PERSPECTIVE

May 2025

The EU-Vietnam Free Trade Agreement

Voices from Politics, Business and Civil Society on Policy Implications for Bangladesh

RAPID
Empowering Development

Bangladesh Office

Friedrich Ebert Stiftung

Imprint

Publisher
Friedrich-Ebert-Stiftung (FES) Bangladesh Office
Dhaka, Bangladesh
Email: bangladesh@fes.de

Cover Design & Layout
SR Printing and Supply, Dhaka

May 2025

Further publications of the FES Bangladesh Office can be found here:
↗ bangladesh.fes.de/publications

Friedrich Ebert Stiftung

PERSPECTIVE

A Discussion on
The EU-Vietnam Free Trade Agreement: Implications for Bangladesh's Export Competitiveness

Event Held on

27 November 2024 | Wednesday | 10:00–13:00 BST

Organized by

Friedrich-Ebert-Stiftung (FES) Bangladesh Office
Research and Policy Integration for Development (RAPID)

A Discussion on
The EU-Vietnam Free Trade Agreement: Implications for Bangladesh's Export Competitiveness

The 2020 free-trade agreement between the European Union and Vietnam represents a potential threat to Bangladesh's exports, especially with the country due to graduate from the status of *Least Developed Country* to that of a *Lower Middle Income Country* in 2026. In November 2024 a discussion event on the study report 'The EU-Vietnam Free Trade Agremment: Implications for Bangladesh's Export Competitivenes', prepared by the think tank *Research and Policy Integration for Development (RAPID)* and funded by *Friedrich-Ebert-Stiftung (FES) Bangladesh Office,* was held. This document contains the transcripts of the event's presentations, lightly edited for concision and clarity.

Dr M Abu Eusuf, Executive Director, Research and Policy Integration for Development (RAPID)

Introduction

Welcome to this dissemination event organised by Friedrich-Ebert-Stiftung (FES) Bangladesh and Research and Policy Integration for Development (RAPID). It is our great privilege to welcome you all to this discussion on the EU-Vietnam Free Trade Agreement (EVFTA) and its implications for Bangladesh's export competitiveness.

Our chief guest, Mr Shahriar Kader Siddiky, secretary of the Economic Relations Division, will be joining us shortly. He is currently attending another meeting but has advised us to commence with the permission of our special guest, Mr Mohammed Anwar Hossain, vice chairman of the Export Promotion Bureau (EPB).

As the host of today's event, allow me to share a few words about RAPID. At RAPID, our mission is to provide informed inputs into policymaking. We focus on two primary areas: international trade and social protection. Our approach is consultative and constructive, aiming not only to identify challenges but also to address the complexities of implementation. In doing so, we strive to propose practical, actionable solutions to effectively tackle the issues at hand.

This event is particularly significant for Bangladesh, as it addresses how the EVFTA poses challenges to our export competitiveness in the European market. We will discuss the policy implications and explore ways to enhance overall export competitiveness, both for firms and at the national level.

We are fortunate to have a panel of esteemed participants, along with two special guests and a chief guest, who bring a wealth of expertise to this dissemination event. Allow me to introduce our guests:

- **Chief Guest:**
  - Mr. Shahriar Kader Siddiky, Secretary of the Economic Relations Division, Ministry of Finance
    Administrator of Bangladesh Garment Manufacturers and Exporters Association (BGMEA)[1]

[1] Editorial Note: Amid allegations of electoral irregularities, the President of the BGMEA resigned in August 2024. Under Section 17 of the Trade Organization Act 2022, the newly installed interim government dissolved the board of the BGMEA and appointed an Administrator for a 120 day period to organize elections.

- **Special guests**:
    - Mr Mohammed Anwar Hossain, Vice Chairman of the Export Promotion Bureau (EPB), Ministry of Commerce
    - Ms Ayesha Akther, Additional Secretary (FTA Wing), Ministry of Commerce
- **Panellists:**
    - Dr Shamima Nasrin, Director of Research and Capacity Development, Joint Secretary, Governance Innovations Unit, Chief Advisor's Office
    - Dr Mashur Reaz, Chairman of Policy Exchange, Bangladesh
    - Ms Ferdaus Ara Begum, Chief Executive Officer of the Business Initiative Leading Development (BUILD) and member of the White Paper Preparation Committee on the State of Bangladesh's Economy
    - Mr Abu Syed Belal, Trade Counsellor at the EU Delegation to Bangladesh
    - Mr Mahfuz Kabir, Research Director at the Bangladesh Institute of International and Strategic Studies (BIISS)
    - Mr Fazlee Shamima Ehsan, Executive President of the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA)
    - Mr. Akhter Hossain Apurbo, Vice President, Bangladesh Knitwear Manufacturers & Exporters Association (BKMEA)

Your diverse perspectives will be invaluable in shaping the outcomes of this discussion. I would also like to extend a warm welcome to all participants who have joined us today.

I would like to acknowledge that the underlying study for this event was led by RAPID Chairman Dr Mohammed Abdur Razzaque, a distinguished economist of our country. Many of you may know him as a former professor of economics at Dhaka University and a former lead in trade policy advocacy at the Commonwealth Secretariat in London. He is also a member of the task force formed by the Planning Commission under the interim government. Other team members, including Jillur Rahman and Syful Islam, have also made significant contributions to this study.

This study has benefited greatly from extensive discussions with relevant stakeholders, and we are grateful for the support provided by FES Bangladesh.

Without further ado, let us begin this important conversation. I would now like to invite Dr Felix Gerdes, Resident Representative of FES Bangladesh, to deliver his welcome remarks.

Dr Felix Gerdes, Resident Representative of FES Bangladesh

Welcome Remarks

Thank you so much, Dr Eusuf.

All the panellists have already been introduced and RAPID being well known among you, I will only extend a very warm welcome from my side and thank you all for joining us. I would like to express my gratitude to our distinguished guests for participating and taking the time to engage with the findings of this study.

Let me briefly introduce Friedrich-Ebert-Stiftung (FES) to clarify our involvement in this project. We are a German political foundation, a think tank engaged in research, training, scholarships, and information events. Present in about 100 countries, we retain our core operations in Germany. FES is part of a system of political foundations aiming to promote informed and high-quality democratic debate.

Globally, we engage in producing studies and fostering the knowledge necessary for informed political decisions to confront shared challenges. Our work extends to strengthening and building people-to-people relations.

While we are legally an NGO (non-governmental organization) and an effectively autonomous civil society organisation, FES is associated with the Social Democratic Party of Germany. We collaborate with various actors in partner countries, including government(-affiliated) entities such as the Bangladesh Ministry of Foreign Affairs and the Small and Medium Enterprise Foundation established by the Ministry of Industry. Additionally, we engage with civil society institutions, think tanks, and worker-based organisations.

Our work focuses primarily on economic policy, including elements of climate change, and we also venture into general economic policy. In Bangladesh, we partner with the Foreign Service Academy to provide advanced training courses for young diplomats and opportunities to engage with stakeholders locally and internationally.

With this context, I hope today's discussions will be enriching and inspiring. We are slightly behind schedule, so I will not take up more time. I wish you all an engaging and productive session.

Dr Abu Eusuf: Thank you, **Dr Felix**, for your welcome remarks. Now I would like to invite our keynote speaker Dr M A Razzaque to set the stage with his presentation.

Dr Mohammed Abdur Razzaque, Chairman of RAPID
Presentation
The EU-Vietnam Free Trade Agreement: Implications for Bangladesh's Export Competitiveness

Distinguished panellists and guests, a very good morning to you all.

Let me begin with a personal story.

Back in 2011, while I was working in London, I received an unexpected call from a friend I hadn't spoken to in nearly 18 years. In the early 1990s, we used to sit on the same bench at Dhaka University—usually somewhere in the fourth row of the classroom. After reconnecting over the phone, we eventually met up. He told me that he had gone to the United States for higher studies, and then moved through a number of jobs. When I asked what brought him to London, he said, "My firm is acquiring a company here, and I'm overseeing the deal."

At that moment, I couldn't help but reflect on the different directions our lives had taken. There he was—someone who used to sit right next to me—now engaged in international acquisitions. I, on the other hand, had remained in academia and research. It was a moment that made me think deeply about divergence.

And when I think about Bangladesh and Vietnam, I see a similar story of divergence. Both countries emerged from devastating wars. Bangladesh became independent in 1971. Vietnam came out of decades of conflict in 1975, shaped by the interventions of global powers.

Up until relatively recently—say, around 1995—Bangladesh and Vietnam had similar export performance. In 1995, Bangladesh's exports were valued at $1.4 billion, while Vietnam's stood at $1.34 billion. Many considered the two countries to be on more or less equal footing at that time. But the trajectories have since diverged quite significantly.

In this chart, the vertical axis shows the export-to-GDP ratio—how exports, as a share of GDP, have changed over time. The horizontal axis represents GDP per capita, so as countries grow wealthier, they move from left to right. Each bubble reflects the volume of exports—so we're observing three things: export size (the bubble), export intensity (vertical axis), and income level (horizontal axis).

Now, let's play this chart over time. As we move forward, you'll see China starting to emerge around 1984. But Bangladesh doesn't show much movement. We remain more or less in the same position. Vietnam, on the other hand, begins to gain momentum. Its export-to-GDP ratio rises, and its bubble grows steadily. By 2022, despite the global slowdown due to COVID-19, Vietnam had clearly emerged as a highly export-oriented economy. There is now simply no comparison between Bangladesh and Vietnam. In terms of per capita GDP, we may still appear somewhat close—largely because Vietnam's population is smaller—but the direction of growth, export intensity, and diversification clearly show how far apart we have moved.

That's one aspect of the story. The next point—highly relevant to the subject of today's discussion—is the relationship both countries have with the European Union. How important is the EU as an export destination for Bangladesh and for Vietnam? And what implications do trade agreements like the EU–Vietnam Free Trade Agreement (EVFTA) hold for us?

Let me now show you another chart. This time, each bubble reflects the share of exports destined for the EU. A smaller bubble means the EU accounts for a small share of a country's exports, while a larger bubble means the EU is a significant market. For reference, nearly 50 percent of Bangladesh's total exports go to the EU—a critical dependence.

On the vertical axis, we see the value of exports to the EU, in billions of dollars. The horizontal axis shows total exports to the world, and again, the size of the bubble reflects the EU's share in total exports.

Now, as we run this simulation from 1988, we observe that Vietnam's bubble was initially very small—virtually a dot. Meanwhile, even back then, the EU was already an important market for Bangladesh. Our bubble in 1988 is visibly larger.

As the simulation progresses, you can see Vietnam's exports rising rapidly. Its bubble grows, and it moves across the chart along with other dynamic economies. Let me slightly adjust the height of the graph to make this clearer.

