



Mofizur Rahman

Private aviation sends SOS amid policy turbulence

Aviation leader blames high taxes, unfair competition

SOHEL PARVEZ and RASHIDUL HASAN

Over the past three and a half decades, Bangladesh has seen the entry of several dozen private airlines and helicopter operators, driven by the ambition to capture a share of the country's growing passenger and cargo market.

Cumulative investment by entrepreneurs is estimated at Tk 15,000 crore to Tk 20,000 crore, with the airline industry alone accounting for more than Tk 10,000 crore. Much of this investment was eventually lost as nearly 10 passenger airlines were grounded, while cargo carriers and around two-thirds of private helicopter operators were forced to shut down after failing to absorb sustained losses.

Today, only three private passenger airlines and seven to eight helicopter operators remain in operation.

As things stand, according to industry insiders, private operators risk further decline and may fail to tap the country's large diaspora-driven aviation demand. Policy support, particularly a favourable tax regime and a level playing field, is imperative for revival.

In the words of Mofizur Rahman, secretary general of the Aviation Operators Association of Bangladesh (AOAB), which represents 17 local aviation operators, the industry is both at a crossroads and at a cliff. "And it depends on how we take the industry forward."

Speaking to The Daily Star in an interview recently, he said, "If we take the right steps, we can move away from the cliff and go on to develop a viable aviation industry. If we do not take the right steps, it is bound to fail."

Since private aviation began in the early 1990s, the sector has consistently underperformed despite heavy investment. While passenger airlines at least left some imprint, cargo operations largely disappeared without notice.

"Passenger airlines at least made some impact on the national spectrum, but silently, we have seen almost one and a half dozen cargo airlines come and vanish. We do not even know them," said Rahman.

The helicopter segment also once showed promise, with nearly 12 companies operating about 36 helicopters. Several firms maintained

fleets of six to eight aircraft. Over time, however, operations dwindled as companies shut down or suspended services. "They are no longer functioning. That is a big concern."

These aviation segments contributed quietly to the economy, but their decline exposed deeper structural weaknesses, particularly in human resource development.

Bangladesh once had three vibrant

not make mistakes. Some who failed did make mistakes, but those mistakes were not of a magnitude that justified failure. We failed mainly because of a general anti-aviation mindset," he said.

At the policy level, he said aviation is often perceived as an elite industry with deep pockets, prompting authorities to impose heavy direct and indirect taxes. "Where a fledgling industry needs support, we see the opposite

governments poured public money into state-owned Biman Bangladesh Airlines, which "benefited certain politicians and bureaucrats" through aircraft leasing and procurement arrangements.

Weak tax policy, limited access to financing, and inadequate human resource development undermined private aviation, he argued. Aviation requires specialised skills, including

BY THE NUMBERS		TAKEAWAYS FROM INTERVIEW			
Tk 15,000-20,000cr invested over 35 years	Much of the investment lost as nearly 10 passenger airlines grounded	Some 18 cargo carriers vanished	Two-thirds of helicopter operators shut down	Only 3 airlines and 7-8 helicopter operators in business	
PROBLEMS 		Aviation regulations unchanged since 1984	Double-digit interest rates on short-tenure loans	Heavy direct and indirect taxation	State-owned Biman receives unlimited public funding
SOLUTIONS 		Cut import duty to zero for aviation spare parts Provide low-interest, long-tenure aviation loans Ensure level playing field between private and state carriers			

– a mentality that says: 'You are an elite business, you have money, so give money.'

He criticised the National Board of Revenue for aggressively taxing the sector, pointing out that aviation spare parts are largely zero-rated globally due to high capital costs and thin margins.

Even 55 years after independence, Bangladesh lacks a business-friendly aviation policy, he lamented. Existing regulations date back to 1984 and remain fragmented, while global aviation rules are updated every two to five years.

Rahman also criticised the Civil Aviation Authority of Bangladesh for failing to formulate industry-oriented policies. "We had the intention, but our hands were tied due to a lack of policy support. We never asked for financial incentives. We asked only for genuine policy support."

He further alleged that successive

finance professionals trained specifically for the sector, yet professionals often learn through trial and error – a risky approach in a safety-sensitive industry.

Financing constraints further compound the problem, as operators borrow at double-digit interest rates for short tenures, unlike in Europe, where aviation loans carry rates of 1-2 percent over 10-15 years.

Citing GMG Airlines, Bangladesh's first private passenger carrier, Rahman said unfair competition from the national airline played a decisive role in its failure.

