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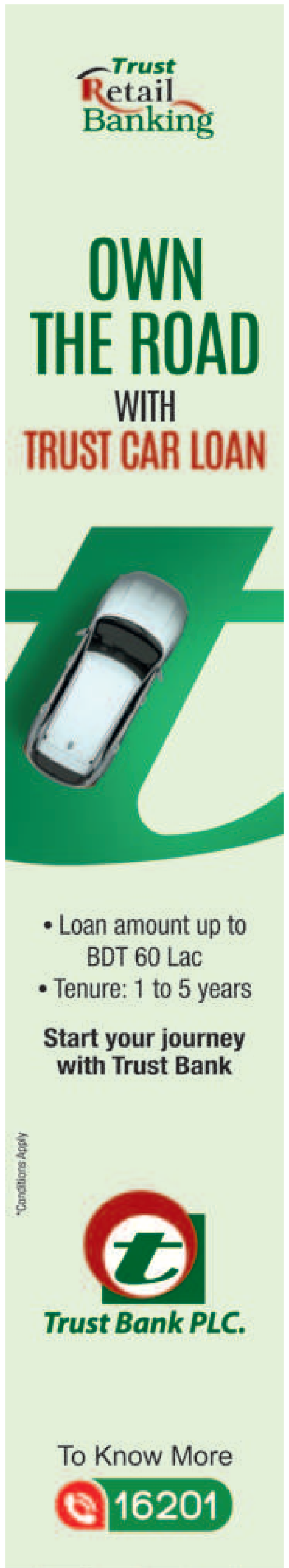


Costs of trade with India rise 20% amid non-tariff measures

REFAYET ULLAH MIRDHA

Bangladeshi businesses are paying higher costs when sending goods to India and bringing in industrial inputs from the neighbouring country amid retaliatory non-tariff measures imposed by Dhaka and New Delhi.

Annual trade between the two countries crosses $15 billion. India, after China, is the second largest source of commodities and raw materials for Bangladesh.

Businessmen say costs have soared by as much as 20 percent, mainly because goods are now being rerouted through Chattogram port, as non-tariff restrictions have choked movement through nearly a dozen land ports.

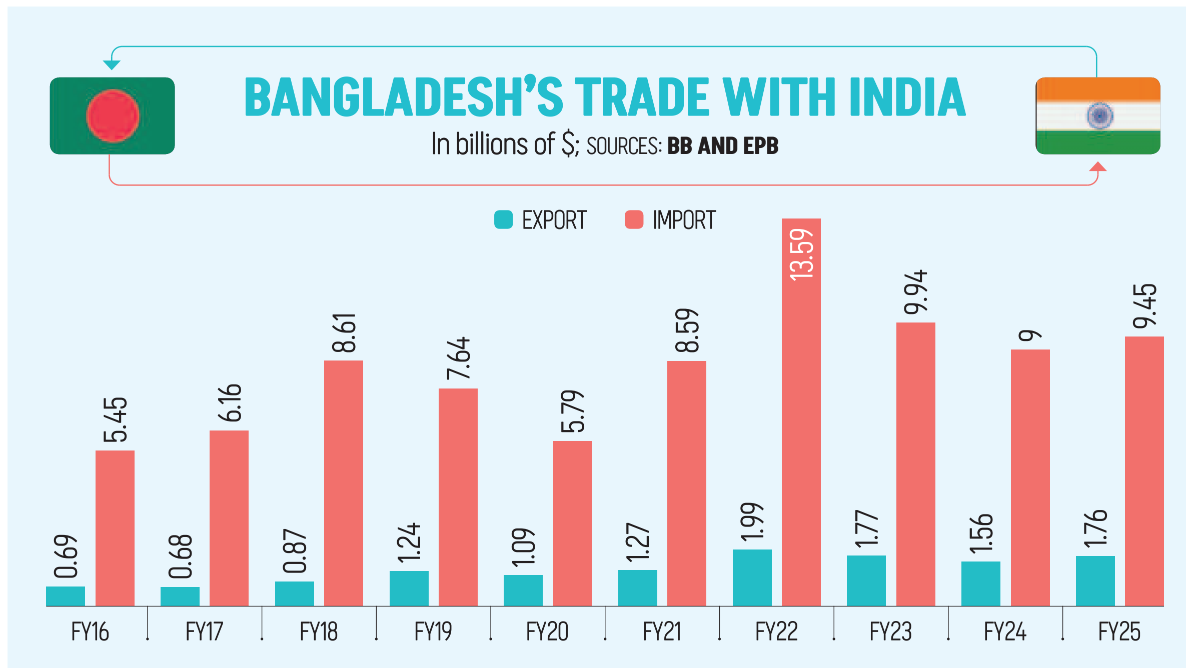
The commerce ministry said it has urged New Delhi to hold talks on the barriers, which are measures other than customs tariffs regulating imports or exports, but it is yet to receive a reply.

