

WTO MINISTERIAL CONFERENCE NEXT WEEK

Govt to rally support to defer LDC graduation

Also eyes assistance for China-led RCEP entry on the sidelines

REFAYET ULLAH MIRDAHA

Bangladesh will use the World Trade Organization's (WTO) 14th ministerial conference in Cameroon next week to garner support for deferring its graduation from the group of least developed countries (LDCs), said officials familiar with the matter.

The government last month asked the UN Committee for Development Policy (UN CDP) to extend the preparatory period for LDC graduation until November 2029. The committee discussed Bangladesh's request at its annual meeting in New York last month and has set up a process to evaluate the application.

"We will seek support from other countries at the WTO ministerial conference for the deferment of the country's LDC graduation," Commerce Secretary Mahbubur Rahman told The Daily Star over the phone yesterday.

Meanwhile, Bangladesh will also use the sidelines of the March 25-31 WTO conference in the Cameroonian capital

The secretary also informed that while the US reciprocal trade deal will be widely discussed at the conference, it is not on Bangladesh's formal agenda. "If any country wants to discuss this issue, then Bangladesh can participate in the discussion."

WTO reform is expected to dominate this year's ministerial, an area where Bangladesh may have limited involvement.

SUPPORT FOR GRADUATING LDCs
While Bangladesh is looking to get international support for its LDC deferment agenda, economists say it might be easier said than done.

The WTO does not have a separate, recognised group for graduating LDCs, according to a paper by Mustafizur Rahman, distinguished fellow of the Centre for Policy Dialogue, and Tanbin Alam Chowdhury.

Bangladesh will need to work within the LDC group, which is generally supportive of graduating members since all current LDCs will eventually transition out, the paper said.

ITEMS ON THE AGENDA

LDC ISSUES

- ➔ Bangladesh to lobby for LDC graduation delay
- ➔ Govt already asked UN to extend preparatory period to Nov 2029
- ➔ Gambia seeks subsidy continuation for graduating LDCs with per capita income below \$1,000

ON THE SIDELINES ...

- Bangladesh will push for China-led RCEP membership
- Discuss e-commerce, FDI, and fisheries subsidies
- Discussing US tariff issues not on agenda

of Yaoundé to pursue membership of the China-led Regional Comprehensive Economic Partnership (RCEP) with cooperation from other countries.

Bangladesh has been trying to join the mega free trade agreement among Asia-Pacific countries for some years now.

Other priorities on Bangladesh's agenda for the conference include e-commerce, foreign direct investment, and fisheries subsidies. On the last item, Bangladesh has agreed to reduce funding for the fishing of rare and endangered species, Rahman said.

It also recommended that Bangladesh take the lead in pursuing graduating LDC agendas at the conference.

Mohammad Abdur Razzaque, chairman of the Research and Policy Integration for Development (RAPID), said it is difficult to predict how much support Bangladesh can secure for deferring graduation.

Gambia, as LDC coordinator, has proposed allowing LDCs and graduating LDCs with per capita real income below \$1,000 – measured using 1990 US dollar exchange rates – to continue providing subsidies.

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Iran war could wipe out up to 3% of Bangladesh GDP

Sanem says worst-case modelling shows risks from falling Gulf remittances, slowing exports and rising shipping costs

IMPACT OF WAR (Short to medium term)

- ➔ GDP may drop by **1.2-3%** if war drags on
- ➔ Real wages may decline
- ➔ Export growth could slow
- ➔ Remittance may slide by **10%**



POTENTIAL GLOBAL SHOCKS (Short to medium term)

- ➔ Oil price increase: **40%**
- ➔ LNG price hike: **50%**
- ➔ Jump in global freight costs: **25%**

MOST AFFECTED SECTORS

- ➔ Energy-intensive manufacturing
- ➔ Readymade garments
- ➔ Transport & logistics
- ➔ Agriculture (indirect impact)



WHY BANGLADESH IS EXPOSED

High energy import dependence

Strong export integration with global markets

Large remittance inflows from Gulf countries

MD ASADUZ ZAMAN

A prolonged US-Israel war on Iran could reduce Bangladesh's gross domestic product (GDP) by as much as 3 percent over the next two years, according to a new policy analysis by the South Asian Network on Economic Modeling (Sanem).

