

Seminar

on

“Backward Linkage Development of the Chemical-Dependent Key Export-Oriented Industries Current State and Issues”

Date: 25th July, 2026

Time: 11:00 a.m.

Event Type: Seminar

OUTCOME REPORT



Dhaka Chamber of Commerce & Industry (DCCI)

Bangladesh's export-oriented industries remain heavily dependent on imported chemicals, with imports reaching USD 6.2 billion in FY2024-25. This dependence increases foreign exchange pressure and exposes industries to global supply chain risks. The sector is further constrained by inadequate infrastructure, complex regulations, and policy inconsistencies, including an inverted tariff structure and HS Code anomalies. Strengthening domestic chemical manufacturing through policy reforms, infrastructure development, and regulatory simplification is essential for building a competitive and sustainable chemical backward linkage industry.

In view of the above, Dhaka Chamber of Commerce & Industry (DCCI) is organizing a seminar on “**Backward Linkage Development of the Chemical-Dependent Key Export-Oriented Industries: Current State and Issues**” on (Saturday), 25th July 2026 at DCCI Auditorium, Motijheel, Dhaka-1000. The objective of the seminar is to formulate a strategic roadmap for a competitive chemical supply chain ecosystem, focusing on necessary policy reforms, tariff rationalization, and the resolution of logistical gaps to safeguard our industrial future.

Mr. Taskeen Ahmed, President of DCCI, delivered the welcome address followed by the Keynote and subsequently moderated the event. The keynote presentation was delivered by **Mr. Asif Rabbani**, Managing Director, SR Chemical Industries Ltd. & SR Group. **Mr. Abul Fatah Md. Baligur Rahman**, Member (Development), Bangladesh Council of Scientific and Industrial Research (BCSIR), GoB; and **Mr. Md. Salim Ullah**, Director General, Bangladesh Institute of Management (BIM), GoB, graced the event as the Special Guest.

The discussants included **Mr. Md. Majaharul Islam Sumon**, Country Manager, DyStar Singapore Pte Ltd, Bangladesh; **Mr. Md. Moniruzzaman**, Director, BKMEA & Chairman, Badon Fashion Ltd.; **Mr. Sheikh H M Mustafiz**, Director, BGMEA and Founder & Managing Director, Cute Dress Industry Ltd.; **Dr. Yeasmin Nahar Jolly**, Director & Chief Scientific Officer, Atomic Energy Center, Dhaka, Bangladesh Atomic Energy Commission, GoB; **Mr. M. Mosaddek Hossain**, Senior Vice President, Bangladesh Association of Pharmaceutical industries (BAPI); **Dr. Md. Akter Hossain**, Director, Head Office, Directorate General of Drug Administration (DGDA), GoB; **KSM Mostafizur Rahman**, president of the Bangladesh Agrochemical Manufacturers Association; **Mr. Mohammad Shahin Ahmed**, Chairman, Bangladesh Tanners Association (BTA); **Ms. Suraiya Sultana**, Second Secretary: (Customs: Export & Bond), NBR, GoB; **Mr. Md. Ziaul Haque**, Additional Director General (Current Charge), Department of Environment, GoB; Private/public stakeholders and Members of the DCCI Board of Directors were also present and contributed to the discussion.

Welcome Address by the Chair

Mr. Taskeen Ahmed, President, Dhaka Chamber of Commerce & Industry (DCCI)

- Export competitiveness of Bangladesh's RMG, textile, leather, and pharmaceutical industries heavily depends on a competitive and reliable chemical supply chain.
- The country's industrial growth is constrained by heavy dependence on imported dyes, chemicals, and specialized industrial raw materials.
- Identified tariff complexities, lengthy environmental clearance procedures, and logistical bottlenecks as major barriers to the development of the domestic chemical industry.
- Emphasized that developing a strong chemical backward linkage industry is a strategic necessity to strengthen industrial competitiveness and ensure sustainable export growth.
- To formulate a practical roadmap for policy reforms, tariff rationalization, logistics improvement, and stronger collaboration between government and industry stakeholders.

- Formulate a comprehensive roadmap for the development of the domestic chemical backward linkage industry.
- Rationalize the tariff structure and simplify regulatory and environmental clearance procedures to encourage local investment.
- Structural weaknesses not only inflate production costs but also undermine the competitiveness of local manufacturers in international markets.
- Promote closer collaboration between the Government, regulatory agencies, and private sector to address industry challenges through coordinated policy measures.
- Strengthen domestic chemical manufacturing to reduce import dependency, enhance export competitiveness, and ensure long-term industrial sustainability.

