

# star BUSINESS

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## WB recommends carbon tax on fuel

REJAUL KARIM BYRON And MD FAZLUR RAHMAN

The government should impose carbon tax on petroleum products while fixing their retail prices, in order to reduce carbon emissions, the World Bank has said.

A carbon tax is imposed on the carbon content of fuels that causes carbon dioxide emissions when burned. A protracted period of low oil prices such as the one the world is currently experiencing is ideal for the introduction of carbon tax, the WB said.

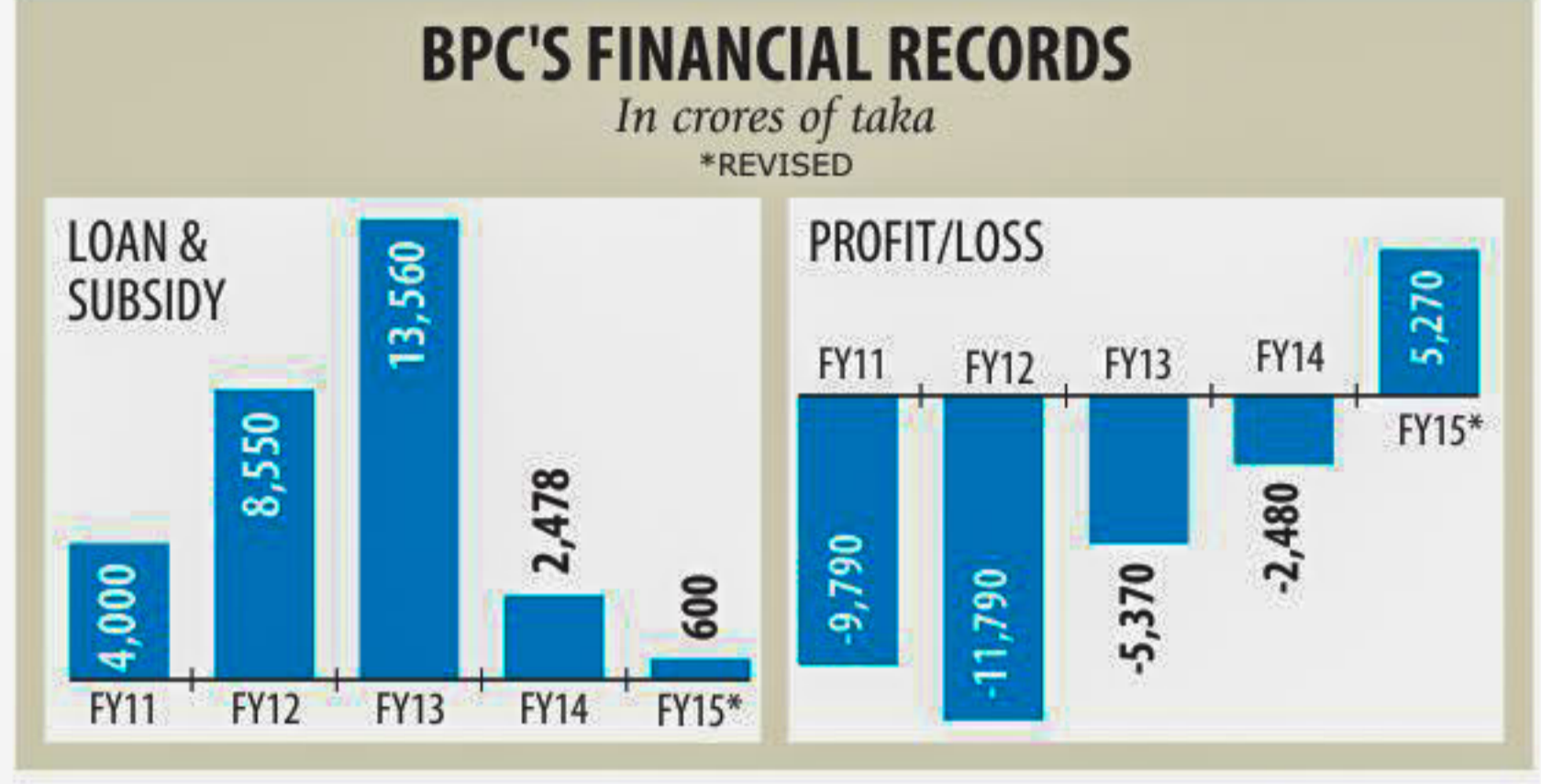
The suggestion was made in a letter to the government last month, in which the Washington-based multilateral lender once again called for initiating a system that adjusts fuel prices with the global market swings.

