

Ginger retailing fourfold the import price

MOHAMMAD SUMAN

Chittagong-based Asia Enterprise received a consignment of 59,580 kilogrammes (kg) of fresh ginger through the Cox's Bazar's Teknaf land port on May 12.

The importer paid about \$0.45 or Tk 48 for each kg to M/S Bossiullah, an exporter of Myanmar's Maungdaw, shows documents.

Not only Asia Enterprise, in the last four and a half months, meaning from January to May 15, 53 importers imported 6,863 tonnes of ginger at an average rate of Tk 70 per kg through the port.

The import value of each of the 174 consignments was shown to be between Tk 48 and Tk 96.

But for the last two weeks, every kg of ginger from Myanmar has been sold at Tk 220 to Tk 230 in the wholesale market and Tk 270 to Tk 290 in the retail market, which is almost four times higher than the import cost.

This indicates how some unscrupulous traders jacked up the prices of the essential cooking ingredient, cashing in on a supply crunch in the domestic market, said market observers.

Over the last week or so, especially after Cyclone Mocha hit the southern part of the country, ginger prices went up by over Tk 100 a kg, causing public outcry.

Importers and customs officials are claiming that imports have almost halved compared to normal times through all ports, including the Teknaf land port.

Talking to The Daily Star, several traders said a section of ginger traders, including importers, was taking advantage of the import crisis.

Importers said about 70 per cent to 80 per cent of imported ginger was from Myanmar.

Recently, imports almost stopped due to banks putting a stop to issuing pay orders citing the dollar crisis.

Importers also claimed that they have to pay Tk 38 lakh to Tk 39 lakh for a \$30,000 bank draft from banks.

If the current exchange rate is taken into consideration, with each US dollar to be equivalent to Tk 106, the bank draft should have been worth Tk 31.80 lakh. This also had a role to play in the local price hike.

Bank officials say they did not allow opening bank draft for importers who solely import goods.



PHOTO: STAR/FILE

Imported and local ginger is now selling at Tk 250 and Tk 400 per kilogramme whereas it was Tk 140 to Tk 250 respectively a month ago, according to the Trading Corporation of Bangladesh. Wholesale traders said they had increased prices because imports were lower than demand and for word going round that the market situation would normalise before the upcoming Eid-ul-Azha.

Imports have decreased due to new, special conditions imposed on the issuance of bank drafts on the orders of higher authorities, they said.

Mentionable, Sonali Bank and Myanmar Economic Bank are nominated to issue bank drafts on border trade by their respective governments under an agreement signed on May 18, 1994.

Recently, AB Bank has been added to that agreement.

Unlike any other land and sea port, the Teknaf land port allows traders to import goods showing only bank drafts instead of opening letters of credit (LC).

Imports from other countries including China, Thailand and India also decrease due to delays in opening LC.

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According to the Trading Corporation of Bangladesh (TCB), imported and local ginger are now selling at Tk 250 and Tk 400 per kilogramme whereas it was Tk 140 to Tk 250 respectively a month ago.

The price of imported ginger increased by 50 per cent per kg over the past month while registering a staggering 180 per cent year-on-year growth as of yesterday, the TCB data said.

"Import process through Teknaf is different as compared to other ports," Anamul Haque, owner of Asia Enterprise, told The Daily Star.

"Here goods are imported through bank draft instead of LC. Everyone has to spend extra money for opening bank drafts and getting serials," he said.

He also claimed that the extra money has to be paid for transportation and release of products from the port, which then affects the price of the product.

However, he did not specifically state

where and how much of "the extra money" was spent.

"I have not been able to get a bank draft for the last two weeks. Only those with whom banks have a relationship can get a bank draft," said an importer on condition of anonymity.

"Each draft of \$30,000 has to be bought from them for Tk 39 lakh. Again, there is a serial for availing bank drafts. These serials are also bought and sold with money," he said.

"We have nothing to do if someone outside the bank trades bank drafts," Golam Mostafa, Sonali Bank's Teknaf branch manager, told The Daily Star.

"We are not issuing new bank drafts only for imports. Only those who have exported dollars on their accounts can open a bank draft equivalent to that dollar," he said.

"This condition is being followed on the orders of higher authorities over the last two weeks," he added.

Bangladesh Hike property tax leaps

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second largest apparel source for the trade bloc after China (24.55 per cent) in January-March.

But if considered in terms of quantity, Bangladesh became the "number one" apparel sourcing destination for the EU during the three-month period, said BGMEA President Faruque Hassan.

