

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES			
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	CNY
1.19%	1.02%	\$1,929.43	\$42.85	40,509.49	23,619.69	2,532.96	3,272.08	83.95	98.22	108.59	12.33
4,858.36	8,337.20	(per ounce)	(per barrel)					BUY TK	102.02	112.39	12.96
								SELL TK			

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## Govt to use forex reserves for development projects

REJAUUL KARIM BYRON and AKM ZAMIR UDDIN

The government has decided to use the country's ballooning foreign exchange reserves to implement development projects.

"The government is carrying out a study to select the probable projects where forex reserves will be invested," Finance Minister AHM Mustafa Kamal told The Daily Star last week.

The Prime Minister's Office is working on it and holding meetings with various ministries.

"The funds will be repaid in foreign currencies so that the reserves remain the same," Kamal said.

His comments came as the country's reserve touched a new milestone of \$40 billion on October 8 riding on robust flow of remittance, a fall in imports caused by the pandemic and a recent uptick in exports.

The government would pick those projects for the foreign

currency loans that would have a high rate of return so that it can repay the loans also in the foreign currencies, Kamal said.

In September, the central bank submitted a concept paper to the finance ministry on using the foreign exchange reserve.

As per Bangladesh Bank Order 1972, there is no scope to use the reserve in any projects, the central bank informed the ministry.

If the government takes fund from the reserve to implement projects, it will have to provide guarantee, the BB said.

The fund will have to be returned in foreign currencies as well.

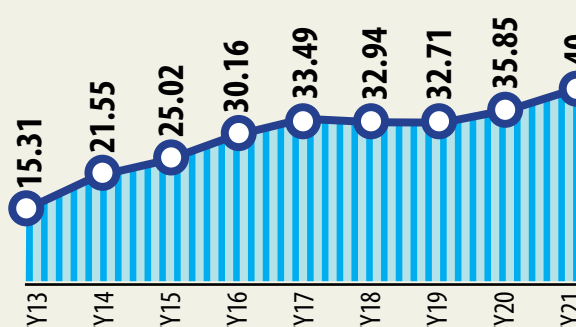
The central bank gave out foreign currency loans to Biman Bangladesh Airlines through state lender Sonali Bank last year to procure aircraft. The government gave the guarantee to mitigate the financial risk for the lender.

The guarantee means the government will pay back the loan to the state lender if the national flag carrier fails to return



### FOREIGN EXCHANGE RESERVE

In billions of \$;  
SOURCE: BB;  
\*Till Oct 8



### THINGS TO KNOW

- Forex reserves cross \$40b
- Existing law does not allow investment of forex funds in projects
- PM asked officials concerned on July 6 to find a way out
- BB has submitted a concept paper to finance ministry
- Govt will have to provide guarantee against invested fund
- Govt to return fund in foreign currency

the amount on time.

The outstanding loans given by the central bank to the national flag carrier now stand at \$580 million.

The same example will be applied for using the foreign exchange reserve for local projects.

The central bank also came up with another alternative: the government could purchase foreign currencies from the reserve directly by using the taka.

The board of directors of the central bank approved the

concept paper before submitting it to the finance ministry.

Prime Minister Sheikh Hasina asked officials on July 6 to verify the ways to use the reserve in order to finance development projects.

Bangladesh has to borrow from external sources to finance large projects.

In recent months, the reserve has reached a new high on the back of remittance, dwindling import payments and budgetary support and loans from the Asian Development Bank, the

International Monetary Fund, the World Bank, the Asian Infrastructure Investment Bank and the Islamic Development Bank.

Many countries such as China, Hong Kong and Singapore earlier created sovereign wealth funds to manage their excess foreign exchange reserves by investing them in the productive sector.

The countries whose foreign exchange reserve is not sufficient have hardly invested the fund at home and abroad for long terms.

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## Bangladesh should sign comprehensive trade deals with key partners

Experts prescribe this for high economic growth after LDC graduation

REFAYET ULLAH MIRDHA

Bangladesh needs to sign comprehensive trade agreements with its major partners in order to retain preferential access to key international markets after graduating from the least developed country (LDC) status, according to experts.