The study says that Bangladesh's heavy reliance on imported energy, remittances from Gulf countries, and global trade networks leaves the economy exposed to geopolitical shocks in the Middle East.

"Real wages could come under pressure and export growth would likely slow," the report said.

The study was conducted by using the Global Trade Analysis Project (GTAP) computable general equilibrium model, a widely used analytical framework for assessing global trade and policy shocks.

Researchers modelled three scenarios to estimate the potential damage.

The first assumed a sharp rise in global energy prices, with crude oil and liquefied natural gas (LNG) prices climbing around 40 percent and 50 percent, respectively, if the conflict disrupts production or transport routes.

Higher fuel costs would push up domestic electricity generation costs, manufacturing expenses and consumer prices. Under such a situation, Bangladesh's GDP is likely to decline by 1.2 percent, according to the paper.

"This contraction mirrors how central energy is to production and transportation throughout the economy. High fuel prices set off a chain reaction across industries, pushing production costs higher," it said.

The second scenario examined disruptions to international trade and shipping routes, estimating a 2.5 percent rise in freight costs due to higher fuel prices and increased insurance premiums for vessels in

high-risk maritime zones.

In this scenario, there could also be a 5 percent drop in export demand to the European and American markets. These shocks would altogether cause a 1.4 percent GDP decline, said the study.

The paper said Bangladesh's export sectors are very sensitive to transport costs and delivery reliability.

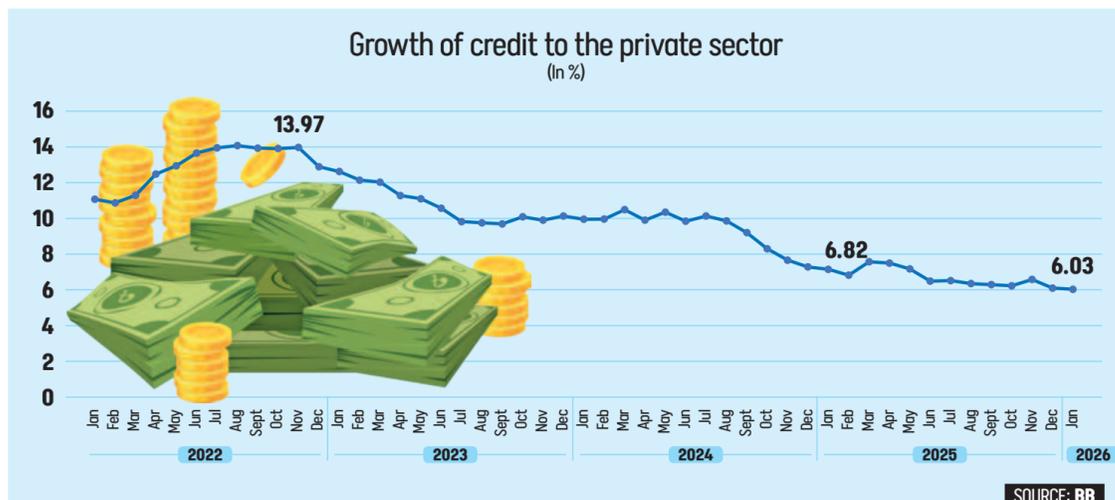
"When exports shrink, the related backward linkages, such as textiles, logistics, and supporting services, decline. The economy, therefore, experiences a slowdown that spreads gradually through multiple layers of the production network."

The third scenario combined several shocks at once, including a 10 percent fall in remittance inflows from Gulf countries, reflecting possible economic disruptions in the nations where millions of Bangladeshi workers are employed.

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War further clouds private credit demand

Lending growth stays around 6% for eight months amid uncertainty



SOHEL PARVEZ

Credit growth to the private sector has been staying around 6 percent as businesses continue to be shy about taking on fresh projects amid economic uncertainty.

In January, banks' credit to the private sector grew by 6.03 percent, the lowest in at least five years. This makes it the eighth straight month of below 7 percent growth in credit demand.