Key Note Presentation

Mr. Asif Rabbani, Managing Director, SR Chemical Industries Ltd. & SR Group

- The global chemical industry is valued at USD 6 trillion, whereas the domestic chemical market stands at USD 6 to 8 billion, with only 15% of national demand met by local production.
- Bangladesh importing \$6.2 billion worth of chemicals in FY25, up 17.8 percent from the previous year, accounting for nearly 10% of total imports, while chemical imports are more than 15 times higher than exports.
- Annual chemical imports exceed USD 30 billion across all raw materials, intermediates, and related products, making imports 15 times higher than the USD 2 billion earned from pharmaceutical and chemical exports.
- Heavy reliance on imported dyes, finishing agents, and washing chemicals leaves export sectors vulnerable to global shipping delays, supply chain disruptions, and price volatility.
- Local synthesis of Active Pharmaceutical Ingredients (APIs) can significantly reduce the manufacturing cost of essential medicines like paracetamol and metformin when backed by fiscal incentives.
- Localizing the USD 100 million leather chemical market will reduce input costs and supply uncertainties while ensuring compliance with international standards such as the Leather Working Group.
- Inverted tariff structures currently tax imported raw materials at higher rates than imported finished chemicals, creating a major structural barrier for domestic manufacturers.
- leather industry also relies heavily on imported leather chemicals and recommended expanding local production to reduce production costs and strengthen global competitiveness
- Secondary trade barriers include frequent HS code classification disputes and the illegal leakage of duty-free bonded warehouse imports into the domestic market.
- Pharmaceutical industry still imports around 90% of its Active Pharmaceutical Ingredients (APIs) and stressed the importance of local API production through fiscal incentives and research support.
- High financing costs, double-digit interest rates, and exchange rate volatility, noting that these factors discourage investment in manufacturing.
- Infrastructure deficits include a lack of certified Dangerous Goods (DG) warehouses in Chittagong and Mongla, delays in relocating Old Dhaka's chemical market, and unreliable gas and electricity supplies.
- A four-point strategic roadmap is required to achieve 60% backward linkage self-sufficiency:
 - Policy corrections to eliminate inverted tariffs, harmonize HS codes, digitally monitor bonded warehouses, and offer multi-year tax holidays for backward linkage investments.
 - Infrastructure development through certified DG warehousing, a time-bound Old Dhaka relocation, reliable utility supplies, and specialized chemical economic zones.

- Certification and licensing reforms, including local REACH/ZDHC testing labs and a single-window licensing system across the Ministry of Commerce, Ministry of Industries, and Department of Environment.
- Capability building via triple tax deductions for R&D, green chemistry adoption, expanded university research into indigenous raw materials, and accessible manufacturing finance.
- Expanding domestic manufacturing requires resolving high double-digit interest rates and foreign exchange volatility while securing long-term energy solutions, including solar and renewable power.
- Strengthening domestic chemical manufacturing is a strategic priority for achieving sustainable industrialization and reducing import dependency.

Pannel Discussions

Mr. Md. Majaharul Islam Sumon

Country Manager, DyStar Singapore Pte Ltd, Bangladesh

- The national textile sector consumes between USD 1.5 and 2 billion worth of chemicals annually, with 80% to 85% of this demand fulfilled through imports.
- The textile and RMG sector alone use more than 2,500 chemicals, including dyes, auxiliaries and finishing agents.
- Textile producers favor importing chemicals under duty-free bonded warehouse facilities over purchasing locally manufactured chemicals that are subjected to domestic taxes and tariffs.
- Multinational chemical producers operating inside local Special Economic Zones face severe logistical and regulatory challenges when attempting to deliver products to domestic export factories compared to traditional letter-of-credit imports.
- Local manufacturing of all chemical products is not feasible due to the absence of indigenous natural raw materials, requiring a balanced hybrid supply model.
- Establishing central bonded warehouses within the country would allow international manufacturers to store chemical stocks locally and deliver them rapidly to export factories.
- Local chemical manufacturers must achieve rigorous international certifications, including ZDHC and GOTS compliance, to serve export-oriented factories.

Mr. Md. Moniruzzaman, Director

BKMEA & Chairman, Badon Fashion Ltd.