"The best approach is to let domestic prices follow international prices while using a tax instrument to account for carbon pricing," said Qimiao Fan, country director of the WB, in a letter to Finance Minister AMA Muhith.

Fan's letter also attached an analysis on pricing petroleum products in Bangladesh, as requested by Muhith during his meeting with Annette Dixon, the WB's vice-president for South Asia, on March 7.

An official of the Economic Relations Division said the government is now examining the proposal of the WB.

Bangladesh used to sell petroleum products at prices lower than those on the international market, forcing the



government to shoulder huge subsidies. But now that the oil prices have plummeted in the global market, the government is reluctant to make the price adjustments, in order to allow the Bangladesh Petroleum Corporation to recoup the losses it had incurred in the past.

The WB analysis said current macro-economic conditions in Bangladesh and the low international oil prices provide a historic opportunity to de-regulate domestic oil prices.

"Public resistance to pricing reform is lower when economic growth is relatively high and inflation is low, as is the case in Bangladesh."

Besides, the subsidised fuel currently encourages high levels of vehicle traffic, which have negative externalities in the form of congestion, higher rates of accidents, road damage and environmental pollution.

The under-pricing also reduces incentives for investment in energy

efficiency and renewable energy.

The WB said the best way to rationalise energy prices for Bangladesh is through periodic automatic indexation to reflect changes in the international market and the nominal exchange rate.

But in the long term, the government should aim to fully liberalise pricing for petroleum products.

More liberalised regimes tend to be more robust to the reintroduction of distortionary subsidies than automatic pricing mechanisms, the WB said.

Bangladesh has recently followed a mixture of ad hoc and active regulation.

Several price adjustments during fiscal 2010-11 to 2012-13 led to elimination of subsidies to petrol and octane in Bangladesh.

However, significant subsidies for diesel and kerosene continued until the recent slide in oil prices.

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## Minister slams WB for lowering growth forecast

STAR BUSINESS REPORT

Planning Minister AHM Mustafa Kamal yesterday criticised the World Bank, as the global lender in a report on Sunday lowered Bangladesh's GDP growth forecast to 6.3 percent for the current fiscal year.

Provisional data of Bangladesh Bureau of Statistics released last week suggests the growth will be 7.05 percent this fiscal year.

"The World Bank does not believe its own report. It gives different opinions at different times," Kamal told reporters at a briefing at the NEC auditorium after a meeting of the Executive Committee of National Economic Council.

"I don't know whether anybody in the world believes its report."

For fiscal 2014-15, the WB had estimated Bangladesh's GDP growth at 5.6 percent, but the actual growth was 6.55 percent, which was accepted by the lender.

"The World Bank accepted the growth calculated by the BBS," Kamal said.

## BB CYBER HEIST

# Philippine bank may repay part of missing funds

STAR BUSINESS REPORT

Rizal Commercial Banking Corporation (RCBC), the Philippine lender implicated in the theft of \$81 million from Bangladesh Bank's foreign reserves, would consider repaying a part of the funds that cannot be recovered, its president said yesterday.

"If we're found liable, I would recommend to the board to set aside a certain sum," President Lorenzo Tan told a five-hour Senate hearing in Manila.

He was replying to a query from Senator Ralph Recto, who said the bank's board might want to consider shouldering about \$50 million that appeared to be unrecoverable.

Investigators are seeking to track down hackers who attempted to steal almost \$1 billion from Bangladesh's central bank in February. While authorities blocked most of the illicit transfers, \$81 million ended up in RCBC, and was wired to remittance company Philrem Service Corporation before being sent to casinos where the money trail has gone cold. Almost all of the money is still missing.

