Bangladesh Jute Industry -II

Kazi Zahedur Rahman

THE period corresponding to Fy75 — Fy79 opened with the depressing hangovers from the preceding years. Liquidity gap, accumulated loss, decapitalisation, stagnant external demand, a large carryover inventory were the chief among them. Haply an awareness of the constraints faced by the industry was noticeable in the management and the administration. Realising that decapitalisation called for equity infusion, Govt. paid and amount of Tk.99 cr. as cash subsidy to the industry in the first 3 years.

A subsidy scheme related to the volume of export was introduced with effect from July '78 and the industry received Tk 82 cr. as export subsidy in the next two years. Another sum of Tk. 105 cr. was paid to the industry as equity within this period. A BMR scheme covering 19 jute mills were taken in hand. To start with, 9 mills were brought under BIMR with a foreign exchange component of Tk.54 crore. Till 1978, Tk. 8.48 crore only was available as foreign exchange and that also with time overrun. Meanwhile cost of machineries escalated and the BMR scheme fell through. In order to improve production planning and machinery maintenance, programmes were taken up with IDA support.

This programme was claimed to have improved weaving efficiency and spinning efficiency by 10% and 5% respectively. BJMC of its own initiated a scheme of conversion and alternation of spinning and drawing frames with mixed results. Elimination of ghost labour was meanwhile under way. As a result of all these efforts production and export grew by 11% and 25% during this period. Average annual production rose to a little over 5 lakh tons and export to 450,000 tons. Unfortunately the external market was not responsive to our production cost. On the other hand, 10% of the annual sales revenue were eaten up by debtservicing. There was also a gradual rise in the price of raw jute. In spite of various promotional measures the industry was at a heavy loss at the end of 1979-80. The measures too perhaps suffered from inadequacies. At the end of 1977-80, the cumulative loss since independence stood at Tk.4.6 billion approx.

The industry entered the Second Five Year Plan period with a mixed promise-burdened with a huge loss and keyed up with the efficiency improvement efforts. The officers and men appeared in a better form with skill and experience acquired over not too happy a decade. in 80-81, a comprehensive BMR scheme was launched with IDA support. The scheme concentrated more on balancing and replacement of machineries than on modernization. Local manufacturing of spare parts was also in its portfolio. In effect, the scheme was realistically designed to yield high income returns with relatively low capital cost. When this scheme was in progress a policy shift came in with unavoidable distractions in the implementation of the scheme. The Govt. wanted to relieve the scarce public sector resources of the burden of management of 77 jute mills as also to introduce an element of competition in efficiency within the sector. With this end in view, Govt. decided to return the Bangladeshi mill to their owners. Accordingly the speciality mills were disinvested in 80-81. This was followed by the return of 35 mills to their Bangladeshi owners in 83-84 and onwards.

The year 80-81 emerged as the best performance year for the jute industry since independence with a record production of over 6 lakh tons and an export of 5.15 lakh tons. BJMC also earned a profit of Tk. 106 crore, first ever in its corporate history. Overall profit during the 5 years ending 84-85 was Tk.86 crore. This profit was partly attributable to the rise in the price of jute goods in the international market. Govt also backed up BJMC by an equity support amounting to Tk. 272 crore. The average annual production and export during these five years was about 5,95,000 tons and 4,80,000 tons respectively which meant an respective growth of 19% and 8% over the preceding 5 years. It has to be added that in 84-85, price of raw jute shot up to record high of Tk. 500 per maund. Else profit in these 5 years would have been much more. The performance of the five years 1980-81 showed that the industry can run with our suffering any operational loss.

