

# Trade war proves a boon for apparel

Shipment to US rises 16pc but exporters wary of coronavirus fallout

REEYET ULLAH MIRDHA

Bangladesh's apparel exports to the US grew 16.09 per cent year-on-year to \$637 million in January amid the US-China trade war.

Apart from Bangladesh, four other countries, which are among the top 10 garment producers worldwide, also saw their shipment to the US market rise in January, according to data from the Office of Textiles and Apparel (OTEXA) of the US.

Garment exports from Vietnam grew 4.25 per cent to \$1.39 billion, from Indonesia 3.48 per cent to \$445 million, from Cambodia 25.61 per cent to \$319 million and from Honduras 1.07 per cent to 155 million year-on-year, OTEXA

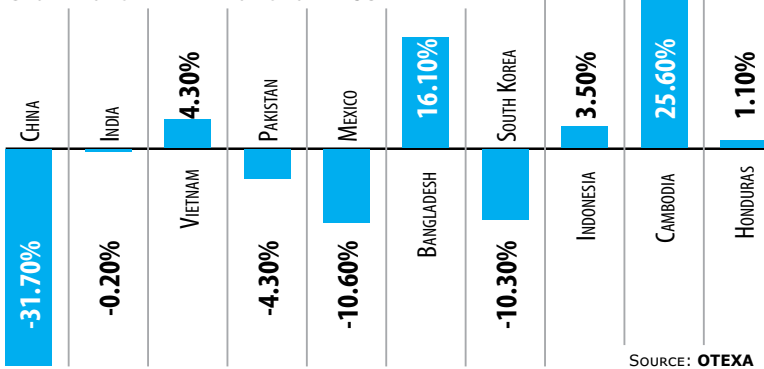
data showed.

The increased earnings from apparel shipments to the US, Bangladesh's main export destination for garment products, came from previously placed work orders and due to the trade war between China and the US, said MA Jabbar, managing director of DBL Group, a leading garments exporter.

A fair amount of work orders has shifted from China to Bangladesh owing to the continued conflict between two major economies, the US and China, for the past two years, according to industry insiders.

Although Bangladesh seemed to benefit from the trade conflict, the garment export may come

GROWTH OF GARMENT EXPORTS TO THE US



SOURCE: OTEXA

under pressure in the coming months because of the fast-spreading coronavirus in the world and in particular in the developed economies that are

also the country's major export destinations.

"Our exports may also be in trouble if the coronavirus situation in Europe and the US does not improve soon. The crisis being faced by these two markets [the US and China] has only deepened after the outbreak was declared a pandemic," Jabbar told The Daily Star by phone.

Since the supply chain for raw materials from China is improving gradually, production may soon return to normalcy as well, said KI Hossain, president of the Bangladesh Garment Buying House Association. "However, those involved in the garment industry should remain cautious," he said in a statement.

China's apparel exports to the US dipped by 31.68 per cent to \$2.47 billion and consignments to India dropped by 0.18 per cent to \$720 million.

The Pakistan market for China shrank 4.34 per cent to \$261 million and shipments to Mexico decreased by 10.57 per cent to \$304 million and South Korea by 10.30 per cent to \$80 million.



## 2 govt wings discouraging onion import to protect local farmers

SOHEL PARVEZ and KONGKON KARMAKER

With Indian onion starting to reenter Bangladesh after a six-month export ban, two government wings are up for discouraging the arrival of the tuber to protect local growers from price slumps amidst ongoing harvests.

The agriculture ministry recently requested the commerce ministry to discourage the import of the popular item, consumed as a spice and vegetable.

Meanwhile, the Bangladesh Trade and Tariff Commission (BTTC) suggested imposing regulatory duty of up to 35 per cent to make imports costly, according to a recent report obtained from the commerce ministry.

"We have already requested to discourage imports," said Agriculture Secretary Md Nasiruzzaman over the phone.

The agriculture ministry is also not issuing fresh import permits from its plant quarantine office as part of its strategy to ensure fair prices for farmers, he said.

An importer has to get permits prior to opening letters of credit, according to Md Azhar Ali, director of Plant Quarantine Wing under the Department of Agricultural Extension (DAE).

Current imports are taking place based on permits the ministry had issued earlier to tackle shortages in the domestic market, Nasiruzzaman said.

The recommendations coincide with the arrival of fresh harvests at the markets, which, along with the lifting of the ban, has resulted in a slump in prices, traders said.