The EU's global apparel imports fell 4.94 per cent year-on-year, or about \$1.22 billion, during the period. Clothing imports witnessed a steep fall of 12.64 per cent, or 136.88 million kgs.

Among the EU's top ten apparel-sourcing countries, Bangladesh, India, and Vietnam sowed a positive growth while shipments from other countries such as Turkey, Pakistan, Sri Lanka, and Morocco declined.

Data from the Eurostat showed, the EU's imports from Turkey, the trade bloc's third largest apparel import source, dropped by 12.79 per cent.

The EU's imports from India and Vietnam increased 5.75 per cent and 3.73 per cent respectively in terms of value. But volume-wise, the imports from all the top countries showed a negative growth in the January-March period.

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should increase keeping pace with the economic advancement of a country. The higher the income growth, the higher the property tax."

Citing rising income and wealth inequality in Bangladesh, the noted economist said wealth accumulation per adult increased by 3.66 times between 1995 and 2021 compared to the 1.41 times increase when it comes to income.

"This justifies the need to focus on wealth taxation more than income taxation. Income inequality has constantly been on the rise over the decades. This indicates higher potential for wealth tax collection in comparison to income tax."

Bangladesh has one of the lowest tax-GDP ratios globally and 68 per cent of its revenue comes from the indirect tax, VAT and customs duties.

Bhattacharya expects with Bangladesh's transition from the category of the least-developed countries, the income level and wealth accumulation will increase, so the property tax has to be the potential source of revenue.

As such, he suggested collecting land development tax, and stamp duties based on the market value of land instead of the official rate, which is below the actual

transaction value of land and properties.

Bhattacharya also recommended an introduction of inheritance tax as a new source of direct taxes.

Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh, said wealth inequality is rising in the country as the prices of land and flats are increasing.

In the absence of property tax, investment in real estate is increasing and land owners have been holding the properties for years without doing anything on the land, fueling prices and enhancing wealth accumulation.

"This is completely a tax haven," Mansur said, giving the examples of Saudi Arabia and the United Arab Emirates, which impose heavy taxes if land is left unused.

Mansur, a former economist at the International Monetary Fund, gave the example of the Dhaka Purbachal area, saying land has remained empty miles after miles at a time when Dhaka requires 30 lakh houses to meet the demand for accommodation.

"As a result, the rent in the slums per square foot is higher than in the Gulshan area. The poorest of the poor are paying for this. So, if we really want to ensure affordable housing and

curb wealth accumulation, wealth tax is necessary."

"Wealth is accumulated without tax. It is a perpetuation of inequality."

Maurizio Cian, head of cooperation at the Delegation of the European Union to Bangladesh, said property tax reduces inequality and makes it progressive.

"This tax is growth-friendly as it puts assets into motion," he said, adding that property tax accounts for 2.2 per cent of GDP in the EU.

According to Cian, Bangladesh has to reduce customs tariffs to comply with World Trade Organisation rules and it is a good case to impose taxes on immovable properties.

Former NBR Chairman Muhammad Abdul Mazid said transfer of assets based on the mouza rate instead of the existing market value creates a lot of undeclared incomes.

"Property transfer is a major source of undeclared income and this needs to be addressed."

Snehasish Barua, a partner at Snehasish Mahmud & Co, said only one third of the actual value of property transfer is reported.

"Transaction-based mouza rate creates undeclared wealth. The person who buys properties is paying a low surcharge while another person legalises undeclared wealth. A vicious

cycle has been created," he said, recommending an inheritance tax.

Land Minister Saifuzzaman Chowdhury said it is high time Bangladesh collected higher tax from properties and inheritance taxes as the country is going to exit the LDC group.

"But we can't change anything overnight. We need to do this keeping people in their comfort zone."

Chowdhury said the government is setting up a database to ascertain the ownership of lands in order to curb tax evasion.

"We are working to create a land bank. We are going to introduce a system of land ownership certificates. We will issue smart cards that will contain land-related information."

The minister said many people show non-agricultural land as farmland to evade paying higher taxes. "The land ownership certificate will be helpful in curbing the practice."

Former NBR Chairman Nasiruddin Ahmed placed importance on automation and governance.

Shameem Haider Patwary, a lawmaker from the Jatiya Party, alleged that people have to pay bribes at land offices. They also feel discouraged to pay taxes for the absence of democracy and good governance, he said.

