Honda begins exporting motorcycles made in Bangladesh

STAR BUSINESS REPORT

Bangladesh Honda Private Ltd (BHL), a joint venture between Japan's Honda Motor Company and the state-owned Bangladesh Steel and Engineering Corporation, has begun exporting motorcycles.

The BHL yesterday shipped a container of 14 motorcycles of its flagship model—the Honda X Blade—to Guatemala, a Central American country, according to a press release.

"We are proud to showcase Bangladesh's manufacturing excellence on a global scale and remain committed to producing world-class motorcycles that meet the rigorous standards of international and domestic markets," said Hiroyuki Yasunaga, chief production officer of BHL.

The BHL is the second manufacturer in Bangladesh, after Runner Automobiles, to export locally made motorcycles.

The BHL highlighted that this strategic initiative underscores its commitment to supporting Bangladesh's economic growth by increasing local procurement, generating foreign currency, and enhancing employment opportunities.

In line with Honda's global policy of contributing to countries where it operates, the BHL has taken proactive steps to address the challenges posed by Bangladesh's current economic environment, particularly the decline in foreign currency reserves, the press release said.

The BHL requires substantial foreign currency to import raw materials and knocked down (KD) parts necessary for production, it added.

The company noted that the shipment to Guatemala was sent by sea and future exports are planned for South America, Central America, and Africa.

"The company is actively seeking support in the form of tax exemptions for importing raw materials and export incentives to strengthen its position in the global market."

Yasunaga attributed the achievement to the team's relentless focus on quality and innovation.

Shah Muhammad Ashequr Rahman, chief marketing officer of the BHL, pointed out that the expansion will reinforce its strategic objectives locally.

"By leveraging our global expertise and deep understanding of the local market, we are well-positioned to meet the evolving demands of customers worldwide while driving growth and innovation within Bangladesh," he said.

A farmer spreads out paddy to dry under the sun next to croplands inundated by floodwaters in Katamobarak Ghona under Feni sadar upazila. Floods struck the eastern part of the country last month, which will undoubtedly affect paddy cultivation of the Aman and Aus seasons. This may lead to a 2.4 percent drop in rice production to 3.68 crore tonnes in marketing year 2024-25, which began last May, according to the US Department of Agriculture. The photo was taken recently.

PHOTO: RAJIB RAIHAN

Floods to affect rice acreage, production

SOHEL PARVEZ

Rice acreage and production in Bangladesh are likely to decline because of recent floods, which would affect paddy of the Aus and Aman seasons, said the US Department of Agriculture (USDA) at the end of last week.

The acreage of rice, the staple food, may come to reach 1.15 crore hectares of land in marketing year 2024-25, which began last May, which is 3.4 percent lower than the USDA's previous forecast of 1.19 crore hectares.

This may lead to a 2.4 percent drop in rice production to 3.68 crore tonnes, said the USDA in its grain and feed update on Bangladesh released yesterday.

The forecast comes at a time when rice prices are rising and traders are shying away from imports as import prices would be higher than the prices of coarse rice.

Bangladesh did not import any rice in fiscal year 2023-24, which ended last June.

Until September 3, which fall under the ongoing fiscal year of 2024-25, no rice has been imported.

Yesterday in Dhaka, retailers sold coarse rice at Tk 52 to Tk 55 per kilogramme (kg), up 2.88 percent from that a year ago, according to data compiled by the Trading Corporation of Bangladesh (TCB).

Prices of fine grains also edged up, it said.

The current prices of rice were higher than that a year ago.

Aus cultivation begins around the April-May period and is harvested around the August-September period whereas Aman cultivation begins in the August-September period and its harvests conclude in the November-December period.

However, due to changes in climate patterns, delayed monsoons and uneven distribution of rain, the rice growing seasons are now delayed in different parts of the country.

The US agency identifies Boro season rice as the first crop of a marketing year. The dry season crop is harvested in the April-May period.

