China leaves key lending rates unchanged

REUTERS, *Shanghai/Singapore*

China left benchmark lending rates unchanged at a monthly fixing on Tuesday, in line with market expectations.

The steady monthly LPR fixings met market expectations, as shrinking interest margins at lenders hampered continued easing efforts after China lowered a string of key interest rates a month earlier.

The one-year loan prime rate (LPR) was kept at 3.35 percent, while the five-year LPR was unchanged at 3.85 percent.

In a Reuters survey of 37 market participants conducted this week, all respondents expected both rates to stay unchanged.

Most new and outstanding loans in China are based on the one-year LPR, while the five-year rate influences the pricing of mortgages.

China surprised markets by cutting major short- and long-term interest rates in July, its first such broad move in almost a year, signalling policymakers' intent to strengthen economic growth.

China's bank lending tumbled more than expected last month, hitting the lowest in nearly 15 years

The sequence of the rate cuts also showed the PBOC's monetary framework had changed, shifting the short-term rate to being the main signal guiding markets, traders and analysts said.

China's bank lending tumbled more than expected last month, hitting the lowest in nearly 15 years, dragged down by tepid credit demand and seasonal factors and raising expectations that the central bank may deliver more easing steps.

Economists at Goldman Sachs: "The expansionary fiscal policy, along with other support including continued monetary policy easing, is needed to stem further weakening in domestic demand and to ensure real GDP growth stays close to 5 percent year-on-year in the second half of this year. We believe the growth target is important to the authorities and recent policy communications have indicated so."

They expect one 25-basis-point reserve requirement ratio (RRR) cut in the third quarter, followed by another 10-basis-point policy rate cut in the fourth quarter of this year.

Soybeans grow in a field in Dwight, Illinois. Bangladesh's dependence on the US for soybeans has been increasing, particularly after the outbreak of the Russia-Ukraine war.

PHOTO: AFP/FILE

Bangladesh's dependence on US soybeans growing

REFAYET ULLAH MIRDHA, *from San Francisco*

Bangladesh's dependence on the US for soybeans has been increasing, particularly after the outbreak of the Russia-Ukraine war, with local traders, millers and conglomerates diversifying their sourcing for uninterrupted supply of edible oil and animal feed.

Prior to the war's outbreak in February 2022, Bangladesh was meeting around 15 percent of its annual demand with US soybeans. However, it has increased to 40 percent since the war erupted.

Previously, Russia and Ukraine were the major cultivators of soybeans, wheat and corn and a stable source not only for Bangladesh but also for other South Asian countries.

Bangladesh's import of soybean products has been growing over the last couple of decades for changes in food intake owing to rapid urbanisation and a reduction in cultivable land for the economy shifting to industrialisation.

The imports grew 169 percent year-on-year in fiscal year 2023-24.

In the marketing year 2022-23, Bangladesh imported 3.76 million tonnes of soybean products from all over the world, according to the US Soybean Export Council (USSEC).

Of it, 1.08 million tonnes, valued at an estimated $302.95 million, were from the US, according to the USSEC and United States Department of Agriculture.

One of the prime imports is edible oil. Previously local growers used to meet a majority of the demand for edible oil with mustard seed and rapeseed.

But that scenario has changed as 90 percent of the edible oil consumed in Bangladesh is now imported. Over 60 percent of it is soybean oil, with a majority coming from the US, while the rest is palm oil.

Local importers say the US soybean products are increasingly being preferred mainly for assurances of supply continuity, seed and grain quality, nutritional value and favourable prices.

For instance, the damage ratio of US soybean products is around 0.50 percent while that of products from other countries is nearly 4 percent.

American soybeans are much better than the Brazilian and Argentinian ones as the damage ratio is lower, said Amirul Haque, managing director of Delta Agrofood, at Soy Connext 2024.

He set up a mill last November taking note of the growing local demand and now processes 2,500 tonnes of soybeans per day.

About 90 percent of the edible oil consumed in Bangladesh is now imported. Over 60 percent of it is soybean oil, with a majority coming from the US, while the rest is palm oil

Some 35 percent of his soybeans are from the US, and he believes it would increase if their price remains competitive.

The Meghna Group of Industries also sources the same portion of its raw materials from the US for its mill at Meghna Economic Zone in Sonargaon under Narayanganj district, which has a crushing capacity of 3,000 tonnes per day.