Only the EU will provide a three-year grace period, during which Bangladeshi exports will enjoy duty-free access to the market, following the country's graduation in 2024.

Therefore, the signing of preferential trade agreements (PTAs) or free trade agreements (FTAs) with other developed nations might ease the burden of export taxes to some extent, they said.

Although the process of signing PTAs with Bhutan and Nepal is already underway, Bangladesh needs to sign such agreements with higher-income countries like the EU, the USA and Canada.

"It is good that Bangladesh started the process of signing PTAs," said Mustafizur Rahman, a distinguished fellow of the Centre for Policy Dialogue (CPD).

"However, we have to sign agreements with our major trading partners like the EU, Association of South East Asian Nations (ASEAN), the US and Canada as the trading preference will erode after graduation," Rahman told The Daily Star over phone.

In most cases, Bangladesh should look to sign Comprehensive Economic Partnership Agreements (CEPA), which not only cover duty, but also investment, logistics, services and other important issues.

Some 74 per cent of Bangladesh's export earnings come under preferential trade as an LDC. Of that, 64 per cent comes from the EU and 10 per cent from Japan, Canada and other developed countries

## Apparel exporters brace for fresh hiccups amid second wave, US polls

REFAYET ULLAH MIRDHA

The wait for a Covid-19 vaccine, a second wave of infections in the western world and the upcoming US election may lead to hiccups in the recovery of Bangladeshi garment shipments, according to local exporters.

The shipments had started rebounding with the reopening of stores by western retailers and brands, restoring the familiar humming of machineries in factories.

Now international retailers and brands are increasingly coming up with work orders for suppliers' factories.

Prospects started brightening up in July when garment export receipts reached \$3.24 billion before falling to \$2.47 billion in August and totalling \$2.41 billion in September, according to data from the Export Promotion Bureau (EPB).

The export of garments reached rock bottom in April

### Garment exports

(In billions of \$); SOURCE: EPB

Month	Exports (in billions of \$)
Jul 2019	3.31
Aug 2019	2.4
Sep 2019	2.34
Oct 2019	2.51
Nov 2019	2.51
Dec 2019	2.93
Jan 2020	3.03
Feb 2020	2.78
Mar 2020	2.25
Apr 2020	0.37
May 2020	1.23
Jun 2020	2.28
Jul 2020	3.24
Aug 2020	2.47
Sep 2020	2.41

to \$0.37 billion as a fallout of the pandemic. Garments trade occurs at an international scale and externalities tend to affect shipments.

The local suppliers have been overcoming a lot of difficulties such as elimination of quota system in January 2005 and the steepest financial recession in the years from 2007 up to 2009.

However, every time, they overcame those challenges and took the total export of the country to be the second largest worldwide after China in a journey of four decades. This year too, the local suppliers have been overcoming the challenges of the fallouts of Covid-19.

The manufacturers have been fearing that the rebounding of export of garment items might be affected to some extent because of a possible second wave of Covid-19 and any complication centring the US election.

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The country should begin trade negotiations immediately in order to secure the zero-duty benefit after graduation, he added.

Bangladesh currently enjoys zero-duty benefits, preferential trade benefits and regional trade benefits on exports to 38 countries, including 28 in the EU, thanks to its LDC status.

After the country graduates though, it will have to fulfil the reciprocity clause.

This means Bangladesh will have to provide some trade benefits to its trading partners, and so, this should be negotiated now, Rahman said.

Some 74 per cent of Bangladesh's export earnings come under preferential trade as an LDC. Of that percentage, 64 per cent comes from the EU and 10 per cent from Japan, Canada and other developed countries.

The government should also increase its revenue generation from internal sources as the signing of trade agreements will erode tax collection.

Bangladesh currently earns about \$2 billion annually as tax on imported goods worth \$17 billion from China, while logging \$800 million in taxes from \$8 billion worth of imports from India.

And since these are major sources of income for the government, it does not feel the need to encourage the signing of FTAs. Bangladesh also needs to strengthen its laws on intellectual property rights, labour, banking and insurance in order to enjoy the real benefits of the CEPA, the trade analyst and noted economist added.