Casino operator Kim Wong has said that he turned over about \$5.5 million received from two Chinese nationals to the Anti-Money Laundering Council of the Philippines since March 31, and has pledged to return another 450 million pesos (\$9.8 million) that he received from one of the men as a debt payment.

About \$18 million remained with

Philrem, Wong told the Senate on March 29, a claim that officials of the remittance company have denied, according to Bloomberg News.

Bangladesh's Ambassador to the Philippines John Gomes told reporters before the start of yesterday's hearing that Philrem may turn over more funds.

Gomes however did not say how much Philrem may return. "It wasn't exactly a surprise but we welcome this development," said Gomes.

But Philrem President Salud Bautista said at the Senate hearing that her company had delivered all \$81 million to Wong's group and no more money is left with them.

RCBC had received "confusing" stop payment and freeze requests via e-mail from Bangladesh Bank in February, said Macel Estavillo, the bank's head of legal and regulatory affairs, at the hearing.

She said although BB sent three requests to freeze on February 9, the messages were "vague" and "ambiguous." Estavillo said RCBC could have reacted promptly if it received an MT192, the code for a request for cancellation or stop payment order, according to the ABS-CBN News.

"In the case of the bank of Bangladesh, they did not send us any high priority message; they did not send us any stop payment order. They just sent us an unauthenticated free format message or a 999," Estavillo told senators.

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## Vegetable exporters get separate scanner at airport

REFAYET ULLAH MIRDHA

The Civil Aviation Authority of Bangladesh has allocated a separate scanner for fruits and vegetables at the Dhaka airport following calls from exporters, many of whom were failing to make their shipments due to delays in screening since March 21.

From Monday, one of the four screening machines at Hazrat Shahjalal International Airport is being used solely for fresh produce, according to Mohammed Mansur, general secretary of Bangladesh Fruits, Vegetables and Allied Products Exporters' Association.

"The situation at the airport has improved a bit after the allocation of a separate machine for us," he said.

Following a security alert on March 8, direct cargo from Dhaka to the UK was banned, which prompted the airport authority to crank up the screening procedure.

As a result, the exporters are now facing long delays in screening and on many occasions, the consignments are failing to make their flights on time.

The delays are weighing heavily on the fruit and vegetable exporters, who have to bring back their perishable cargo from the airport after missing flights and sell them at throw-away prices at the city's wholesale kitchen markets.

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## Local glass tableware gains popularity

SAJJADUR RAHMAN

Locally manufactured glass tableware is replacing imports, helping the country save foreign currency.

Nasir Glassware and Tube Industries Ltd that was set up at a cost of Tk 1,100 crore has shown its strength in meeting local demand and exporting its products.

"We recently started exporting glass tableware to India and Nepal," said Nasir Uddin Biswas, chairman and managing director of the company that makes products including tumblers, cups, saucers, bowls, mugs and dishes.

Nasir Glassware entered the market in March 2014 and now has the capacity to produce 100 tonnes of glassware a day.

The company is running below capacity amid competition as some unscrupulous businesses are importing the products through under-invoicing.

The demand for glass tableware in Bangladesh is one crore pieces a month, the value of which is Tk 100 crore-Tk 120 crore, according to industry insiders.

Nasir Glassware currently meets 50 percent of the local demand; GMS, another local factory, meets 15 percent of the demand, and the rest 35 percent are imports.

The demand for glassware is increasing steadily with changes in lifestyles. New hotels and restaurants are being set up; the millions of roadside teashops are also raising the demand for these products.



"Sales of teacups are rising fast. Nearly 40 percent of our total sales come from teacups," said Biswas. The demand for glasses and mugs is also increasing, he added.

Factories have to import most of the raw materials. Scarcity of gas is also pushing the production cost up.

"Furnace oil and diesel cost four times and 12 times higher than that of gas," said Biswas.

The imports from China through under-invoicing are damaging growth of the local industries, he said.

The import duty on one kilogram of raw glass is 80 cents, according to the customs house in Chittagong Port.

