RCEP Agreement: Why it should concern Bangladesh?

MUSTAFIZUR RAHMAN

With the signing of the Regional Comprehensive Economic Partnerships (RCEP) agreement, the world is witnessing a significant milestone in the global economic scenario. The RCEP agreement will cover 15 countries with a population of 230 crore which is about one-third of world population, and the combined GDP of these countries is worth about $24,800 billion (in purchasing power parity), which is equivalent to about 29 per cent of the global GDP.

The RCEP is going to be the world's largest trading bloc, larger than the EU, or the CPTPP (the transpacific partnership agreement-TPP, minus the US) or the US-MCA (erstwhile NAFTA). RCEP countries' trade value in 2018 was about $2800 billion, 57 per cent of which was intra-RCEP trade.

To recall, in recent years, the number of regional trading agreements (RTAs) of various types has been on the rise. Some 305 RTAs are already in force, and the WTO has been notified about another 496, which are being negotiated. These RTAs cover either goods or services or both. Indeed, 157 of these RTAs are economic integration agreements (EIAs), which go beyond trade in goods and services.

However, the RCEP does stand out among this large number of RTAs. As the name implies, it is an agreement that goes beyond trade and tariff liberalisation, into cooperation in areas of e-commerce, removal of technical barriers to trade and non-tariff barriers and setting of common standards and various measures to promote intra-regional trade and investment. The idea is to take advantage of comparative advantages through initiatives to promote and foster deeper economic integration.

The RCEP agreement is expected to come into force from early next year. Tariff liberalisation plan, which aims to cover 90 per cent of tradable items, will be implemented over the next 20 years. The 20 chapters of the agreement lay out the foundation for cooperation among the 15 members that are envisaged to be deeper and broader than the ASEAN free trade agreement and the bilateral FTAs that the ASEAN has with the five RCEP-participating countries (China, Japan, South Korea, Australia and New Zealand). India had opted out at the last moment but could join at a later stage.

The signing of the RCEP deal ought to be followed closely and keenly by Bangladesh, for several reasons. First, the RCEP includes a number of LDCs, two of which, Myanmar and Lao PDR, will be graduating in coming years, similar to Bangladesh.

Cambodia is the other LDC in the RCEP. Timor-Leste, another graduating LDC in the region, is trying to gain ASEAN membership. The RCEP membership will give these graduating LDCs access to a large market, on preferential market access terms, at a time when Bangladesh will no longer be eligible to enjoy preferential access under the LDC schemes of RCEP members such as China, Japan, Australia, South Korea and other preference providing members.

The RCEP indicates how South-East Asian LDCs are strategising in view of addressing the challenges of LDC graduation. Second, and this should be a matter of grave concern for Bangladesh's policymakers, Vietnam, a major competitor of Bangladesh, particularly in apparels, will enjoy preferential market access in the lucrative and expanding RCEP market, as a member of the agreement.

Vietnam has already signed bilateral FTA with the EU and is also a member of the CPTPP. If under the new Biden administration, the US decides to join the CPTPP (as a matter of fact the TPP was the brainchild of the Obama administration), Vietnam's preferential market access will be guaranteed in almost all major markets, at a time when Bangladesh will lose preferential access in these markets following its LDC graduation. Bangladesh's competitiveness scenario vis-a-vis Vietnam will undergo radical changes in view of these developments.

Third, since the RCEP is expected to create a conducive environment for investment and development value chains and production networks, countries such as China, Japan, and South Korea will have an added incentive to invest in the RCEP member countries with a view to taking advantage of the preferential market access offered under the regional arrangement. Bangladesh's efforts to attract FDI from these countries could be negatively impacted because of this.

Bangladesh has decided, and rightly so, to give importance to signing bilateral FTAs as a coping strategy to address the loss of preferential market access because of LDC graduation.

READ MORE ON B2

South Korea proposes several investments for infrastructure projects

MD SHAHNAWAZ KHAN CHANDAN

The government of South Korea proposed several major investments to develop Bangladesh's infrastructure at the third Bangladesh-Korea Joint PPP (Public Private Partnership) Platform meeting yesterday.

