be welcome news for businesses in Bangladesh. Whether local or foreign, large or small, firms consistently raise concerns about the difficulties and delays they face in dealing with regulations. The 2022 Enterprise Survey by the World Bank

indicates that senior management in Bangladeshi firms spend 13.3 percent of their time dealing with the requirements of government regulation, compared to 8.2 percent in lower-middle-income countries (LMICs). It also takes an average of 48.8 days to obtain an import licence, compared to 17.9 days in LMICs.

Being a businessman himself, the minister surely knows where the shoe pinches. When undertaken thoughtfully, deregulation can indeed reduce compliance costs and delays, lower barriers for small and medium enterprises, improve transparency and predictability,

**When undertaken thoughtfully, deregulation can indeed reduce compliance costs and delays, lower barriers for small and medium enterprises, improve transparency and predictability, and enhance competitiveness and investment. But that is only one side of the story.**

and enhance competitiveness and investment.

But that is only one side of the story. Consider the experience of Uber when it launched its services in Dhaka in 2016. At the time, the rulebooks covered traditional taxis and rental cars but had no provision for app-based ride-sharing. Regulators were uncertain how to classify Uber drivers. Thus, like many other businesses in Bangladesh, Uber operated for a time in a regulatory grey area, tolerated by the authorities while serving customers, until the government introduced the Ride-Sharing Service Guidelines. These guidelines formally

recognised and regulated app-based transport services, integrating them into the legal framework.

Such examples show that entrepreneurs seeking to introduce new ways of doing business often face additional regulatory barriers because regulators are slow to respond to innovation in the economy. For those seeking to deploy new technologies or business models, the problem is not excessive regulation but rather the absence of clear rules. There is also the issue of weak enforcement of sound regulations, which imposes significant burdens on society. Think of a consumer buying food from a market stall with no assurance of safety standards, or a construction project proceeding without proper oversight, putting workers and future occupants at risk.

Finally, businesses face uncertainty because rules are interpreted inconsistently and sometimes changed without warning. A crisis—such as a factory disaster or deaths from food contamination—may prompt the imposition of new regulations. This is understandable; governments must act when in crisis. But hurried regulation often creates confusion. Reflexive or knee-jerk rule-making, adopted without adequate analysis, can undermine credibility, encourage corruption, and discourage investment.

Thus, any deregulation drive from the government should be defined broadly, focusing on more systemic and ambitious reforms to enhance regulatory predictability. It should be a regulatory governance programme, not just a deregulation exercise. Such reform must also rest on a strong institutional foundation. Our regulatory reforms have traditionally been piecemeal, targeting individual processes and procedures. Reform efforts are often seen to begin with urgency and fanfare but eventually fade in the absence of sustained institutional backing. Committees submit reports. Task forces propose changes. Over time, momentum dissipates.

There is a risk that the proposed deregulation will follow a similar path, which will be unfortunate considering how urgent it has become to build a truly modern regulatory regime in Bangladesh.

We need to think about a

permanent institutional mechanism, such as a Regulatory Reform Commission or a Regulatory Reform Unit located in the Prime Minister's Office. This should be a technically competent regulatory governance body tasked with reviewing and streamlining existing rules, promoting regulatory impact assessments for proposed regulations, simplifying compliance procedures, coordinating reforms across ministries, and identifying emerging regulatory needs. It should

also assess the outcomes of reform efforts. Businesses will judge the success of these efforts not by the number of amended laws or digitised procedures, but by tangible results: whether compliance is genuinely easier, predictability has improved, and regulatory effectiveness has strengthened.

Countries as diverse as South Korea and Mexico have established such institutions as they sought to transition from ad hoc regulatory reform efforts to more structured

approaches. In its budget unveiled in February 2025, the Indian government also announced the formation of a similar body.

As I have argued in my writings before, the goal is not necessarily to regulate less. Businesses are not really asking for a regulation-free economy, but a well-regulated one. So, deregulation, yes, but we also need smart regulation and a systematic approach to reform. Ad hoc, piecemeal measures, as in the past, will not take us far.

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### e-GP Request for Express of Interest (EoI) Notice

No. 22.02.0000.026.14.013.26.28

Date: 03.03.2026

Sl	Proposal ID & Method	Publishing date and Time, Package & Name of Service	REoI Closing Date & Time
1	1231961 SIC	Publishing date and Time : 05.03.2026 & 10 A.M Package : CAMS-S-2 Name of Service : Junior Consultant (Finance/Procurement)	25 March 2026 12:00 pm

This is an online REoI, where only e-REoI will be accepted in e-GP portal and no offline/hard copies will be accepted. To submit e-REoI, please register on e-GP system portal (<https://www.eprocure.gov.bd/>). The procuring entity reserves the right to accept or reject all EoIs.

03.03.2026

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