- The historical stability and growth of the knitwear sector were achieved through government policy support that established backward linkage spinning mills and reduced dependence on volatile foreign yarn imports.
- Domestic chemical manufacturing is critical for post-LDC graduation survival, where strict rules of origin and higher local value-addition requirements will be enforced.
- Establishing local chemical industries will generate employment, increase value addition, shorten lead times, and stabilize export supply chains against external shocks.
- Need compliance with international environmental and quality standards should be ensured to strengthen Bangladesh's position in global markets

Mr. Sheikh H M Mustafiz, Director

BGMEA and Founder & Managing Director, Cute Dress Industry Ltd.

- Chemical manufacturing is an energy-intensive industry that cannot operate functionally without guaranteed, uninterrupted electricity and gas supplies.

- Heavy capital investments ranging from BDT 500 to 1,000 crore require absolute certainty regarding long-term government policy support and complete structural reform.
- Environmental compliance is a major obstacle, as many existing textile effluent treatment plants (ETPs) fail to prevent river pollution, raising concerns over the environmental management of chemical plants.
- Domestically produced chemicals must match international quality standards and remain cost-competitive, as global buyers frequently shift orders over marginal price differences.
- The nation must first establish basic and intermediary chemical processing plants before attempting complex synthetic chemical manufacturing.

Dr. Yeasmin Nahar Jolly

**Director & Chief Scientific Officer, Atomic Energy Center, Dhaka, Bangladesh
Atomic Energy Commission, GoB**

- Technical support, skilled human resources, and environmental impact assessments can be provided to industrial enterprises by the Atomic Energy Commission.
- Accredited laboratories equipped with sophisticated instrumentation are available to accurately test and verify the quality of raw materials and finished chemical products to international standards.

Mr. M. Mosaddek Hossain

**Senior Vice President, Bangladesh Association of Pharmaceutical industries
(BAPI)**

- While 98% of finished medicines are manufactured domestically, the pharmaceutical sector remains 90% dependent on imported Active Pharmaceutical Ingredients (APIs).
- Packaging materials accounting for 10% to 20% of pharmaceutical costs are sourced locally, but complex active ingredients and excipients must be imported.
- The dedicated 200-acre API Industrial Park in Gajaria faces severe operational delays due to incomplete central effluent treatment infrastructure and unreliable gas and electricity connections.
- Duty-free import of basic chemical inputs and raw materials is essential to make domestic API synthesis commercially viable.
- An acute shortage of skilled process engineers requires closer academic and industrial collaboration in chemical research and workforce development.

Dr. Md. Akter Hossain

Director, Head Office, Directorate General of Drug Administration (DGDA), GoB

- Reducing import dependence for pharmaceutical raw materials is vital for the long-term sustainability of national healthcare and export expansion.
- Domestic API production initiatives have historically suffered from insufficient government patronage and sluggish infrastructure and utility development.
- Existing regulatory and laboratory frameworks are fully capable of testing and certifying locally produced pharmaceutical raw materials for domestic use and international export.
- Dedicated working groups should be formed to address specific trade barriers, licensing delays, and infrastructure gaps systematically.

Mr. KSM Mostafizur Rahman
President of the Bangladesh Agrochemical Manufacturers Association

- Chemical imports represent 10% of the total national import bill, with agrochemicals and fertilizers comprising the largest volume.
- High import duties on raw materials are hurting the agrochemical industry and called for stronger policy support
- Annual agricultural demand requires 7 million metric tons of chemicals and fertilizers, including 1.5 million metric tons of phosphatic fertilizer, 3 million metric tons of urea, 1 million metric tons of MOP, and over 100,000 metric tons of pesticides.
- An inverted tariff structure severely penalizes local agrochemical formulators by taxing raw materials at 58% while allowing finished pesticide imports at 5% and active ingredients at zero tariff.
- With appropriate tariff corrections and policy support, domestic manufacturers can eliminate finished pesticide imports within three to five years and transform agrochemicals into an export industry.