During the current marketing year, the yield of Boro season paddy and production of the associated rice were very good amidst the absence of natural disasters, such as droughts, heatwaves, cyclones and pest outbreaks, said the agency.

Citing the Department of Agricultural Extension (DAE), it said total production of the rice stood at 2.05 crore tonnes this year.

The agency said it reduced the forecast for Aus acreage to 9 lakh hectares of land, down 18.2 percent from its previous estimate.

Accordingly, production is likely to drop 16 percent from 21 lakh tonnes, it said.

"This reduction is due to flash floods that occurred during June and early July," said the USDA.

The floods that submerged eastern parts of the country last month may cause a reduction in Aman cultivation area by 3.4 percent to 57 lakh hectares

"Heavy rains and water flowing from upstream regions in the northern part of Bangladesh caused flooding that damaged Aus rice fields in many areas of Sylhet and Mymensingh divisions," it said.

The USDA report said farmers were also showing a lack of interest in Aus rice cultivation as many farmers reported planting mustard followed by Boro rice, leaving insufficient time for Aus season rice.

It said high pest and insect infestations was another reason for farmers showing little interest to cultivate Aus season rice. A lack of good varieties of Aus season rice is another reason for the decline in cultivation, it added.

"While the DAE provides various incentives to farmers, including seeds and fertilisers, to encourage Aus rice cultivation, adoption remains very low," it said.

"Instead, they prefer cultivating Aman season rice," said the USDA.

However, the floods that submerged a vast part of the eastern part of the country last month may cause a reduction in Aman cultivation area by 3.4 percent to 57 lakh hectares.

The overall yield is forecasted to drop too due to severe flooding in several districts of Chattogram, Sylhet and Barishal during the third week of August, said the USDA.

From August 18-21, several districts in Chattogram, Barishal, and Sylhet divisions received heavy rain, leading to flooding in Feni, Noakhali, Cumilla, Lakshmipur, Moulvibazar, Habiganj, and Brahmanbaria districts, as well as landslides in Cox's Bazar district, it added.

Since August 20, 2024, heavy flow of water from the Indian highlands through the Muhuri, Kahua, Silonia, and Gumti rivers have caused devastating floods in Feni, Cumilla, and other adjacent eastern districts, it added.

The USDA, citing its rapid assessment, said the flood has damaged 2 lakh hectares of land containing Aman season saplings.

The agency said Aman season rice can usually be transplanted until September 15.

It said if the floodwaters recede and farmers receive enough seeds to prepare the seedbeds by August 31, some 10-15 percent of the Aman rice fields can be replanted by September 15.

The report said until the second week of August, most districts in Rangpur, Rajshahi, and Dhaka have completed Aman rice transplantation.

"This year, they received better rainfall compared to the past three years during seedbed preparation and transplantation. However, some farmers in these districts had to use partial irrigation," it said.

In other southern districts of Khulna and Barishal divisions, Aman rice transplantation is also underway.

Farmers in these southern districts typically start cultivating Aman rice about a month later due to weather and climatic conditions, such as waiting for seasonal floodwaters to recede, said the USDA.

These districts usually begin Aman transplantation in August and continue until mid-September, it added.

IDRA chairman to resign

STAR BUSINESS REPORT

Mohammad Jainul Bari, chairman of the Insurance Development and Regulatory Authority (IDRA), yesterday informed that he would resign today.

"I have decided to resign. I will send the formal resignation letter to the Financial Institutions Division," he said on being contacted by The Daily Star.

Bari was appointed as the IDRA chairman on a contractual basis on June 15, 2022 for a three-year term.

Following the prime minister's resignation on August 5, top officials of various government bodies have been stepping down en masse.

Amid the wave of these resignations, the IDRA chairman also announced his decision to leave the insurance regulator.

Before joining the IDRA, Mohammad Jainul Bari was secretary to the Planning Division.

DCCI requests simplifying taxation process

STAR BUSINESS REPORT

Taxation rules and processes, including that for income, needs to be revised and automated to make it easy for cottage, micro, small and medium enterprises to run business, Ashraf Ahmed, president of the Dhaka Chamber of Commerce and Industry (DCCI) yesterday.

