

# Dependence on a single country for sourcing goods is risky

*Says Md Saiful Islam, president of the Leathergoods and Footwear Manufacturers and Exporters Association of Bangladesh*

SOHEL PARVEZ

The ongoing Covid-19 pandemic and the trade war between China and the US have brought to the fore an important issue, that dependence on a single country for sourcing goods is risky.

A smooth supply chain is essential for ensuring a seamless flow in the production process, which in turn helps businesses continue their operations without interruption.

However, the coronavirus outbreak that began in China's Wuhan province in December last year and subsequent nationwide lockdown aimed at preventing its spread massively disrupted the supply of various raw materials, intermediate goods and finished products early this year.

As a result, from western buyers to manufacturers in Bangladesh, everyone had to consider alternative sources for their goods.

And so, the old proverb -- Don't put all your eggs in one basket -- has once again shown its relevance.

"The whole world is talking about cutting single country dependency and here lies an opportunity for Bangladesh," said Md Saiful Islam, president of the Leathergoods and Footwear Manufacturers and Exporters Association of Bangladesh (LFMEAB), which represents one of the biggest export earning sectors of the country.

As Bangladesh makes basic products, it is



Md Saiful Islam

likely to attract buyers moving away from China in the short-run.

However, buyers will not be able overnight to cut their dependence on China, dubbed as the factory of the world. Besides, it will take even longer in case of hi-tech products.

For basic products though, order shifting is not difficult, Islam said in an interview recently.

"So, we see that western buyers want to reduce single country dependence for their own interests," he added.

By the end of 2021, a good amount of export orders moving away from China will come to us," said Islam, also the managing director of Picard Bangladesh, a leading leather goods exporter.

His belief lies in the fact that Bangladesh is a major producer of basic products in Asia and

is well-positioned compared to Pakistan, India, Myanmar, Cambodia and Vietnam.

For buyers, Pakistan is not a workable state from the security perspective and availability of adequate financial infrastructure, he said.

Confidence towards India, where buyers are moving to, has eroded because of recent geopolitical developments, particularly India's standoff with China.

Vietnam and Cambodia are also running on overcapacity while the neighbouring Myanmar lacks work culture and financial infrastructure to attract buyers, he said.

"A work culture has grown in Bangladesh and people here work for 10 hours, six days a week from 8am to 6pm as guided by the ILO and local labour law," Islam said, adding that financial Institutes in Bangladesh are not below the world standards.

Besides, physical infrastructure is being developed here, he said, citing the construction of a deep-sea port and Padma bridge to connect to the south and southwest seaport Mongla and the completion of four-lane Dhaka-Chattogram highway.

Moreover, resilience in the manufacturing sector, particularly exports, has worked as a catalyst for customers as well as new buyers.

*Bangladesh is a major producer of basic products in Asia and is well-positioned compared to Pakistan, India, Myanmar, Cambodia and Vietnam*

So, in the long run, the country is likely to attract more investments, according to Islam.

Opportunities for Bangladeshi entrepreneurs and suppliers are also going to increase as many suppliers in other countries are going to die out after failing to sustain their businesses amid the devastating effects of the Covid-19 pandemic.

"Many of our competitors in other countries are dying. In the long term, when the situation will improve, orders will come to us," he said. "So, we must retain our skilled and semi-skilled workforce at any cost. It is our real strength."

"We have not seen any social or workers' unrest when the country was shut down to tackle the coronavirus. If we can withstand this crisis, there is a silver lining for Bangladesh."

However, there is no simple trade-off between health and economy, he added.

All LFMEAB member companies, including Picard Bangladesh, have changed their factory layouts as per World Health Organization guidelines.

The pandemic has enabled factories to be compliant to ensure occupational, health and hygiene safety and this will pay off, Islam said.

Leather goods and footwear lost its second position in exports last fiscal year as the global coronavirus outbreak brought almost all economies to their knees.