The ongoing US-Israel war on Iran has already made oil and gas prices volatile and created fears of a ripple effect on the global economy and of stoking inflation. This has dampened the prospect of a sharp recovery in private sector credit demand and the much-needed spike in fresh investment.

"The Middle East crisis has made things

volatile. It appears that the situation is not conducive. Under such circumstances, it is uncertain whether anyone would consider making fresh investments," said Mati Ul Hasan, managing director of Mercantile Bank PLC.

Since the launch of US-Israel attacks on Iran in February, oil prices have soared. They hit nearly \$120 per barrel last week as Iran effectively blocked the Strait of Hormuz, a key maritime chokepoint through which one-fifth of the world's oil travels.

The price of Brent crude, the benchmark international oil contract, briefly dipped below \$100 on Friday. It closed at \$103.14 per barrel, and has soared by more than 42 percent since the start of the conflict, according to an AFP report.

Like other economies, the spike in oil prices,

a key commodity, has also created concerns here, as Bangladesh meets 95 percent of its oil and 30 percent of its gas through imports.

The South Asian country imports over 60 percent of its crude oil from Saudi Arabia, the United Arab Emirates (UAE), Oman, Kuwait and Iraq. For liquefied natural gas, the country imports most of the energy from Qatar.

Worries have also increased because of the spike in shipping costs following the escalating war.

Hasan said the impact of the war has been visible in the foreign currency market. The taka has weakened against the US dollar.

"Our existing clients are worried about the risk of higher import costs," he said.

"Businesses are in a stressful situation. They do not have the mindset to go for fresh

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Govt body to probe unusual gap between wholesale and retail prices

STAR BUSINESS REPORT

Commerce, Industries, Textiles and Jute Minister Khandaker Abdul Muktadir has said the government will form a fact-finding committee to examine the unusual price gap between wholesale and retail markets.

At a discussion on the supply and price situation of essential commodities amid the US-Israel war on Iran yesterday, he said the government is closely monitoring the supply and pricing of essential goods.

He, however, said there is no reason for panic in the domestic market over the recent tensions in the Middle East.

Earlier the same day, the minister visited the wholesale market at Khatunganj.

He said an unacceptable gap is often observed between wholesale and retail prices in the domestic market.

"To identify the underlying causes, the government will form a fact-finding committee comprising representatives of traders, officials from the administration, and, if necessary, professionals from other sectors. The committee will review the issue in detail and submit recommendations," he added.

Addressing concerns over the Middle East situation, the minister said most of the commodities currently available in the market had been imported before the war escalated.

He added that the government also has adequate fuel reserves.

"If international prices fluctuate, the government will take necessary policy measures to minimise the impact on consumers," he assured.

Bangladesh still depends heavily on imports for many commodities, he said, noting that increases in global prices, exchange rates, or transport costs often affect domestic markets.

He also said, "The government remains vigilant so that prices do not rise unreasonably due to internal mismanagement or market manipulation."

Supply remains adequate in the edible oil market, he said, though attempts to create artificial shortages at the retail level may occur in some areas, which do not reflect the overall market situation.

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Tax, e-VAT return deadlines extended for firms

STAR BUSINESS REPORT

The National Board of Revenue (NBR) yesterday extended the income tax return submission deadline for companies by one month – to April 15.

Previously, the deadline for filing returns for the 2025-26 tax year was set at March 15.

"Considering the election, the ongoing Ramadan and delays in audit processes, we have extended the deadline," said an official of the NBR's income tax wing.

NBR granted the extension after various sectors sought more time to file returns

The NBR, which collects around 86 percent of taxes for the state, granted the extension after various sectors sought more time to prepare and file returns.

Companies generate the majority of the direct tax collected by the NBR.

In a separate notice by the VAT wing, the revenue authority extended the deadline for electronic filing of VAT returns on transactions for February 2026. It said firms can file online VAT returns by March 29.

The extension was granted in view of the long stretch of government holidays during the upcoming Eid-ul-Fitr and Independence Day, as well as the relatively slow performance of the government's electronic VAT filing platform, the NBR said.

Usually, businesses are required to submit their monthly VAT returns by the 15th of the following month.