

# Bangladesh in foreign trade: Some invisible problems—1

By Mashiar Rahman

Bangladesh is considered to be one of the least developed among the developing countries. It has to undergo the stress and strain that are characteristics of other developing countries. The adverse man-land ratio, scarcity of essential commodities and unexploited natural resources and inadequate growth of economic infrastructure are some of the basic difficulties that we are to overcome in attaining self-reliance and maturity. The crux of the issue is that we are still economically dependent on others. The price of the raw materials we sell, the cost of manufactured and industrial goods we import, the terms of investment we seek, the kind of technology we use are all controlled and guided by factors outside our control.

In the context of such a situation, Bangladesh is in desperate need to improve the terms of origin trade.

In the past, the Government of Bangladesh relied heavily on barter trade for exports from or imports into Bangladesh. While signing the agreements, the Government had ignored the possible impact on imports under barter on cash foreign exchange earnings. This explains the reason of little cash receipts on account of exports from Bangladesh compared to physical exports reported by customs. One more disquieting aspect was that it did not significantly increase our export but more often than not substituted exports against cash foreign exchange earnings.

In the case of our trade with some countries particularly East European countries it has been revealed that our export proceeded imports leading always to the grant of overdraft facility by our bank to the foreign banks without interest. The facilities of swing credit have, quite often, taken advantage of by the trading partners. Of all the factors attributable to the imbalance in trade primary commodities being the principal export items from Bangladesh were found to be moving fast and our imports from centrally planned economies, particularly the imports of manufactured and machinery items were found to be moving later as these were produced on receipt of specific orders. This has resulted in interest free credit facilities to the banks in the trading countries.

Besides these, there have been in some cases certain disadvantages which need to be looked into. Our country sometimes was found to have exported a sizeable quantity of a primary commodity like raw jute in excess of the actual requirement of the trading country. Substantial quantity of such goods were later re-exported to them which created a situation where Bangladesh was made to compete with her own goods in the international market. Such a situation may be averted if the requirement of the trading country is properly assessed while preparing the framework of the trade agreement.

Furthermore, our barter trade with some countries, it is observed, are always fraught with problems like higher prices, irregular supply, delay in shipment etc. In order to remove these, following measures can be taken.

(i) No increase of price of commodities will be allowed by the exporter country after opening L/C;

(ii) Quality and quantity of barter items for imports should be guaranteed, item-wise by the barter country;

(iii) Barter countries should be required to display sample of the items before including it in the barter for private sector;

(iv) The barter countries should be required to ensure that the barter items are of their own origin and prices should be of international market value.

Over the years, it has been experienced that goods exported from Bangladesh are sold on credit at varying terms. As payments for exportable goods from Bangladesh have to be collected from the buyers at their place on presentation of bills, it has been observed that even in the case of sale for

cash at sight payments are not repatriated until well after sometime. The problem becomes most acute in the case of goods being sold on usance credit basis with varying terms where payments are delayed for periods extending over three to six months. Thus this present procedure, besides being time consuming, entails expenses on the part of foreign intermediary collecting banks that are exclusively borne by the local banks negotiating the bills and they virtually remain bereft of funds for the long period.

It is estimated that on the average, our banks have over Tk 100 crores approximately locked up in the process of negotiation of export bills of different tenure. This amounts to forced credit to the developed countries for which no interest is paid. Our commercial banks face serious liquidity problem as a result. Moreover, our banks have to make payments to the developed countries while importing goods even before the deeds or bills leave the respective countries. They are required to place funds against letters of credit with foreign banks or correspondents who are authorised to settle claims of export by debiting our commercial banks accounts or claiming reimbursements from the authorised correspondent banks.

It is indeed a strange procedure that an exporter from a foreign country is allowed to receive payment on the spot for goods exported to Bangladesh even before the goods leave the port of shipment while they pay for their imports from Bangladesh at their convenience. In fact, our banks could have diverted substantial amount of their working capital, approximately about Tk 200 crores, to more productive activities if the settlement of claims for imports and exports are arranged on reciprocal basis. Our banks should, therefore, insist on payment for our imports only on receipt of import bills which would render our letters of credit encashable in Bangladesh.

It has also been observed that foreign buyers make considerable delay in payments even after the presentation of export bill drawn against letters of credit with sight terms or against CAD facilities. This delay causes substantial loss to the Bangladeshi exporters who are required to pay interest to the commercial banks for the period exceeding the stipulated time. The delayed realisation of export proceeds also results in loss of foreign exchange in the form of interest.