Overall export earnings from the leather industry declined 22 per cent year-on-year to \$800 million in fiscal 2019-20 from \$1.02 billion a year ago.

The downturn continued in the July-September period of fiscal 2020-21, data from the Export Promotion Bureau shows.

"But the good thing is that we see increasing inquiries," Islam said.

"Every black cloud has a silver lining. The world will not be the same forever. We expect that things will begin to become normal by the first quarter of next year if the third wave of infection does not come," he added.

## Inflation rises in Sept

REJAUL KARIM BYRON

Inflation rose for the second consecutive month in September driven by an increase in the price of both food and non-food items, official figures showed yesterday.

The average Consumer Price Index climbed 29 basis points to 5.97 per cent last month. It was 5.68 per cent in August.

Food inflation went up by 42 basis points to 6.50 per cent in September from 6.08 per cent in August.

Non-food inflation edged up seven basis points to 5.12 per cent, data from the Bangladesh Bureau of Statistics (BBS) showed.

Inflation in rural areas was up 35 basis points at 5.96 per cent, again driven by food inflation, which was 52 basis points higher at 6.61 per cent. Non-food inflation went up by one basis point to 4.71 per cent.

Inflation in the urban areas jumped 17 basis points to 5.98 per cent. Food inflation rose 20 basis points to 6.26 per cent and non-food inflation declined 14 basis points to 5.55 per cent.

In a press release, the BBS said the prices of food items such as coarse rice, potato, brinjal, lady's finger, ginger and eggs rose in September compared to August.

The general wage rose four basis points to 5.94 per cent in September, according to the Wage Rate Index.

The wage rate in the agriculture sector went up by seven basis points to 6.23 per cent in September. Wages in the industrial sector rose one basis point to 5.26 per cent.

## Japan to invest in a bigger way, but wants better climate

*Says top official of Jetro*

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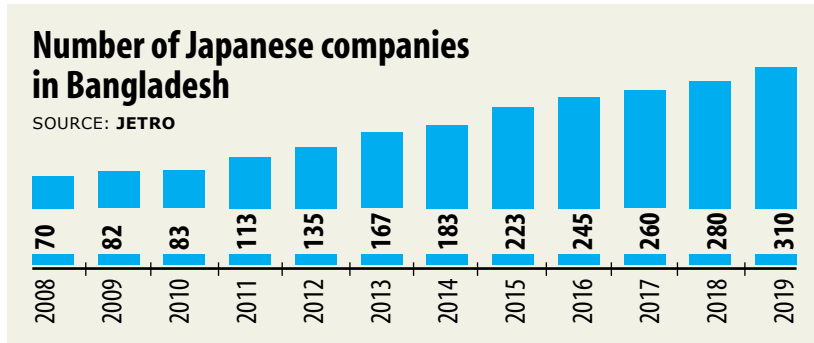
Every year 50 Japanese companies will come to Bangladesh to do business if the country improves its investment climate and develop infrastructure further, said Yuji Ando, country representative of Japan External Trade Organisation (Jetro).

Some 310 Japanese companies have presence in Bangladesh and they have invested around \$3 billion here, he said yesterday.

"Around 70 per cent of the Japanese companies are interested to increase their investment in Bangladesh. They now want an environment, which is friendlier towards Japanese companies."

The lack of infrastructure is one of the bottlenecks, which is reducing Bangladesh's possibility of getting a smooth flow of Japanese investment, said Ando, also the president of Japan-Bangladesh Chamber of Commerce and Industry.

"It should be a win-win situation for both the countries."



He spoke while exchanging views with the executive committee members of the Economic Reporters Forum (ERF) at the ERF office in Dhaka.

He also expressed his willingness to work in collaboration with the ERF and other stakeholders to help the government improve the climate for investors.

The number of Japanese factories to relocate from China will not be as many as has been predicted, he said.

Keeping the Japanese factories in China, new production units will be established in other countries and the member countries of the Association of Southeast Asian Nations will get priority in case of factory relocation, he said.

