

## Energy decisions critical for macroeconomic management

Says Debapriya Bhattacharya as next budget must address fuel, debt, and fiscal pressures

### STAR BUSINESS REPORT

Energy-related decisions will be critical for the country's macroeconomic management, according to economist Debapriya Bhattacharya, who called for careful assessment of policy options and coordination with the finance ministry.

Without such coordination, any decision taken solely by the energy ministry could put the economy at risk, he said.

Speaking at a media briefing

spending foreign currency, and how much you can borrow to import high-priced fuel, needs to be analysed."

Without this assessment, any unilateral decision by the energy ministry could jeopardise the economy. "So, coordination is necessary, but I don't see any such coordination at this moment."

Bhattacharya said the government needs to evaluate fuel taxes and excise duties carefully, and where the rates could be reduced.

"How much am I concerned

## LDC graduation could cost Bangladesh \$17.5b in exports: UNCTAD

### EXPORT LOSS OF COUNTRIES FOR EROSION OF TRADE PREFERENCE AFTER LDC GRADUATION

	EXPORT LOSS (MILLION \$)	TOTAL EXPORTS (MILLION \$)	IMPACT (%)
Bangladesh	17,667	54,800	32.24
Myanmar	4,184.4	24,070	17.38
Cambodia	5,939.5	36,330	16.35
Tanzania	1,392.4	9,830	14.16
Lao PDR	1,167	9,120	12.80
Uganda	713	5,600	12.73
Senegal	419.3	5,570	7.53
Nepal	46.6	1,220	3.82
Rwanda	25.9	1,370	1.89
Solomon Islands	1.1	547.8	0.21

SOURCE: UNCTAD TRADE PREFERENCES OUTLOOK 2025

### MAHMUDUL HASAN

Bangladesh could lose more than \$17.5 billion in exports following its graduation from the least developed country (LDC) category, the steepest projected loss among all graduating nations globally, according to a new United Nations report.

The figure represents nearly a third of the country's \$54.8 billion in total exports recorded in 2023, according to the Trade Preferences Outlook 2025, published by the UN Conference on Trade and Development (UNCTAD).

"The trade effects of losing LDC preferences could be substantial in certain cases," it said, projecting that Bangladesh can face a 32.24 percent decline in its total exports after it transitions to a developing country.

The warning comes just over six months before Bangladesh's scheduled graduation on November 24, 2026. Nepal and Lao PDR are also scheduled to graduate this year, with the third and final review process by the UN currently underway ahead of the final transition.

The new BNP-led government, which took office in February, has sought a three-year deferral, pushing the graduation date to November 2029, citing disruptions in preparedness caused by prolonged global crises and domestic economic pressures.

The request came amid repeated calls from exporters who say the country is

not yet prepared to compete without preferential trade access.

### GARMENTS, FOOTWEAR TO BEAR THE BRUNT

The UNCTAD report, released in late February, found that around 97 percent of the projected export losses would stem from the apparel and footwear sectors – the twin pillars of Bangladesh's export economy, which together account for nearly 90 percent of the country's goods exports.

The European Union (EU) looms largest in the risk picture. Some 77 percent of the total projected loss is linked to preference erosion in the EU market, which currently grants duty-free access to Bangladeshi apparel and footwear under its Everything but Arms initiative for LDCs.

The EU is Bangladesh's biggest export destination, accounting for nearly 47 percent of total exports in 2024. The United States follows at 16.15 percent of total exports, with other developed markets at 15 percent. Canada and Japan together account for around 5.82 percent.

Post-graduation, Canada is projected to contribute 8.6 percent of the total export decline, while the United Kingdom would account for 6.9 percent.

The loss of preferential market access conditions can result in a substantial decrease in exports of preference-receiving countries as evident in projection for fellow graduating nations.

According to the UNCTAD report, Lao

PDR is projected to see a 12.8 percent decline in exports, and Nepal a 3.82 percent drop.

### FTAs AND TRANSITION DEALS

The report noted that several graduating LDCs have moved to negotiate free trade agreements (FTAs) with key partners to lock in tariff preferences beyond their LDC status.

For instance, Bangladesh has initiated FTA talks with both Japan and the EU, among others.

However, the report cautioned that reciprocal trade agreements come with their own costs, requiring countries to open their own markets, potentially raising competition, triggering adjustment pressures and reducing customs revenues.

Countries with limited market power, it added, often face challenges in effectively negotiating and achieving their economic interests in trade negotiations with partners that enjoy significantly greater markets.

UNCTAD noted that with 14 LDCs nearing graduation, smooth transitional arrangements are gaining traction.

The report noted that the EU, the United Kingdom and Canada have introduced mechanisms allowing graduating LDCs continued access to preferential treatment for three years after graduation, offering some cushion against abrupt trade shocks.

