

The Future of Jute : Problems and Prospects

The Daily Star

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Jute's Golden Glaze may Return, yet

Mahfuz Anam: On behalf of The Daily Star, I would like to first welcome the Honourable Minister for Jute, Brigadier Hannan Shah. We are most grateful for his kind presence.

As you may know, The Daily Star occasionally holds round tables on issues of national importance. Today we are privileged to hold the round table on the Future of Jute, Problems and Prospects. Jute is the mainstay of the economy of Bangladesh, at least it used to be, and it is now facing, let us say, not the best of times.

It is no doubt that the jute manufacturing sector is at a cross-road. There has been a lot of discussions and debate on the reforms that have been going on in the sector. But none of them have been at the public level. We hope, The Daily Star round table will bring the debate to our readers and permit the public to participate in it.

The most important thing that is happening in this sector, is the reform programme which is now in operation. How good is the reform? How effectively is it being implemented and whether the reform which has been instituted is enough? Is it sufficient? And if it is not, then what are the things that we need to do?

We have invited here today, all the major actors in the jute sector. We have the government represented by His Excellency, the Jute Minister; we have the jute professional bodies, associations, the various trade associations and organisations. We also have some of the private sector leaders of the jute industry; we have some academics; we have representatives of the banks who are deeply involved in the jute sector. So all of us have gathered here today to discuss the future of jute, especially that of the manufacturing sector.

What we intend to do here is have a free-flowing discussion, precise but unstructured.

What we intend to do first, is go around the table so that everybody can briefly say what, according to him on her, the most important problem is that the industry faces. This will highlight the problems

Nothing perhaps signifies our failure to build on the gains of our independence than the way we have allowed our jute industry to decay. Once, it was the 'horse' on which the economy of erstwhile Pakistan rode. It was the knowledge that earnings from jute was being syphoned off to build the then West Pakistan which fuelled much of the debate on disparity. It was our faith in jute that added strength to the belief that independent Bangladesh would be viable, infact rich, once we were liberated.

How is it that jute, which was at the centre of our thoughts and our dreams, suddenly slipped through our fingers, and became a sector that survives only on constant and ever rising subsidy?

Arguments are many for our debacle, and also numerous are the suggestions to overcome it.

It was with the intention of hearing the diverse points of view, that The Daily Star invited all actors in the 'jute scene' and organised a Roundtable among the decision makers, industry leaders, government officials, political leaders, bureaucrats and experts.

The following transcript of our Roundtable discussion brings out a fascinating array of ideas and suggestions as to how we can recapture our old position in the global jute market.

We hope that our Roundtable will generate a widespread public debate on the future of jute and contribute to the formulation of a national policy on jute.

that this sector is facing. At the end we will get a collection of ideas.