ERF President Saiful Islam Dilal, General Secretary SM Rashidul Islam, AFP Bureau Chief M Shafiqul Alam and former Reuters Bureau Chief Serajul Islam Quadir also spoke among others.

## Get prepared, state can't give protection for long

*PM's private industry adviser tells businesses*

STAR BUSINESS REPORT

Since many of the Bangladeshi businesses are competing successfully in the global markets, they should learn to do the same in the local market as state protection cannot be provided for long in an ever-changing world, according to Salman F Rahman, the prime minister's private industry and investment adviser.

"Customs duty is imposed for the protection of local companies. Our local companies are now competing with international companies to grab markets abroad so why do complaints still exist over the absence of a level playing field," he said.

There were once problems such as a lack of electricity and infrastructural facilities but now, the issue with electricity is resolved while infrastructural insufficiencies have also been reduced.

"So, accusations are no longer acceptable," Rahman added.

The private industry and investment adviser went on to say that the pandemic has taught a lesson on the necessity of technology for the fourth industrial revolution, for which the government was planning to include coding in the general education curriculum.

Moreover, the country needs to widen the tax net to meet its increasing expenditures and should not highly depend on customs duty but raise collection of other forms of tax, such as value added tax and income tax, he said.

Rahman was addressing as chief guest a virtual seminar on 'Covid-19 pandemic: impact on investment in Bangladesh and the way forward', organised by Bangladesh Publicly Listed Companies (BAPLC) in observance of World Investors Week 2020.

Calling for increasing financial literacy this year, the event is being observed by the Bangladesh Securities and Exchange Commission (BSEC) along with market intermediaries in tune with the International Organisation of Securities Commission (IOSCO).

Despite being hit hard by the pandemic induced lockdown, the country's private sector has already recovered by around 60 to 70 per cent, said Azam J Chowdhury, president of the BAPLC.

Within a few months, the sector will completely recover and resume operations in full swing because the government's stimulus packages have worked well, he said.

However, there are some shortcomings in clarity in the process to avail the funds, for which many companies could not take advantage of the packages.

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## BSEC fines directors of listed firms for bending rules

STAR BUSINESS REPORT

The stock market regulator has fined a sponsor shareholder of Prime Islami Life Insurance and all directors except the independent ones of Quasem Silk and Quasem Textile for breach of securities rules.

Sabiha Khaleque, one of the sponsor shareholders and a former director of

Prime Islami Life, sold her shares without giving any prior announcement—which is a breach of the securities law—and faced a fine of Tk 4 crore.

Prime Islami Life with paid-up capital of Tk 30.5 crore got listed in 2007.

The price of each share of the company rose to Tk 62 from Tk 47 in the last three months. However, it hovered around Tk 54 in the last few days.

Meanwhile, the directors of the two companies of Quasem Group that are listed in the over-the-counter market were punished for not submitting their financial reports for the years that ended on September 30 of 2015, 2016 and 2017.

They also did not submit the first quarterly reports for the periods that ended on December 31 of 2015, 2016 and 2017. Even the two did not submit their half yearly reports.

The decisions came in a meeting of the BSEC presided over by its chairman Prof Shibli Rubayet Ul Islam in the capital yesterday.



## GLOOM STILL LOOMS OVER ROADSIDE VENDORS



Traditional coarse cotton towels, or gamchha as it is known in Bangla, have come a long way, from being the simple man's aid to dry off after a bath to entering the prestigious high fashion markets of the western world and being extensively endorsed by celebrities and international figures like Antonio Banderas and the Queen of Spain through the efforts of Bangladeshi fashion designer Bibi Russell. Despite its diversification into home décor, including as curtains, bed covers, and place mats, the cheap but colourful material is suffering from a gloom looming over it for a slowdown in sales, as attested by this roadside vendor on Darussalam Road in the capital's Mirpur. The photo was taken recently.

SK ENAMUL HUQ