



Farmers weed land being used for the cultivation of watermelon in Khulna's Batiaghata upazila. Regular weeding after the sowing of seeds helps plants grow faster and improves yield. According to the Department of Agricultural Extension, watermelon is being cultivated on 16,736 hectares of land in the district this year. Farmers are hopeful of a good harvest. The photo was taken from Debitala village at the end of last month.

PHOTO: HABIBUR RAHMAN

## Arakan Army taking 'tariff' from border trade

Home adviser Md Jahangir Alam Chowdhury confirms

MOKAMMEL SHUVO

Speculation over the Arakan Army's demand for "tariff" from the border trade between Bangladesh and Myanmar was confirmed by Home Adviser Lt Gen (retd) Md Jahangir Alam Chowdhury yesterday.

At a briefing at the Cox's Bazar Deputy Commissioner's office following discussions with home and agriculture ministry officials, he elaborated on the scenario.

Replying to a question, he said, "First there is the Myanmar government which collects taxes for goods coming in from Sittwe. But, since the border is controlled by the Arakan Army, they too collect taxes. This is a difficult situation. A senior representative has been appointed to address the issue," he said.

He said Khalilur Rahman, special assistant to the chief adviser (equivalent to state minister), has been appointed as the liaison in this regard.

Chowdhury added that the government is maintaining communications with both the Myanmar government and the Arakan Army.

This is the first time a high-ranking government representative has publicly acknowledged the Arakan Army's intentions in a briefing with journalists.

On December 8 last year, the Arakan Army announced that it had seized

control of the 271-kilometre border shared by Bangladesh and Myanmar after seizing a Border Guard Police's (BGP) base in Rakhine State.

In a statement, it imposed an indefinite ban on vessel movement in the Arakan waters of the Naf River. Since then, no cargo ships have arrived in Teknaf.

Businessmen based in Teknaf land port, on condition of anonymity, alleged that the Arakan Army was detaining cargo ships and demanding payments.

On January 16, the Arakan Army intercepted three cargo vessels, en route from Yangon to Teknaf, in the Naf River estuary. Four days later, two vessels were released, while the third was freed on February 1.

Most recently, on February 10, the Arakan Army chased down a timberladen trawler near Golar Chor in Shah Porir Island using speedboats and seized it. The vessel has not yet been released.

Jasim Uddin, general manager of United Land Port in Teknaf, which is commonly known as Teknaf land port, said the last boat arrived at the port on February 1 after being released by the Arakan Army.

It has been one month since there has been trade between Myanmar and Bangladesh through Teknaf Land Port," he said.

He also mentioned that the boat which arrived on February 1 is still at the port as they are unwilling to return to Yangon due to security concerns.

A businessman from Teknaf, who frequently imports goods from Myanmar, said on condition of anonymity that the Arakan Army released the three seized boats after it received the same amount of money that was paid as tax to the Myanmar government.

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The exporters in Myanmar paid them off and charged it to Bangladeshi businessmen, he said.

He further said that after learning about the issue, the Myanmar government stopped trade with Bangladesh through Teknaf as they did not want the Arakan Army to benefit financially.

Shawkat Ali, a businessman at the port, said Teknaf is a more viable option for trading with Myanmar since using Chattogram significantly increases costs

and time.

"Lead times to import goods from Myanmar through Teknaf is five to seven days while using Chattogram requires at least a month," he explained.

### Import-export falling year after year

Due to the cross border conflict, trade through Teknaf land port has experienced a significant downturn over the past two fiscal years, according to data from Teknaf Customs.

In FY23, 188,999 tonnes of goods, valued at approximately Tk 1,545 crore, were imported from Myanmar through the Teknaf land port, while Bangladesh exported 2,941 tonnes of goods worth Tk 6.72 crore.

However, in FY24, imports dropped sharply to 71,741 tonnes, valued at approximately Tk 808 crore. Exports also saw a significant decline, with only 704 tonnes of goods, valued at Tk 2.45 crore, shipped to Myanmar.

In the first six months of the current fiscal year, Bangladesh imported 11,129 tonnes of goods worth around Tk 113 crore. During the same period, 636 tonnes of goods valued at approximately Tk 64 lakh were exported to Myanmar.

The imported items primarily include dry fish, chilled fish, betel nuts, onions, ginger, coconuts, wood, and other goods. Bangladesh's main exports to Myanmar are cement and potatoes.

