

# Iran crisis sparks fear over Mid East oil supplies

AFP, London

The burgeoning Iran crisis has sparked oil supply worries over the Strait of Hormuz -- a vital shipping lane for a fifth of global crude -- and also over Iraq's output, analysts say.

Oil prices had surged last Friday after US President Donald Trump ordered the drone assassination of Iran's top general Qasem Soleimani, but the market stabilised on Monday and Tuesday with Middle East crude supplies unaffected.

However on Wednesday, the oil market shifted higher once more after Tehran launched revenge attacks to target US forces in Iraq, making good on its pledge to hit back over the killing.

Iran fired missiles overnight at Iraqi bases housing the US and British military, officials in Washington and Tehran said.

British Foreign Secretary Dominic Raab voiced concern over "reports of casualties". But Iranian Foreign Minister Mohammad Javad Zarif insisted that the country does "not seek escalation or war".

Traders remain fearful nevertheless that Tehran could seek to block the Hormuz waterway -- a key artery for crude that stretches between Oman and Iran.

Hormuz, one of the world's most congested transit points, links up the region's oil producers with markets in Asia, Europe and North America.

"Supply disruptions were put at the forefront of the agenda for investors," said Mihir Kapadia, CEO of Sun Global Investments.

"These concerns have been fuelled by Friday's killing of Soleimani and it is likely Iran will try and disrupt oil exports that travel through the Straits of Hormuz.

"However ... it remains unclear as to what the next developments will be." The US government's Energy Information Administration describes Hormuz as "the world's most important oil transit chokepoint" through which 21 million barrels of crude per day passed in 2018.

The strait had already been rocked last year by a string of attacks that Washington and its

allies blamed on Iran, accusations Tehran firmly denied. Its Western foes have also accused Iran of being behind a major attack on Saudi oil installations and Iran has in recent months also repeatedly seized tankers operating in the Gulf.

Traders remain less fearful over the loss of Iranian oil because the Islamic republic remains under punishing US sanctions that were re-imposed by Trump in 2018.

Energy Aspects analyst Christopher Haines noted traders were instead worried about oil output from Iraq -- particularly if US troops are pulled out.

America's military strategy in Iraq was thrown into confusion Monday as the Pentagon admitted a letter from a general informing the Iraqi government of an imminent US troop pullout was sent by mistake.

"There is a potential risk of disruption on Iraq, whose crude exports represent (about) 3.5 million barrels per day," Haines told AFP.

"If US troops leave, it will leave the area less

secure," he added.

Iraq is currently the second biggest player in oil cartel OPEC after kingpin Saudi Arabia.

SEB analyst Bjarne Schieldrop agreed that Iraqi production could be impacted by the current crisis -- but so far no oil supplies have been affected.

"Eventual loss of supply in the Middle East may however be in Iraq down the road and not so much due to near term retaliations, though so far not a single drop of oil supply has been lost," he said.

Soleimani's assassination, which was carried out by a drone near Baghdad airport, sparked concern about a spreading conflict.

Europe's benchmark oil contract Brent and US counterpart West Texas Intermediate crude had initially won more than three percent each on Friday. However, those gains fell far short of September 16, when both contracts had rocketed about 14 percent on news of attacks on Saudi Arabian oil infrastructure.



Oil tankers pass through the Strait of Hormuz.

REUTERS/FILE



KANSAI PAINTS

Harishchandra Bharuka, vice chairman and managing director of Kansai Paints, a leading paint company of Japan; Anuj Jain, executive director; Prashant Pai, director for finance; Takeshi Tanaka, technical director from Kansai Paint Japan; Qammaruzzaman, director, and Vishal Mothreja, CEO, pose along with Bangladeshi National Cricketer Tamim Iqbal at the launch of the paint brand in Bangladesh as Kansai Nerolac, at a programme at International Convention City Bashundhara in Dhaka on January 6. The company also celebrated its 100 years of journey in 80 countries in Asia, Europe, Africa and America.

## Norway hopes for China free-trade deal in 2020

REUTERS, Oslo

Norway aims to reach a free-trade agreement with China by the end of 2020, more than a decade after initial negotiations began, the Norwegian industry minister told Reuters on Wednesday.