The current trade strain began in early April this year when India suspended transshipment facilities for Bangladeshi exports to third countries.

A week later, Dhaka suspended yarn imports from India through 11 land ports. New Delhi then introduced fresh restrictions on Bangladeshi exports, including garments, processed food, plastics, yarn, furniture and, more recently, raw jute and jute products.

Still, sea routes remain open for the businesses, but they are slower and cost more.

Humayun Rashid, chairman of Energypac Fashions Ltd, said his company sends $7 million worth of garments to India annually, mainly through land ports. Rerouting through Chattogram has pushed up transport costs by up to 20 percent.



He said Indian importers often complain about long lead times and rising transport charges. "So, my Indian importer met the Bangladeshi high commissioner in New Delhi for a solution through discussion. However, any meeting is yet to take place," he said.

Despite the extra costs, Rashid told The Daily Star that his company's trade volume with India has held steady.

Bangladeshi Commerce Secretary Mahbubur Rahman said he has written to his Indian counterpart three times seeking meetings to discuss rising non-tariff barriers and strained bilateral ties, but has received no response.

The commerce adviser also wrote to the Indian commerce minister requesting talks, Rahman told The Daily Star over the phone.

"The Indian side is also not saying why they are not interested in the meetings for removing the trade barriers," he added. "Because of the non-tariff barriers, the cost of business operations rose by 20 percent."

According to Rahman, no secretary-level meeting has been held between the two countries for one and a half years, although major trade issues are normally discussed at such forums each year.

Similar to Energypac Fashions, another local garment exporter, who asked not to be named, complained about the non-tariff measures.

He said disruptions at land ports had prompted his Indian partner to stop importing $2 million worth of garments from his company and instead source from Indian suppliers for its markets in Thailand and Malaysia.

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Flawed NBR split risks severe fallout

Says reform committee member

STAR BUSINESS REPORT

The ordinance abolishing the National Board of Revenue (NBR) and splitting it into two entities—Revenue Policy and Revenue Management—does not adequately reflect the recommendations of the advisory committee, according to one of its members.

"The government's ordinance has not reflected this separation in the way we recommended; in my personal view, it has not been done accordingly," said Farid Uddin, a member of the NBR reform committee.

The committee member warned that since the NBR staff had protested against the ordinance demanding its cancellation, if the institution is now split out of "resentment," it could create a "disastrous" situation for the nation.

"If the adjustment of the total reform process is not properly conducted, it would be disastrous for the nation. I told this to the government," he said.

"At least now, everything is under one roof. But if the institution is split in the wrong way, the consequences could be far more severe," he said.

He made these observations at a roundtable on the NBR reforms organised by the Metropolitan Chamber of Commerce and Industry (MCCI) and Policy Exchange Bangladesh (PEB) at the MCCI yesterday.

The committee recommended that some representatives from the private sector must be included in the policymaking committee. Furthermore, any policy adopted should be continued for at least five years, he said.

On May 12, the government issued an ordinance to abolish the NBR and create two new divisions—Revenue Policy and Revenue Management.

Following this, the NBR officials and employees staged a one-and-a-half-month-long movement demanding rational reforms based on opinions from all stakeholders.

Later, on June 29, a committee led by Dr M Fouzul Kabir Khan, adviser to the Ministry of Power, Energy, and Mineral Resources, was formed to review the ordinance.

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62% of households spend half of their income on food: BBS

The data of the BBS study were collected in June 2023

STAR BUSINESS REPORT

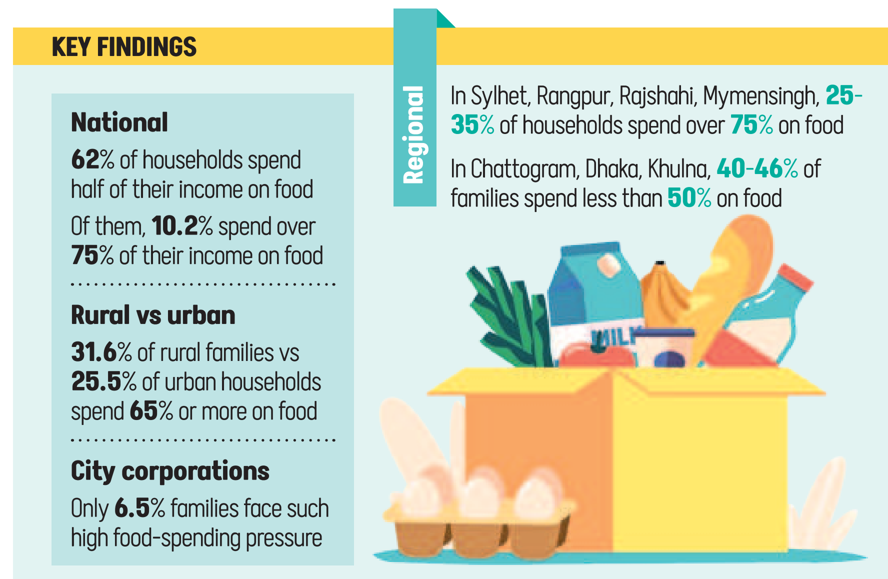
More than 60 percent of households in Bangladesh spend at least half of their total income on food, according to a new study by the Bangladesh Bureau of Statistics (BBS).