When the jute industry was in the Third Five Year Plan period, cost of raw materials, fuel, and power and wages was on the rise. The intense competition from synthetic substitutes to jute in all its major uses continued unabated. Price and demand in the World market remained stagnant with no sign of growth. Productivity decline which began about a quarter century ago worsened over time. Yet there had not been any substantial fall in the production and oversea sales of the jute products. But the gap between the cost of production and the selling police continued widening and dealt the severest blow to the industry. During the 5 years (Fy85-Fy89) the industry produced 25.50 lakh tons, exported 23 lakh tons and earned foreign exchange amounting to Tk.4300 core. But the industry lost Tk. 1300 crore approx. — loss of BJMC and BJMA being Tk. 900 crore and Tk. 400 crore respectively.

The government have from time to time provided whatever relief possible to keep the industry going. During 84-85 to 88-89, the industry as a whole sustained a loss of Tk. 900 crore. As a measure of relief the Govt. provided concessions by creating a frozen account equivalent to the losses suffered by the mills. A 3-year moratorium was granted and the schedule for payment of the segregated loan was restructured. Govt also under took to pay the interest amounting to Tk. 200 on account of the deferred loan out of its revenue budget.

Export subsidy in place of XPB, was also reintroduced. The whole object was to give the industry an opportunity to start afresh with a clean slate. Similar concessions were provided to the jute sector on earlier occasions also with no resultant improvement. The problems suggest that short-term or adhoc measures do not benefit the industry much. Below is a picture of the fatal cost gap based on approximated data :

Public Sector

	Hessian	Sacking	CBC
Production cost per ton	Tk.37,000	Tk.26,000	Tk.42,000
Selling price per ton	Tk.24,000	Tk.14,000	Tk.24,000
Difference price per ton	Tk.13,000	Tk.12,000	Tk.18,000

Private Sector

	Hessian	Sacking	CBC
Production cost per ton	Tk.31,000	Tk.18,000	Tk.34,000
Selling price per ton	Tk.24,000	Tk.14,000	Tk.24,000
Difference price per ton	Tk.7,000	Tk.4,000	Tk.10,000

During the 19 years ending in June '90, the Bangladesh Jute Industry appears to have produced 98,41,000 tons of jute goods, exported 85,92,000 tons and earned foreign exchange amounting to Tk. 10,790 crore. At the same time, paradoxically enough, the industry suffered a loss of Tk.1,697 crore. The production was of course, much below the installed capacity. Yet the loss was colossal which is evidently due to the fact that the cost of production is much higher than the export price. By all standards, the problem of financial loss has assumed a larger-than-life dimension. The situation demands that allout efforts should be made to reduce and wipe out the loss.

On the agenda of remedies, cost reduction claims the topmost priority. The cost of production per ton of Hessian, sacking and CBC — the 3 main constructions — is respectively lower by 20%, 30% and 25% in the private sector than that in there public sector.

There is, therefore, a scope for the public sector to reduce the production cost substantially. The industry then should work for a further overall decrease of the cost. The reduction in the cost of production is not, however, an isolated operation. It is the result of economy in the use, and of the improvement in productivity, of at least the major inputs : raw material, labour, capital, fuel and power.

A brave face in a sorry business reassures everybody around. With no let-up with all fortitude, a long-term programme which should include physical and financial restructuring, intensive BMR, production planning, cost reduction, capacity utilisation and rationalisation, market promotion and product research requires to be farmed and implemented effectively.

(To be concluded)

Money Makes the Colony Go Round

In free-market Hong Kong, the frenzy with which money is made is matched only by the intensity with which it is protected, invested and spent. **Yojana Sharma** of IPS reports.

OUTSIDERS often remark that the teeming, free-market British colony of Hong Kong, with its crass commercialism and materialist values, is obsessed with money.

With just six years to go before Hong Kong is handed over to China in 1997, the frenzy with which people make their money is matched only by the intensity with which they protect, invest and spend it.

Hence the scenes of panic last week as depositors rushed to withdraw their hardearned savings from major international banks.

Some US$40 million were removed in one day from the Standard Chartered Bank last week in the fourth bank run in the colony in two months.