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## Recovery still slow in leather sector

Domestic, international demand yet to pick up, say market players

JAGARAN CHAKMA

A return to normalcy is still a far off reality for Bangladesh's leather sector as the ongoing coronavirus pandemic has led to low domestic demand and a decline in exports, according to industry insiders.

Since leather goods are considered to be semi-luxury products, customers are uninterested in purchasing those during times of crisis such as the ongoing one, they said.

According to the latest export figures, the sector's earnings between July and September totalled \$225.15 million, down 11.49 per cent from that in the corresponding period the previous year, when it was \$254.3 million.

During the July-September period of the ongoing fiscal, leather shipments declined by 22.45 per cent year-on-year while that of leather goods 17.49 per cent and of leather footwear 6.83 per cent.

"The leather industry is still in a vulnerable position as domestic demand has yet to rebound," said Nasir Khan, chairman and managing director of Jennys Shoes, a local pioneer in the manufacture and export of leather footwear.

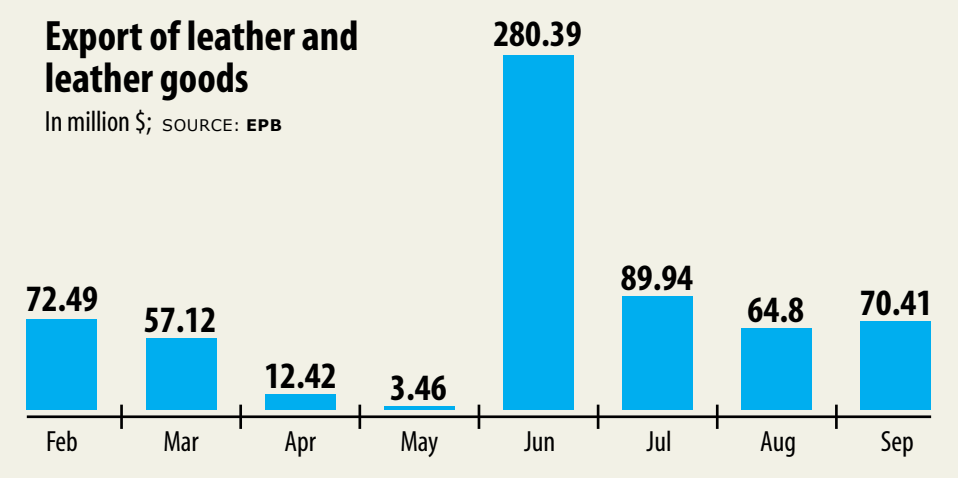
"I closed 40 out of 65 outlets across different districts and divisional cities where



Since leather goods are considered to be semi-luxury products, customers are uninterested in purchasing those during the pandemic.

### Export of leather and leather goods

In million \$; SOURCE: EPB



operational costs exceeded revenue," he added.

Besides, most entrepreneurs related to the industry were unable to avail any financial support from the government's stimulus packages, which has led to a shortage of working capital in the sector.

"I applied for funds from the stimulus package but the banks demanded a lot of

documents against my request for a loan. They seemed uninterested to help me," Khan said, adding that lenders often claim to have insufficient funds to make disbursements.

Meanwhile, exporters lost their winter orders as the coronavirus pandemic was at its peak worldwide during the production season earlier this year.

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# Forward sales causing a large gap in onion's import and retail prices

Market insiders think

MOHAMMAD SUMAN and SOHEL PARVEZ

Over the first nine days of the current month, importers brought more than 2,500 tonnes of onion from four countries -- Myanmar, China, Pakistan and Turkey.

And except for Myanmar, the average import cost for the popular vegetable was Tk 27 per kilogram (kg). In the case of Myanmar, the import price was Tk 48 per kg.

There was a similarity in the nearly 210,000 tonnes of onion that were imported in between July and September of the current fiscal year -- average price of each kg was Tk 27.

However, those bulbs retailed at almost double the import price at a time when there was no export ban in India, the main source of onions for Bangladesh.

The scenario changed after India implemented a ban on outgoing onion shipments on September 14.