Mr. Mohammad Shahin Ahmed
Chairman, Bangladesh Tanners Association (BTA)

- The leather industry utilizes 120 different chemicals, of which only salt, water, and lime are sourced domestically.
- Global supply chain disruptions recently caused the domestic price of sulfuric acid to surge from BDT 40 to BDT 220, severely inflating tannery production costs.
- Import duties on raw materials used by local chemical producers should be eliminated to encourage domestic manufacturing of essential inputs like sulfuric acid and basic chromium sulfate.
- Compliance with European Union REACH regulations and ZDHC standards is mandatory for leather exports, requiring all locally produced chemicals to hold international certifications.
- Global chemical giants such as BASF and Bayer have relocated production facilities to India and China due to favorable policies, leaving Bangladesh reliant on regional imports.
- Bonded warehouse facilities and import tax rationalization should be extended to cottage, small, and medium enterprises (CSMEs) in the leather sector.
- Developing domestic production of leather chemicals is essential to strengthen backward linkage industries and enhance the global competitiveness of the leather sector.

Ms. Suraiya Sultana
Second Secretary, (Customs: Export & Bond), NBR, GoB

- Tariff rationalization is actively underway, as demonstrated by import duty reductions on PVC, PET resins, and industrial chemicals for domestic manufacturers in the FY2026–27 budget.
- Industry associations must submit a verified, consolidated list of essential raw chemicals to facilitate targeted tariff adjustments.
- The upcoming Automated Risk Management (ARM) software under the National Single Window project will streamline HS code classification, automate risk profiling, and accelerate port clearances.
- Recent Time Release Studies indicate that customs procedures account for only 8% of total port clearance time, with inter-agency automation expected to reduce delays further.
- The online Customs Bond Management Software has digitized 100% of bonded warehouse licensing and Utilization Permission (UP) issuance, reducing bond leakage by nearly 80%.
- The "Pre-Trade Zone" framework introduced in the FY2026–27 budget will function as a central bonded warehouse, enabling bulk local storage and rapid distribution of imported chemicals.

- Policy reforms must balance the protection of domestic chemical manufacturers with the quality and compliance requirements of direct exporters.
- Bonded warehouse licensing process has been fully digitised to reduce difficulties for entrepreneurs.

Mr. Md. Ziaul Haque

Additional Director General (Current Charge), Department of Environment, GoB

- Domestic chemical manufacturing must strictly adhere to environmental and social safeguards to prevent irreversible damage to a high-density landmass and national food chains.
- The production, import, and consumption of globally banned substances, including 30 Persistent Organic Pollutants (POPs) and internationally listed Chemicals of Concern (CoC), are strictly prohibited.
- Industrial pollution control is severely lacking, with nearly 750 out of 2,500 liquid-discharging industries operating without an Effluent Treatment Plant (ETP), while many existing plants remain non-operational.
- Industrial clustering combined with Common Effluent Treatment Plants (CETPs) is mandatory to halt severe river pollution and restore dissolved oxygen levels in surface waters.
- Budgetary incentives and fiscal rewards are being introduced for green industries that integrate sustainable chemical management with manufacturing growth.

Open Discussion

- Inspection and enforcement of the 30 restricted hazardous chemical items should be conducted by qualified technical experts to avoid unnecessary harassment of legitimate traders.
- Import trade should not be restricted abruptly, as local mixing and synthesis require specialized base ingredients that cannot be produced domestically.
- Uncoordinated regulatory oversight by multiple authorities, including the Department of Narcotics Control, Ministry of Commerce, Energy Regulatory Commission, and Agriculture Extension Department, creates severe clearance bottlenecks.
- Annual import permits require up to three months for renewal, leaving importers with only nine months to utilize their allocated annual import quotas.
- Lack of transparent guidelines regarding Dangerous Goods (DG) cargo classifications leads to arbitrary handling, forcing imports into specialized shipping containers that double freight costs.
- Conflicting definitions between import policy orders and customs enforcement, such as misclassifying cosmetic preservatives as agricultural pesticides, cause prolonged cargo blockages at ports.
- Highlighted several practical challenges faced by the industry, including complex licensing procedures, lengthy approval processes, overlapping regulatory requirements, and inconsistent product classification, which increase costs and delay the import of industrial chemicals

Special Guest

Mr. Abul Fatah Md. Baligur Rahman

Member (Development), Bangladesh Council of Scientific and Industrial Research (BCSIR), GoB

- Over 400 scientists and engineers across multidisciplinary institutions are available to provide research, development, and testing support to industry.
- Dedicated scientists at the Leather Research Institute have developed alternative, locally sourced chemical processes for leather tanning that are ready for commercial adoption.
- The institution holds over 1,100 technologies and processes and accounts for 50% of domestic patents, offering localized solutions in pharmaceuticals, biomathematics, mining, and food technology.