The run was precipitated by rumours that Standard Chartered Bank was "insolvent". Considering that the government had shut down the Bank of Credit and Commerce International (BCCI) Hong Kong subsidiary two days after assurances that it was sound, few were willing to believe government statements that Standard Chartered, one of the two note-issuing banks in Hong Kong, was under no threat whatsoever.

The panic recalled an incident of six years ago when hundreds of frantic people queued for hours outside branches of Maria's Cake Shops on rumours that the huge chain was about to collapse.

They wanted to cash in their pre-paid US$2.50 vouchers before the doors closed forever, jostling and fighting for armfuls of cream cakes they could not possibly eat. Maria's never did close down and is now one of the largest catering firms here.

But many who poked fun at Hong Kong's 'cake run' have been subdued by the swiftness and extent of the latest bank runs. It reveals an underlying nervousness and desperation over money and the future that can be triggered by the vaguest rumours.

Rumours travel fast in the densely packed colony. As one banker said last week, "getting the money to the right place on time is the hardest part in coping with a bank run."

"News on the grapevine always travels faster than cash in a van," he said.

Another banker points out that unlike in the West where most people owe the banks money, in Hong Kong, people have squirrelled away up to two years' salary in saving deposits.

It is part of the jittery refugee mentality of the colony's residents — many of whom had fled the communist mainland — to hold their earnings in ready cash and to move enmasse in the face of rumours.

With 1997 still some way off, Hong Kong people don't just earn and save. They invest with equal frenzy.

The arrival on the market of new residential developments is greeted by throngs of buyers, cheques in hand, even before construction is complete.

The property market is so overheated that new flats can resell for up to 40 per cent up the day after purchase.

Last month, skirmishes among buyers outside one development became so bad that the government was forced to act, banning multiple and proxy applications and prohibiting reselling flats before the buyer has moved in.

It is almost a cliche how hard Hong Kong people work for their money, spotting opportunities where no other entrepreneur would, wheeling and dealing their way to a personal fortune from humble beginnings.

There are so many stories of pig farmers, tailors, hawkers, even beggars who made good, that outsiders grudgingly admit this mammon mentality has a very positive side.

Many Hong Kong residents say they need the cash to save for an exit visa before 1997. Those who do not qualify for admission in other countries work, invest and save with a passion, knowing their time to make a fortune is limited until China takes over.

Materialism to them means self-reliance and liquidity.

Do they ever take time off? Shopping is a major pastime. Hong Kong residents buy more portable phones and luxury cars than any other Asian country, bar Japan. Sales of fur coats are brisk.

Wednesday is the traditional day at the races. The Jockey Club made more than US$5.5 billion last year — almost as much as the government's annual budget. Year on year it breaks its own record.

At the weekend, Hongkongers descend on the gambling dens of Macau, the neighbouring Portuguese colony. They provide the Macau government with its main source of revenue.

And executive toys are all the rage. Last week, one Hong Kong entrepreneur came up with an idea inspired by the latest bank run — a plastic toy bed with a removable mattress over a cavity. It bears the inscription, "the world's safest bank".

Western Consumerism Makes Inroads in Soviet Society

The botched August coup has accelerated the process of liberalisation which began in the Soviet Union with perestroika. Western consumer products — Coca Cola, Big Macs and blue jeans — are now everywhere to be found. But Gemini News Service reports that this craze for acquiring consumer products has led to fears that a two-tier society will emerge as Soviet citizens bid farewell to the rigid Communist era and adapt to the rules of the market. by Charles Quist Adade

BUCKS, yes?" the young taxi driver asked animatedly as he pulled at the brakes. I told him I could offer him roubles. "Go to hell with your wooden roubles!" he howled angrily and sped off.

Before perestroika, the mention of the American way of life and anything American or Western invariably provoked cynical laughter among Russians. Not any more.

Having developed a taste for things American — Pepsi Cola, Fanta, rock music, breakdancing, blue jeans and MacDonals — many Soviet citizens appear to have found magic in the American dollar and the English language.