"When Biman reduced Dhaka-Dubai fares from \$300 to \$250, that \$50 difference was fatal for GMG. So, it was not only the operator's mistake; it was unfair competition. When the national carrier becomes an unreasonable competitor, private aviation cannot survive."

Economic priorities for the new government

MAMUN RASHID

The new government takes office at a time when Bangladesh's banking sector is adrift after years of widespread plunder. The country is burdened with debt. The treasury is short of funds. Revenue collection is weak. Factories are issuing closure notices. High interest rates are stifling investment.

Employment remains stagnant. Citizens are struggling with high inflation. Small and large businesses alike feel neglected and deprived. Over the past year and a half, the business community has reportedly been among the hardest hit. Confidence drained away, and many pulled back from investment and expansion. As a result, the wheels of the economy have not turned at the desired pace. Many were waiting for the return of a political government to restore confidence and allow them to refocus on enterprise and investment.

There is a widespread belief that the new government will prioritise restarting the engine of the economy by rebuilding business confidence, meeting entrepreneurs, consulting them and urging them to join hands in national recovery.

Recent discussions with entrepreneurs across sectors reveal a shared concern. Steering the economy back to a path of sustainable growth will be the biggest challenge for the new government. The accumulated irregularities of the past decade and a half, systemic plunder in the banking sector and institutional corruption have caused severe economic haemorrhage. The government must adopt a transformative and multidimensional strategy to halt this decline.

Conventional reforms will not suffice at this critical juncture. Structural transformation of the state apparatus is required. A major step should be restructuring the banking sector. If the government ensures genuine autonomy for the central bank, discipline in loan disbursement can be restored and the culture of default loans curbed. To ease the liquidity crisis and reduce high interest rates, banks must strengthen capital adequacy and governance so that depositors and small entrepreneurs regain trust in the system.

If the government advances to the next phase of digitalisation, ensuring a paperless economy and full automation, the cost of starting and operating businesses could fall significantly. To attract foreign investors, legal safeguards and rational tax incentives are essential. It is equally important to ensure an uninterrupted energy supply for industrialisation, while reducing import dependence through domestic energy exploration.

The government needs to ensure a competitive market environment where small and medium enterprises can compete fairly with larger firms. If supply increases, prices are more likely to stabilise. Greater transparency in state-owned enterprises and wider use of technology to reduce middlemen dominance in supply chains could also help.

Bangladesh's tax-to-GDP ratio remains among the lowest in South Asia. To raise revenue, many suggest expanding the tax net rather than increasing tax rates. At the same time, strict oversight of mega-project spending amid allegations of waste and corruption, along with expenditure rationalisation, could reduce the budget deficit.

A government committed to accountability and regular dialogue with business leaders, and able to offer swift solutions to real problems, could quickly dispel the cloud of mistrust and set Bangladesh on a path towards stability.

An economic recovery "crash programme" should be prioritised. The greatest emphasis must be placed on tackling unemployment, inflation, energy shortages, foreign currency liquidity constraints and improving the business environment.

The new government should also curb manoeuvring and manipulation in the capital market and ensure credible governance. The tax collection system should be fully digitalised and automated to create a genuinely business-friendly regime. To address post-LDC graduation challenges, export diversification is essential. If special export incentives are extended to sectors such as IT and software, leather and leather goods, light engineering and agro processing, the export basket could expand. The government should set out and begin implementing an Emergency Economic Recovery Roadmap within its first 100 days.

The writer is an economic analyst

US waives Venezuela oil sanctions

AFP, Washington

US President Donald Trump said Friday he planned to visit Venezuela and reiterated satisfaction with its interim leader, as his administration authorized five major oil companies to operate in the country.

"I'm going to make a visit to Venezuela," Trump told reporters Friday, while adding that the date had not been decided.

The comments followed a visit to Caracas by Trump's energy secretary earlier this week and came as his administration cleared away additional US sanctions that have blocked oil industry investment in the South American country.

On Friday, the Treasury Department's Office of Foreign Assets Control (OFAC) granted general licenses to BP, Chevron, Eni, Repsol and Shell "authorizing transactions related to oil or gas sector operations in Venezuela," with certain conditions.

The oil industry has expressed interest in the petroleum-rich country, while cautioning that the timeframe for investment depended on having clear rules after expropriations by earlier governments.

The two-page general license issued by OFAC requires any payments in oil and gas royalties go to accounts designated by the US Treasury Department, which is consistent with Trump administration statements that Washington will manage assets in custody for the benefit of Venezuela.