By the end of 2023, Vietnam is far to the right, while Bangladesh remains somewhere in the middle. Yet our bubble is quite large—why? Because the EU remains our largest export destination. The EU is a vast and vital market—not just for us, but for many countries. That's why so many large bubbles are clustered around the EU in this chart.

Now, look at Vietnam. Its bubble is smaller, but its position has shifted significantly. It is exporting much more—both to the EU and globally. Because Vietnam's export base is more diversified, the share going to the EU is smaller relative to its total exports, which explains the smaller bubble. But in absolute terms, its exports to the EU have grown remarkably.

So, what is the key takeaway here? If changes take place in EU trade policy—especially due to the EVFTA—the impact on Bangladesh is likely to be far greater, precisely because of our higher dependence on the EU. That is the crux of what I want to emphasise.

As many of you know, the EU–Vietnam Free Trade Agreement (EVFTA) was signed, ratified, and came into effect in 2020. Under this agreement, the European Union is phasing out nearly all tariffs previously imposed on Vietnam's exports.

The sector that stands to benefit the most is apparel. Before the agreement, Vietnam already enjoyed the EU's standard GSP treatment, which provided some tariff reductions. But the FTA has gone further—not just removing tariffs, but also harmonising regulatory procedures. That's a major achievement. Regulatory alignment improves predictability, reduces costs, and facilitates compliance. These are often the hidden gains of FTAs that matter deeply for businesses.

Vietnam also undertook structural reforms to support implementation of the FTA, signalling strong commitment to a stable investment environment. It has liberalised services and opened up more broadly to foreign direct investment (FDI). The EVFTA includes a separate investment agreement, which is expected to further boost FDI—not only from the EU but from global firms using Vietnam as a production base for EU exports.

So while Vietnam is reaping these benefits, what is the concern for Bangladesh?

The concern stems from the fact that apparel is our dominant export. If Vietnam begins to capture a larger share of the EU's apparel market under the FTA, this poses a serious challenge for us.

In our paper, we call this a "dual concern." First, Vietnam now enjoys duty-free access to the EU under the EVFTA, while Bangladesh still relies on preferential access under the Everything But Arms (EBA) initiative. Second, after our LDC graduation—scheduled for November 2026—we will lose that preferential market access.

Let me show you another chart. This one compares the trajectory of total exports for Vietnam and Bangladesh, from 2002 onwards. In the early years, the export levels were quite similar. Then, in 2020, when the EVFTA came into force, we can observe a visible acceleration in Vietnam's export growth. That's the moment marked on the chart. Although there's a dip later on due to the EU's economic slowdown and inflationary pressures, the jump after the FTA's implementation is quite striking.

On the right side of the chart, you'll see apparel exports specifically. Here, Bangladesh remains ahead—for now. That's largely because we still enjoy duty-free access to the EU, and because the rules of origin under the EBA are relatively relaxed.

In general, our export basket is overwhelmingly dominated by garments—mostly knitwear and woven garments. For Vietnam, garments form only a small part of a much more diversified export structure that includes electronics, machinery, and equipment.

Another relevant trend is the global shift in the apparel market. China's share is declining as it moves up the value chain into high-tech sectors. In 2000, China held around 42 percent of the global apparel market. Today, that share is down to about 24 percent. The two countries that have gained the most from this decline are Bangladesh and Vietnam.

Bangladesh's global market share in apparel has risen from 2.6 percent in the early 2000s to 10.6 percent in 2023. Vietnam is not far behind, now holding an 8.6 percent share.

If we look specifically at exports to the EU, Bangladesh has benefitted most from China's retreat. But in the US market, where no duty-free access is available to any of the major players—Bangladesh, Vietnam, China, or Indonesia—it is Vietnam that has captured the largest gains.

This underscores the role of trade preferences. In the EU, we're ahead because of duty-free access under EBA and relaxed rules of origin. In the US, where tariffs remain—often between 12 to 18 percent—we're on a more level playing field, and Vietnam has been quicker to respond.

Now let me turn to the structure of our exports to the EU. Over 90 percent are garments, and 70 percent of those are cotton-based. By contrast, Vietnam's exports are far more diversified, and even within garments, over 70 percent are non-cotton or man-made fibre (MMF) apparel.

This composition matters. When we look at our top five apparel export items to the EU—worth around $18 billion—our market share is strong. For one key item, for example, we hold a 26.2 percent market share, while Vietnam's share is just 4.2 percent.

However, these top items are mostly cotton-based. In non-cotton categories, our performance is relatively weak. When we disaggregate further—looking at 15 key cotton-based apparel products—we find Bangladesh holds a 34.5 percent market share in the EU. Vietnam's share across these same items is just 3.1 percent.

This suggests that, at least in the short term, the EVFTA won't immediately displace Bangladesh, because we dominate in cotton-based products. But when it comes to non-cotton items—where the global market is expanding and where Vietnam is heavily investing—the picture is different.

In this segment, Bangladesh's current market share is around 13 percent. Vietnam is quickly catching up at 10.6 percent. They're clearly targeting this space. Under the EVFTA, 71 percent of Vietnam's tariff lines are already duty-free, with the remainder to be phased out by 2027.

Now, let's consider Bangladesh. After our LDC graduation in 2026, we'll enter a three-year transition period in the EU, lasting until 2029. Post-2029, under the current GSP+ framework, our exports—particularly garments—will face tariffs of around 12 percent due to safeguard clauses triggered by our large market share.

So we're looking at a stark reversal: Vietnam's average tariff of 9.6 percent is being phased out to zero, while Bangladesh's tariffs will rise from zero to 12 percent. That's a 21–22 percentage point swing—a major shift in competitive dynamics.

This slide is particularly insightful. The first key point is that under the EVFTA, the European Union categorised products based on their priority for tariff liberalisation. These categories include Category A, where tariffs are eliminated immediately upon the agreement's entry into force, and others such as B3, B5, and B7, where tariff elimination is phased in over three, five, and seven years, respectively.

If you look closely at the table—especially the right-hand column—you'll notice how strategically Vietnam has responded to these provisions. For products in Category A, which enjoyed immediate tariff removal, Vietnam has experienced notable export growth. These items recorded an 11.3 per cent increase, despite global economic headwinds, including the slowdown we ourselves have encountered in garment exports. Similarly, exports under Category B3, with a three-year phase-out, rose by 9 per cent. In contrast, sectors for which the EU has yet to offer any tariff preference have registered negative growth.

This pattern points to an important takeaway: Vietnam has aligned its export strategy with the tariff liberalisation schedule. It has actively expanded in areas where tariffs have already been eliminated while deprioritising sectors still facing duties. This kind of responsiveness to trade preferences stands in contrast to many LDCs, which often fail to fully leverage the opportunities presented by such arrangements.

Essentially, this slide summarises how Vietnam's export performance is directly aligned with the liberalisation timeline set out under the EVFTA—across Categories A, B3, B5, and B7. While the specific product composition of these categories may not be our central concern, the broader message is clear: Vietnam's export growth is visibly responding to the phased reduction of tariffs.

Now, some of you might ask: is there conclusive evidence that this export growth can be attributed directly to the EVFTA? Could it be a coincidence? To address such questions, economists often use modelling techniques—one of which is the synthetic control method.

What does this approach involve? In essence, we create a hypothetical, or synthetic, version of Vietnam using data from a set of comparable countries that didn't sign an FTA with the EU. By observing how key indicators influence exports, we compare Vietnam's actual export performance with this counterfactual trajectory to assess the real impact of the EVFTA.

Looking at the first chart, the red line represents Vietnam's counterfactual exports—that is, the estimated level of exports had the EVFTA not been implemented. Alongside it, we plot the actual observed exports. The gap between these lines illustrates the agreement's effect. Additional charts further compare Vietnam's total exports and its apparel exports specifically against synthetic control counterparts. In each case, the results are consistent: the EVFTA has made a significant, positive contribution to Vietnam's export growth.

That said, the EVFTA is not without its challenges. One major issue concerns rules of origin. For Bangladesh, as an LDC, exporting to the EU requires only a one-stage transformation. For example, we can import fabric, produce garments, and still qualify for duty-free access. Similarly, knitwear made from locally produced yarn meets the requirements.

Vietnam, by contrast, faces more stringent rules. The EVFTA mandates double transformation, meaning garments must be made using domestically produced fabric to qualify for zero tariffs. Simply importing fabric—say, from China—and performing minimal processing won't suffice. This demands a much higher level of backward integration, which is complex and capital-intensive.

This issue isn't confined to garments. Take bicycles, for example. The EVFTA requires 50 per cent local value addition. Vietnam cannot simply import components—seats from Japan, steel frames from China—and assemble them for export. These requirements are undoubtedly a constraint for Vietnam, but they also level the playing field somewhat, presenting an opportunity for Bangladesh.

Currently, Vietnam relies heavily on Chinese inputs: 67 per cent of its fabric imports come from China. This dependence limits Vietnam's ability to fully exploit the EVFTA preferences. However, Vietnam has acknowledged this challenge and is investing significantly in backward linkages.

This is highly relevant for Bangladesh. In our RMG sector, we've long discussed the need to expand man-made fibre capacity, but actual progress has been limited. In contrast, Vietnam is already moving. Its value added to gross output in the textile industry is on the rise—a notable shift for a country previously seen as an export platform with low domestic value retention.

Moreover, the EVFTA is not only a trade agreement—it also includes a complementary investment agreement, which is expected to catalyse further foreign direct investment into Vietnam. Already among the world's top FDI recipients, Vietnam is projected to see a 10–20 per cent increase in inflows due to this deal, according to some estimates.

To understand what all this means for Bangladesh, we conducted a modelling exercise using a global general equilibrium framework, specifically the well-established GTAP (Global Trade Analysis Project) model. This model integrates data from 141 economies, allowing us to examine how changes in one country ripple through global trade and production networks.

At RAPID, we simulated two scenarios.

- Simulation 1 assesses the EVFTA's impact on Bangladesh in isolation, without accounting for LDC graduation.
- Simulation 2 combines the EVFTA's impact with the additional effect of Bangladesh's LDC graduation and consequent loss of trade preferences.

In both simulations, we account for the rules-of-origin constraints Vietnam faces. In Simulation 1, if we ignore these constraints (which is less realistic), the model suggests Bangladesh's exports would decline by 3.1 percentage points. But once we include the rules-of-origin requirement—which, in practice, limits Vietnam's utilisation of the FTA—the estimated export loss drops to 1.8 percentage points.

In Simulation 2, when we factor in both the EVFTA and Bangladesh's LDC graduation, the effect becomes far more severe. Without considering rules-of-origin, the model projects a 21 per cent decline in Bangladesh's exports. With the constraint factored in, the decline is slightly smaller—20 per cent.