Foreigners' luck with Soviet acquaintances increases if they speak English and they become instant objects of admiration if they speak English-accented Russian:

— "Oh ! You speak English?"

— "How do you know I speak English?"

— "Your accent is nice and soft."

In the past an English accent would have given foreigners away as real or potential spies. But the demise of communism since the aborted coup in August has changed all that. Now Westerners are admired as having stacks of dollars. No conversation ends without either a hint or mention of the dollar : "How much is this? Is that in dollars?"

Until last February, it was a crime punishable by fine and or imprisonment for Soviet citizens to be in possession of dollars or any other foreign currency. Many a Russian had never set eyes on a dollar. Only black market operators and privileged Soviet citizens had handled the currency while on tours abroad.

However, a law passed early this year by the Soviet parliament allowed citizens to own small amounts of foreign currency. The law has encouraged Soviet citizens to solicit openly for dollars from tourists and other foreigners.

The Soviet rouble is scornfully called "wooden" because high inflation has greatly reduced its value.

By contrast, anyone with a US dollar can obtain practically anything in the Soviet Union. Dmitry Gorchak, a self-employed artisan, says : "You can buy anything here — including our leaders — with bucks."

The American dollar, he says, is like a magic wand in the hands of its possessor. "It is an 'Open sesame' in corridors of power and influence."

Many private shops and cooperatives now demand hard currency for their goods and services. And where merchandise is offered for roubles it is priced with the black-market exchange rate for the dollar in mind.

Thus half a litre of Soviet-brewed beer costs 2.6 roubles in government shops but sells for a full 4 roubles on the black market, reflecting the 25-rouble price of a can of imported beer.

Sensing the impending weakening of the state-controlled economy the Dutch multinational giant Philips has opened an electronic appliance shop in St. Petersburg, formerly Leningrad. There, appliances such as video cassette recorders and cameras, television sets and vaccum cleaners are sold for hard currency only.

Georgi Aparkov, the outlet's sales manager, says his customers range from Soviet millionaires and joint-venture workers to foreign tourists and citizens who have returned form abroad with hard currency.

Many Soviet citizens resent their wealthy compatriots who can afford to shop in hard-currency "valuta shops." Alexander Sizov, a factory worker, calls them "the thieves and scoundrels of our society. These are racketeers and prostitutes," he says.

Indeed, while the Soviet nouveaux riches have unrestricted access to the valuta shops and government beriozkas — currency shops for foreign tourists — most St. Petersburg residents do not enjoy such privileges.

Boris Sokolenko, a library assistant, complains : "You can not claim you are building a just democratic society when you allow a foreign currency to divide society into rich and poor, privileged and underprivileged."

He is angry that democratic politicians have replaced Communist corruption with capitalist exploitation. "The democrats in Moscow and St. Petersburg," he charges, "have succeeded where the Communists failed. They have legalised immorality and swindling."

Sensitive to such public outrage, at least one firm operating with foreign participation has continued to sell products in roubles. But it has gone to great lengths to avoid being swamped with customers.

At LenWest, a joint Soviet-German venture which manufactures and distributes shoes, products are sold for roubles but customers must first obtain coupons which are distributed at workplaces.

"We have done that to avoid Pandemonium," an assistant sales manager said, insisting on anonymity. If the shop were open to the general public, he said, queues would rival those outside the MacDonald's in Moscow.

"We could have just as well sold our shoes in hard cash," the sales manager said. "But when you do that you encourage social injustice. Only a handful of people would be able to afford to buy our shoes.

"We have not allowed the dollar to drive a wedge between our firm and the public."

Along with the dollar craze another trend among Soviet citizens is a naive affection for Western lifestyle. Life in the West is now seen as problem-free, a kind of heaven.

Unemployment in the West, for instance, is not generally believed to be a problem. "The money an unemployed person in London receives is 50 times my monthly allowance," says Sasha Gonchar, a newspaper vendor."