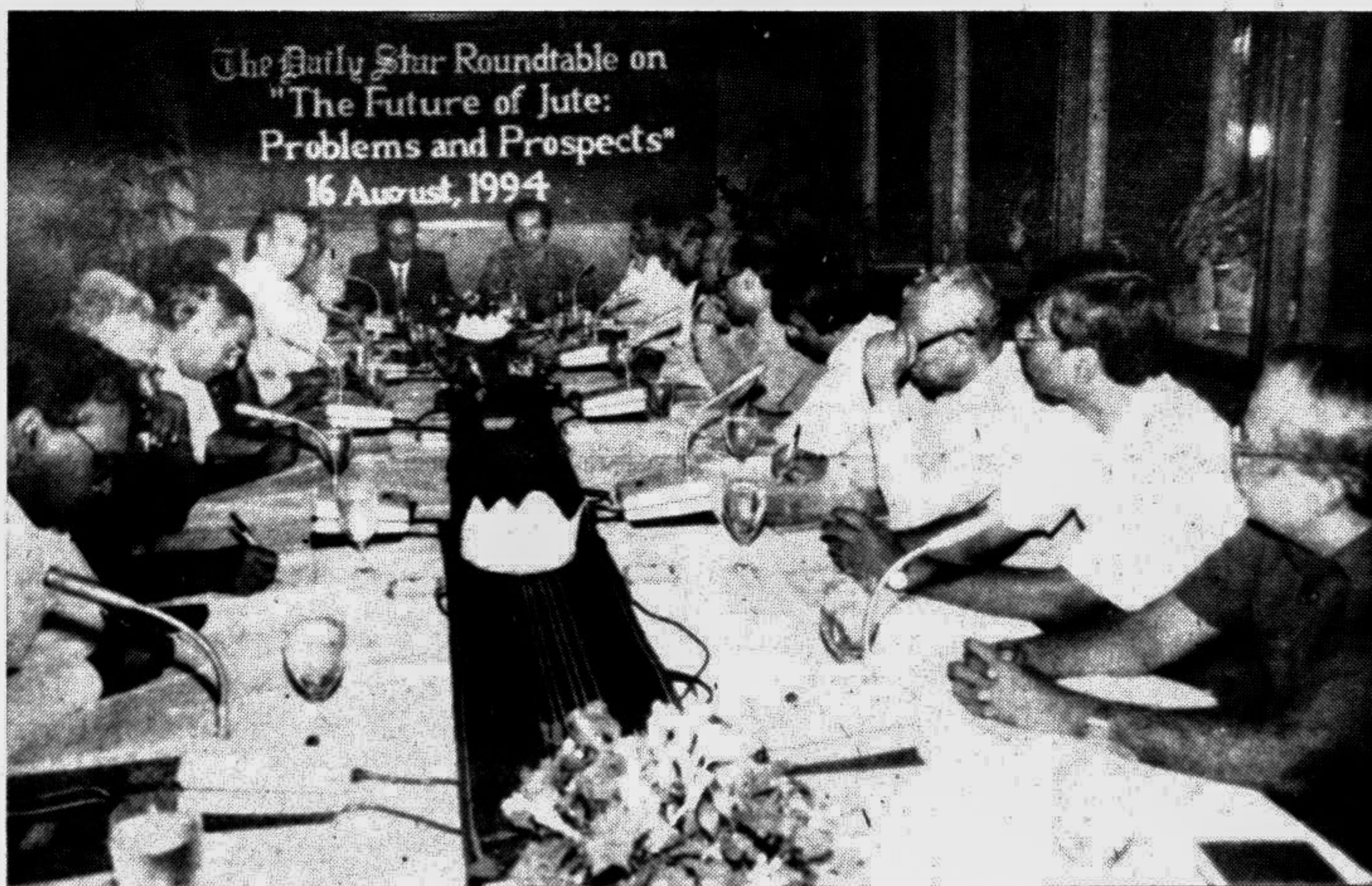
After that I will invite the minister to respond to the issues raised, and then we will go into a more structured discussion. At that stage, we will first focus on the jute sector reforms, how good they are, how effective they have been so far, and then we will have another round of discussions from all of you round the table.

Now can I ask our honourable former Minister of Industries Shamsul Islam Khan to set the ball rolling. I think he is an experienced person in this sector and it is most appropriate that we start with you, sir.

Shamsul Islam Khan: To talk on the subject of Future of Jute, Problems and Prospects, one should go a bit back before this restructuring and restructuring of the jute sector began. I have spoken to the honourable minister several times on the matter.

The synthetic yarn which has captured the market of fabrics and packing material all over the world today, is produced from petroleum waste. I have seen no fibre at all in petroleum itself, yet by virtue of science, this substance is being used to produce synthetic fibres to meet the demand all over the world.

We may speak against synthetic material in favour of natural fibre, but the fact remains that if this synthetic ma-



terial had not been invented, jute fibre still would not be able to meet the world demand for packing and other materials.

It is unfortunate that though

jute is a fibre, we still have not been able to produce fabric. Length is a factor. Cotton fibre is one inch to one and a half inches in length. Though jute looks as if it is eight to ten feet in length, in reality the staple length is only three fourth of an inch to one and a half inch. We have not been able to do research and discover anything regarding production of natural fabric from jute fibre. I know our honourable minister is concerned about this.



Shamsul Islam Khan

There has been an absolute neglect of the marketing aspect right from 1970, and continued till 1990. Even if you wanted to treat a buyer to a fifteen-dollar lunch in London, you wouldn't have the facilities. If marketing would have been given attention, then the looms wouldn't have had to be sealed today.

In India, there is a company which has recently produced a fabric from a mixture of jute and cotton. In Madras, where jute has never been grown, SITRA (South Indian Textile Research Association) has produced fabrics from the blend of cotton and jute, and are supplying it all over India. Yet, we in the land of jute, have not been able to do anything. Can you imagine that where a

pound of cotton costs 35 taka, a pound of jute is not more than ten taka? So if we could blend the two, there could be a radical change in the future of jute in Bangladesh.

There has been an absolute neglect of the marketing aspect right from 1970, and continued till 1990. Even if you wanted to treat a buyer to a fifteen-dollar lunch in London, you wouldn't have the facilities. But this government has gone ahead. You can keep ten per cent of the total sale abroad to satisfy the international buyer. If the marketing would have been given attention, then the looms wouldn't have had to be sealed today.

Another new aspect from 1979-80 is the export of yarn. Yarn has an increasing market in the world now. When we would go to Belgium and Dundee with our jute, we would expect jute mills there like our Adamjee or Bawani or Isphahani Jute Mills. But there weren't any composite jute mills in the whole of Dundee. All of those would produce yarn.