Its executive director, Varun Goyal, said they use the US soybeans from November to February but Brazilian soybeans for the majority of the year because of their price competitiveness.

He, however, said they would have preferred the US ones for the quality even if the prices had been $4 to $5 higher per tonne.

City Group also sources around 40 percent of its soybeans from the US for its edible oil plant which has a pressing capacity of 5,000 tonnes per day.

The company will launch another plant with a 3,000-tonne capacity next month to meet growing demand for edible oil and soybean feed, said its director for planning and business development), Md Imran Uddin.

The US beans are preferred for their quality and golden coloured oil and it will increasingly be used, he said on the sidelines of Soy Connext 2024.

Bashundhara Multi Food Products was also seeking information at the event on hearing of the assurance of competitive prices and supply continuity.

Its chief operating officer, Syed Farhad Ali Reza, said they would open a mill in November this year with a crushing capacity of 5,000 tonnes per day.

These gave hope to American soybean farmers, traders and government officials at the three-day Soy Connext, an annual signature summit of the USSEC ending today at San Francisco Marriott Marquis.

"I think the price of soybean oil and soybean meal increased over the last few years due to the demand increase," said farmer Jerry C Gaffner who produces around 35,000 bushels of soybeans a year on 525 acres of land in Illinois.

"...you now see the prices dropping rapidly due to the increase in supply of soybeans both in the United States and South America," he said.

Apart from quality, the Russia-Ukraine war played an important role for the increase in the import of US soybeans, said Khabibur Rahman, country team lead, Bangladesh of the USSEC.

There is a lot of potential as Bangladesh has an annual crushing capacity of 4 million tonnes, including those of big conglomerates like City Group, Meghna Group, Delta Agro, TK Group and Bashundhara Group, he said.

Currently, the mills crush 2.2 million tonnes of soybeans a year, he added.

More effective steps needed to widen tax net

AF NESARUDDIN

With 53 years having passed since Bangladesh gained independence, it is now considered as one of the next emerging economies in Asia and has the prospect of being ranked among middle-income countries.

However, there is nothing to be complacent about considering these feats alone as there is still huge potential for growth.

In a country with a population of around 180 million and subsequently large consumer market, the per capita income in terms of US dollars currently stands at $2,784, according to the Bangladesh Bureau of Statistics.

And although the National Board of Revenue has spent many years trying to increase the tax-to-GDP ratio, it remains surprisingly low at less than 8 percent compared to the regional average of above 15 percent.

Of the roughly 10 million TIN holders eligible for taxation in various categories, only 3.4 million individuals and 34,000 corporates regularly file tax returns. A major reason for this disparity is the lack of close monitoring by the tax regulator, indicating that its steps so far are not enough to widen the tax net.

For example, corporate and individual tax rates have been gradually rationalised over the years but it has not been reflected positively in increasing tax collection.

This makes it evident that tax evaders, particularly a section of businesses and individuals, have not been adequately motivated to start complying with the rules.

Furthermore, the scope to whiten black money by paying 15 percent tax on undisclosed income is doing more harm than good by discouraging genuine taxpayers.

This is because those who regularly pay taxes are often harassed by tax officials due to arbitrary issues in their assessment while certain businesses and individuals are constantly evading taxes.

The Institute of Chartered Accountants of Bangladesh had introduced a document verification system in 2020 to prevent the submission falsified financial statements and ensure transparency. Still, tax evasion continues with the help of corrupt officials.

It is also surprising that many businesses conduct much of their transactions in cash and neglect to report them when filing their official financial statements.

So, these issues warrant proper investigations by experts and other experienced personal.

Besides, identifying new tax payers is not very complicated or challenging but the inspectors responsible in this regard have been largely unsuccessful due to corruption and lack of proper monitoring.

As such, tax enforcement should be made more effective and rational without causing more undue harassment for genuine taxpayers. This entails strictly monitoring TIN holders, identifying new taxpayers with external support if needed, and redefining the role of inspectors.

Also, digitalisation is a prerequisite for ensuring transparent financial reporting.

Faceless assessments should be introduced, as is the case in neighbouring countries, and the taxation system should be simplified to reduce the scope for harassment.