It is, therefore, necessary that in all export contracts with foreign buyers as well as in the letter of credit opened by them a provision be made to the effect that bills must be paid on due date of presentation, failing which interest for the period from the date of negotiation of documents till the date of payment will be on buyer's account.

Another disquieting aspect is that foreign exporters insist on our letters of credit being confirmed by prime banks of their country. Since letters of credit are opened by our banks against definite foreign exchange allocations by the government prime bank's confirmation should not be insisted upon because it involves additional expense in foreign exchange for our importers.

Our exporters on the other hand are often found to ship goods against unconfirmed credits. In some cases our banks are required to confirm the letters of credit opened by the foreign correspondents or banks but no payment is made to them for such confirmation.

Therefore, the present procedure of the import and export trade of the country should be reviewed and necessary change should be made in order to prevent leakage of country's foreign exchange and avoid inconvenience to the business community.

The writer is a banker by profession.

# Tea prices remain steady

By Staff Correspondent

Tea prices in general remained steady at this week's auction sale held in Chittagong last Tuesday.

According to a Unity Brokers market report, the sale opened hesitantly but soon firmed up. However, prices of smaller brokens and the best types eased.

Overall market continued to remain firm with good export support from Pakistan, Poland and the Commonwealth of Independent States. Withdrawals were high at the start of the sale but as the sale progressed at around last levels. Internal traders lent useful support at the auction.

Total withdrawals at the sale was 20 per cent of the offerings as against 11 per cent of last week.

In the leaf category, a total of 16,117 packages were offered at the auction. Of which, the export buyers accounted for 59 per cent while the local traders purchased 22 per cent and the rest 19 per cent remained unsold.

In the dust category, 2,340 packages were offered at the auction, of which, the internal traders bought 48 per cent while the export buyers purchased 32 per cent and the rest 20 per cent was withdrawn.

Following is the category-wise market performance report as prepared by Unity Brokers:

**CTC:** Bold brokens were about firm. Best and below best eased by 0.50 taka to a taka per kg. Medium and plainer types sold at around last rates. Few best lines realised between Taka 56.00 to Taka 58.80 per kg.

Fannings sold at around last levels with the plainer types gaining by about a taka and selective lines sold between Taka 55.00 to 57.00 per kg.

**Green Tea:** 360 packages were on offer. FYI's sold at Taka 59.40 whilst the YI's realised between Taka 64.00 to Taka 66.00 per kg.

**Orthodox:** Two chests of STGFOP sold at Taka 160.00 per kg.

**Dust:** 2,340 packages were on offer. Strong internal and export demand led prices to remain firm to dealer by about a taka. Prices declined towards the close.

The next auction sale will be held in Chittagong on Tuesday next and total offerings will consist of about 15,000 packages of leaf and another 3,000 packages of dust.

# Shipping Intelligence

## CHITTAGONG PORT

Berth Position and Performance of Vessels As On 07.07.1993

Berth No.	Name of Vessels	Cargo	L. Port	Local Agent	Local Date of Leaving
J/1	Apple Blossom	Caracasses	Jedd	LIL	02/7 08/7
J/2	Banglar Kiron	Repair		BSC	R/A 10/7
J/3	Sam Hae	GI(S,Ash)	Hong	Seacoast	27/6 10/7
J/4	Neos	Salt(TCB)	Kand	MSPL	03/7 07/7
J/5	Agra	Cement	Long	PSAL	12/6 12/7
J/6	Romyang Choomie	Cement	Sing	USTC	02/6 15/7
J/7	Pearl One	UREA	Sing	Cross	06/7 12/7
J/8	Trans Asia	GI	Yang	Cross	27/6 07/7
J/9	Maryam	M Seeds	Pena	USTC	30/6 12/7
J/11	Portatissa	Urea		UMAL	R/A 10/7
J/12	Eponyma	Cont	Sing	CTS	03/7 07/7
MPB/1	NGS Express	Cont	Sing	BDSHIP	05/7 08/7
MPB/2	Dragon Sumatra	Cont	Sing	RSL	04/7 07/7
CCJ	Vishva Mamta	C/Clank	Visa	UMAL	05/7 16/7
GSJ	Nomadie Querida	Wheat(G)	Sing	Lams	30/6 08/7
TSP	Orsha(P.C.Stop	IDLE	Sing	USTC	06/5 11/7
RM/3	Estratos-G	IDLE	ANT	BSL	20/5 08/7
RM/5	Nezabudka	Cement	Sing	USTC	02/7 06/7
DOJ	Banglar Shourabh	C Oil		BSC	R/A 07/7
DDJ	Banglar Shobha	Repair		BSC	23/6 11/7
DDJ/1	Barge Labroy-90	GI	Sing	ILA	31/1 08/8
DDJ/2	Banglar Asha(Ebb)	Repair		BSC	R/A 15/7
CUFJ	SARA	Urea		CLA	R/A 07/7