Democratic politicians argue that the changes which have caused bitterness among some Soviet citizens are normal, an inevitable part of the transition from communism to capitalism. But Communist Party hardliners are angry that "foreign invaders" have been allowed to "destroy socialist values and steal our Russian heritage."

Democrats contend the changes in public perceptions reflect a sudden mass rejection of 70 years of communist tutelage and spoon-feeding. Communist conservatives retort by accusing the democrats of aping Western standards.

Says a distressed Evgeny Mikhailovich : "They will soon replace Lenin's face on the rouble with that of Abraham Lincoln's to announce to the world that they are now mature democrats and super capitalists." — GEMINI NEWS

China on the cheap

A pair of young English travellers report on the rewards, as well as the discomforts, of a back-packing tour which has taken them to Shanghai, Beijing, Xi'an and Guilin.

by Zhou Moiyue

A group tour of China normally costs the overseas visitor several thousand US dollars. But John Usher and Rebecca Bramwell, form England, manage to keep their expenditure within a few hundred, while "having a lot of fun."

Describing themselves as "typical back-packers, "they say they have enjoyed many advantages over "tourists who stay in luxury hotels and go around with tour groups."

As individual travellers, says Rebecca, who works for a law firm in London, "we can have a closer look at the way people live here along with sightseeing."

The couple visited Shanghai, Beijing, and Xi'an before they arrived in Guilin by train. Situated in South China's Guangxi Zhuang Autonomous Region, Guilin attracts 500,000 overseas and six million domestic tourists every year. Its unparalleled scenery features green hills, crystal-clear streams, fantastic caves and unique rock formations.

Although there are a dozen hotels above the three-star class for overseas tourists in Guilin, John and Rebecca choose to stay in an "unstarred" inn, where the room costs only 30 yuan (less than US$6) a night. "It's cheap," says Rebecca, "but the room has a toilet and bath attached and it satisfies our basic needs."

They eat at a small restaurant nearby. "For a brunch with a cup of coffee and one banana pancake you pay just 4 yuan (about 80 US cents)," Rebecca says. "The pancake is different form those in England, but delicious." To their surprise, she says, the restaurant even has its menu in English.

Rebecca says they learned to use chopsticks on the ship from Hongkong to Shanghai, which served Chinese meals only. The ship fare varies form HK$519 to KH$1,103 (US$66.54-US$141.41).

Instead of using de-luxe mini-buses or taxis, the couple have mingled with ordinary Chinese in seas of bicycles. In the tavern where they've been staying in Guilin they got two likes on loan at 3 yuan (60 US cents) a day each.

In Guilin they start their expeditions after brunch at about 10.00 a m. It usually takes them less than an hour to reach a scenic location. They visit two or three sites a day. On their way back they just wander about the streets and try to acquire a feel for local people's life.

Neither of them speaks Chinese. "We are aided by a guide book we bought in London as well as the local Chinese," says John, a computer engineer. He says they are hardly aware of a serious language barrier since many people in China speak English — often very good English.

"I'm impressed by their eagerness to learn," John says. they have often been approached by people in the street who want to practise their oral English.

"Many of them have a broad range of knowledge," says Rebecca. "A young couple chatted with us in the restaurant this morning on just about everything. They seem to know a lot about England. Last night we met an 85-year-old professor in the street who could even speak Latin in addition to English and French."

Guilin's caves have fascinated the two young tourists. "They are gorgeous," says Rebecca. "We've seen a lot of caves in England and Australia. But we've never seen a cave so large and so beautiful as the Reed Flute Cave. I think it's the best one we've ever been to, and its beauty is simply beyond description."

John says that in many ways China "seems 30 years behind Britain -- in fashion, way of living and economic development."

He instances the multitude of bicycles and the absence of all but a few private cars. And few people have houses of their own. The abacus in still commonly used for calculations in shops. People often shout at each other in the street and seldom line up in a queue to get on a bus. "You have to learn to push your way —hard," says John.