Big businesses should be more closely scrutinised as well, with everything from their start-up capital to current investments being brought under the scanner to ensure financial transparency.

Additionally, close monitoring of tax officials must be ensured so that they cannot exercise their powers for personal gain at the cost of taxpayers.

Ultimately, there is no alternative to overdue reforms in tax administration to address these issues.

The author is a senior partner of Hoda Vasi Chowdhury & Co and former ICAB president

EU plans 36% tariff on Chinese EVs, lower for Tesla

AFP, *Brussels*

The European Commission said Tuesday it plans to slap five-year import duties of up to 36 percent on Chinese electric cars, unless Beijing can offer an alternative solution to the damaging trade row over state subsidies.

It also said Tesla cars that are made in China would face a lower duty of nine percent.

Brussels last month slapped Chinese EVs with hefty provisional tariffs -- coming on top of current duties of 10 percent -- after an anti-subsidy probe found they were unfairly undermining European rivals.

On Tuesday the commission released a draft plan to make those tariffs definitive, subject to input from interested parties by end August, and to approval by EU member states by end October at the latest.

The definitive rates faced by major Chinese manufacturers would be 17 percent for market major BYD, tweaked downward from 17.4, 19.3 percent for Geely, down from 19.9, and 36.3 percent for SAIC, down from 37.6.

Other producers in China that cooperated with Brussels will face a tariff of 21.3 percent -- revised slightly upwards from 20.8 -- while those that did not would be subject to the maximum 36.3 percent duty.

US billionaire Elon Musk's Tesla -- which manufactures in China -- had asked Brussels for its own duty rate, set at nine percent, after the commission deemed that it benefited from fewer Chinese subsidies than domestic manufacturers. Beijing vociferously opposes the EU tariffs, and has filed an appeal with the World Trade Organization -- of which Brussels has taken note while voicing confidence its measures are WTO-compatible.

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One year in, EU turning up heat in big tech fight

AFP, *Brussels*

If 2024 already looks like an annus horribilis for big tech in the EU, the months ahead could prove a winter of discontent as the bloc wields a fortified new legal armoury to bring online titans to heel.

Since August 2023, the world's biggest digital platforms have faced the toughest ever tech regulations in the European Union -- which shows no sign of slowing down in enforcing them.

Brussels scored its first major victory after forcing TikTok to permanently remove an "addictive" feature from a spinoff app in Europe in August, a year after content moderation rules under the bloc's Digital Services Act (DSA) started to apply.

That followed a seven-day period earlier in the summer in which Brussels issued back-to-back decisions targeting Apple, Meta and Microsoft.

And more is to come before 2024 is over, say officials.

The EU's moves are all thanks to two laws, the DSA -- which forces companies to police online content -- and its sister competition law, the Digital Markets Act (DMA) -- which gives big tech a list of what they can and can't do in business.

Since the DMA curbs kicked in in March, the EU has notably pressured Apple to back down in a spat with Fortnite maker Epic over a gaming app store.

"The European Commission is doing the job: it is implementing the DMA with limited resources and within a short timeframe compared to lengthy competition cases," said EU lawmaker Stephanie Yon-Courtin, who focuses on digital issues.

The logo of US tech giant Apple can be seen on an Apple store in Munich, southern Germany. Apple is the biggest thorn in the EU's side as the Digital Markets Act's chief critic, claiming it puts users' security at risk.

PHOTO: AFP/FILE

Jan Penfrat, senior policy advisor at online rights group EDRi, says changes are already visible: the DSA giving users the "right to complain" when content is removed or accounts are suspended, or the DMA allowing them to select browsers and search engines via choice screens.

"This is just the beginning," Penfrat said.

He notes for instance that EDRi and other groups in July compiled a list of areas where Apple fails to follow the DMA. "We expect the commission to go after those as well in time," Penfrat told AFP.

Apple is the biggest thorn in the EU's side as the DMA's chief critic, claiming it puts users' security at risk.

The iPhone maker became the first company in June to face formal accusations of breaking the DMA's rules and faces heavy fines unless it addresses the charges.

Apple announced changes to the App Store on August 8 to comply with the DMA, although smaller tech firms under the Coalition for App Fairness slammed them as "confusing". The EU is now evaluating Apple's plans.

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