## What does high default loan

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If the central bank prints money to keep struggling banks afloat or if the government provides budgetary support to state-run banks, taxpayers and the general public suffer.

Before assessing how the burden is distributed, it is crucial to compare Bangladesh's bad loan scenario with that of other countries.

In India, the proportion of bad loans to total loans dropped to 2.5 percent at the end of September 2024, according to the Reserve Bank of India.

The non-performing loan (NPL) ratio was below 5 percent in Vietnam, 8.4 percent in Pakistan, and 3.7 percent in Nepal. Even in crisis-ridden Sri Lanka, the NPL ratio was 12.8 percent.

War-torn Ukraine recorded a 30 percent NPL ratio, while Ghana's stood above 24 percent – higher than Bangladesh's.

### HOW DO RISING BAD LOANS IMPACT THE ECONOMY?

When NPLs increase, banks must keep higher provisions, which directly hit their profitability. Lower profits limit a bank's ability to pay dividends to shareholders.

High NPLs also reduce banks' interest income. To compensate for the loss and continue paying depositors, banks either raise lending rates or lower deposit rates – both of which negatively impact businesses and savers.

While all stakeholders suffer, willful defaulters continue to benefit by siphoning off money without consequences.

The crisis does not end there. Recently, the central bank provided around Tk 22,000 crore in liquidity support to troubled banks to ensure they could meet withdrawal demands.

Such measures come at a significant economic cost, particularly by fueling inflation, which has been hovering above 9 percent since March of 2023.

Economists strongly criticise these bailouts as they have a cascading

effect on inflation, but the central bank may opine that it had been left with little choice to prevent panic in the banking sector.

To keep state-run banks afloat, the government has injected hundreds of crores of taka through the national budget, effectively using taxpayers' money to cover default loans. These funds could have been directed toward education, healthcare, or other essential sectors.

**A SHRINKING CREDIT MARKET**  
High NPLs also make banks more cautious in lending, limiting access to credit for businesses and individuals.

Small and medium enterprises (SMEs), which depend heavily on bank loans, are the worst affected, slowing overall economic growth.

Already, banks are shifting their focus to treasury bonds, as these provide guaranteed returns without the risk of default.

Foreign investors and credit rating agencies see high NPL ratios as a sign of systemic risk, discouraging foreign investment and increasing borrowing costs for the country.

"When defaulted loans rise, banks must keep higher provisions, reducing their capacity to issue new loans," said Mustafa K Mujeri, executive director of the Institute for Inclusive Finance and Development.

For instance, take a bank that has Tk 100 in assets. It provides a loan of Tk 20, which turns sour. So, it now has Tk 20 worth of defaulted loans, for which it must set aside Tk 20 as provisions. As a result, the bank's capacity for fresh lending comes down to only Tk 60.

Moreover, high NPLs incentivise good borrowers to delay repayments, further weakening the financial sector.

"With rising bad loans, banks are becoming financially weaker, which ultimately shrinks their contribution to the economy," Mujeri added.

A fragile financial sector with limited credit availability hinders a country's economic development. To address this crisis, the government

must take strong measures to control bad loans.

"There should be a concerted effort to prevent new default loans and recover existing ones," Mujeri said.

To improve the situation, banks must adopt better governance, enforce legal actions against defaulters, enhance risk management, and strengthen regulatory oversight.

Most importantly, eliminating political influence in the banking sector is crucial for restoring discipline and stability.

## Oil price falls on White House spat, tariffs

REUTERS, Houston

Oil prices fell on Friday and were headed for their first monthly drop since November, as markets watched an Oval Office argument between the US and Ukrainian presidents while also bracing for Washington's new tariffs and Iraq's decision to resume oil exports from the Kurdistan region.

Brent crude futures, which expired on Friday, settled at \$73.18 a barrel, down 86 cents, or 1.16 percent. US West Texas Intermediate crude futures finished at \$69.76 a barrel, losing 59 cents, or 0.84 percent.

Both benchmarks are on track to post their first monthly decline in three months.

WTI was strengthening late in the session until an on-camera argument in the Oval Office broke out between US President Donald Trump and Ukrainian President Volodymyr Zelenskiy over a possible cease fire agreement in the Russia-Ukraine war.

"This translates to a favorable posture for Russia and the potential for them to get more oil on the market," said John Kilduff, partner with Again Capital LLC.

## Ramadan price hike

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played by traders. As demand spikes, many in the supply chain take advantage of the situation to maximise profits. And because government oversight is weak, there's not much stopping them.