"By the end of last year we had good progress in the talks ... we continue to be optimistic and think it is realistic to get a deal in place during the year," Torbjørn Roe Isaksen told Reuters during an industry

conference in Oslo.

Recent discussions have revolved around tariff levels and market access for an array of products, he said, without elaborating. Talks on a free-trade pact began in 2008, but relations between Oslo and Beijing were frozen from 2010 to 2016 after the Norwegian Nobel Committee awarded the Nobel Peace Prize to a Chinese dissident.

Norway is western Europe's top producer of oil and gas and the world's largest maker of farmed salmon.

## Account opening in 5 minutes soon

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Clients will be able to open accounts from home if financial institutions introduce app to this end. The e-KYC will help open accounts in real time.

The BFIU, the money laundering

watchdog, piloted the e-KYC project in 52 places under 33 districts involving 19 banks, one non-bank financial institution and one mobile financial service provider.

The World Bank provided technical assistance for the pilot.

## Banks' donation to Bangabandhu Trust

A delegation of the Bangladesh Association of Banks led by its President Nazrul Islam Mazumder handed over cheques of Tk 225 crore to the prime minister as donation to the Father of the Nation Bangabandhu Sheikh Mujibur Rahman Memorial Trust marking the birth centenary celebration of Bangabandhu at the official residence of the premier on January 6. Here are the contribution of different banks.

| BANKS             | IN CRORE TAKA |
|-------------------|---------------|
| Bank Asia         | 10            |
| City Bank         | 10            |
| Prime             | 10            |
| Eastern           | 10            |
| Exim              | 10            |
| Islami Bank       | 10            |
| IFIC              | 10            |
| United Commercial | 10            |
| Pubali            | 10            |
| Shahjalal         | 10            |
| National Bank     | 10            |
| Standard Bank     | 10            |
| NCC               | 7             |
| One Bank          | 5             |
| Dhaka Bank        | 5             |
| Mutual Trust      | 5             |
| AB Bank           | 5             |
| Mercantile        | 5             |
| First Security    | 5             |
| Brac Bank         | 5             |
| Jamuna            | 5             |
| NRB Commercial    | 1             |
| Midland           | 1             |
| SBAC              | 1             |
| NRB Global        | 1             |
| Others            | 54            |

## Farm mechanisation gets a shot in the arm

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Given the soaring cost of agricultural labour, the agriculture ministry has already sent a proposal to the finance ministry under the policy, seeking Tk 415 crore for this fiscal year in order to give subsidy to farmers for buying agricultural machinery.

Another proposal involving Tk 4,000 crore would be added to the initiative from the next fiscal year.

Under the Tk 415 crore scheme, the government will offer 3,000 combine harvesters, 2,000 reapers and 300 transplanters to farmers and farm equipment renters at a subsidised rate during the upcoming Boro season, according to a recent letter sent by the agriculture ministry to the finance ministry.

The latest move comes in the face of soaring wages due to a shortage of farm labourers during the peak season of harvesting and transplanting rice, causing a loss in the yield of rice that is cultivated on 71 percent of the total 1.54 crore hectares of cropland, according to official data.

Despite advancement in agriculture production, costs of farmers are rising owing to high labour wages and inefficiency at various stages of

cultivation.

As a result, farmers fail to make a profit, the agriculture ministry said in the letter.

Due to high demand and reduced supply, daily farm wages go as high as Tk 600 during peak harvesting seasons, up from nearly Tk 300 in slack seasons.

In its letter, the agriculture ministry said the surging cost of labour has been making farmers helpless during the harvesting period for the last several years. This has made farmers reluctant about growing paddy.

According to agriculturalists and industry operators, currently farmers prepare more than 90 percent of the total croplands by using power tillers and tractors.

A majority of the grains, mainly rice, are threshed by threshing machines and the rate of mechanisation is growing as farmers find the use of agricultural machinery beneficial in terms of cost-saving and timely cultivation.

Yet, the progress in the transplanting of paddy and harvesting of the staple crop has been sluggish over the years owing to the high cost of machines, lack of the machinery suitable for

harvesting all types of soils and the dearth of operators and mechanics, agriculturalists say.

Nearly one percent of paddy are transplanted and harvested using machines, said Md Monjurul Alam of the Department of Farm Power and Machinery of the Bangladesh Agricultural University, in November.