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Banks worldwide were now embarking on a digital transformation journey in response to customers' demand for greater convenience and Bangladeshis banks are no exception, said Selim RF Hussain, chairman of the ABB.

Banks in Bangladesh are investing heavily in building a robust IT infrastructure, including core banking and card systems, ATMs, internet banking, digital apps, and various digital banking

solutions, to cater to evolving customer needs, he said.

"We are in the age of the 4th industrial revolution, and technology is challenging the status quo and changing the banking landscape every day," he said.

"We must align our people to adopt new ways of doing things using technology and leaving behind traditional methods," he added.

Joydeep K Roy, a partner at PricewaterhouseCoopers, presented a paper styled

"The next banking evolution in Bangladesh - Driven by digital transformation" at the event.

In 2021, around 23 per cent of the population in Bangladesh aged above 15 years did not have a bank account because of geographical barriers, he said.

In addition, only 16.3 per cent of the population in Bangladesh aged above 15 had borrowed any money from banks or other formal financial institutions, he said.

Fiscal policy barely prioritises

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Fiscal policy barely prioritises. Despite significant corrections in the corporate tax regime for three years in a row and an expanding fiscal regime incentivising import substitution through higher tariffs and subsidising exports, the private investment rate, export growth and employment have declined.

GDP growth is projected by the Bangladesh Bureau of Statistics to fall to around 6 per cent and inflation is running above 9 per cent.

Productivity growth slowed. Foreign exchange reserve depletion is still

looking for a bottom, tax revenue growth slumped and borrowing from the Bangladesh Bank ballooned.

Hussain thinks lower growth with higher inflation is symptomatic of the predominance of supply shocks caused by foreign exchange rationing, gas shortage and a proliferation of economic management by command and control.

According to Hussain, disinflation and stabilisation of foreign exchange reserves are macroeconomic imperatives. This warrants fiscal consolidation meaning a declining path of primary fiscal deficit and shunning the monetisation of the government's domestic borrowing.

He said revenue mobilisation has been most disappointing. Betting on higher buoyancy parameters, through better

tax compliance, has not paid off. The revenue gains from base expansion and several indirect tax rate increases have failed to outweigh the revenue losses from the direct and indirect tax decreases.

He thinks the expenditure shares of the top ten economic sectors have to square with the priorities deserved by the agriculture and social sectors and thinks expenditure rationalisation is needed to expand funding for these sectors.

The economist called for direct generosity where it is needed the most as inflation has damaged the real

income, food security, and essential expenditures of households in heterogeneous ways.

He thinks several structural reforms need immediate execution.

These include bringing market-driven flexibility back into the interest rate and the exchange rate regime, finishing the work in progress on several financial sector legislations, putting in place a transparent regime of energy pricing, injecting functionality into the shops set up to provide services in one stop, and several key reforms in trade and human development policies.

No proposals at RMG wage board's first meeting

STAR BUSINESS REPORT

The first meeting of the newly formed wage board for garment workers in Bangladesh yesterday ended without any proposal for structuring the monthly payments of more than four million apparel workers.

Held at the office of the Minimum Wages Board in Dhaka, the first meeting was spent discussing different global and domestic issues after introductions were made.

"We discussed the overall situation of the industrial sector and previous salary structure for workers," Liaquat Ali Molla, chairman of the Minimum Wages Board, told journalists after the meeting.

Both sides, meaning owners and workers, will propose a salary structure for the garment industry during the next meeting.

However, a date for the next meeting has not been fixed yet, he said.

Sirajul Islam Roni, the workers' representative on the board, said he will analyse the current and previous data on wages, cost of living for workers and the present situation of the garment industry before preparing a proposal.

Md Siddiquur Rahman, the owners' representative, said they mainly discussed three issues at the first meeting, namely the global economic situation, overall apparel sector and living standard of garment workers.

Rahman then said he too will propose new salaries at the next meeting and that announcing the final wage structure on time is possible.

The board has seven months to announce the new wage structure, he added.

The government had formed the new wage board for garment workers last month as they have been passing through a difficult time due to high inflationary pressure.

With the announcement of the new wage board, union leaders in the garment sector demanded Tk 23,000 as the minimum wage for workers.

Union leaders proposed the amount considering the needs of a four-member family alongside other major factors such as the inflationary pressure and overall cost of living, including house rent, medical allowance and transport cost.

The current minimum wage of a garment workers is Tk 8,000 per month. Union leaders also said international retailers and brands should contribute a fair share for the wage upgradation of workers.

Enforcing rules

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