What should we conclude? The EVFTA on its own represents a manageable challenge. However, when paired with the withdrawal of LDC preferences upon graduation, the combined effect is substantial. Most of the projected export losses for Bangladesh are not due to the EVFTA per se, but to the changes brought about by graduation.

To conclude, these findings are not intended to provoke alarm, but rather to highlight the seriousness of the situation. Whether the precise impact is 20 per cent, 10 per cent, or 5 per cent is open to debate—models are not perfect. They're simplified versions of a complex world, and their outputs depend heavily on assumptions.

Still, the direction of the message is clear: our competitiveness is under pressure, and these pressures are growing. So, what can we do? Several pathways deserve serious consideration:

- First, we should engage with the European Union to explore potential flexibility within the GSP+ framework. This could involve requesting an extension of the transitional period beyond the current three years—something that is not without precedent in EU trade arrangements.

- Second, we should negotiate for more relaxed rules-of-origin requirements under GSP+. The current double transformation rule and the 50 per cent value addition threshold are challenging for many exporters.

- Third, we must urgently move towards full implementation of the 32 international conventions required for GSP+ eligibility. While we have ratified all of them, implementation remains uneven and time is running out.

- Fourth, we could pursue an FTA with the European Union. Admittedly, this is ambitious. The EU will conduct its own cost-benefit analysis, but Bangladesh—with its growing market, youthful population, and strategic significance—could make a compelling case in the current geopolitical context.

In parallel, we need domestic reforms. Compliance with evolving EU standards—labour rights, environmental safeguards, and carbon regulations—will be critical under mechanisms like the EU Due Diligence Directive and the Carbon Border Adjustment Mechanism.

Improving firm-level competitiveness is equally vital. That means enhancing productivity, investing in management capabilities, and supporting innovation.

We must also prioritise export diversification—both within garments (towards non-cotton, man-made fibre-based products) and beyond the RMG sector altogether. That has been a long-standing challenge, but the urgency is now greater than ever.

Other areas needing attention include infrastructure and logistics, and reducing the cost of doing business. I'm sure Dr Mashrur Reaz, an expert on these issues, will have valuable thoughts to share.

Lastly, we must take EU sustainability and carbon policies seriously. These are no longer peripheral concerns—they will increasingly determine market access and competitiveness.

That's all from me for now. Thank you very much for your time and attention.

Panel Discussion

Dr Shamima Nasrin, Director of Research and Capacity Development & Joint Secretary, Governance Innovations Unit in the Chief Advisor's Office

Panel Contribution

Thank you very much for giving me this opportunity. I truly feel honoured to be here. This is my first time speaking in front of such distinguished individuals and researchers, and it is indeed a great privilege for me.

First of all, I'd like to express my gratitude to RAPID and Dr Razzaque for the enlightening presentation. It was thoroughly evidence-based and demonstrated the use of rigorous scientific research to highlight how competitive we need to be in the current global landscape. This is an extremely important issue.

Let me address the final point of the lecture regarding the concessional period. As we all know, since 2018, we have been aware of our impending graduation from LDC status. Now, in 2024, we are still discussing the concessional period and how long we can rely on it.

Our export basket remains heavily reliant on the RMG sector, and the term "export diversification" has been a long-standing topic of discussion. However, to what extent have the government, the private sector, and all of us collectively taken meaningful initiatives to achieve diversification? The question lingers. Are we going to continue discussing export diversification for another three or more years without actionable outcomes? There is no doubt about the need for diversification, as was evident in today's presentation and discussion.

From the recommendations presented, I would like to focus on one particular issue: the GSP+ facilities and the need for compliance with the 32 international conventions. I am unsure to what extent Bangladesh can meet these high standards and expectations. Instead, we should prioritize negotiation. We must engage our commercial counsellors stationed in Brussels and Geneva to actively negotiate and minimize some of these requirements. This would allow Bangladesh to secure preferential treatment while continuing to work on export diversification.

Dr Razzaque also mentioned the importance of backward linkage industries, an area where we are already making progress. However, there are gaps that need to be addressed, and efforts to establish more backward linkage industries should be intensified.

Regarding export diversification, I recall one of your reports identifying numerous sectors and areas with potential. Now is the time to act. We must move beyond discussions, seminars, and papers to tangible reforms and visible implementation. It is action, not dialogue, that will yield results.

The EVFTA has served as a wake-up call for us, and perhaps that is why we are gathered here today. Let us use this opportunity to translate discussions into reality and take decisive steps toward securing our economic future. But this is not the end of the discussion. If we think about this differently, it could be an opportunity for us to rethink, revitalize the economy, and become more competitive. This is the time to focus on quality rather than relying solely on preferential agreements from other countries.

We can leverage this situation to enhance our country's brand. In the garment sector, for instance, we have made significant progress in compliance. As you may already know, Bangladesh is home to a substantial number of LEED-certified factories.[2] This is something we can proudly showcase to the rest of the world, proving that we are aligned with international compliance standards. Highlighting this will not only strengthen our image but also help attract more foreign direct investment.

At this point, it is not just about discussing plans; it is time to see results and take decisive actions. I believe we have esteemed representatives here from the EPB and the Ministry of Commerce. Perhaps they can share with us the steps that have already been taken. The next time we convene, I hope we will have concrete achievements to showcase, demonstrating how we have diversified our export basket.

Our goal should be to emulate examples like Vietnam, showing that we are no longer solely dependent on the RMG sector. Instead, we should have multiple thriving sectors driving our exports.

Thank you very much for giving me the opportunity to speak.

Dr Mashrur Reaz, Chairman of the Policy Exchange in Bangladesh

Panel Contribution

Let me begin by extending my heartfelt congratulations to RAPID and FES for conducting this timely study. It comes just as the EU-Vietnam FTA takes effect and as Bangladesh grapples with the dual challenges of LDC graduation and the broader need for economic diversification to achieve its next phase of development. Razzaque Bhai, your presentation was, as always, outstanding: rich in insights and grounded in solid data. What stood out to me was the clear implications you presented, particularly how Vietnam had already started preparing and repositioning its export strategy even before the FTA with the EU came into effect. It is also reassuring to see that there are opportunities for Bangladesh within this scenario. The entry points have been well-identified. However, whether we can capitalize on them remains an open question, and one that depends largely on our preparation and strategic actions.

I want to focus on why trade agreements, be they FTAs or comprehensive Economic Partnership Agreement (EPA) frameworks,[3] are so critical for Bangladesh. For example, the Ministry of Commerce is currently negotiating with Japan, has made announcements regarding Singapore, and is exploring an EPA with India. These agreements are not merely options but necessities for the next stage of our growth. Bangladesh's economic aspirations, including job creation, export growth, and attracting investments, hinge on diversifying both our product base and export markets. Currently, 84 percent of our exports come from the RMG sector, and 98 percent of all exports go to traditional markets. Less than 2 percent target new markets or buyers. This overdependence on RMG and traditional markets is a risk. If we are to achieve the $100 billion target in RMG exports, an ambition jointly voiced by the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA), and the government, we must look beyond the status quo.

Global dynamics add further urgency. First, global regulations and consumer preferences are evolving rapidly. The EU Green Deal, Germany's Supply Chain Act, and other frameworks around human rights and environmental due diligence, are reshaping trade. Buyers such as H&M are introducing requirements like renewable energy compliance, where at least 30 percent of production must use renewable energy by 2030. Even if Bangladesh remains price-competitive, failure to align with such demands could shut us out of key markets. Second, global trade relations continue to shift. The US-

[2] Leadership in Energy and Environmental Design (LEED) is a green building certification programme developed by the US and used worldwide.

[3] An EPA is a closer, more intricate trade agreement than an FTA, covering not only tariffs on traded goods but also aspects regulating the flow of services, investment, government procurement, and dispute resolution.

China trade tensions initiated in 2016 have persisted and evolved under the Biden administration, creating both challenges and opportunities. These dynamics underscore the need for preparedness, supported by trade frameworks that enhance Bangladesh's competitiveness.

The policies started by US President Donald Trump in 2016 were initially expected to subside from 2020. However, the impact has persisted, with the Biden administration continuing certain elements. While the tariff war with China has de-escalated, the US has introduced stricter measures, particularly on technology-intensive imports from China, which are likely to intensify again in future. This situation presents opportunities for Bangladesh, but its ability to capitalize on these opportunities depends on the country's preparation. A key part of this preparation is ensuring that Bangladesh has the necessary trade frameworks and competitive capacity to benefit from such opportunities.

On the domestic front, Bangladesh's graduation from the LDC status, as highlighted by Dr Razzaque, demands serious consideration of the potential impacts, especially the erosion of trade preferences and the loss of policy space, such as the ability to provide incentives. Moreover, Bangladesh still grapples with long-standing structural weaknesses, including competitiveness issues, which have hindered progress in export diversification. Despite ongoing discussions on the need for diversification, tangible progress has been limited. The country's competitiveness lags behind its potential and certainly behind that of its competitor countries.

This is where trade agreements become highly relevant, both for Bangladesh and for its competitors. For example, the Vietnam-Japan FTA, which came into effect in 2009, significantly boosted Vietnam's exports and FDI. In 2008, Vietnam's exports to Japan were $9 billion, but by 2022, they had reached $25 billion. FDI from Japan into Vietnam rose from $1.1 billion in 2008 to almost $3.5 billion in 2022, with the total stock of FDI from Japan in Vietnam reaching $71 billion by 2022. This demonstrates how FTAs can substantially improve economic relations, particularly for smaller economies engaging with more prosperous trading blocs.

Additionally, FTAs and trade agreements can catalyse domestic reforms. They often go beyond tariff reductions, providing a framework for deeper trade reforms and enhancing the competitiveness of the domestic economy. One important benefit of trade agreements is the "lock-in effect", where reforms, once implemented, are more difficult to reverse. In countries like Bangladesh, this is crucial, as vested interests often push for the reversal of reforms. An example of this is Bangladesh's value-added tax (VAT) law, which was approved by parliament in 2012. Although it was a well-designed, taxpayer-friendly law that was revenue-positive, its implementation has faced challenges due to political pressures and vested interests. During the implementation gap period, the VAT law in Bangladesh was altered due to vested interest pressures, resulting in a change that made the 2018 version far worse than the original. The law reverted to the old excise mentality of the 1991-92 period, undermining the progress made earlier. This highlights a crucial point: when reforms are enacted under trade agreements, it becomes extremely difficult for governments to reverse them due to their binding nature. Once these reforms are embedded, particularly in trade agreements, they are hard to undo, which provides stability for long-term economic planning and growth.

This aspect of trade agreements is especially significant for small and medium enterprises (SMEs), which can benefit from preferential tariff treatment and increased access to services through the provisions typically included in FTAs or Economic Partnership Agreements (EPAs). Additionally, these agreements often open doors for SMEs in public procurement, which is usually a challenging area for smaller businesses. Such provisions can empower SMEs and improve their competitiveness in both domestic and international markets.

