

Star BUSINESS



Bangladesh's exports to US may rise amid Trump's tariffs: WTO

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Bangladesh is among several Least Developed Countries (LDCs) poised to benefit from shifting trade patterns in the United States, according to a new report by the World Trade Organization (WTO).

In its April edition of Global Trade Outlook and Statistics, published earlier this week, the WTO said exports from countries like Bangladesh, Cambodia and Lesotho could rise as they supply products in sectors where the US currently relies heavily on imports from China -- including clothing, textiles and electronic equipment.

The WTO's analysis, based on trade simulations, suggests that these nations could stand to gain as demand shifts towards their goods.

However, ongoing trade policy uncertainty, particularly in relation to the United States, may still drag on growth. The simulations project a small decline in the real gross domestic product of LDCs despite the potential uptick in exports.

On April 2, US President Donald Trump imposed tariffs on goods from dozens of countries entering the American market. The move clouded the global trade outlook.

On April 9, the Trump administration announced a 90-day pause on the new tariff except for China.

Under the new rates, Bangladesh's products will face a new 37 percent duty in the US alongside the previous 16 percent.

The WTO said that global trade prospects have worsened significantly amid rising tariffs and policy volatility.

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It's time to go for more flexible exchange rate: IMF

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The time is right for Bangladesh to move towards a more flexible exchange rate regime, said Chris Papageorgiou, mission chief of the International Monetary Fund (IMF) to Bangladesh.

At a press conference at the Bangladesh Bank headquarters yesterday, Papageorgiou said that the gap between the official and unofficial exchange rates had narrowed significantly, creating an opportune moment for the shift.

Describing the current regime, he said, "This is not full flexibility -- it's a crawling peg, which provides some guidance within a band but still allows for a future transition to complete flexibility."

The press briefing followed the IMF delegation's visit to Dhaka from April 6 to 17 as part of the combined third and fourth reviews under its ongoing \$4.7 billion package.

It includes the Extended Credit Facility (ECF), Extended Fund Facility (EFF), and Resilience and Sustainability Facility (RSF).

Papageorgiou said, "From the IMF's perspective, and looking at the reform and its history, we have been discussing this crawling peg for at least one or two years."

"This is, in fact, the right time to move towards this flexibility," he replied, when asked whether it was the right time to move towards greater flexibility.

"We also see that the difference between the illegal exchange rate [unofficial rate] and the official exchange rate is very small, and we praise the authorities for this," he added.

The IMF and the government, specifically the Bangladesh Bank, were aligned on the need for greater flexibility, he said, adding, "There is no doubt that we all want to move in the same direction. We see more flexibility in the exchange rate regime in Bangladesh."

For more than three years, the country's foreign exchange market has been facing volatility.

However, recent months have seen signs



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IMF says...

Forex reserves stabilised but accumulation is yet to happen

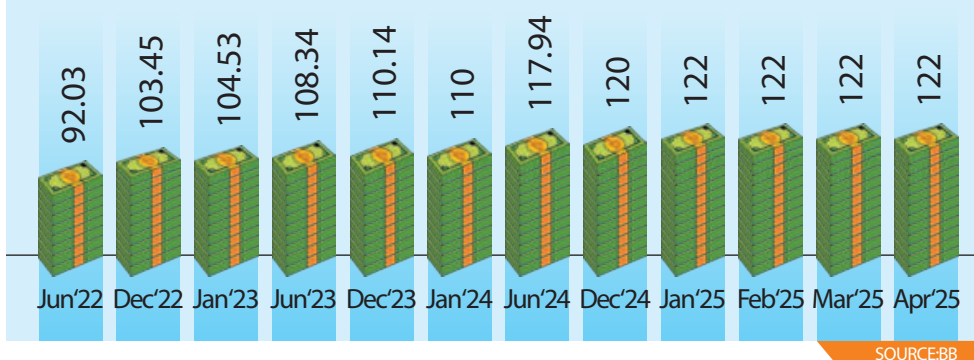
It supports the current tight monetary stance to tackle inflation

It emphasised the need for a healthy, competitive, and well-regulated banking sector

Bangladesh is making progress in coordinating domestic and global efforts to recover stolen assets

It is working closely with authorities on revenue targets and addressing the financing gap

EXCHANGE RATE OF DOLLAR AGAINST TKA



SOURCE: B3

of stability, due mainly to increased inflows of US dollars, which have reduced the gap between the official and parallel market rates.

Despite this improvement, the exchange rate system remains partially controlled.

In February, the Bangladesh Bank governor said that a full transition to a market-based system was not yet feasible, citing concerns about market manipulation.

"If we make it fully market-based, they will take advantage of it," the central bank governor said at the time.

At yesterday's press conference, Papageorgiou said, "We see that reserves are now stabilised, and again, we give a lot of credit to the authorities for that, because, if you remember, for a number of years, reserves had been on a steady decline and worrisome trend -- now they are stable."

However, he cautioned that reserve accumulation had yet to begin in earnest. "We expect that, with more flexibility, this accumulation will happen in the near term."

On monetary policy, the IMF said that it was up to the central bank.

"We leave that decision completely to the governor. We fully endorse the current stance, which is tightening, as we want to ensure that inflation comes down in a timely manner," said the mission chief.

"So far, inflation has been very persistent -- stubborn, we would say -- compared to other regions. We applaud the governor for maintaining this stance."

He added that the 10 percent policy rate would likely remain unchanged until inflation showed clear signs of easing. "Looking ahead, as we expect inflation to ease, possibly by next year, the governor will consider what to do with the policy rate."