In case of businesses with multiple ventures, taxation at multiple levels should be scrapped by allowing profits of one concern to cover for losses of another, he requested the National Board of Revenue (NBR) chairman during a meeting at the latter's head office in Dhaka.

Currently there is a provision for the imposition of a 400 percent fine on the price of the product if businesses provide the incorrect Harmonized System (HS) code, even if there is no error in the product description, a DCCI press release quoted Ahmed as saying.

The HS codes are a standardised numerical method commonly used throughout the import and export process for the classification of goods.

The relevant provision should be amended allowing businesses to correct such errors during the declaration of goods at the assessment stage, he said.

Only 5 percent of Bangladesh's population pay tax whereas it is 23 percent in India, said NBR Chairman Abdur Rahman Khan.

A large section of society remains out of the tax net, for which the pressure for revenue generation continues to be exerted on existing taxpayers, he said.

If this continues, diligent taxpayers will become discouraged, for which the NBR is working to expand the tax net on a priority basis in the next six months, he added.

Moreover, the NBR will work on preventing a single entity from being taxed at multiple stages, for which the effective tax rate for corporates sometimes becomes substantially high, said Khan.

The NBR will also focus on streamlining the taxation process and rationalising the rates while sticking to the revenue collection target, he said.

The NBR chairman called upon the business community to go cashless utilising banking channels when conducting financial transactions to help prevent tax or VAT evasion.

He also urged the DCCI to conduct research, either by itself or jointly with the NBR, to identify problems in the revenue sector and inform the authorities concerned so that those can be resolved fast.

Eurozone August business activity up

REUTERS, *London*

Euro zone business activity received a boost from France hosting the Olympic Games last month but the malaise in the bloc is likely to return once the Paralympics wraps up as demand remains weak, a survey showed.

HCOB's composite Purchasing Managers' Index for countries in the currency union, compiled by S&P Global and seen as a good gauge of overall economic health, jumped to 51.0 in August from July's 50.2.

That exceeded the 50 mark separating growth from contraction for a sixth consecutive month but was a tad below a preliminary 51.2 estimate.

"An Olympics-driven rise in the euro zone's composite PMI in August masks the underlying picture that the bloc's current growth momentum is weak," said Rory Fennessy at Oxford Economics. "This adds further fuel to the fire for the ECB to cut rates on 12 September."

The European Central Bank will cut its deposit rate twice more this year, in September and December, according to an over 80 percent majority of economists polled by Reuters last month.

France's services sector experienced its most robust expansion in over two years in August but growth in Germany's slowed for a third consecutive month in a further sign that Europe's biggest economy is losing steam.

Sentiment among German exporters is growing alarmingly dark, the BGA trade lobby group said on Wednesday, while the economic institute IfW Kiel said it expected the economy to contract 0.1 percent this year.

In Britain, outside the European Union, services activity grew last month at the fastest pace since April and price pressures eased, with its PMI pointing to a more benign inflation outlook and a settling of the economy after July's elections.

Trade War II will be easy to lose for China

REUTERS, *Hong Kong*

"Trade wars are good, and easy to win," Donald Trump tweeted in March of 2018 when he was US president, just months before kicking off in earnest one of the largest trade conflicts in modern history.