There is only 1 percent duty on the import of parts and raw materials needed to produce power tillers, power thresher, power reaper and power seeder and they are exempted from regulatory duty, supplementary duty and value-added tax.

But transplanters and combined harvesters are not included.

The duties would be cut further or made logical in future, the policy said.

The cabinet also approved the draft of the Voter Roll Law (Amendment) 2019.

At present, an individual can add their names to the voter list from January 2 to January 31; but under the proposed amendment the period has been extended to March 1.

It approved a proposal to observe March 1 as the National Insurance Day.



PRAN DAIRY

State Minister for Fisheries and Livestock Ashraf Ali Khan Khasru attends a programme at Pran Dairy Complex at Shahzadpur in Sirajganj yesterday when Pran Dairy honoured its 15 farmers in order to encourage dairy farmers to produce safe milk through proper farm management. Chairman and CEO of Pran-RFL Group Ahsan Khan Chowdhury was also present.

## Edible oil prices hauled up by VAT

FROM PAGE B1

The revenue authority says the AT is adjustable and it has introduced the tax to encourage businesses to keep records of transactions and accounts properly.

As a result of the changes in VAT structure, import costs of crude degummed soybean oil (CDSO) and refined, bleached and deodorised (RBD) palmolein, which local refiners import and process to market locally, have soared, according to the BTC report.

For example, the report, quoting letters of credit settlement data of CDSO and RBD palmolein from May 2019, said edible oil refiners paid Tk 8,700 and Tk 6,390 for each tonne of CDSO and RBD palmolein.

The amount of VAT, a type of consumption tax, increased 41 percent to Tk 12,252 for each tonne of CDSO after imposition of VAT and AT

on imports.

For palmolein, the additional cost rose 45 percent to Tk 9,280 per tonne, according to the BTC report.

Besides, as distributors and businesses cannot maintain records of transactions and accounts properly, they have to pay 5 percent VAT on sales price.

"This has created the possibility of price hike of edible oil," the BTC report said.

The BTC also linked depreciation of taka and rising prices of soybean and palm oils in the global market to increase in prices of the essential commodity in the local market.

The report said refiners have been seeking to increase the prices of edible oil since the beginning of the fiscal year for the imposition of VAT and AT on imports but the commission advised refiners to refrain from doing so.

The prices of edible oil remain a bit stable for exemption of AT on import of crude edible oil.

But as prices of the commodities have been rising since October, refiners have been seeking commission's nod to increase prices, the report said.

The prices of both CDSO and RBD palmolein surged 20 percent and 35 percent year-on-year on December 20 last year.

Under the circumstances, the commission suggested reduction of VAT on production, distribution and trading stages and fixation of sales commission for distribution and retailing at Tk 3 and Tk 5 respectively.

It also recommended the government for exemption of 5 percent AT on imports of crude edible oil to curb the price spiral of the key item in the face of soaring global prices.

## Regent Airways confident of turnaround

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The International Air Transport Association's clearing house provides billing and settlement services in multiple currencies for the air transport industry.

"If a business isn't profitable for a provisional period, it doesn't mean it is going to be closed. Businesses face frequent ups and downs and we will definitely overcome this financial situation as we are getting support from our owning company, which is a big corporation," Asif added.

The airline plans to start flying to Abu Dhabi, Chennai and Guangzhou this year after getting six more vessels. Besides, it will increase flight frequency to its existing domestic routes -- Chattogram and Cox's Bazar -- and international destinations: Kolkata, Kuala Lumpur, Singapore, Muscat and Doha. Regent is also preparing to improve its service in 2020 as it marks its first decade of operation.

The airline will shortly introduce Regent Screens, the first-ever Wi-Fi-based in-flight entertainment services in Bangladesh's aviation sector. The service will allow passengers to enjoy high-quality multimedia content on personal devices.

Regent also takes safety of passengers very seriously, the CEO said.

"The safety remains our top priority and we are under no condition going to compromise with it. Whenever we apprehended any risk in terms of safety and reliability, we have never hesitated to ground our aircraft for necessary maintenance."

All of Regent's aircraft are Boeing 737-800 and not the Boeing 737 Max airliner -- the model that was grounded after two fatal crashes in 2018 and 2019.

Hanif Zakaria, chief commercial officer of the airline, and Shohail Majid, director for sales and marketing, were present.