However, as the example of Vietnam demonstrates, entering into these agreements requires significant preparation. Without adequate readiness, the country could experience dislocating effects. Vietnam, starting with the *Đô'i Mó'i* economic reforms in the late 1980s, undertook a series of comprehensive and complementary reforms that enabled it to become integrated into global value chains. By the time Vietnam signed agreements like the EVFTA, it was already better positioned than Bangladesh in several key areas.

For instance, in the Logistics Performance Index [compiled by the World Bank in 2023], Vietnam ranked 43rd, whereas Bangladesh was 88th. In terms of regulatory quality, which influences business operations, exports, and FDI, Vietnam scored -0.4, while Bangladesh's score was worse at -0.9. The skills index also reflected a significant gap, with Vietnam ranked at 54th and Bangladesh at 94th. When it came to technology in exports, Vietnam's share of medium and high-tech products in its total exports was 38.6 percent, whereas Bangladesh's was only 1.86 percent, with [only medium-tech and] no high-tech exports at all.

Additionally, Vietnam's trade facilitation measures, such as the performance of its Hai Phong Port, ranked 63rd in the 2021 Container Port Performance Index, while Bangladesh's Chattogram Port ranked much lower at 341st These statistics illustrate the level of preparedness that Vietnam had achieved, not just for the EVFTA but for global competitiveness in general.[4]

Vietnam's success in signing and benefiting from trade agreements like the EVFTA was driven by its strategic investment in improving its overall competitiveness, from infrastructure to regulatory frameworks and technological capabilities. Bangladesh, in contrast, still faces significant challenges in these areas, which need to be addressed if it is to capitalise on similar trade agreements in the future.

This is where Bangladesh falls behind, and the need for immediate action is critical. While we should have started this journey 10 years ago, it is still not too late to begin. As Dr Razzaque mentioned, one of the reasons Vietnam was able to attract such high levels of productive capital, both domestic and foreign, was its high-quality investment climate. Last year, Vietnam exported $114 billion worth of light manufacturing goods, including electrical and machinery products. A significant portion of this, around $50 billion, came from mobile phones and mobile components, with $40 billion coming from Samsung products. This could have been Bangladesh's opportunity, as Samsung initially sought to set up its factory in the Korean Export Processing Zone in Bangladesh. However, after waiting for three years without receiving final approval, the company moved to Vietnam in 2011, and its success led to the establishment of 176 South Korean firms within the value chain, ultimately driving the entire sector's growth. This highlights how critical a conducive business environment is for attracting investment and driving export success.

Logistics is another major area where Bangladesh lags. Port efficiency alone is not enough; the entire logistics ecosystem, including hinterland connectivity, multimodal transportation, storage systems, inland container terminals, and inland container ports, must be integrated and improved. For instance, if Bangladesh could double the speed of container-carrying trucks along the Dhaka-Chittagong corridor, from an average of 20 km per hour to 40 km per hour, exports could rise by 8 percent, according to a World Bank study. Improving such efficiency is crucial to accessing high-end European markets, where standards are stringent.

Vietnam has also excelled in agri-business, with exports reaching $40 billion in 2019. Notably, 47 percent of Vietnam's agricultural products already met the European Union's standards. Bangladesh needs to work on achieving similar standards to unlock access to these markets. Finally, a significant gap between Bangladesh and its competitors lies in productivity growth. This is directly linked to the adoption of technology and the enhancement of skills. A clear, complementary strategy focusing on increasing both technological adoption and skill development is essential for boosting productivity and, in turn, improving overall competitiveness.

[4] Editorial note: In 2022 the spread between Vietnam and Bangladesh was much less, with those ports ranking 140th and 307th, respectively. So from 2021 to 2022, it seems Vietnam's performance dropped considerably, while Bangladesh's improved.

In conclusion, Bangladesh must focus on improving its business environment, logistics, standards in key sectors like agriculture, and productivity through technology and skills development. It's imperative to take strategic actions now to prepare for future trade opportunities and to compete effectively in global markets. Thank you for the opportunity to speak.

Ms Ferdaus Ara Begum, Chief Executive Officer of the Business Initiative Leading Development (BUILD)

Panel Contribution

Thanks to our moderators and for the engaging presentation we have just heard. I always look forward to Dr Razzaque's presentations because he has a unique ability to make complex issues highly engaging and accessible. His articulation, coupled with the simulations he presented, provided a comprehensive and accurate picture of what Bangladesh needs to do at this critical juncture, and the associated risks. The analysis of trade diversions and the dual trade preference erosion was particularly insightful. One aspect is related to the EBA initiative and the implications of LDC graduation, and the other is Vietnam's enhanced market access in the European Union. Both issues are significant and well highlighted in the presentation.

However, I would like to add a third major risk that Bangladesh will face: the European Green Deal. Although it was touched upon briefly, I believe this issue will become a critical challenge for Bangladesh in the coming years. Addressing these environmental standards will be no small task and requires immediate, strategic attention.

One of the most important takeaways from the presentation is Vietnam's diversified export portfolio, which stands in stark contrast to Bangladesh's reliance on RMGs. Vietnam's exports include a significant share of machinery and high-tech goods, which has been key to their success. Encouragingly, as highlighted, Bangladesh may face relatively lower risks in the non-cotton segment of the market. However, strict rules-of-origin and related compliance issues will remain a challenge, even for Vietnam. Bangladesh must therefore focus on understanding and navigating these complexities.

Another vital point raised is Vietnam's ability to attract substantial FDI. Vietnam has utilised its FTAs extensively and strategically, as noted, while many countries fail to capitalize on such opportunities. Vietnam's intelligent use of these agreements has been a cornerstone of its economic transformation, making it a model worth studying for Bangladesh.

So, I think the trade statistics that we have seen, and which you have also mentioned, highlight Bangladesh's heavy reliance on RMGs, with 92 percent of total exports going to the European Union. In the case of footwear and other products, while Bangladesh does have some competency, Vietnam is a stronger competitor. Vietnam exports 11.6 percent of its total exports of footwear-related products to the EU, while Bangladesh's contribution is only 2.7 percent. With full integration, Bangladesh is likely to face severe competition from Vietnam in this sector.

Additionally, in your paper, you highlighted non-tariff barriers such as sanitary and phytosanitary issues, corporate social responsibility concerns, and intellectual property rights, which Bangladesh is not adequately prepared to address. Although Vietnam will also face these challenges, Bangladesh's lack of preparedness makes these issues more difficult to tackle here.

In light of these challenges, I would like to highlight some risk factors that Bangladesh is likely to face, which Vietnam may overcome more easily. One important aspect is the EU's Eco Design for Sustainable Products Regulation (ESPR). As we know, the EU is placing increasing emphasis on ESPR, particularly regarding the quality of new textiles entering the EU market. They are focusing on recycled fibre content and durable clothing, which could pose a challenge for Bangladesh. As I mentioned earlier, ESPR issues are a third challenge for Bangladesh. European brands are working with local firms to address these issues so they can continue exporting to the EU.

The Carbon Border Adjustment Mechanism, as raised in your paper, is another significant challenge. Vietnam has made progress in this area, while Bangladesh still faces limitations. Furthermore, as it relates to the use of recycled fabrics and fibres and the imposition of renewable energy requirements by the EU, Bangladeshi exporters of RMGs now need to obtain renewable-energy certification(REC), which will incur additional costs. In this regard, if the Sustainable and Renewable Energy Development Authority (SREDA) can help by providing this certification for exporters of RMGs, it could be beneficial to their operations.

The GSP+ consideration, which you rightly mentioned, is also an important issue. Bangladesh has already ratified the 32 Conventions necessary for eligibility, but implementation challenges persist. While the government is making efforts, some of these issues are difficult to address effectively.

With these challenges in mind, I would like to propose a few recommendations. As mentioned, if Bangladesh could push for an extension of exemptions after graduating from LDC status, this could be very beneficial. I would also suggest that representatives of the World Trade Organization here could assist in extending these exemptions for an additional three to five years, as this would significantly help Bangladesh during the transition period.

Let me just add, as Dr Mashrur has already covered many of the issues, I would like to mention one additional point. In Bangladesh, the import of waste textiles is not allowed. However, we have seen that the EU is now interested in exporting unsold or old clothes. They have also requested that, if they can export these unsold or repaired clothes, it could be possible for Bangladesh to manage the traceability and sorting issues. This would allow the country to process and eventually export these items to the EU. While the infrastructure for recycling in Bangladesh is not fully developed, this could serve as an alternative. The EPB vice chair [Mr Mohammed Anwar Hossain] is here, and they may want to consider this option. We could look into importing old or repaired clothes to be recycled in Bangladesh, which could address the issue of waste textiles while benefiting from the export market.

Lastly, I would like to add a point in agreement with Dr Mashrur. Although we are not yet in a strong position, as highlighted in the presentation, three quarters of the total RMG exports are concentrated in only five to six products. Within the RMG sector, if we can diversify beyond these products and increase the number of products [with high export volumes] to 15, as shown in the presentation, it would certainly be helpful. Product diversification in the RMG sector is crucial. Furthermore, market diversification is another important aspect. Our market concentration is currently limited to a few markets, such as the European Union and the US. However, Eurasian markets could be a potential area for expansion. While the government is thinking about this, we have not yet seen significant improvements in this area. If this issue is addressed and advocacy efforts are strengthened, we can expect to see further progress in the future.

With that, I would like to conclude. Thank you so much for giving me the floor.

Mr Abu Syed Belal, Trade Counsellor, EU Delegation to Bangladesh

Panel Contribution

The EU-Vietnam FTA is unlikely to significantly affect Bangladesh's competitiveness in the EU market, particularly in garment exports. Some ripple effects may emerge in the long term as Bangladesh prepares for its graduation from LDC status, which will result in the loss of the Everything but Arms (EBA) preferential trade benefits in the EU IN 2029.

To mitigate this challenge, the European Union has already presented a pathway to Bangladesh, which is to implement the National Action Plan on the Labour Sector (2021–2026). Meaningful labour reform is critical not only for mobilising political support within the EU for Bangladesh's potential transition to the GSP+ regime but also for addressing issues like the safeguard measures on textile exports that GSP+ beneficiaries encounter when they gain competitiveness in the EU market.

That said, Vietnam's success come from more than just preferential market access. Prior to the EU-Vietnam FTA, Vietnam only had access to the standard GSP, which is less favourable than the EBA currently available to Bangladesh. Vietnam's competitive edge lies in its policies that have significantly improved ease of doing business and fostered substantial trade and investment opening. These structural and policy reforms have been key to Vietnam's economic progress and competitiveness in global markets.