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### CITIZEN PLATFORM'S RECOMMENDATION

> Set realistic target in revenue and spending

> Phase out tax exemptions and incentives

> Include new tax sources, including property tax

> Offload shares of state-run firms

> Focus on recovering stolen assets

> Rationalise subsidies

> Reduce loans

organised by the Centre for Policy Dialogue (CPD) in Dhaka yesterday, Bhattacharya, convener of the Citizen's Platform for SDGs, Bangladesh, talked about the challenges facing the first budget of the new government.

"If the government wants to take any decision regarding fuel and energy, it should not take it without analysing the impact on the macroeconomy," he said.

"You will have to first understand the fiscal space of the country within the existing macroeconomic situation," said the economist.

The government must also consider the balance of payments. "How much you can import by

about the diesel price hike? I have no such concern regarding the price hike of octane," he said, adding that fuel price adjustments should vary across types and that the government must focus on sourcing fuel at lower costs.

He also noted that international diplomacy could affect fuel supply, but said, "An elected government will make a proper trade relation in the global arena, and it is normal. We cannot run the country's trade relations by taking heed of other countries."

However, the fuel issue remains closely linked to geopolitical tensions. "It will depend on how long the war continues."

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## Govt approves import of 2.6 lakh tonnes of fuel oil

### STAR BUSINESS REPORT

The Cabinet Committee on Government Purchase (CCGP) yesterday approved the import of another 2.6 lakh tonnes of fuel oil, as the government moves to safeguard national energy reserves against the backdrop of the US-Israel war on Iran.

The committee authorised the direct purchase of 1 lakh tonnes of crude oil from Abeer Trade & Global Markets. The government opted for a direct procurement route, bypassing the standard competitive tender process, citing urgent domestic energy requirements amid the continuing US-Israel war on Iran.

The conflict has introduced significant uncertainty into global oil shipping corridors, particularly through the Strait of Hormuz, through which a substantial share of Asia-bound crude transits.

To mitigate supply chain risks, the government is also diversifying fuel imports as traditional shipping routes face disruption and fears of nationwide shortages grow amid escalating geopolitical tensions in the Middle East.

The CCGP yesterday approved the import of one lakh tonnes of EN590-10 PPM ultra-low sulphur diesel from ExxonMobil Kazakhstan Inc (EMKI) via direct purchase.

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## FY27: NBR mulls wealth, inheritance taxes, tighter exemptions

Moves planned amid pressure on public finances and low revenue collection

### STAR BUSINESS REPORT

The National Board of Revenue (NBR) is considering a range of measures to strengthen revenue collection in the upcoming fiscal year 2026-27 (FY27), including the reintroduction of a wealth tax, a new inheritance tax, higher rates for the ultra-rich, and a rationalisation of existing tax exemptions.

NBR Chairman Md Abdur Rahman Khan outlined the proposals yesterday at a pre-budget discussion with the Economic Reporters' Forum (ERF) at the revenue authority's headquarters in Dhaka.

The moves are being eyed as the country faces mounting pressure on public finances, with the government struggling to meet revenue targets amid a widening fiscal deficit and rising debt servicing costs.

"We are exploring the possibility of reintroducing a wealth tax," Khan said at the event, noting that Bangladesh had such a levy from 1963 until it was abolished in 1999. He acknowledged challenges around asset valuation and data availability, and said that a committee has been formed to examine the matter.

Khan added that the NBR is weighing the introduction of an inheritance tax, at least on a limited scale, with a focus on high-value property transfers.

On tax exemptions, Khan signalled a gradual shift away from the status quo. "While exemptions

### NBR's Plans for FY2026-27

Wealth tax may return after 26 years

Gradual phasing out of tax exemptions across the board

Inheritance tax planned, initially targeting high-value property transfers

Target to collect more rev from tobacco

Plans to incentivise cashless transactions

SME tax exemptions to be digitised, activated

are necessary to attract investment and generate employment, they cannot continue indefinitely. We are committed to gradually phasing them out and bringing beneficiaries into the regular tax regime."

The NBR also plans to raise the top marginal income tax rate for ultra-rich individuals from 30 to 35 percent, a measure tentatively set for FY28.

"We want to maintain consistency with previously declared prospective tax measures," Khan said, adding that he would place the proposal before the finance minister.

More immediately, he said the NBR is considering raising the tax rate for individuals earning over Tk 1 crore annually by around five percentage points from FY27.

Khan pointed to international

comparisons to argue for higher rates at the top end. "In developed countries, marginal tax rates range between 45 and 55 percent, whereas our rates remain relatively low. Historically, our rates were as high as 60 percent, but we have gradually reduced them."

He also flagged concerns about budget efficiency, noting that despite significant growth in the budget over the past decade, spending quality remains a challenge. "If taxpayers see that their money is being used effectively, public trust will increase."

### TOBACCO, SMES, DIGITAL REFORM

The upcoming budget may also include measures to raise tobacco product prices, Khan hinted yesterday.

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