Dundee would take seven lac bales of jute yearly, originally 50 lac bales. Belgium would take seven and a half lac bales yearly. There was not a single composite mill there. Holland, Germany, Belgium, France would take carpets only.

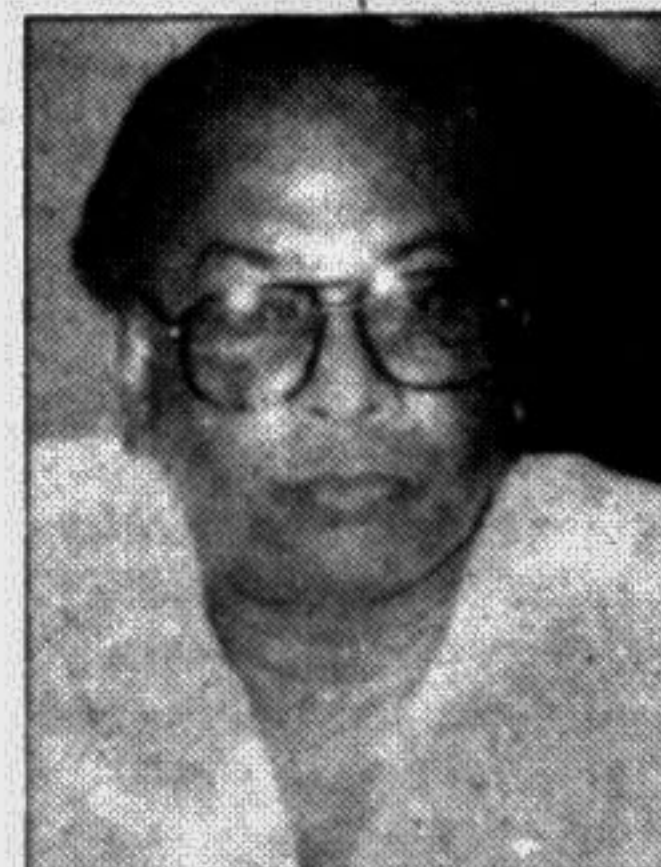
Mahfuz Anam: May I ask the next speaker to make his opening remarks?

M. Mahmood (Chairman, Bangladesh Jute Spinners Association): I would like to congratulate The Daily Star for organising this discussion. I consider this conference a timely step at this critical juncture of the jute sector.

If we look to the history of jute industry, we find that after independence in 1947 there was no jute industry here. We had only raw jute and the industry was located in West Bengal. The first jute mills came into existence in 1952-53 in the then East Pakistan. By 1960 we had eight jute mills having 8000 looms. By 1965 another 10,000 looms

were installed and by 1970, another 7000 looms were in place. The total figure rose to 25,000 looms in the country, both in hessian sacking and carpet backing.

At the time of liberation we had 77 jute mills, including six spinning mills. Although rapid expansion took place during the period between 1960 to 70, the industry was not viable on its own. In order to make it



M. Mahmood

I would also request the government to provide suppliers' credit to the tune of taka 500 crore to increase the sales of jute goods and earn more foreign exchange instead of closing the mills. The government should also provide taka 50 crores for market promotion which will definitely increase our export and create employment opportunities in the country.

viable and expand this sector, 30 per cent bonus voucher was given to the jute industry.

After liberation, all the jute mills were nationalised including those of the Bengali owners and the benefits given to this sector were withdrawn. I consider that this nationalisation policy was not a correct policy at that stage. In 1979 the government decided to re-

turn the spinning units to the Bengali owners and by 1984-85 another 23 spinning mills were set up, having total capacity of 84,500 metric tons. And a few spinning mills were in the pipeline.

By 1987-88 another six mills were set up, having production capacity of 118,000 metric tons. Subsequently, some of the mills went into balancing programme and by 1993-94, the production capacity had increased to 150,000 metric tons.

Since liberation, there was no export incentive to the jute sector and it was running at a loss due to labour unrest, wage hike, power failure, political instability, and a slump in international market.

In 1989, the government came forward for restructuring of non-viable jute industries and the following interim benefits were given: segregation of loss; excluding interest and depreciation for a period of five years, 1985 to 89, repayable in ten years with interest with a moratorium of three years; 15 to 20 per cent capital subsidy for a period of three years; interest on working capital nine per cent.

This interim restructuring programme was taken into consideration keeping in view the fact that World Bank would come forward to salvage the jute industry on a long term basis. Subsequently the World Bank came forward and a study was made. Assistance was extended to jute mills excluding the spinning sector. The reasons for non-inclusion of the spinning sector is not known to us.