Bangladesh need to focus on three key strategies to enhance its competeviness: One is regional integration. Vietnam is deeply integrated regionally through its membership in ASEAN and over a dozen free trade agreements. It benefits from strong connections to supply side through close proximity to China, Cambodia, and Thailand and integration into global value chains. It is also well connected to the demand side as global industrial giants are operating in its advanced high-tech sectors.

In contrast, Bangladesh is one of the least integrated economies globally. Addressing its significant supply-side constraints requires greater participation in regional and international trade agreements to secure access to essential industrial inputs and attract more foreign investment.

Adopting an innovative Industrial strategy and more open trade policy is another one. In 1990, both Bangladesh and Vietnam had similar industrial profiles, with exports around $2 billion each. Both tried to pursue export-led growth, but their approaches diverged to a great extent. Vietnam adopted an export-oriented industrial strategy with significant trade and investment liberalisation, attracting foreign investment. Today, it is a leader in both consumer and capital goods exports, with electronics accounting for over 30% of its exports. Bangladesh, on the other hand, took a dual approach: it has cultivated an export-oriented and import-dependent RMG sector, focused on preferential market access, and maintained a highly protected domestic economy with longstanding safeguards to import substituting conglomerates who mainly cater to the local consumers. After initial trade liberalisation in the 1990s, Bangladesh gradually walked back to protectionism, creating one of the most protected trade regimes globally. This has hindered export diversification and deterred FDI, as restrictive trade policies discourage foreign investment. Long-standing preferential market access has created a comfort zone, but stifled innovation, risk-taking, and industrial upgrading. Bangladesh's exports still hover in consumer goods, while Vietnam successfully landed in capital goods value chain. Bangladesh's economic model thus needs to evolve to reduce reliance on protectionism and foster export diversification and FDI.

Last but the not the least, the country needs to strongly embrace social, environmental, and digital transitions as a future marketing strategy.

Reducing trade deficit is key to ensuring economic stability. Moving to renewable energy sources and circular economic practices can not only reduce import dependence but also serve as a marketing strategy in rapidly changing global supply chains. While there have been improvements in labour rights, further progress is needed to maintain uninterrupted access to European markets, particularly in light of the EU's new supply chain due diligence legislation coming into effect in 2027.

With that, I would like to conclude. Thank you so much for giving me the floor.

Dr Mahfuz Kabir, Research Director of the Bangladesh Institute of International and Strategic Studies

Panel Contribution

Thank you. Honourable chief guest, special guest, the keynote presenter Dr Abdur Razzaque, the panellists, esteemed guests, and journalist friends. It's truly a pleasure to be here. As always, Dr Razzaque and his team, Jillur and Syful, have produced an excellent paper, both technical and policy-driven.

I have just a few points to make.

The first point is regarding the technical rigour. I would say that the synthetic control approach and the use of the GTAP model are both highly effective in generating key insights, such as the possible impacts of different simulation schemes. These numbers provide a roadmap for what needs to be done to mitigate the decline in exports.

The second point is about what lies ahead due to the EVFTA. As we've already seen from the presentation, the composition of the export basket is entirely different. For Vietnam, it includes both skill- and technology-intensive goods, which they export not only to the European Union but also to the rest of the world, including the US.

If we examine Vietnam's presence in the US market, their apparel exports are double those of Bangladesh. From January to September 2024, Bangladesh's apparel exports were around $6 billion, whereas Vietnam's stood at approximately $12 billion. Vietnam is just behind China in this market and is poised to surpass China's exports to the US. A similar trajectory is likely in the European Union, where Vietnam is set to emerge as a dominant apparel exporter.

Why is this happening? It's not only due to Vietnam's strategy but also because of pressure from China. With policies such as those implemented during Trump's presidency, where tariffs were a focal point, Chinese factories have faced significant challenges, prompting a relocation of investments. Vietnam is a natural beneficiary of this shift.

Moreover, we've observed Vietnam's rapid adoption of technology. This transformation is not solely driven by Vietnam's interests but also by China's need to reposition itself. China is actively relocating its industries, enhancing Vietnam's technology base, and supporting a shift towards higher-value RMG products for the international market.

Take, for example, their advancements in denim production and the preferences of European Union consumers; this is a clear indication of how Vietnam is adapting to meet global demand. So, what is our stance? It seems that we will remain focused on cotton-based products, as we have a competitive advantage in that area. Significant investments have already been made in denim production. Nowadays, we have some entrepreneurs in Bangladesh who use minimal water and electricity in their denim manufacturing, aligning with the preferences of European Union consumers. Currently, one in three EU consumers uses Bangladeshi denim products. This demonstrates a strong preference for Bangladeshi goods, which cannot be easily or quickly replaced by Vietnam.

We have a well-established comparative advantage that is likely to persist. In one of my recent papers, I found that the export elasticity is very high. If a 12-percent duty were imposed on the European market, the export decline would be about 90 percent, aligning with Dr Razzaque's simulation results. While such a shift will occur, it will not happen overnight; it will be gradual.

To my understanding, the transition period has a dual significance. First, it provides breathing space for us to adjust our industrial base. Second, it gives buyers time to relocate their business operations. This two-sided interpretation is critical to understanding the implications.

Recently, we've observed that Bangladesh has maintained a strong, long-standing relationship with buyers. However, during the 20 days of student-led mass upsurge in July-August 2024, around 20 percent of orders were shifted to Vietnam and other competitor countries. This shows how quickly changes can occur. The EVFTA will undoubtedly have an impact, but its extent and which specific industries are affected remain key questions.

We can expect substantial changes in the RMG sector and the global export landscape. Policy options will play a critical role, with environmental issues likely to be among the most significant. For instance, we've already heard about the European Carbon Border Adjustment Mechanism and the Green Deal.

Many Bangladeshi factories have been converted into green, environmentally compliant operations, and they also adhere to social compliance standards. This is a positive step, but it does not yet apply to all factories. We need to expand these efforts to strengthen our position in the market and ensure long-term sustainability.

In the internal value chain, many factories are small in size and capacity, and they are struggling significantly. For instance, producing a T-shirt earns them around 60 cents on average, which is a very low margin. This is concerning when compared to products like suits or other design-intensive RMG products, which offer much higher value addition. Moving towards these higher-value segments is critical for the future of Bangladesh's apparel industry.

Historically, Bangladesh has been renowned for its muslin, once considered the finest clothing material in the world. While this heritage is remarkable, our current offerings do not create a strong or distinctive image in the global market. We need to diversify and align more closely with the demands of the international market to remain competitive.

The second point concerns GSP+. Will it benefit Bangladesh significantly? This is a pressing question. As Dr Razzaque has pointed out in various fora, the potential benefits may not be as substantial as expected. Moreover, the conditions tied to GSP+ include compliance with 32 international conventions. Importantly, these conventions are assessed subjectively. Bangladesh must convince evaluators that it has implemented these conventions to international standards, not merely local standards. Achieving this will be a considerable challenge.

There are no definitive conclusions in politics or trade. For example, last year, [Ambassador and Head of the EU Delegation] Charles Whiteley mentioned that he did not foresee the possibility of signing an FTA with Bangladesh. However, the situation appears to have evolved. With a more favourable environment now, discussions could begin.

That said, Bangladesh's history of signing FTAs is not encouraging. Discussions on a Bangladesh-India FTA began around 2005-2006, yet we are still waiting for progress on signing the EPA, and its conclusion remains uncertain. Bangladesh lacks significant experience in negotiating and finalizing bilateral FTAs. For instance, while there has been talk of an FTA with Japan, any substantial progress remains unclear.

However, there are encouraging developments, such as Japan's recent announcement regarding investment in Bangladesh. While the outcome of this remains uncertain, it underscores the importance of pursuing FTAs.

If we review the literature on LDC graduation, it becomes evident that Bangladesh needs bilateral FTAs or regional arrangements to secure market access [beyond 2026]. This holds particularly true for the European Union. Without an FTA or regional framework, maintaining competitive market access will be challenging. The need for such agreements is both urgent and critical. My final point concerns environmental compliance. We have made significant strides in establishing green factories and maintaining environmental standards. However, we need to progressively adopt advanced technologies to achieve a comprehensive green transformation. For example, the concept of RRR, reduce, reuse, and recycle, is gaining traction. While some RMG factories in Bangladesh are focusing on recycling, we must broaden our scope to incorporate all three aspects of RRR.

Other countries, such as Thailand, are experimenting with Bio-Circular-Green (BCG) Economic Model, integrating it into a circular economy framework. This is becoming the global norm, and we must aggressively pursue similar initiatives. In this regard, China can be an invaluable partner, as they offer some of the most affordable green technologies. Strengthening cooperation with China could accelerate our green transformation efforts.

Additionally, we must recognise the transient nature of trade relationships. If we assume that our long-standing ties with the European Union or other markets will endure indefinitely, we are mistaken. Trade relationships are inherently short-lived, and we must continuously strive to make a positive impression to ensure that key markets, including the EU, remain engaged with Bangladesh.

That concludes my remarks. Thank you very much.

Mr Fazlee Shamim Ehsan, Executive President, Bangladesh Knitwear Manufacturers & Exporters Association (BKMEA)

Panel Contribution

Thank you to RAPID and FES for organising this programme, and to Dr Eusuf and Dr Razzaque for inviting me to participate, it's always an opportunity to enlighten myself. I make it a point never to miss a RAPID programme because I consistently learn new things from both of you. Thank you.

I won't take much of your time as it's already 12:30, and our Chief Guest and Special Guest are present. Everyone is eagerly waiting to hear from them.

However, I see things a little differently, if I may, with due respect to Dr Razzaque. I don't believe we will lose 20 percent or 25 percent of our market share as projected. My perspective is that our growth will slow down, and we may not see significant growth in export volume, but I don't foresee any major loss in the current volume due to the FTA.

Why do I say this? It's based on my observations from recent visits to Vietnam and China, three times in the last two months. I've seen that they are grappling with significant challenges in their workforce. They simply don't have enough workers to increase productivity. The Vietnamese people, for instance, no longer prefer working in the RMG and textile sector, considering it a low-prestige job. Even if they earn less, they are more inclined towards sectors like electronics, which they perceive as more prestigious.

Moreover, Vietnam's internal economy is growing robustly, and its local market is becoming increasingly lucrative. Industrialists there often find it more profitable to sell locally rather than export under stringent conditions. This shift reduces their reliance on international markets, creating space for others. While Vietnam may gain market share from orders relocating from China, this does not necessarily mean Bangladesh's export volumes will decline.

I believe our growth may stagnate or be disrupted under the current circumstances, but I don't see a reduction in export volume.

Thanks also to Dr Mashrur Reaz for explaining the challenges in logistics and the business environment so effectively. While we often discuss these issues, hearing them articulated by individuals like you resonates more with decision-makers, including Mr Anwar and our honourable secretary.