There's also the issue of corporate control.

According to Abul Hashem, a wholesaler in Dhaka's Moulvibazar, just four or five big companies control key markets like sugar and edible oil.

If they decide to cut back on imports due to various reasons, a supply shortage is created, and prices automatically go up, he mentioned.

"The demand data we're using is outdated," Hashem told The Daily Star. "We still rely on numbers from a decade ago, even though our population has increased. If we don't know the real demand, how can we regulate supply properly?"

Retailers also play a role. When demand is high, many small and medium-sized traders raise prices, sometimes beyond justifiable limits.

Sumon Howlader, president of the Bangladesh Poultry Association, a platform for small poultry farmers and suppliers, claims that "big" corporate groups control the supply, which "artificially" drives up costs.

He points to an interesting case from Ramadan 2023.

After the government conducted raids on traders, the price of broiler chicken dropped significantly overnight. That, he says, proves prices were being inflated.

SM Nazer Hossain, vice-president of the Consumers Association of Bangladesh (CAB), said that they have repeatedly urged the government to monitor the market and supply chain closely.

However, what is currently happening in the name of monitoring is nothing but a media trial, he said.

"Enforcement raids are being carried out only in some selected wholesale and retail markets, which is not an effective approach to market regulation. Another crucial issue is the lack of follow-up after these raids. In Bangladesh, follow-ups are almost non-existent," he added.

Meanwhile, Taslim Shahriar, deputy general manager at Meghna Group of Industries, a leading commodity

importer and processor, adds another piece to the puzzle: the exchange rate.

The rising dollar value has pushed up import costs, and when millions of people rush to buy the same imported goods at the same time, the supply chain struggles to keep up. Retailers take advantage of this gap, raising prices even further, he said.

### CANTHE GOVT FIX THIS?

The government has tried various measures in the past – raids, temporary price caps, even importing essential goods directly – but nothing seems to provide a lasting solution.

The problem, according to experts, is that these are all short-term fixes.

Instead of addressing the root causes – corporate dominance and lack of accurate demand tracking – the government often resorts to quick interventions that don't change the overall system, they said.

Moazzem suggests a more long-term approach: a digital market tracking system that would allow real-time monitoring of supply and demand. That way, the government could intervene before prices spiral out of control.

But will that happen anytime soon? Many are sceptical.

There's a "deep-rooted" connection between large corporate groups and government, which makes bold regulatory action difficult.

"These groups have become so powerful that the government hesitates to take action against them," Moazzem said.

Is the Ramadan price hike an unavoidable reality in a nation of 18 crore people? Most people think so.

But as the economy shifts and inflation continues to bite, these price surges are hitting harder than ever – especially for lower-income households.

What happens after Ramadan starts is even more intriguing.

TCB data over the past four years shows that a week into the fasting month, prices of essential goods have historically stabilised or even declined.

If things follow the usual pattern, prices may drop after the first week of Ramadan. But if corporate control and weak oversight remain unaddressed, the cycle will just repeat itself next year.

For now, consumers are left with little choice but to adjust their budgets.

## Corruption still unbridled

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Production costs rose by 11-12 percent between 2023 and 2024. However, intense competition prevents companies from increasing prices, further squeezing their profits.

Despite these challenges, Kabir believes the industry still has substantial growth potential.

Per capita cement consumption in Bangladesh has increased from 52 kg in the 1990s to 225 kg now. However, the country still lags behind India (310 kg) and China (1,700 kg).

Government megaprojects have historically driven growth in the construction sector, encouraging investment, he said.

However, as the interim government slows down large public construction projects, only those funded by foreign agencies, such as Japan and China, remain active.

This provides some opportunities for the industry, while the private sector has begun playing a larger role in driving demand, according to Kabir.

## Dwindling trade

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The hardest hit are the 500-plus port workers, truckers, and labourers now unemployed.

"Our workers are sitting idle, and livelihoods are at stake. This issue needs urgent resolution through trilateral talks," said Akhtarul Islam, president of the Bangladesh Workers' Union.

Without Bhutanese stone, the port's survival is at risk, said Nazir Hossain, leader of the clearing and forwarding agents.

Stakeholders stress the need to diversify trade.

"Current trade volumes are unsustainable. Immediate policy intervention is crucial," said Abul Kalam Azad, in charge of Bangabandha Land Port Limited.