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India allows wheat and sugar exports

REUTERS, New Delhi

India's on Friday allowed the export of 2.5 million metric tons of wheat and an additional 500,000 tons each of wheat products and sugar, as the world's second biggest producer of both commodities seeks to support local growers amid protests over a trade deal between New Delhi and Washington.

On Thursday, thousands of farmers staged demonstrations, alleging the government had compromised their interests under the interim US-India trade framework, though the trade minister said safeguards were in place.

Announcing the decision in a statement, the federal government said the aim was to stabilise domestic markets and ensure financial returns for farmers, following a review of current supply and price trends.

Last month, the federal government allowed exports of 500,000 tons of wheat flour and other wheat products, after approving exports of 1.5 million tons of sugar in November for the season that began on October 1.

Traders said the permission to export was likely to improve sentiment in the local market, but fulfilling the allocated volumes may be difficult.

Sumit Gupta, CEO of Waseda Global, a Gurugram-based commodity brokerage, said Indian prices' hefty premium over other origins would be a challenge.

Indian wheat is offered at around \$280 per ton free-on-board basis, compared with about \$200 per ton for Argentine supplies. Bangladesh, a neighbouring buyer, is securing better-quality wheat at around \$260 per ton, on a cost-and-freight basis, he said.

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China's trade surplus misleads its Western critics

REUTERS, London

When it comes to China's \$1.2 trillion record trade surplus, leaders of rich countries are peddling an outdated truth. "The Chinese are killing their own customers, particularly by no longer importing much from us," French President Emmanuel Macron complained in December. In reality, any revival in consumption in the world's second largest economy might bypass foreign high-tech products which the People's Republic no longer needs. Instead of macroeconomic tools, the West's best option is to copy China's mix of "buy local" and export-oriented policies.

European Union leaders are meeting in Belgium on Thursday to discuss this divisive issue. France has adopted the United States' strategy of pressing Beijing to narrow the gap between the country's imports and exports, while also promoting "Made in Europe" policies modelled on American and Chinese industrial strategies. Central to this is the Industrial Accelerator Act the EU will propose later this month, aimed at steering procurement and tax incentives toward strategic domestic industries. But Germany, Italy and the Netherlands are reluctant, stressing the need to restore competitiveness over protectionism.

France has a point: through the Made in China 2025 plan unveiled a decade ago by President Xi Jinping's administration, China has used procurement, subsidies, state-directed lending and strategic M&A to become a manufacturing powerhouse in sophisticated sectors. In industrial robotics, Foshan-based Midea took over Germany's Kuka in 2016, acquiring one of an oligopoly long controlled by Japanese and European firms, as other lower-cost Chinese robot makers rose to dominate the domestic market. Similar patterns appear in biotech, artificial intelligence and autos.

The West is struggling to compete. Morgan Stanley analysts argued last week, for example, that surging Chinese

car exports imply long-term operating earnings for European auto makers 29 percent below what the market already expects. But the focus on China's headline surplus is an unhelpful distraction.

Classifying merchandise trade using the Product Complexity Index from Harvard University's Growth Lab which gives each product a score based on the know-how required to make it, confirms that the surge in the country's net exports since the Covid-19 pandemic comes from high-tech goods, which recorded a surplus of 5.2 percent of GDP in 2024. It also shows that China has shifted from being a seller of low-complexity goods – such as live animals, food and precious metals – in the early 2000s to a major buyer: in 2024 its deficit in this category reached \$420 billion, or 2.2 percent of GDP.

The upshot: even if Xi's current plan to boost consumption succeeds, it's unlikely to mean much extra demand for European cars and machinery because China is competent at making this stuff.

Nor would a stronger yuan sufficiently dull demand for China's innovative products.

Instead, Beijing could narrow its surplus by importing more commodities. Indeed, that is what happened when the US demanded action on global imbalances after the 2008 financial crisis. Beijing then delivered a 28 percent inflation-adjusted appreciation of its currency between 2011 and 2015, and lifted imports of mineral fuels, ores and wood, reducing the trade surplus from 4.2 percent of GDP in 2009 to 2.1 percent in 2014.

A further relocation of factories producing items like toys and apparel from China to lower-wage economies like Vietnam, Cambodia, Bangladesh and India could help too. In this mid-tier manufacturing China has kept a stable surplus of around 2 percent of GDP. But that would still do little for chemical giants such as Dow and BASF, which are shutting plants due in part to Chinese capacity depressing prices.

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A container ship sails at the port in Qingdao, in China's eastern Shandong province. Surge in the country's net exports comes from high-tech goods, which recorded a surplus of 5.2 percent of GDP in 2024.

PHOTO: AFP/FILE