## VESSELS DUE AT OUTER ANCHORAGE

Name of Vessels	Date of Arrival	Last Port	Local Agent	Cargo	Loading Port
Simara Express	07/7	Col	OWSL	Spl. Cargo for Soma	Sing
Meng Lee	07/7	Haid	AML	Cont.	Sing
Mandalay	09/7	Yang	MTA	UREA	Sa New
Sam Houston	09/7	Mong	Karna	GI	Sa New
Samudra Samrat	09/7	Mong	SSS	For Bulkering	Sing
NGS Ranger	09/7	Mong	BDShip	Cont	Sing
Rajah	09/7	Niko	Dynamic	M Seeds	Sing
Banglar Moni	09/7	Sing	BSC	Cont	Sing
Banglar Maya	10/7	Malc	BSC	GI	Sing
Cherry Blossom	09/7	Sing	LTL	For Scraping	Cal
Meng Kiat	11/7	Sing	AML	Cont	Sing
Optima	10/7	Sing	BSL	Cont	Sing
Vishva Shobha	10/7	Bomb	SSL	GI/GI	Assab
Mukachevo	10/7	Bomb	USTC	Cement	Sing
Vishva Parimal	12/7	Mad	SSL	GI	Sing
Kabirdas (E/L)	10/7	Mad	SSL	E/L	Dundee Harb
Andrian					
Goncharov	11/7	Sing	CT	Cont	Sing
Arktis Ocean	12/7		BSL	GI(Copra)	Sing
Kota Buana	12/7		CTS	Cont	Sing
Boris Lavrenyov	12/7		USTC	GI(Soda Ash)	Sing
Lanka Mahipola	15/7	Mong	RSL	Cont	Sing
Banglar Robi	15/7	Sing	BSC	Cont	Sing
Sound Royal	16/7		BBA	GI	Sing
Petr Starostin	17/7		CT	Cont	Sing
Dancing Sister	19/7	Kand	OWSL	Sugar in Bags	Sing
Golden Union	25/7		OWSL	GL	D E Salam

## TANKER DUE

Baltico	08/7	R/E	ECSL	Lube Oil
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## VESSELS AT KUTUBDIA

Name of Vessels	Cargo	Last Port	Local Agent	Date of Arrival
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## VESSELS READY

### READY ON

Banglar Kallol	8/7	Wheat(G)	BSC	R/A(29/6)
Akademik Semanov		Clank	RIO	05/7
Eagle (Brazil Cont)		Cont	Sing	ULA
Banglar Sampad		Repair	BSC	R/A(2/7)

## VESSELS AWAITING INSTRUCTION

Samudra Rani		SSL	R/A(1/7)
Tony Best		Cement	Mong
Marine Three		AEKA	27/6
Al Selma		BML	R/A(5/7)
		Asil	R/A(6/7)

## VESSELS NOT ENTERING

Stern		Scraping	Mong	NFT	09/4
Promitheas		Scraping	Sing	ARL	05/6
Partizanskaya Slava	7/7	MOPIP	Athen	BSL	28/6
Dolores (Detained by the court)				Seacom	R/A(30/6)
Vishva Umang	10/7			SSL	R/A(2/7)

## MOVEMENT OF VESSELS FOR 08.07.93

Outgoing	Incoming	Shifting
MPB-1 NGS Express(Cont)	DOJ: Banglar Shourabh	
GSJ: N. Ouerida (Wheat)	GSJ: Banglar Kallol (Wheat)	
RM-5 Nezabudka	MPB-1 Ingenuity (Cont)	x x x
	J/12 Meng Lee (Cont)	
	J/13 Simra Express	
DOJ: Banglar Jyoti	RM-6 Baltico	

The above were Wednesday's shipping position and performance of vessels of Chittagong Port as per berthing sheet supplied by HRC Group, Dhaka.