India imposed the ban on September 29 last year, causing the prices of the key cooking ingredient to skyrocket to a historic high of Tk 250 per kilogramme (kg) on this side of the border.

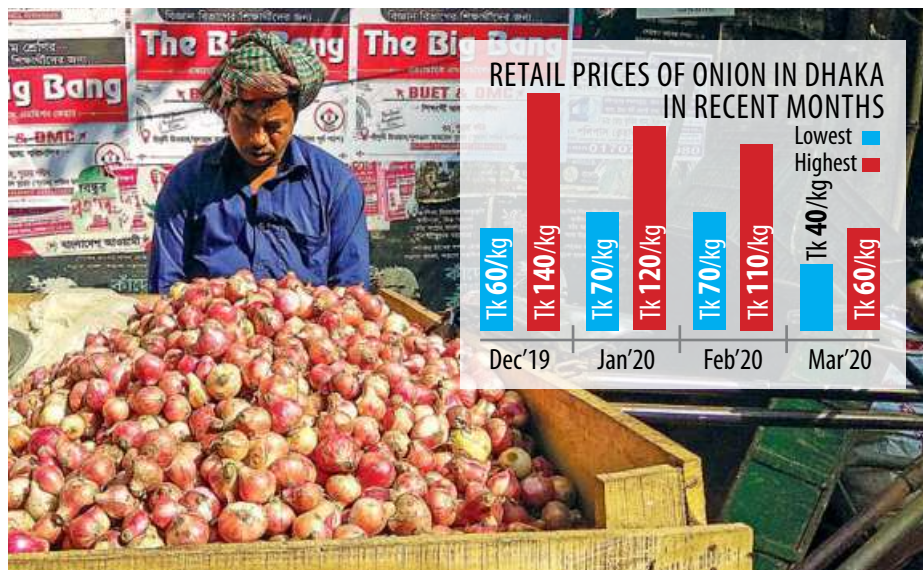
Bangladesh imports roughly 10 lakh tonnes of onion a year, mainly from India.

Imports resumed yesterday with over 2,100 tonnes of the bulb crossing through three land ports -- Benapole, Bhomra and Hili.

The majority, 1,938 tonnes, entered through the Bhomra land port in the southwest border district of Satkhira, said customs officials and importers.

"Farmers are harvesting onion and import of onion at this moment will affect them and they will feel discouraged to produce the bulb next season," said Narayan Saha, an onion wholesaler at Shyambazar, one of Dhaka's biggest wholesale markets.

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## BB to form €200m fund for green industrialisation

AKM ZAMIR UDDIN

The central bank is set to create a €200 million fund to provide low-cost loans to environment-friendly industrial plants.

This is the first time the Bangladesh Bank has set up a euro fund. Previously, it formed three US dollar funds for the businesses. The BB board took the decision on March 12.

The fund will be set aside from the foreign exchange reserves, creating a win-win situation for both the central bank and the businesses given the negative interest rates in the eurozone.

The central bank has invested about 5 per cent of its total foreign exchange reserves of \$32.45 billion in treasury bills and bonds of various nations in the euro area, said a BB official.

At present, the Euro Interbank Offered Rate ranges from 0.287 per cent to a negative 0.527 per cent. The BB receives 0.10 per cent in interest in most cases if it invests in the long-term T-bonds.

So, the latest initiative will give a respite to the central bank from the negative return. Besides, the move will help manufacturers that

set up industrial plants in line with environment-friendly rules and regulations get loans at 1.50 per cent to 2 per cent interest rate.



The interest rate of the fund, however, will be changed given the lending rate trend in the euro zone.

The manufacturers, who are producing goods for the local market, will also be eligible for the loans along with exporters.

Businesses will have to use the funds to make import payments for capital machinery and industrial raw materials and the repayment tenure may be set for 5 to 10 years.

Banks will initially disburse

loans to businesses and they will be reimbursed through the fund. The BB may impose 0.50 per cent interest rate on the fund disbursed to the banks.

A detailed guideline will be drawn up soon. The Sustainable Finance Department of the central bank will monitor the fund.

Plants that will ensure water conservation and management, waste management and use own resources in an efficient and recycling manner, will be applicable for the fund. Industries run by renewable energies will also be eligible.

"This is a good initiative as it will help the economy grow further," said Sheikh Fazle Fahim, president of the Federation of Bangladesh Chambers of Commerce and Industry.

The low-cost fund will also bring down the cost of production, he added.

Earlier, the central bank took a decision to set up a euro fund for local banks' offshore banking units (OBU). It later ditched the plan because of lukewarm demand.