Mr Anwar, you understand these challenges deeply, as does Ms Begum, who has worked closely with us. She rightly pointed out that the green energy transition will be very challenging. I personally feel that the EVFTA and the push for green and circular practices will present even greater challenges for us in the future. The EU's Green Deal is a case in point; we don't even have a smart grid in place yet.

As Ms Begum mentioned, we are exploring renewable energy options through SREDA, but without a smart grid, how can we efficiently manage the flow of green energy? How much green energy is the Bangladeshi government purchasing from Nepal or Bhutan? And how much of it is being distributed locally? We need to address this infrastructure gap urgently.

Finally, on the topic of diversification: I have been on the BKMEA board since 2004, and my very first meeting at the Ministry of Commerce was about product diversification. Almost 21 years have passed, and we are still talking about diversification. I urge the chairman and vice-chairman of EPB to approach this differently.

For the last 20-25 years, we've been studying which products could replace RMG. I believe this is a flawed mindset. We don't need to replace RMG. If RMG generates $50-60 billion per year, why not create another sector that could bring in an additional $100 billion? Why talk about replacing something that works so well? Let's focus on creating new opportunities without jeopardising the strengths we already have.

So now I request you to conduct a study: why is it that our declared thrust sectors have failed to gain export share over the past 10 years? Every year, we declare new sectors as thrust sectors, but they don't seem to succeed. Why is that? This understanding is critical because, without it, we'll continue to make the same mistakes.

I still remember in 2004 when plastic products were declared as a thrust sector by the government. I immediately established a factory for polybags and accessories, seeing it as a promising opportunity. However, I failed and had to sell the factory at a huge loss. The issue was that, while it was declared a thrust sector, there was no corresponding policy support.

We need to study why these sectors have failed in Bangladesh. Why has the toy sector, for instance—a massive global industry—failed to make its mark here? We need to understand the reasons, not just look for new sectors to declare as thrust sectors.

Another reason diversification is challenging is the lack of utilities and financial support over the past several years. The banks don't have enough funds to back large investments. Take man-made fibres as an example: This is a massive industry requiring significant investment and uninterrupted utility services. It is far more capital-intensive than the cotton industry, which is relatively cost-effective. Establishing a man-made fibre or fabric manufacturing industry is a massive challenge under our current infrastructure constraints.

Despite this, we've been talking about man-made fibres for the past three to four years. But who will set up such an industry when the quality and reliability of utility services remain a problem? These are the real issues we need to address.

Thank you again, Dr Razzaque, for always sharing knowledge through your research.

My final point is about GSP+. There's been a lot of discussion about it, sometimes with incomplete understanding of its implications. The problem is that under Chapter Eleven and the threshold factor, it doesn't seem like GSP+ will benefit us much. Of course, we need to ratify all 32 core conventions and establish their implementation, that's in our interest. But when we apply for GSP+, we're told we'll only qualify after full compliance. Why, then, was Vietnam given access first with a phased implementation schedule?

Look at how much Bangladesh has transformed since 2013. We turned our industry upside-down to improve compliance and safety. Yet we're told we must meet all requirements upfront. Why is there no acknowledgment of the progress we've made?

Here's another point: in 2023, the Vietnamese government officially reported 7,394 workplace accidents nationwide, leading to 7,500 casualties, including 1,720 serious injuries and 699 deaths. Seven hundred people died in workplace accidents in Vietnam in one year alone. Yet Vietnam has good public relations, and we don't. Nobody talks about those figures, but everyone remembers an accident in Bangladesh from 11 years ago.

We've made significant improvements since 2013, but no one highlights that progress. Instead, we're still judged by past tragedies. That's a failure on our part, and it's something we need to address.

Thank you.

Mr. Akhter Hossain Apurbo, Vice President, Bangladesh Knitwear Manufacturers & Exporters Association (BKMEA)

Panel Contribution

Thank you, Dr Eusuf. It's my pleasure to be here because I was a student of Dr. Razzaque, and I always try to follow his work. If I can't attend in person, I make sure to review the research online to see the outcomes.

My colleague Shamim Ehsan from BKMEA has already perfectly pointed out some important aspects. Yes, there are opportunities alongside challenges. The immediate impact of LDC graduation may not be as devastating as some predictions suggest: 20-percent or 19-percent reductions in export share might not materialise.

One reason for this is the shifting global trade dynamics, particularly the US-China trade war. As China loses market share, portions of this demand will shift to other countries, including Cambodia, Vietnam, and Bangladesh. Vietnam, in particular, will benefit from its ability to produce higher value-added products, as well as its shorter lead times for sourcing raw materials. For example, Vietnam can source key inputs in a very short time, whereas we face lead times of about 40 days to procure the same from China.

For Bangladesh, our competitive advantage still lies primarily in cotton-based products, but we've started putting more emphasis on non-cotton items. A few industries are already producing non-cotton yarn, which is a good sign, but we need to expand our efforts in this area further.

Recently, we had the opportunity to engage with Chinese delegations in collaboration with BKMEA. They expressed keen interest in investing in Chittagong's special economic zones, particularly in setting up fabric industries. If the government can provide an enabling environment, i.e. streamlined processes with minimal bureaucratic hurdles like excessive registrations and certifications, then they could quickly establish production facilities. This would not only help their businesses but also make us significantly more competitive compared to other nations.

One of our enduring advantages is our labour force, which is still relatively low-cost. However, I don't always agree with the perception that we're "cheap." Currently, we pay workers around $114 per month, whereas our competitors are paying $130–134.[5] The difference isn't vast, and other costs for us, such as utilities and financing, are steadily increasing.

Speaking of financing, the rising cost of funds is a significant concern. Previously, we paid 9 percent interest on loans with 10-year repayment schedules. Now, repayments have been increased by an additional 5–6 percent each quarter, which puts enormous pressure on businesses.

Another major policy challenge is the stricter loan default regulations. Previously, if you failed to make repayments for two or three quarters, you'd be classified as a defaulter. Starting next year, default status will apply after just one missed quarter. This change is going to place even greater strain on businesses already dealing with rising costs and repayment pressures.

Additionally, there are ongoing challenges related to workers, utilities, and logistics. Dr Reaz touched on the issues with the Chittagong [Chattogram] port. We're hopeful that the implementation of the Matarbari deep-sea port will make us much more competitive once it becomes operational.

I don't want to go into further detail, but I'd like to conclude by thanking RAPID for organizing such an excellent presentation. I hope we'll receive the full presentation by email so that we can review it more thoroughly and explore additional insights.

Thank you very much

Dr Felix Gerdes, Resident Representative, Friedrich-Ebert-Stiftung Bangladesh

Panel Contribution

First of all, I am amazed by the quality of the presentations and the contributions that you have all made. We have heard a lot of very innovative thinking on economic policy for Bangladesh's future. I think some of the contributions made today would have been very difficult to envision just a few months ago.

That being said, I would like to make just some three points. Actually, one point divided into three parts.

Our colleague from the European Union Delegation made a very important remark. In the case that Bangladesh graduates to a lower middle-income country and applies for GSP+, there could be political decisions regarding the safeguard clause, meaning apparel might benefit from these tax and customs exemptions. This is something to negotiate. Of course, we cannot make these decisions here in this room, but my view is that the European Union cannot have an interest in creating the kind of economic backlash that we are anticipating for Bangladesh. Many of these decisions, in the end, are effectively political.

An issue that may facilitate or complicate political agreements is the reputation of Bangladesh. As Bangladesh graduates from one category to another, there is also an opportunity to graduate into, let us say, a higher reputation. Reputation, however, needs to be supported by real practices. There are opportunities to brand Bangladesh as a higher-quality, sustainable producer of garments. Among the roughly 5,500 garment factories, there are already more than 230 certified as sustainable.

There are, of course, a few areas "still under construction" here. Currently, in Bangladesh, the contribution of renewable energy is just a little over 1 percent of total energy production. By international and

5 Minimum wage in Bangladesh was increased in November 2023 to 12,500 taka ($114), up from 8,000 taka ($68).

regional standards, this is minimal. We now have a chief advisor who has highlighted three main goals, one of which is zero carbon emissions, as central to economic policy.

When I talk to people in academia, government, and other sectors, I still sense a lot of resistance to this idea. For many, climate policy is seen primarily as a matter of securing international funding for adaptation, with very little readiness to focus on mitigation or changing energy production methods. We need to shift perspectives. The notion that "Bangladesh has the right to make the same mistakes industrialized countries made" will not take us much further.

What we need is openness, technology, and a faster adoption of renewables. In many ways, renewable energy is now more competitive than fossil-based energy production. These realities need to be acknowledged. As one of the countries most affected by climate change, the eighth-most populous country in the world, and a rapidly developing economy, Bangladesh's actions in terms of energy production will have significant global implications in the future.

That is one point.

Secondly, we have heard that Bangladesh largely produces cotton shirts. This is an advantage. Stronger circular economy regulations are coming into force in Europe, in particular. Garments made from a single fibre are highly recyclable. Of course, this should not stop Bangladesh from diversifying into man-made fibres, producing viscose and synthetic materials.

However, building on Bangladesh's well-established "jhut" (garment waste) recycling industry, highlighting it, investing in it, and advancing it, while maintaining fabrics recyclable, is something that could set Bangladesh apart internationally. And the discussion surrounding the lack of sustainability in garment production and the lack of circular use and recycling is gaining momentum.

Thirdly, Bangladesh has indeed made significant progress in workplace safety. However, there remain a number of areas where progress has not been as impressive. For example, there are still considerable challenges for unions to operate actively in Bangladesh. Currently, there are several complaints lodged with the German due-diligence procurement law body, many of which relate to unions. These include issues such as the blacklisting of union members in employment.

There is significant scope for improvement here. We are aware that the BGMEA has pledged to stop such blacklisting. Addressing these issues effectively will not only enhance Bangladesh's reputation but also tackle the very real challenges raised in relation to European and German procurement due-diligence laws.

Thank you. With these few words, I would now like to hand the mic back to the moderator.

Ms Ferdaus Ara Begum: Comment

I have taken the opportunity to speak, sitting beside the moderator. I would like to briefly add one point because Mr Ehsan rightly mentioned that the export policy includes a list of thrust sectors and specialised sectors, yet there are no specific policies supporting them. This is one of the reasons why export diversification has not progressed as expected.

In this context, I would like to address the vice chairman of the Export Promotion Bureau. One of the key issues we observe is the lack of alignment between the industrial policy and the export policy in our country. They appear to operate on entirely different trajectories, lacking coherence and coordination. Moreover, investment policies remain outdated, further hindering progress.

Another point I would like to raise concerns logistics. In the industrial policy, we have identified 21 sub-sectors, and Dr Mashrur is well aware of this. Reforms required for these sub-sectors have been identified and are under way, albeit at a slow pace. However, we are confident that we will initiate these reforms soon.