Of them, around one in ten families allocate more than three-quarters of their budget just to put meals on the table, highlighting the high vulnerability, according to the report.

The findings on food security and coping mechanisms were unveiled at an internal BBS meeting on Thursday.

The data of the study were collected in June 2023 and published in December of the same year. BBS conducted the latest analysis with support from the United Nations World Food Programme (WFP).

Analysts say the data is still relevant as the food security outlook did not improve significantly compared to the period just after the pandemic.



Aleya Akter, secretary of the statistics and informatics division, attended the meeting as the chief guest, while BBS Director General Mohammed Mizanur Rahman chaired the session. The study showed a sharp rural-urban divide for food spending.

In rural areas, 31.6 percent of households spend 65 percent or more of their income on food, compared with 25.5 percent in urban areas.

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Why is BSEC being sidelined in critical decisions?

AHSAN HABIB

The Bangladesh Bank has decided to merge five struggling Shariah-based banks into a single entity, after their vulnerabilities became starkly visible following the political transition after the ouster of the Awami League-led government last year.

It has also opted to liquidate nine non-bank financial institutions (NBFIs) that have been in distress for years.

These are bold and necessary decisions. However, they also expose an institutional gap.

Most of the 14 affected firms are publicly listed, meaning thousands of ordinary investors are directly exposed. Yet the central bank acted without consulting the Bangladesh Securities and Exchange Commission (BSEC), the very body responsible for safeguarding shareholder interests.

ANALYSIS

The Financial Institutions Division has set up an eight-member working committee to implement the bank merger, but not a single representative from the BSEC has been included. The listed firms themselves were not informed about the planned mergers or liquidations either, leaving them unable to make price-sensitive disclosures to their investors through the stock exchanges.

As a result, thousands of small investors, who put their hard-earned savings into these banks and financial institutions, remain in the dark about the future of their investments.

Unsurprisingly, share prices of the affected firms have collapsed to rock bottom, triggering a fresh confidence crisis. The scale of the decline may have been predictable, but its uniformity has unsettled the market.

For years, investors and analysts have urged regulators to coordinate with each other – and with the BSEC in particular – when decisions affect listed companies. The BSEC's involvement is crucial in decisions that affect the earnings, sustainability, or very existence of listed companies. Without its voice, who will protect the interests of small investors?

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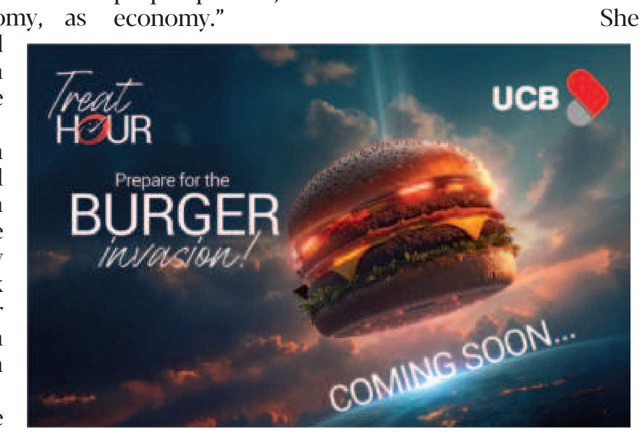
'Political govt essential for discipline in financial sector'

STAR BUSINESS REPORT

Prolonging a short-term government is detrimental to the economy, as it hampers investment and employment, said Fahmida Khatun, executive director of the Centre for Policy Dialogue (CPD).

To establish discipline in the financial sector, a political government formed through elections is needed, the economist said at a shadow parliament debate on bank mergers organised by Debate for Democracy at the Bangladesh Film Development Corporation on Saturday.

Khatun stated that the economy and politics run side by side, complementing each other. "Without proper politics, there can be no sound economy."



Speaking on freezing bank accounts, she said it is not right to indiscriminately freeze business people's bank accounts.

She suggested releasing the frozen accounts unless there are major irregularities, warning that otherwise the move could have a severe impact on trade, employment, and poverty levels.

The CPD executive director also noted that while some decline in economic indicators was prevented over the past year, the crisis has not been overcome, and poverty is not falling.

While discussing the banking sector, she said that there was no good governance in the banking

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