Soon after, the price of onion shot up at local markets with traders citing a shortage of supply.

The imported bulbs were sold at three to four times its import value as the frequency of forward sales or contracts among importers and traders increased owing to the prospect of higher profitability amid a supply deficit.

Importers and wholesalers said the price of onion goes up before it even reaches the wholesale markets as shipments change hands twice or thrice through an informal or paperless trade, termed as forward sale.

Md Asaduzzaman, proprietor of Welkin, a clearing and forwarding agent at Benapole land port, said the practice of forward sales for perishable commodities has been ongoing for several years.



This is a kind of advance sales under which import consignments are sold ahead of the arrival of the goods, he said.

"The extent of forward sales goes up when there is shortage in the market as middle men enter the supply chain. In case of onions, we see that retail prices are going up to Tk 100 per kg," he added.

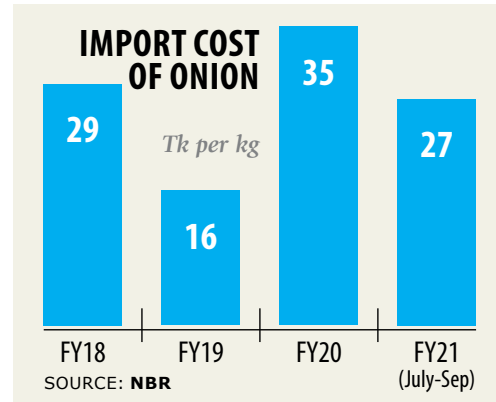
An importer at Sonamasjid land port in the northern district of Chapainawabganj said consignments of onion change hands several times after arriving at the port.

"Prices also go up because of wastage," he added.

As a result, there is a big difference between the wholesale, retail and import prices, said market insiders.

Yesterday, the retail price of imported onions was Tk 90 per kg in Dhaka, up 78 per cent from about Tk 50 per kilogram a month ago, as per data from the Trading Corporation of Bangladesh (TCB).

Meanwhile, locally grown bulbs retailed for Tk 95 per kg.



"Due to the export ban in India and the onion crisis in the local market, it is changing hands two or three times before being released from the port," said Mintu Sawdagar, an onion wholesaler at Khatunganj, Chattogram.

He went on to say that Khatunganj's wholesalers sell onions at prices fixed by importers and get 2 to 3 per cent as commission from a sale.

So, they have no influence over the price hikes or drops for onion in the market, Sawdagar added.

Seeking anonymity, an onion wholesaler at Shyambazar, a wholesale market in Dhaka, said he bought onions imported from Pakistan at Tk 110 per kg at a time when the prices had been moving upward following India's ban on the kitchen staple last year.

"Prices eventually fell and I had to sell onions at about Tk 60 per kg. I urged numerous importers to readjust their prices but they refused," he added.

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## Country gets first hydraulic elevator dam

STAR BUSINESS REPORT

The agriculture ministry yesterday inaugurated the country's first hydraulic elevator dam in Chattogram's Anwara upazila to retain surface water for farming, specifically crop irrigation, said a press release.

Hydraulic elevator dams resemble sluice gates in series, each operable individually, in combinations or altogether using hydraulic power.

Chinese firm IWHR Corporation constructed the 38-metre-long dam on Bharashank canal under a Tk 21 crore project implemented by Bangladesh Agricultural Development Corporation.

The dam will enable irrigation of 3,000 hectares of land and be instrumental in protecting crops and plants in a 10-kilometre area from intrusion of saline water during the January-May period, said the press release.

The ministry said the modern technology was in use in China, making it possible to retain fresh water from upstream and prevent intrusion of brackish water from downstream to protect crops.

Virtually inaugurating the first ever hydraulic elevator dam, Agriculture Minister Muhammad Abdur Razzaque said groundwater was depleting for use in irrigating boro rice and other crops.

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## Cement sales rise slightly

But manufacturers don't expect any profit this year

JAGARAN CHAKMA

The cement makers are finally getting some respite from the Covid-19 fallout thanks to a slight increase in sales but they believe it will not be possible to book any profit this year.