Some aspects of the Chinese diet continue to puzzle the two English travellers — notably the fact that dog, cat and even snake sometimes feature on the menu. And they have found a lot to be desired in China's standards of service. As Rebecca says, "many shop-assistants just stand motionless behind the counter rather than step forward and ask 'May I help you?' That won't do for China if it wants to draw more tourists."

Nevertheless, John says, the real China is much more exciting than the China they read about in books. "The China we pictured from our reading was very very old, "John says. "But the China we actually see is open and full of vigour."

Everywhere, the cheerfulness and liveliness of the children have witnessed the two visitors. "They seem to laugh more and look happier than children in my country," John says. "The older ones always greet us with a cheerful 'hello'."

Although they have been travelling for the past two years, the couple stress that they are not rich. They went to the United States first and then to Australia, where they did odd jobs to make enough money to come to the orient.

Their way of travelling can be tiring. For instance, John says, "it was exhausting to take a hard sleeper for days all the way down from Xi'an to Guilin." But they don't care much about comfort. "After all, we've come for a unique experience rather than a material treat."

After Guilin, John and Rebecca will travel to Guangzhou, capital of South China's Guangdong province. From there they will move on to Nepal and India.

"We have missed a number of places in China for lack of time and money," says Rebecca. "But we will make and save money for another visit to this country in a few years' time."

Nepal Investigates Rail Links with India

by Jan Sharma

LANDLOCKED Nepal has asked New Delhi for help in constructing a railway link between Nepali border towns and the Indian rail system in an effort to boost trade and commerce.

But critics of the proposal warn that a rail link would boost the inflow of Indian workers and eventually strengthen Indian dominance of the economy.

A team of Indian experts last year found the cost of linking Kathmandu to the Indian township of Raxaul, 250 kilometres (156 miles) to the south, "exorbitant," but many Nepalese officials are undeterred.

"Railways may be a costly capital investment," says one official, "but think of the enormous investment we are making in building and maintaining roads with World Bank loans."

The World Bank and the Asian Development Bank are providing several million dollars for the repair of roads linking Indian border towns to Kathmandu, and Japan completing a road between Kathmandu and Sindhuli.

A recent study for the Asian Development Bank said that most equipment was nearing the end of its life and that if Nepal was serious about developing transport links in the region, a road would be a better bet than a railway.

Nepali Prime Minister Girija Prasad Koirala, however, says he wants to utilise hydroelectricity for railways in order to cut down the cost of transporting goods and services in the Himalayan kingdom.

Indian experts last year said a rail link between Raxaul and Hetauda, a bustling township in the foothills of the Himalayas, was feasible, and could later be extended from Hetauda to Kathmandu, depending on the findings of detailed feasibility studies.

The Raxaul-Hetauda link is estimated to cost US$10 million, according to a report in the state-owned Gorkhapatra, a Nepali daily.

Nepal currently has two narrow gauge trans-border rail links, but both are in poor condition. The 47-kilometre (29-mile) Nepal Government Railway (NGR — nicknamed "Never going railway") between Raxaul and Birgunj, built in 1927, now operates on only seven kilometres.

And little effort has been made to revitalise the 53-kilometre (33-mile) Janakpur-Jayanagar Railway (JJR) since it was built in 1937 to boost the export of timber for railway construction in British India.

These rail links were undercut by foreign-aided road projects. They belong in a museum, jokes Gopal Man Shrestha, former manager of the JJR.

About half their income in spent on coal to fuel the locomotives and a study by Japanese consultants praised the dedication and hard work of employees in keeping the obsolete system going.

Nepal has been pinning high hopes on proposals within the South Asian Association for Regional Cooperation (SAARC) to link the seven member-states with a broad gauge rail link. A "multimodal" transport network is also under consideration with SAARC, which groups Bangladesh, Bhutan, India, Pakistan, Maldives, Nepal and Sri Lanka.