"We have opened a probe into the allegation of import of raw glass through under-invoicing," said an official of the customs house in Chittagong, asking not to be named.

## Stocks end flat as investors remain cautious

STAR BUSINESS REPORT

Stocks closed almost flat yesterday, as investors remained cautious about the market outlook.

DSEX, the benchmark index of the Dhaka Stock Exchange, rose only 5.73 points or 0.13 percent, finishing the day at 4,407.52 points.

Stocks showed an upward trend in the morning. "However, as the trading session progressed, investors acted cautiously amid watchful trading behaviour," said LankaBangla Securities. "Investors may be looking ahead to the start of the quarterly earnings season," the stockbroker said in its regular analysis.

However, turnover, another important indicator of the market, rose 13.48 percent to Tk 474.96 crore, with 10.05 crore shares and mutual fund units changing hands on the DSE. Of the traded issues, 126 advanced and 133 declined with 58 securities closing unchanged on the premier bourse.

Doreen Power Generations and Systems dominated the turnover chart with 21.07 lakh shares worth Tk 15.37 crore changing hands, followed by Aman Feed, LankaBangla Finance, Keya Cosmetics and BSRM.

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## Finding partners a major task for DSE: official

STAR BUSINESS REPORT

Finding strategic investors by December is a key task for the demutualised Dhaka Stock Exchange, the bourse's immediate-past managing director said yesterday.

The next managing director will have to continue the efforts that Swapan Kumar Bala initiated -- to find strategic investors under the demutualisation scheme.

"I have sketched out a roadmap and an internal team is working under the plan," Bala said on his last day in office yesterday, completing

three years as the DSE's managing director.

The roadmap underscored two major issues -- getting a reputed international stock exchange as a strategic partner of the DSE and selling the shares at lucrative prices.

"Apart from finding strategic partners, increasing revenue generation, introduction of new products and ensuring professionalism in running of the bourse would be major challenges for the next managing director," said Bala, who joined the DSE on April 15, 2013.

As the twin stock exchanges could not find any strategic investor despite being demutualised in 2013, Bangladesh Securities and Exchange Commission in December last year set officials the task to find strategic investors within one year.

The 13-member board of the bourse includes a director post under the strategic investors' category, but it remains vacant. "The strategic investor being a board member will have the opportunity to contribute to the bourse," Bala said.

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## Economic zone in Jamalpur to boost trade with India

STAR BUSINESS REPORT

The government plans to set up an economic zone in Jamalpur aiming to export light-engineering and garment products to northeastern India.

The Executive Committee of the National Economic Council (Ecneec) yesterday passed the Tk 302-crore project that is expected to be complete by 2017.

Around 488 acres will be acquired for the economic zone and necessary infrastructure will be developed to attract investment from Indian and Bangladeshi companies, according to the planning ministry's proposal.

Bangladesh shares a 1,880km border with four Indian states: Tripura, Meghalaya, Mizoram and Assam.

There is a 443km border with Meghalaya itself, which is the closest state to Jamalpur.

The project will open scope for trade and commerce with the northeastern Indian states, according to the proposal.

Bangladesh will become an industrial hub for the Indian states to manufacture and ship light-engineering goods, garment, consumer goods and food items.

A total of seven projects were approved at yesterday's Ecneec meeting, three of which were revised projects.

The Ecneec also approved the National Agricultural Technology Programme-2nd Phase with an estimated outlay of Tk 1,878 crore, which aims to improve the overall socioeconomic condition of farmers.

Of the total project cost, Tk 1,607 crore will be financed by the World Bank, IFAD and USAID.

Bangladesh Agricultural Research Council (BARC), the Department of Agricultural Extension, the Department of Fisheries and the Department of Livestock Services will jointly implement the project in 270 upazilas of 57 districts by 2021, Planning Minister AHM Mustafa Kamal said.

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## Correction

In an interview published in Star Business on Tuesday, it was stated that Standard Chartered spends \$100 billion a year on the digitisation process globally. But the amount will be \$100 million. We regret the error.



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