- Laboratory-level synthesis of essential amino acids for the pharmaceutical industry has been completed successfully and is ready for commercial piloting.
- Green chemistry principles are being integrated into national planning through World Bank-funded projects, while local solar panel technology is being developed to support industrial energy needs.
- Encouraged industrial entrepreneurs to make greater use of BCSIR's research outputs, locally developed technologies, and innovative products to strengthen domestic industries and enhance industrial competitiveness.

Mr. Md. Salim Ullah

Director General, Bangladesh Institute of Management (BIM), GoB

- A dedicated chapter on chemical backward linkage development can be incorporated into the upcoming National Industrial Policy 2027 to provide structured policy direction across all ministries.
- Industry associations should submit a consolidated, specific policy proposal to ensure necessary reforms are integrated into industrial, customs, and science policies.
- A formalized agreement between DCCI and BIM will be utilized to design and execute industry-driven training programs to develop skilled chemical engineers, technicians, and compliance managers.
- Existing government financing instruments and budgetary incentives should be actively leveraged to fund industrial research, green chemistry adoption, and infrastructure projects.

Summary Recommendations

- Develop a National Chemical Industry Policy or incorporate a dedicated chapter on chemical backward linkage development into the National Industrial Policy
- Introduce fiscal incentives, including tax holidays, investment incentives, export incentives, and preferential financing, to attract investment in chemical manufacturing and backward linkage industries.
- Establish a national strategic target to achieve 60% self-sufficiency in backward linkage chemicals for all export-oriented industries to reduce global supply chain vulnerability.
- Correct the inverted tariff structure immediately by ensuring that duties on imported raw materials are significantly lower than those on imported finished chemical products.
- Integrate a specific, dedicated chapter for the chemical-dependent export industry into the National Industrial Policy 2027 to provide a formal legal and policy framework for growth.
- Implement a single-window licensing system to streamline the multi-agency approval process involving the Ministry of Commerce, Ministry of Industry, and Department of Environment.
- Formulate a National Chemical Management System to ensure effective regulation, responsible chemical management, and compliance with international standards.
- Harmonize HS code classifications through a technical committee to eliminate frequent customs disputes and the arbitrary misclassification of chemical products.
- Secure a guaranteed, uninterrupted supply of gas and electricity for the chemical manufacturing sector, recognizing it as a high-priority, energy-intensive industry.
- Accelerate the completion of infrastructure at the Gajaria API Industrial Park and ensure all utilities are operational to facilitate local pharmaceutical raw material synthesis.
- Develop specialized chemical economic zones and industrial clusters that are equipped with high-capacity Common Effluent Treatment Plants (CETPs).
- Establish certified Dangerous Goods (DG) warehouses at major ports like Chittagong and Mongla to resolve current safety and logistical bottlenecks for hazardous materials.

- Formalize a time-bound roadmap for the relocation of the chemical trading hub from Old Dhaka to a specialized, safe industrial zone.
- Introduce Pre-Trade Zones and central bonded warehouses to allow international chemical manufacturers to maintain local stocks for rapid delivery to export factories.
- Provide multi-year tax holidays and low-interest, long-term financing specifically for new investments in backward linkage chemical manufacturing plants.
- Remove all duties and taxes on basic chemical inputs used for the local synthesis of Active Pharmaceutical Ingredients (APIs) and agrochemicals.
- Strengthen digital monitoring and enforcement to prevent the illegal leakage of duty-free bonded warehouse chemicals into the domestic retail market.
- Grant triple tax deductions for industrial enterprises that invest in local Research and Development (R&D) and the adoption of green chemistry.
- Expand the capacity of local accredited laboratories to provide international-standard certifications such as REACH, ZDHC, and GOTS within the country.
- Increase the validity period of chemical import licenses and permits beyond the current one-year cycle to improve business predictability and planning.
- Standardize regulatory inspections by ensuring they are conducted by qualified chemical experts rather than general administrative staff to avoid industry harassment.
- Incentivize the commercialization of indigenous patents and chemical processes developed by local research institutions like BCSIR and the Atomic Energy Commission.
- Prioritize the establishment of basic and intermediary chemical industries to build a foundation before transitioning into complex synthetic manufacturing.
- Form a dedicated inter-ministerial "striking force" or technical working group to resolve specific regulatory and logistical bottlenecks reported by industrial stakeholders.
- Ensure all local chemical production adheres strictly to international environmental standards to maintain the global competitiveness of the textile, leather, and pharmaceutical sectors.