On the banking sector, Ivo Krznar, deputy mission chief to Bangladesh, said that there is no doubt that a healthy and competitive banking sector, which is regulated and supervised in line with international standards, is a prerequisite for a healthy growth rate.

Commenting on recent regulations concerning asset classification and provisioning, Krznar said, "The new regulation is a cornerstone of reform that aligns with international best practices, and the IMF commends the authorities for implementing this rule."

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NBR to collect travel tax directly from outbound passengers

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The National Board of Revenue (NBR) is set to introduce a new system for collecting travel tax directly from outbound passengers, replacing the current practice where airlines include the tax in ticket prices and later deposit it into the state coffers.

NBR Chairman Md Abdur Rahman Khan announced the move during a pre-budget discussion with relevant stakeholders held at the NBR headquarters in Dhaka's Agargaon yesterday.

Currently, airlines collect the travel tax on behalf of the government, but the funds often do not make it to the state treasury properly.

"We are working on a mechanism that will allow passengers to conveniently pay the tax themselves and obtain an official challan (receipt)," Khan said.

"The process will be made simple enough that passengers can even pay the tax directly at the airport," he added.

At the budget discussion, the NBR chairman also criticised sweetmeat traders, accusing them of widespread VAT evasion by not issuing receipts and failing to use electronic fiscal devices (EFDs).

"None of the sweet shop owners give VAT receipts. They don't use EFDs either," the NBR chief said.

"I've bought sweets from many places over the years and paid VAT every time, but that money never reached the government treasury. I've never once received a proper VAT receipt from any sweet shop," he added.

Khan made these comments in response to a proposal by the Bangladesh Sweets Manufacturers Association to reduce VAT on sweetmeats from the existing 10 percent to 3 percent.

The association's secretary general, Noni Gopal Ghosh, argued that when VAT was 7.5 percent, revenue collection from the sector was actually higher.

Dismissing the claim, the NBR chairman said, "You're suggesting that revenue increases when the VAT rate is lower. That's an absurd idea. This kind of magical thinking doesn't reflect reality."

To address the issue, the NBR is planning to introduce a VAT-inclusive pricing model for sweetmeats, similar to the one used in supermarkets.

The NBR will include VAT in the price of sweets so that customers do not even notice, according to Khan.

"We're preparing a directive that

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Shop rent Tk 3 lakh, but govt gets just Tk 22,000

Probe finds massive allocation irregularities at National Sports Council markets

SUKANTA HALDER and ASHIK ABDULLAH APU

A probe has found massive irregularities in the rental of shops at nine markets of the National Sports Council (NSC), including a case where the government receives as little as Tk 22,000 in monthly rent while as much as Tk 3 lakh is being collected from the tenant.

Formed following the political changeover in August last year, the investigation committee is now working to assess the total financial loss to the exchequer. Meanwhile, anti-corruption campaigners have described the findings as just "a tip of the iceberg".

The irregularities found by the committee include shady allotments, shop leases changing hands up to four times, misuse of utilities, unauthorised occupation and discrepancies in financial records.

The committee submitted its findings to the Ministry of Youth and Sports in November last year. The Daily Star has obtained a copy of the 13-page report, prepared by a three-member panel.

According to the report, NSC officials and staff cannot shrug off responsibility. It said a powerful syndicate comprising NSC officials, stadium administrators and shop owners has been operating illegal activities related to shop allocation and rent collection.

Meanwhile, Transparency International Bangladesh (TIB) has urged the Anti-Corruption Commission (ACC) to intervene and bring the culprits to justice.

All nine markets are located in the capital and together house 1,075 shops.

SHOPS CHANGE HANDS, RENTS SPIRAL

The report highlights that many original lessees pay minimal monthly rents to the NSC but rent out the shops at highly inflated rates.

The repeated transfer of leases -- sometimes to second, third, or even fourth

parties -- has pushed up rents by 10 to 15 times the original amount.

For example, Shamshur Rahman Gong, the original lessee of an 812-square-foot shop at Bangabandhu National Stadium, pays Tk 21,934 per month but has sublet it for Tk 3,00,000 -- a 13-fold increase, from which the NSC earns nothing.

Similarly, Md Jamal Hossain pays just Tk 4,357 for a 156-square-foot shop at Maulana Bhasani National Hockey Stadium, while the current occupant pays Tk 40,000 per month.

Such practices are prevalent across all nine NSC-run markets, including the Super Market adjacent to Bangabandhu National Stadium, Volleyball Stadium, Sher-e-Bangla National Cricket Stadium in Mirpur, the outer market beside it, the Bir Shreshtha Shaheed Sipahi Mohammad Mustafa Kamal Stadium in Kamalapur, and the swimming pool market near Bangabandhu Stadium.

The Daily Star attempted to contact Shamshur Rahman Gong and Md Jamal Hossain, but they could not be reached.

ALLOCATION COMMITTEE EXPIRED A DECADE AGO

According to the report, the NSC's shop allocation committee, formed in 2013, expired in 2016 and has not been reconstituted since.

Consequently, all allocations made after 2015 did not follow proper procedure.

Although NSC policy mandates rent revisions every three years, the committee failed to implement any significant hikes, enabling lessees to profit

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Shops at the National Stadium in Dhaka's Gulistan area, formerly Bangabandhu National Stadium, sell sports gear, fitness equipment and electronics. A recent probe found that many original lessees of these shops pay minimal rent to the National Sports Council but sublet the properties at highly inflated rates.

PHOTO: PALASH KHAN