The final point I would like to highlight is the significant interest from investors in the logistics sub-sectors. However, many of these sub-sectors fall under the controlled list. This means that establishing industries in these areas involves numerous steps and requires multiple permissions and approvals. As a result, FDI in the logistics sector is not being sufficiently encouraged. Addressing this bottleneck is essential for attracting the investment needed to develop this critical sector.

Ms Ayesha Akther, Additional Secretary of the FTA Wing, Ministry of Commerce

Special Guest Speech

Thank you very much. I feel extremely honoured and privileged. First, I would like to express my heartfelt thanks and gratitude to the chief guest, Mr Md Shahriar Kader Siddiky, secretary of the Economic Relations Division. I am also thankful to the vice chairman of EPB, all the discussants, panellists, guests, and distinguished participants. I must also thank our presenter, Dr Muhammad Razzaque, for his very insightful study and presentation. The topic of today's discussion is how Vietnam is benefiting from their free-trade agreement with the EU. From the presentation, we have seen that their economic growth has increased, as have their exports. From the experience of Vietnam, what are the implications for Bangladesh's export competitiveness? Competitiveness is not solely the result of one factor, such as a free-trade agreement. Competitiveness is the result of many factors, and Vietnam has addressed all these factors simultaneously. That is why they have benefited. In fact, from being one of the poorest countries, Vietnam has grown into an economic powerhouse. But it wasn't always the case. In the late 70s, Vietnam was one of the poorest countries in the world. In the mid-80s, their per-capita income was between \$200 and \$300. In the mid-80s, the government of Vietnam introduced massive economic and political reforms. This period of reform is known as *Đô'i Mó'i*, and it marked the beginning of their economic miracle. So, what are the main factors driving Vietnam's economic growth? Let me share the key drivers: Vietnam embraced liberalisation through various free-trade agreements. They joined ASEAN in 1995 and signed a free-trade agreement with the USA in 2000. They have also signed free-trade agreements with many trade blocs and bilateral trading partners. The EU alone covers 27 countries. Vietnam also has agreements with America, Russia, Japan, Korea, Australia, Singapore, Malaysia, and the UK, among others. The coverage is vast. Vietnam introduced significant domestic reforms, particularly in their investment environment. This led to a surge in foreign investment, with major foreign companies pouring capital into the country. The government invested heavily in improving both human capital and physical infrastructure, such as roads, bridges, and especially internet infrastructure. These are the factors driving Vietnam's economic development. Since most of the participants here are from Bangladesh, I would like to take this opportunity to say a few words in Bangla. However, I will translate the key points of my discussion into English for the benefit of our foreign guests.

Now, we have seen how Vietnam has benefited from the FTA with the EU. The principle of a free-trade agreement is to gradually eliminate tariff, non-tariff, and regulatory barriers, which means there will be no trade barriers. The agreement between Vietnam and the European Union will transform into a zero-tariff regime by 2030. The European Union will implement a zero-tariff rate by 2027 already. As we have seen, and as our presenter has shown, the exports have grown significantly. However, our trade with the European Union is already duty-free and quota-free, and we are benefiting from this. But we know that after graduation, we will no longer receive the benefits of duty-free, quota-free status. To maintain our market access to the European Union, we will need to make this agreement. The government has already given significant emphasis to this. As we all know, we are set to graduate from LDC to developing country status by 2026, and the government is focusing on entering into FTAs or trade agreements with our potential trading partners. While we are currently able to access the EU market duty-free, quota-free (DFQF) under the *Everything-But-Arms* scheme, we will no longer have access to this after 2026. However, we will have a three-year transition period. The reality is that the European Union is going to introduce the GSP+ scheme, under which we will not receive the DFQF benefits we currently enjoy. To avail the benefits of GSP+, we need to fulfil certain criteria, which have already been mentioned by our previous discussants. We will need to meet the safeguard criteria and, most importantly, ensure compliance with labour rights, human rights, environmental standards, and governance-related conditions. The government of Bangladesh is pursuing the GSP+ status, and within the European Union, we have a cooperation agreement, a joint commission, and a subgroup on trade and investment. We are continuing discussions and working towards securing GSP+ benefits or DFQF benefits and extending the smooth transition period. After some time, we will graduate, and the best possible option for us is to establish a Free Trade Agreement with the European Union. The government of Bangladesh is actively working on this.

As I work in the Ministry of Commerce, I would like to share a snapshot of what the government has done so far to sign FTAs with our potential trading partners. We are working with the European Union in various forums and pursuing the extension of the transition period. However, the government of Bangladesh has also begun signing FTAs with different potential partners as we are set to lose the market access and the benefits of DFQF access after graduation. To assess feasibility, we have already conducted studies for 28 countries and have also looked into the possibility of FTAs with 8 trading blocs. Among the 28, we have already started negotiations with 10 countries. These countries include Sri Lanka, Nepal, and Indonesia, with whom we have completed three rounds of negotiations. With Indonesia, we are almost at the final stage of negotiations. At this point, what Bangladesh needs is to uphold market access through FTAs to expand business. The government of Bangladesh is working on signing FTAs with our potential trading partners. We have conducted feasibility studies for 28 countries and are actively working with 12 countries, including Japan, South Korea, Singapore, and Indonesia. We are also working towards joining regional trade blocs such as ASEAN or the Regional Comprehensive Economic Partnership (RCEP).[6] With this information, I would like to conclude my discussion here. Thank you for your patience.

Mr Mohammad Anwar Hossain, Mr Mohammad Anwar Hossain, Vice Chairman of the Export Promotion Bureau, Ministry of Commerce

(Interim) Administrator of Bangladesh Garment Manufacturers and Exporters Association (BGMEA)

Special Guest Speech

Thank you, Professor Eusuf, and I thank Dr Razzaque for his excellent presentation. With all the protocols observed, I will start with the points I wanted to make, as it is already quite late. As you know, I work as the vice chairman for EPB, so I deal with export promotion issues, and I am also currently involved with BGMEA administration. From these two perspectives, I have a different view. If I speak from the BGMEA perspective, the industry's point of view, there are a couple of major obstacles. One key issue is power, particularly gas. Many of our colleagues in the industry have said they cannot run their operations fully due to a lack of gas or low gas pressure. The quality of power is also acceptable, but it remains a challenge, particularly for the textile industry. The banking sector and the capital market are also contributing factors. I'm sure you understand the issues with these sectors and how they are impacting progress. The way these two important sectors are managed by a kleptocratic group is slowing down our industries, not just the RMG sector but others as well.

Logistics is another challenge. As Dr Reaz mentioned, we are not making significant progress. Since 2018, we have been discussing LDC graduation and hearing many promises from the government, but

[6] The Regional Comprehensive Economic Partnership (RCEP) is an Asia-Pacific free trade agreement between Australia, Brunei , Cambodia , China , Indonesia , Japan , South Korea , Laos , Malaysia , Myanmar , New Zealand , the Philippines , Singapore , Thailand , and Vietnam.

particularly in the logistics sector, we have not seen any significant progress. This is an important issue. I won't elaborate further, but I just wanted to touch on this point.

For RMG, we have seen less penetration in certain markets. A very interesting contrast exists between Vietnam and Bangladesh. If you look at Vietnam's export composition, 70 percent of their [garment] exports are non-cotton, while Bangladesh's export is 70 percent cotton. An interesting point is that the free-on-board price of cotton-based RMG products is declining, not only in the US market but also in the European market. On the other hand, the price of non-cotton, synthetic, manmade fibre products have remained stable or even increased. The point is that there is huge scope for price stability and value addition. Unfortunately, we have not been able to build backward linkages in this area. Industry leaders are now requesting the government to provide low or concessional financing to build these backward linkages.

So, those are a couple of points from the industry's perspective. If I were to shift to the government's perspective, there is another important issue from the industry people that I will address. We are receiving reports from many countries about significant labour unrest. However, if you look at the data, this unrest is not as severe as portrayed. Interestingly, the labour unrest that we see in the media is not due to any labour-related issues, such as wage disputes or delayed payments. Most of the unrest is caused by non-labour, external issues, and industry people are very resilient, trying to handle these problems at the factory and firm level. However, at times, very unreasonable demands come from workers, indicating that some form of instigation is happening. In light of this, industry leaders are calling for the government to take a strong stance. If there is no actual wage issue or labour dispute, the government should address disruptions caused by law-and-order problems. Industry leaders are looking for a decisive government response to maintain law and order and sustain production.

From the government's perspective, I believe that the transition we saw in Vietnam, moving from cotton to non-cotton, was an opportunity that Bangladesh failed to capitalize on. I consider it a lost opportunity for the RMG sector. This is primarily due to the industry's lack of responsiveness to global market trends and its short- and medium-term focus. Our industry leaders need to think beyond these timeframes and be more proactive in responding to global trends. They missed the chance to shift, and that opportunity is now gone.

Another issue is skill development. Industry leaders continue to request government support in this area, but I feel that the responsibility should lie more with the industry itself. The RMG sector is not a new industry; it has been around for 40-50 years and is no longer in its infancy. Industry leaders should have their own funds for skill development, research and development (R&D), market research, and business intelligence. In markets like North America and Europe, our industry leaders should expand beyond just relying on government support. The government can facilitate when businesses come with specific requests, but it is not the government's role to provide continuous support. The industry should take responsibility for its own development.

If you look at the global market, we export around 750 items, yet only one item—RMG—dominates, accounting for almost 83 or 84 percent of our exports. The government has an obligation to support other competitive industries, such as the leather sector, light engineering, and pharmaceuticals. While the government has supported RMG significantly, it should extend similar support to other industries. This would be a good initiative to boost exports across different sectors.

I also see a few additional issues that need attention. For instance, yesterday evening I was working with some SME entrepreneurs in the RMG sector, and I found something interesting. In 2021, the Ministry of Commerce requested NBR, the Finance Division, and the Bangladesh Bank to address an inconsistency. The issue was that non-bonded factories were not allowed to have back-to-back Letters of Credit (LC) or to even export, as NBR did not issue the required Utilization Permission (UP). More than 900 factories, contributing $6.5 billion in exports, were affected. Despite the Ministry of

Commerce's request in 2021, nothing has been implemented yet. As we approach 2025, almost four to five years have passed, and the issue remains unresolved within the government agencies, which seems illogical.

Another important point is the partial exporter policy, which was incorporated into the export policy, as well as the import policy order. It was even included in the tariff policy up to 2023, but it has yet to be implemented by the NBR. This could be a game-changer. SMEs are unable to get permission for bond facilities for their exports. The NBR's argument is that if SMEs have a domestic market and want to export, they must have a separate factory and a bond, which is very illogical. Building another factory and registering a bond requires numerous permissions. However, what if no physical bond is required? If clarity can be provided for the business community or if an innovative solution can be implemented, SMEs would be able to export. This could revolutionize the trade landscape.