The virtual meeting was co-hosted by the Public Private Partnership Authority (PPPA) of Bangladesh and the Korea Overseas Infrastructure and Urban Development Cooperation (KIND), a public-private investment organisation established by the South Korean government.

During the meeting, the KIND offered to finance three of the country's major development projects -- the Tongi to Sadarghat subway line, the Oboshor-Senior Citizen health care and hospitality centre, and the Purbachal Town Electricity Network.

According to a PPPA spokesperson, the Tongi-Sadarghat subway line, which will remarkably improve Dhaka city's public transport, is estimated to be complete within 60 months from the starting date. The budget for this mega-infrastructure has not been fixed yet.

The KIND also proposed a $20 million investment to develop the Oboshor-Senior citizen health care and hospitality centre. The centre, which will provide healthcare for geriatric patients and senior citizens, is estimated to be complete within three years.

Besides, the organisation offered to establish the Purbachal Town Electricity Network in the currently developing Purbachal Residential Model Town.

This project is estimated to be complete within four to five years. Its budget has also not been fixed yet, the PPPA spokesperson said.

Meanwhile, Bangladesh Bridge Authority (BBA) showcased its Meghna Bridge Project, which involves the construction of a four-lane bridge over the Meghna river on the Bhulta to Aaraihazar to Banchharampur road that will serve as an alternate route to the Dhaka-Chattogram Highway and the Dhaka-Sylhet highway.

The KIND appreciated this project and agreed to move forward with the government in this regard by forming a government-to-government partnership programme in the future.

In his welcome speech, Kyong-goo Hur, president and CEO of the KIND, said that Korea is one of the largest investors in Bangladesh since the establishment of diplomatic ties between the two nations in 1973.

"The KIND supports those investors who do not compromise with time and quality in implementing projects," he added.

Sultana Afroz, CEO of the PPP Authority, said these partnerships will not only accelerate the country's economic growth, but also strengthen bilateral relations.

She also asserted that the PPPA will work hard to facilitate the implementation of PPP projects with South Korea while following the due process with a focus on technical, commercial, legal, social and environmental aspects.

READ MORE ON B3

Large shipment of padlocks, rexine seized at Benapole

Importer attempted to evade tax through false declaration, officials say

OUR CORRESPONDENT, *Benapole*

Customs officials have seized a large consignment of padlocks and rexine at Benapole Land Port on charges of tax evasion by the importing company.

The Jashore-based Shafi Iron Trades imported 1,051 packs of padlock and rexine but declared the shipment to be of various mechanical parts and accessories in a bid to avoid Tk 1.2 crore in taxes.

Benapole Customs Commissioner Md Azizur Rahman seized the consignment last Thursday, according to a press release yesterday.

After receiving a tip-off, the commissioner inspected the consignment with his team and seized 18 tonnes of padlocks and 982 kilogrammes of rexine.

The related C&F agent, Talukdar Traders, subsequently had its licence suspended for its direct involvement in the revenue evasion.

A fine of Tk 61.25 lakh has been imposed on this consignment as well.

"A large consignment of padlocks and rexine was seized for making false declarations," Rahman said.

Bangladesh Customs recently ramped up its efforts to prevent tax evasion. As such, any C&F agents found to be directly involved in revenue evasion will have their licences permanently cancelled, he added.

Cut cash-out charge for mobile banking

Consumers' platform demands

STAR BUSINESS REPORT

A consumers' rights group yesterday urged the government to bring down the cash-out charge for mobile banking to a single-digit and enforce significant market power (SMP) policy to enhance competition in the burgeoning industry.

The Bangladesh Mobile Phone Consumers Association (BMPCA) also called for reducing the value-added tax to 5 per cent from 15 per cent now, ensuring interoperability among the operators and making intra-network transactions free of cost.

The association raised the demands at a discussion styled "Fixing logical charge on mobile banking, charge-free interoperability and users security" at the Dhaka Reporters' Unity, according to a press release.

Nagad, the financial service arm of the postal department, has brought down the cash-out charge below Tk 10 per Tk 1,000 withdrawal whereas it has been Tk 18.5 since the inception of the MFS industry in Bangladesh a decade ago.