# Exchange Rates

The following are the Commercial Banks' BC selling and TT (C). OD transfer buying rates for some selected foreign currencies effective on July 8.

Currency	Selling		Buying	
	B. C.	T. T. (C)	OD Transfers	
US Dollar	39.9326	39.7087	39.4556	
Pound Sterling	60.0170	59.7029	59.3432	
DM	23.4332	23.2882	23.1397	
FF	6.9273	6.8849	6.8410	
S Riyal	10.6740	10.6142	10.5485	
D Guilders	20.8525	20.7248	20.5927	
S Kroner	5.1103	5.0784	5.0460	
Singapore Dollar	24.5905	24.4527	24.2998	
UAE Dirham	10.9016	10.8405	10.7714	
Indian Rupee	133.1513	132.4047	131.5608	
Indiian Rupee (AMU)	1.2721	1.2664	1.2601	
Pak Rupee (AMU)	1.4656	1.4591	1.4518	

Authorised dealers will apply T T clean buying rate for purchase of remittances of Bangladeshis working abroad.

Note: AMU—Asian Monetary Unit.

# Dhaka Stock Prices

At the close of trading on July 7, 1993

## Business falls further

Business on the floor of Dhaka Stock Exchange (DSE) declined further on Wednesday.

The DSE Composite Index fell to 420.2324 from 420.8397 showing a decline of 0.607 point.

Both the turnovers also decreased. Volume dropped to 7,190 issues from 13,279, a fall of 45.854 per cent. Value marked a loss of 25.022 per cent. It fell to Taka 845,349.50 from Taka 1,127,468.75.

Losers continued to lead the trading on the floor. They outnumbered gainers by 19 to 11; 10 other shares traded at previous rates.

## DAY'S TRADING AT A GLANCE

Company's name	Previous price	Closing price	Change (absolute)	Change (% over price)	Number of share sold
DSE Share Price Index		420.2324			
Market Capitalisation (Tk)		NA			
Turnover in Volume		7190			
Turnover in Value (Tk)		845349.50			

  

Company's name	Previous price	Closing price	Change (absolute)	Change (% over price)	Number of share sold
<b>Gains (11)</b>					
Shares :					
Utara Bank	95.75	103.00	7.25	7.571	11
Ibnbatna	98.14	101.00	2.86	2.914	70
Singer Bangladesh	811.36	834.00	22.64	2.790	25
Rupali Bank	69.00	70.00	1.00	1.449	200
B Lamps	285.00	289.07	4.07	1.428	67
Saiham Textile	83.00	84.00	1.00	1.204	140
Howlader PVC	106.25	107.00	0.75	0.705	30
Wata Chemical	129.60	130.00	0.40	0.308	100
Eastern Banks	75.94	75.98	0.04	0.052	945
National Bank	99.25	99.27	0.02	0.020	110
Debenture :					
Beximco Pharma	1065.00	1070.00	5.00	0.469	7

  

Company's name	Previous price	Closing price	Change (absolute)	Change (% over price)	Number of share sold
<b>Losses</b>					
Shares :					
Bata Shoe	42.00	39.56	-2.44	-5.809	340
United Insurance	230.00	220.00	-10.00	-4.347	100
National Tubes	67.50	65.00	-2.50	-3.703	280
Kohinoor Chemical	68.00	65.50	-2.50	-3.676	10
BGIC	224.76	216.79	-7.97	-3.546	470
Green Delta	223.13	216.00	-7.13	-3.195	810
BTC	76.00	74.00	-2.00	-2.631	50
Cig Cement	214.96	210.00	-4.96	-2.307	315
Dulamia Cotton	81.00	79.84	-1.16	-1.439	1110
Therapeutics	69.00	68.00	-1.00	-1.449	5
Karim Pipe	85.23	84.00	-1.23	-1.443	83
Metalex Corp	36.50	36.00	-0.50	-1.369	10
5th ICB M Fund	93.73	93.00	-0.73	-0.778	50
Apex Tannery	335.00	333.00	-2.00	-0.597	50
Morino Ceramic	292.00	290.29	-1.71	-0.585	70
Pharma Aids	181.00	180.12	-0.88	-0.486	170
Bengal Food	118.21	117.64	-0.57	-0.482	330
Dhaka Vegetables	76.35	76.00	-0.35	-0.458	20
Quasem Drycells	9.51	9.50	-0.01		