The government has withdrawn all the benefits given to the spinning sector with effect from July 1, 1992, putting this sector into a great financial crisis. With government assistance, the spinning sector had been able to increase their export from 63,000 metric tons in 1989-90 to 77,000 metric tons in 1991-92. In 1992-93 the spinning sector export was 84,000 metric tons and earned 234 crores foreign exchange and in 1993-94, export was 88,400 metric tons. Earning was 244 crores.

Although we increased our export, the average price of yarn came down from 810 dollars per metric ton to 667 in 1993-94. This is mostly due to international competition and also internal competition from the composite jute mills.

In conclusion, I would like to mention here, in order to save the spinning industry, similar benefits must be given. It is unfortunate that yarn, the only competitive sector in the international market was excluded from JASAC.

The programme must be reviewed in order to make it positive. I would also request the government to provide suppliers' credit to the tune of taka 500 crore to increase the sales of jute goods and earn more foreign exchange instead of closing the mills. The government should also provide taka 50 crores for market promotion which will definitely increase our export and create employment opportunities in the country.

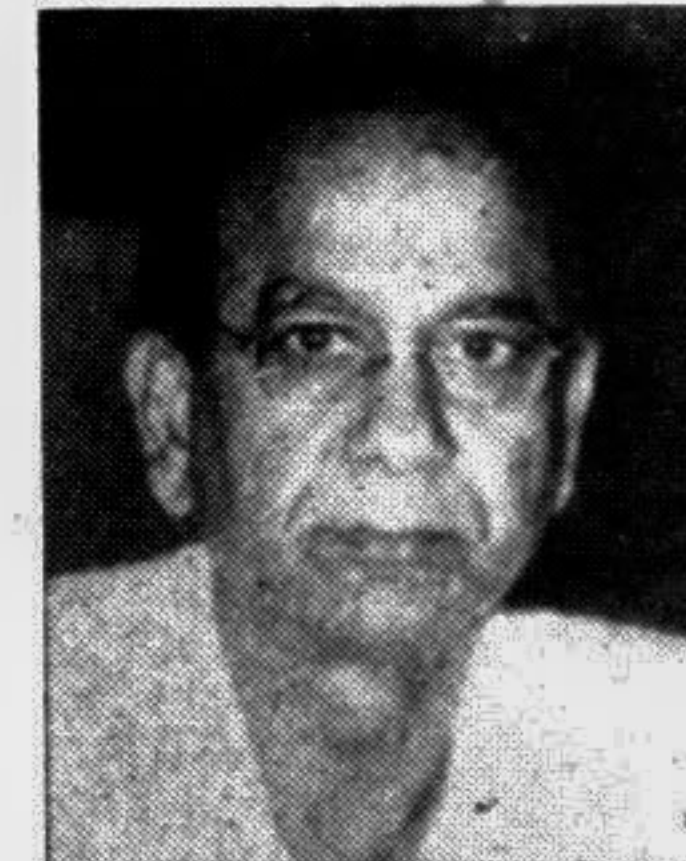
In India, UNDP has provided US \$23 million for development and diversification of jute products. The Indian government will also give a matching grant of Rs. 58 crore for the purpose. But

Bangladesh is doing nothing. India is taking every step to increase their export and fill up the gap created due to closing down of the mills in Bangladesh. I fail to understand how JASAC programme is helping the industry in Bangladesh when there is a market demand for one million tons of jute products.

Muhammed Shamsul Haque (Chairman, Shippers Council of Bangladesh): I have also been associated with the jute industry as a grower, trader and manufacturer. I would like to thank the management of The Daily Star for arranging this dialogue. It has indeed been most imaginative of them to arrange this round table on the Future of Jute, Problems and Prospects at this crucial phase in the history of jute.

I am an optimist. Those close to me say that I am an incorrigible optimist, and not very often as a compliment. But I am really so, as far as jute is concerned. I am a traditional jute grower as my forefathers were and I have since been associated with jute as a trader and also as a manufacturer. Jute has undoubtedly fallen in bad days. But my firm conviction is that this is a temporary phase.

Our economy has traditionally been based on jute. Even today a large percentage of the population depends directly or



Muhammed Shamsul Haque

Historically, our jute and jute goods have played a vital role in our economy for centuries. And those associated with trade and manufacturing have always received the highest attention of the concerned authorities. Unfortunately the growers of jute who are the backbone, do not have access to the appropriate authority to air their grievances. They have always been neglected, their interests overlooked in all major policy decisions.

Indirectly on it for their livelihood. What would happen to this vast number of people if jute faces the fate of indigo? We cannot allow it. There are many welfare programmes on which the government spends millions. What if we have to spend a few million to keep jute alive? This will not only give means of survival to millions, but will also give immense economic and environmental benefit.

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Nevertheless, this sector played its due role till 1972 when government nationalised the jute industry. This made way for rampant corruption, and inefficient operation. The so-called intellectuals on whose advice the mass-scale nationalisation was done, are

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