Other operators can follow suit, said Subrata Roy Maitra, the vice-chairman of the Bangladesh Telecommunication Regulatory Commission (BTRC).

The central bank should fix a logical charge through a cost-modelling exercise, he said.

Joining the event through mobile phone, Syed Abul Maksud, a noted columnist and researcher, requested the government to slash the service charge for the benefit of the marginalised people.

Mohammad Azizur Rahman Siddiqui, director for the services division of the BTRC, also called for running a cost-modelling for the charges imposed by the retailers and distributors of the MFS industry.

Sayema Haque Bidisha, a professor of economics at the Dhaka University, joined the discussion through mobile phone. She said the service charge is not logical given the current socio-economic circumstances of the country.

She hoped the central bank would take steps to fix a reasonable rate based on the recommendations of all stakeholders.

"If we can bring down the cost of cash-out charge and all other charges, it will be helpful for the poor people," Bidisha added.

Khaled Mahmood, an associate professor at the Institute of Business Administration at the DU, said there is no alternative to SMP to enhance competition.

Ruhin Hossain Prince, secretary of the Communist Party of Bangladesh, said mobile banking is the reality of today, so the government should ensure that the service can be availed safely and at a lower cost.

READ MORE ON B3

StanChart-Channel i announce 6th edition of Agrow Award

STAR BUSINESS DESK

Standard Chartered Bangladesh and Channel i have jointly announced the launch of the sixth edition of Standard Chartered - Channel i Agrow Award to recognise the best performing individuals and institutions for their significant contribution to the agriculture sector.

The announcement came at a press conference in Dhaka recently, according to a statement.

This year, two new award categories— best journalist (agriculture) and best community as disaster fighter— have been introduced, bringing the total to 10.

The eight other categories for the nominations are: farmer of the year – male; farmer of the year – female; heroes for change; jury special; best agricultural organisation in research, innovation and technology; best agricultural organisation in support and execution; best agricultural exporter; and lifetime achievement award.

READ MORE ON B3

Naser Ezaz Bijoy, CEO of Standard Chartered Bangladesh, Faridur Reza Sagar, managing director of Channel i, and Shykh Seraj, director and head of news of Channel i, attend the launch of the sixth edition of Standard Chartered - Channel i Agrow Award in Dhaka recently. STANCHART

High food prices hurting India's poor, pain to persist

REUTERS, *New Delhi*

India's retail inflation may stay elevated for at least three more months after hitting a six-year high in October, as excess rain has damaged standing crops and seedlings, while edible oils that the country imports have become expensive.

The high prices are a particular cause of concern for India's hundreds of millions of poor people, who have already been squeezed by the coronavirus pandemic and its impact on an economy that contracted a record 23.9 per cent in April-June.

Food items such as onions, potatoes, eggs, meat and tomatoes have a nearly 46 per cent weight in India's retail inflation basket. Food inflation shot up to 11.07 per cent in October, the highest in nine months according to data released on Thursday, sending overall retail inflation surging to 7.61 per cent.

"We were expecting a hefty correction in vegetable prices but just before harvesting, excessive rainfall damaged crops," said Amol Ghule, a vegetable trader based in the western state of Maharashtra that dominates India's onion and oilseeds production.

Parts of India's richest state was battered by untimely rain last month.

"Many farmers are having to prepare seedlings again for planting and this will delay supplies from the new season crop," Ghule said.

In the past three months, onion prices have more than quadrupled in India, while soyoil prices have rallied 23 per cent.

International prices of edible oils, meanwhile, have hit record highs due to falling stocks. India imports 70 per cent of its edible oil from countries such as Malaysia, Argentina, Indonesia and Ukraine.

"Palm oil prices have jumped in Indonesia and Malaysia, soyoil in Argentina and sunflower oil in Ukraine," said B.V. Mehta, executive director of industry body the Solvent Extractors' Association.

Poultry prices are rising as Indians flock to chicken shops for some extra protein during the pandemic, while production is low because many chicken farms were closed due to India's virus lockdown.

Also, high vegetable prices have made eggs more affordable for many poorer people, said Uddhav Ahire, chairman of poultry supplier Anand Agro Group.