I recently came across data about the furniture manufacturing sector. The domestic market there is almost $2 billion, while in Vietnam, the domestic market is $2.5 billion. Yet, our export in this sector is only $90 million, compared to Vietnam's $8.5 billion. Despite the similar domestic market size, our exports are far behind. If we allowed businesses to function as partial exporters—if they could provide a bank guarantee for their duty-free raw materials imported for export—it could bridge the gap. However, this remains stuck with the NBR, despite discussions over the past few years.

It is not a policy gap; it is an implementation gap, along with a mindset issue. The perception in some circles is that the business community is dishonest and does not maintain good practices, while civil servants are often seen as anti-business or easily bribed. Both of these perceptions are wrong.

I'll quickly touch on another important point. Vietnam has a comparative advantage due to its proximity to China and the supply chain benefits it enjoys. However, this advantage may become vulnerable if they continue to be heavily dependent on FTAs. For Bangladesh, nearly 95-98 percent of our exporters are local businesses. They fight and struggle in the market without many options to go abroad, except for a few. This gives us resilience, and the new US administration could present a fresh opportunity for us, which will likely affect China's supply chain. As a result, we will see some positive impact.

I know Dr Shamim and other entrepreneurs have invested heavily in building excellent green buildings. However, it is equally important to invest more in the workforce. Your workers are your true assets. Investing in people is crucial for sustained success.

Finally, regarding the simulation model shared earlier by Dr Razzaque, which may seem gloomy due to certain pre-assumptions, I believe Bangladesh will emerge stronger than expected. I am confident that by 2030, Bangladesh's RMG exports will reach $100 billion, especially with the ongoing developments in the backward linkage for MMF (Man-Made Fibers), which will be in place soon. Thank you for your time.

Mr. Shahriar Kader Siddiky, Secretary of the Economic Relations Division, Ministry of Finance

Chief Guest Speech

Assalamu alaikum and very good afternoon. It is a great honour to be here, and I feel privileged to listen to the insights shared by entrepreneurs and experts. Although I could not join from the beginning, I have taken note of several important points, and I would like to briefly discuss a few.

I heard a lot about policy synchronisation, competitiveness, and opportunities, as well as the protection of conglomerates and some of the policy decisions from the government side. Looking ahead, it's crucial to think about how fast we can move forward and how quickly we can meet the expectations and demands of our stakeholders while aligning them together. One of the most important aspects of this discussion is political decision-making. For instance, when we talk about losing certain preferences or trying to gain new spaces in terms of benefits, we also need to discuss creating breathing space for businesses.

The key point here is Bangladesh's LDC graduation, which we have discussed with Dr Razzaque. His team has provided a smooth transition strategy (STS), and according to experts, the UN has certified this strategy as one of the best in the world. A lot of credit goes to Dr Razzaque and his team for this. In the STS, many aspects were identified, and several recommendations were made for both the government and private sectors. These include diversification, improving access to finance, and utilising the best possible support. For example, many entrepreneurs have highlighted the need for stable power and gas supply.

Let me share a success story about two factories, one garment factory and one spinning mill, that we supported in converting from conventional energy sources to renewable solar power. What I found surprising was the feedback from the entrepreneurs, who reported three key advantages: after six years of installation, they will not have to pay for electricity for the next 20 years, except for maintenance costs; the power supply is stable, and the quality is guaranteed; and they can even participate in carbon trading, which brings added value. I highly recommend that all entrepreneurs consider renewable energy options. It not only offers long-term savings but also aligns with global sustainability trends, and it opens the door to carbon trading, which is an additional opportunity.

A very important point we heard from the European Union is about the circular economy. Two weeks ago, we had our annual consultation with the European Union, and they reminded us that we need to go green, from raw materials, transportation, and factories to shipment. Everything should be green, with minimal environmental impact. Therefore, if we want to do business with Europe, we must adopt green energy; everything, including the energy supply, must be green. My humble suggestion to all of you is to consider adopting renewable energy, and we are ready to support you in this transition.

The second point is access to finance. Mr Anwar mentioned bonds and other related issues; however, I would like to highlight green bonds. We have begun discussions with the European Union, and this morning, I also spoke with the French delegation, who proposed establishing green bond facilities in Bangladesh. While we know that Bangladesh's capital market is still small and not well-organised, I encourage you to consider green bonds as they can provide more financing opportunities.

Ms Ferdaus has mentioned the synchronisation of policy. One key aspect is not just synchronisation, but also the need for continuous policy intervention. Many of our development partners have emphasised that without ongoing policy intervention, our growth will be hindered. We will grow, but it will come with greater confusion and challenges, as businesses will focus on maximising profits rather than adhering to regulations or systematic approaches. Thus, it is crucial that we ensure policy synchronisation and continuity.

However, there's an important consideration here: there are no immediate advantages to some policy changes. I discussed this with Dr Razzaque, and he assured me that despite this, we will continue to strive for growth. In this regard, cost rationalisation and diversification are vital. Dr Razzaque has shared that over 1,200 products could be improved in terms of quality, which would allow us to increase exports.

In the past, it was difficult to introduce new policies in the government system due to a lack of strong relationships with entrepreneurs, as Anwar pointed out. There were many confusions. However, things are changing rapidly, and the relationship between the government and entrepreneurs is improving. Entrepreneurship needs support from the government, as is evident in every country around the world. I assure you that we are doing our best to secure as much support as possible. I am constantly attending meetings to obtain support from development partners, all in the pursuit of better access to finance, and we are receiving positive responses — no red lights. The best part is that everyone is eager to work with us. Even with China, a few days ago, the vice chairman of the Chinese International Development Cooperation Agency visited Bangladesh with a very powerful delegation. We discussed the free trade agreement and access to the Chinese market. We are highly dependent on China for raw materials, and now we are looking to export to China. For your information, China has already agreed to support us in importing vegetables and fruits. Additionally, we will receive strong support from China for quarantine facilities and quick access to the Chinese market.

Now, let's move on to logistics, which is very important. Apologies for taking a little extra time, as I am trying to address some of the questions. We have already developed a logistics policy, and with ADB, we have started discussions on how we can receive good support for policy intervention in logistics. We have also requested the World Bank to support us in developing logistics and the supply chain. We hope the World Bank will come forward very quickly, and ADB has assured us of policy support, technical support, and access to finance.

As you may know, we have significant projects such as the Bay Terminal in Chattogram. In response to comments on port facilities, I would like to inform you that we have completed negotiations with the World Bank for the Bay Terminal, and they have agreed to support the development of Chattogram port. Just a couple of days ago, we completed discussions with the Japanese side, and we hope there will be total infrastructure development in Matarbari, for which we are seeking Japanese support. The port will soon be ready for use.

At the same time, we are working on improving connectivity between Dhaka and Chattogram [Chittagong]. We have discussed railway development with our development partners, and you may have heard about the Chord Line [a project under evaluation to build a faster railway connection between Dhaka and Chittagong]. We are still in discussions with ADB, and once we get the political green light, we will move quickly to complete the final discussions with ADB.

In parallel, we are working to develop Cox's Bazar and Syedpur airports. Just the day before yesterday, we had discussions with the Korean side, and they have agreed to support us in the development of Cox's Bazar airport. This will be a major investment, bringing an international airport to Cox's Bazar: a dream that is becoming a reality.

Now, let's talk about the FTA. Our colleague has already provided information on the FTA. We have discussed the challenges with the FTA team from the Economic Relations Division and explored how far we can go. As you know, we have been presented with the offer list and some specific areas to consider.

We have challenges, but there should be a win-win situation. At the same time, sometimes we even think about losing something to gain in a better way. So, we are discussing all possibilities with our development partners.

Now, let me turn to the support from the banks and utilities. The government is very keen to increase this support. Last Saturday, we had a meeting with the Bangladesh Investment Development Authority , along with the finance secretary and other secretaries, where we discussed how we can implement short-, medium-, and long-term interventions to create new business opportunities. Although it is not formal yet, we have decided to work together to adopt a programme approach for quick interventions to create good business opportunities, a one-stop service, and specific services required for ease of doing business.

At the same time, for both China and Korea, we requested them to invest separately in Bangladesh. Korea has almost agreed, as we informed them that we will provide them with specific land in the

Chattogram Economic Zone. A very important delegation from Korea will be coming in January for a policy dialogue, and we hope to convince them to invest heavily in Bangladesh. As I mentioned, we have discussed with China and are seeking diversified investment opportunities in Bangladesh.

Regarding the new policy under President Trump, we have many predictions, but we do not know what will happen in the future. However, we have started discussions with China, and there will hopefully be a high-level visit, either to Bangladesh or China, to explore all prospects. We aim for new engagement with China to increase investment and create more opportunities for the private sector.

Now, let me inform you about the innovation fund created by the French Development Agency AFD and the European Union. I would suggest that you also consider accessing this innovation fund, as it creates opportunities for entrepreneurs, researchers, universities, and more. Perhaps you could have discussions with the AFD team in Bangladesh, as they are present here. I would encourage our colleague Mr Anwar to quickly engage with the AFD team to explore new facilities for our entrepreneurs.

Lastly, let me address the three-zero policy. The honourable chief advisor has already instructed the three-zero policy, but we need to wait for some of the reform interventions. You may know that there are currently 10 reform commissions working hard, and they are expected to submit their reports in December. Many recommendations will follow, under which we will act quickly to implement new policy interventions and synchronise various elements so that we can work together from the government, private sector, and other areas, not only to create new opportunities but also to meet the demands of everyone.

I would like to stop here and thank everyone for your patience.

The EU-Vietnam Free Trade Agreement

Voices from Politics, Business and Civil Society on Policy Implications for Bangladesh

The EU-Vietnam Free Trade Agreement (EVFTA), effective since 2020, grants Vietnam significant trade advantages, including zero-duty access to the EU market, replacing its earlier Standard Generalised Scheme of Preferences (GSP) tariffs. In addition to tariff eliminations, the EVFTA addresses non-tariff barriers, opens markets for services and investments, and aligns Vietnam with the EU's labour and environmental standards, collectively strengthening its competitiveness and investment appeal. For Bangladesh, the withdrawal of duty-free access under the Everything But Arms (EBA) scheme post-LDC graduation presents a challenging landscape. This dual trade preference erosion, stemming from Vietnam's enhanced access under the EVFTA and the tariff hikes facing Bangladesh after its graduation, could significantly undermine the latter's export competitiveness in its most vital market. This paper examines these shifting dynamics, focusing on export trends, tariff profiles, and the broader implications of the EVFTA, to provide actionable insights for policymakers navigating this evolving trade environment.

Further publications of the (FES) Bangladesh Office can be found here:
↗ **bangladesh.fes.de/publications**

Friedrich Ebert Stiftung

RAPID
Empowering Development