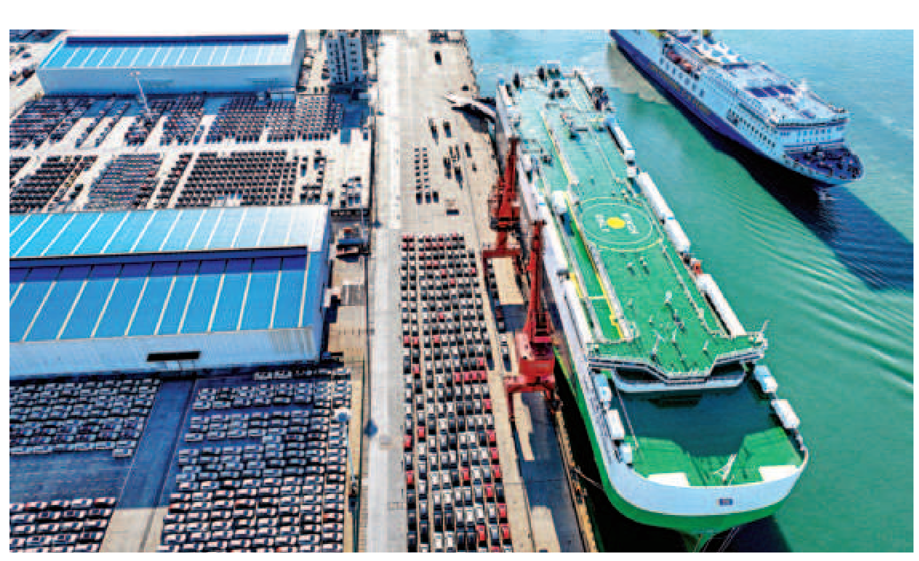
The ensuing campaign of tit-for-tat tariffs between Washington and Beijing hardly proved him right: in June, China notched up a record monthly trade surplus with the United States of $99 billion. But the Republican nominee for November's presidential election has threatened to raise tariffs on Chinese exports from an effective 10 percent to 60 percent across the board if he wins. With Trump polling neck and neck with his Democratic rival Kamala Harris in key battleground states, Beijing faces the very real possibility of Trade War II.

If the first trade war is any guide, Chinese leaders probably can't stop Trump from imposing tariffs. He remains unhappy with his country's $280 billion trade deficit with China in 2023. Officials can, though, deploy some tactics they've learnt in the past six years to blunt the impact of any fresh assault on annual exports worth some $500 billion, and slow the economic decoupling that took root during Trump's first term.

In the first trade war, outreach and negotiations helped to delay the implementation of some of the steepest tariffs threatened by the White House. Beijing allowed the renminbi to weaken against the dollar cushioning the blow for Chinese exporters early on; rerouting shipments of electronics and textiles to the United States via other countries such as Vietnam and Mexico helped some to skirt new tariffs of up to 25 percent.

Yet it took a dozen odd rounds of talks over the course of about a year and a half – during which Washington branded China a currency manipulator, then walked back that label – before the two sides agreed on the so-called "Phase One" deal in January 2020 that ended reciprocal tariff hikes.

Perhaps the biggest lesson from the first Sino-American trade war is that once tariffs are applied, they are not removed. The truce paused further hikes, but it provided no clear path towards removal of the tariffs imposed by the United States despite President Xi Jinping's commitment to buy an extra $200 billion in American goods and services including agricultural products and energy over the next two years.



Cars for export are seen waiting to be loaded onto a ship at a port in Lianyungang, in eastern China's Jiangsu province.

PHOTO: AFP/FILE

Since 2021, President Joe Biden has piled on additional tariffs and export curbs. It is unclear if Vice President Kamala Harris will follow the same path if she wins the race to the White House. Equally, Trump may be making empty threats – though much the same was said of his original tariff threats last time he won the White House.

Ultimately, the direct impact of the trade war thus far has not been too severe. Although China's share of total imports by the United States has fallen 8 percentage points since 2018 to roughly 13 percent, according to the US Census Bureau, China's share of global exports has risen by 1.5 percentage points over the same period, data from the International Monetary Fund shows. What's more, an analysis by the Peterson Institute for International Economics found China bought essentially none of the additional American goods and services it promised.

One of the only real victories for Trump came courtesy of the US share of China's agricultural imports, which per customs data rose from 10 percent in 2019 to 19 percent in 2021 as hog herds recovering from African swine fever in China bolstered demand for grain. But that share slid to 15 percent last year as Beijing – concerned over food security in the wake of Russia's invasion of Ukraine – diversified away from American farms in favour of soybeans and corn from Brazil.