In most cases, OBUs take loans from their parent banks, so they did not show any interest in the fund, the central banker said.

## ADB provides \$400m to upgrade international road corridor

STAR BUSINESS REPORT

The Asian Development Bank yesterday signed an agreement with Bangladesh to provide €360 million, or \$400 million, to help upgrade the Dhaka-Northwest international trade corridor.

The project is part of a priority international transport corridor that connects Bangladesh with Bhutan, India, and Nepal, said Manmohan Parkash, country director of the Manila-based multilateral lender, in a press release.

The assistance forms the second tranche of \$1.2 billion ADB loans for the second South Asia Sub-regional Economic Cooperation (SASEC) Dhaka - Northwest Corridor Road Project.

"The project will further strengthen regional connectivity and boost trade along the second busiest road artery in the country. When completed, it will reduce transport costs, travel time, vehicle emission, congestion and accidents," Parkash added.

It will contribute to achieving Bangladesh's goal of an efficient and modern transport system by turning the 190-km section from Elenga through Hatikumul to Rangpur into four lanes from two-lane

carriageways.

It will improve road safety and adopt gender-responsive features by including footbridges, footpaths and two dedicated lanes for slow-moving traffic to make women's travel safer, the ADB said.



Studies show that women particularly use the route on foot or slow-moving vehicles such as rickshaws.

Road operation and management in the Roads and Highway Department will also be strengthened and climate-resilient design features will be adopted to construct the road, the press release said.

The loan will have a 25-year term, including a grace period of five years.

The ADB has been supporting Bangladesh in improving the Dhaka-Northwest road corridor since

approval of the landmark Jamuna Bridge Project in 1994. The 70km Joydevpur-Elenga section of the road was improved under the SASEC Road Connectivity Project.

Among the subregional corridors, the government considers the Dhaka-Northwest international trade corridor on South Asian Association of Regional Cooperation highways 4 and 8 as top priorities. The corridor is the second busiest artery in Bangladesh after the Dhaka-Chattogram road.

At the northwestern end of the corridor is the Burimari Land Port, which is managed by the Bangladesh Land Port Authority and provides a gateway to Bhutan through India. Improving the transport infrastructure is expected to significantly increase trade in the land port.

In 2017, the lender gave \$300 million in the first tranche. The third tranche and fourth and final tranche will be released in December 2021 and 2023 respectively.

The total cost of the project is \$1.67 billion, of which the government will meet \$472.6 million. Work will be carried out over 10 years to 2026.

Transport infrastructure is the centerpiece of the ADB-supported SASEC programme, which promotes regional prosperity.

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## Trade via Ctg port falls amid coronavirus fallout

DWAIPAYAN BARUA, Ctg

The coronavirus pandemic that is sweeping the world has taken a heavy toll on Bangladesh's foreign trade through Chattogram port.

Import of bulk and containerised cargo fell 13.75 per cent to 87.97 lakh tonnes in February compared to January, according to data from the Chittagong Port Authority.

Around 5.42 lakh tonnes of bulk and containerised cargo were sent abroad in February via the port, a drop by 14.6 per cent from the previous month.

The number of vessels waiting at the outer anchorage has also decreased: Five container vessels were found waiting for berth yesterday while the figure was 11 on January 15.

Bangladesh imports most of its garment raw materials from China but trade with the country fell drastically since the outbreak of the virus one and a half months ago.

Most of the garment exporters kept their factories up and running with the old stock of raw materials, said Nasir Uddin Chowdhury, chairman of the standing committee on port and shipping of Bangladesh Garment Manufacturers and



RAJIB RAIHAN

A ship is seen at the Chattogram port, trade through which has fallen of late due to the coronavirus pandemic.

Exporters Association (BGMEA).

They had to reduce the daily production time by 6 to 10 hours or keep a portion of the production line shut, he said. "Many small factories may have to close production if the situation does not improve soon."

The outbreak of Covid-19 in the European countries is also a matter of concern, as they are the largest consumers of Bangladeshi apparel, he said.

"Some European buyers have already stopped placing new orders."

Representatives of many European buyers have already started postponing their preparatory meetings on sample or design approvals for the export orders of September and October, said MA Salam, first vice president of the BGMEA.

Chinese factories are gradually resuming their production and may start sending raw materials to some extent by this week, and the goods would take 20 to 25 days to reach Bangladesh, Chowdhury said.

However, Salam is less concerned about the arrival of raw materials from China. "Many Chinese suppliers have started taking orders for raw materials."