By the end of 2020, sales could reach 80 per cent of what it was last year.

"Sales in the sector grew by 7 per cent in September compared to the month before, which gives hope of recovery in the future," said Asadul Haque Sufyani, chief operating officer of Bengal Cement.

Bulk orders for cement are coming as the construction work on the government's major development projects resumed in July.

Besides, expatriate workers are going back to their jobs, leading to a ripple effect on the rural economy that will impact the cement sector, Sufyani said.

According to the chief operating officer, it takes at least two months to start disbursing funds for the development projects after a new budget is passed.

For this reason, it is taking a bit of time for sales volumes to return to pre-pandemic levels.

The various development projects will start in full-swing in the coming days as the monsoon season is about to end and the following dry weather is peak season for the cement sector.

In a bid to cover all the development activities which were put on hold during the two-month lockdown between March

**AT A GLANCE**

Per capita cement consumption: **181 kg**

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Market size: **Tk 25,500 cr**

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Active cement factories: **37**

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Total investment: **Tk 30,000 cr**

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Direct employment: **60,000**

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Indirect employment: **1,000,000**

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Consumption per year: **33m tonnes**

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Production capacity per year: **58m tonnes**

26 and May 30, the government is going to float new tenders.

And apart from this, the Covid-19 situation will likely.

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## FOR WINTER VEGETABLES

Hundreds of acres of coastal areas are now under cultivation of vegetables, especially those suited for the winter climate. Here a farmer tends to his tomato plants in Chattogram. The photo was taken on Saturday.

PHOTO: RAJIB RAIHAN

# Contribution to central fund for garment workers falls 14.2pc

MD FAZLUR RAHMAN

The contribution of garment factories to the fund set up to provide financial support to garment workers fell 14.20 per cent to Tk 55.83 crore last fiscal year due to the coronavirus pandemic and some banks' negligence.

The Central Fund for the Readymade Garment Sector received Tk 65.06 crore from apparel exporters in the fiscal year of 2018-19.

The government formed the Central Fund in 2016 and it is managed by the labour department. Since the inception, about Tk 238.99 crore has been deposited by the garment exporters, said Md Amir Hossain, the director-general of the Central Fund.

So far, about Tk 85.39 crore has been distributed among the eligible garment workers, their heirs or children in grants.

The beneficiaries include heirs of 3,988 deceased workers, who received a total of about Tk 79.41 crore.

Workers of seven member factories of the Bangladesh Garment



A garment worker or their heirs would get Tk 3 lakh from the fund in case of death or grave injuries at the workplace.

PHOTO: STAR/FILE

Manufacturers and Exporters Association (BGMEA) which had closed down got about Tk 1.40 crore in compensation.

The workers of another factory belonging to the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) received Tk 51.56 lakh.

Some 1,006 workers who fell ill received Tk 2.85 crore. Besides, 602 meritorious students who are children of the workers were paid Tk 1.20 crore in stipends, Hossain said.

However, the parliamentary standing committee on the ministry of labour and employment has alleged recently that the volume of the fund has not increased in keeping with the country's export earnings due to the negligence of some lenders, according to a letter of the labour ministry to the BB.

Apparel exports stood at \$28.14 billion in FY17, \$30.61 billion in FY18, \$34.13 billion in FY19, and \$27.83 billion in FY20.

On October 5, Bangladesh Bank asked banks to deposit 0.03 per cent

of the encashed export earnings at the central fund.

In June 2016, the central bank instructed lenders to deposit the money to the fund but there is an allegation that some banks have not followed the instruction properly.

The lenders have not deducted the amount of the export earnings as per the rules. Against the backdrop, the volume of the fund has not increased as expected, the BB said in a notice.

"We request the garment workers to apply to the central fund through the BGMEA and the BKMEA for the financial support," said Hossain.

There are 3,608 garment factories in Bangladesh that export products, he said, quoting data from the Export Promotion Bureau. But the central fund does not know how many are contributing to the fund, Hossain said.

About Tk 45.91 crore was deposited in the fund in the fiscal year of 2016-17. No money was distributed in grants in the first year of the fund.

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