

# Our Jute has to Become Competitive to Regain World Market

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mostly in oblivion today, and a few have now turned volatiles of market and free economy. They don't really have any consistency. Some 80 per cent of the jute industry at that time belonged to the West Pakistanis, the rest was owned by the Bangladeshis. But the suicidal decision of mass nationalisation of all the industries spelled disaster. The nation is yet to overcome the impact of that decision. Then the undue and uncalled-for intervention of the government through policy decisions, labour laws and other fiscal measures coupled with unscrupulous behaviour of certain entrepreneurs, have turned this jute sector as a whole into a sick sector today.

The apparent message we get today is that the jute sector is a liability of the nation. Being a 100 per cent export oriented industry, Bangladesh entrepreneurs have to face stiff competition in the international market for survival. The performance of this sector as a whole depends on the following factors: Domestic environment in which the consistent government fiscal and labour wages policy is to be maintained; maintenance of congenial law and order situation.

Government policies and economic conditions of consuming countries, and also fiscal and export policies of competing countries. Unless other variables are properly looked into and our policies are adjusted timely, which was not done in the past, we shall not be able to survive in the world of jute.

Permit me to touch on the subject of adjustment of excess capacity. This deals with economic philosophy of demand and supply. If we find that there is an excess capacity, we must adjust it. A prescription has been formulated to haphazardly cut down our production which I think is not correct.

Regrettably, the world's biggest jute mill has always been used for political purposes by most of the governments and political parties. It was suggested that instead of reducing production or closing down jute mills all over the country in a haphazard manner, the Adamjee Jute Mill could be converted into an export processing zone. The existing employees of the mills, mostly elderly labour, who would lose their jobs, could be adequately compensated. Younger members of their families could be given preference in the new employment.

This would bring manifold benefit to the economy. Cut down excess capacity in the country and thereby stabilise prices in the international market. Selling all excess machinery to the existing industry instead of allowing fresh import, could save foreign exchange. It could save the country from huge expenditure in building new infrastructure for EPZ which are attracting foreign investors.

Create new-generation electronics based employment, like ready-made garments sector. Cash received from compensation payment to the displaced employees would create additional economic activity in the rural areas as they would mostly use their money and skill in cottage industries for which government could arrange advisory services, free of cost.

There are also a few problems, like shipment. Mongla Port needs immediate attention of the government because it has traditionally been the biggest port for export of jute and jute goods. Research and development, as has been said by Mr. Shamsul Islam Khan, must be carried out. Nothing has been done in this regard.

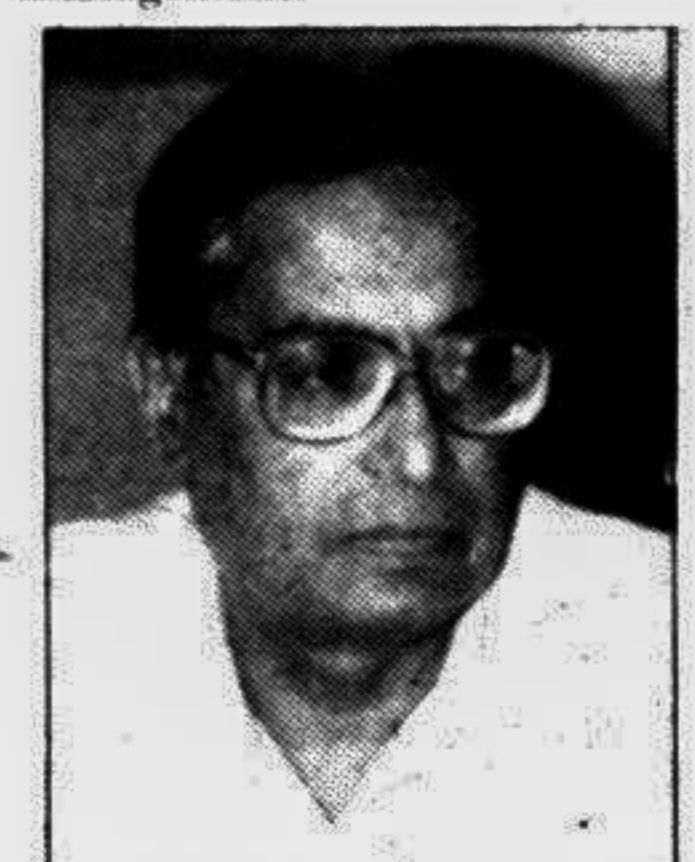
**Laila Kabir** (President of Bangladesh Employers Association): Jute is a labour



**Jute is a labour intensive industry and about 30 per cent of the cost of production is labour cost. BEA has been involved in convincing the government and the workers to accept linkage of wages and productivity. In fact, BEA has been involved in a tripartite productivity committee which was formed under the tripartite consultative committee.**

intensive industry and about 30 per cent of the cost of production is labour cost. BEA has been involved in convincing the government and the workers to accept linkage of wages and productivity. In fact, BEA has been involved in a tripartite productivity committee which was formed under the tripartite consultative committee. This committee was represented by government, workers and employers. Its mandate was to work out some method of linking wages with productivity. It was able to produce a report on the jute sector.

**Kamaluddin Chowdhury** (Chairman, Privatisation Board): I have come primarily to listen to the experts in the sector so that I can apprise myself a little better on the situation. It appears to me that the most important thing in the jute sector is to increase the competitiveness of the industry. Over the years we have lost the edge of competition. Unless we are able to improve our competitiveness, we may not be able to retain our share of the market and make a profit. The major factor why this sector has been taken up for privatisation is that, over the years, government has been giving subsidy to it and continuous subsidy has led to a situation which cannot be economically justified. The objective of privatisation, again, is not transfer of ownership at all. The intent is to improve the production, the efficiency and ultimately go for better management.



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If we want to retain our share with a profitable margin, if we want to continue with this production and export, we have to make it more competitive. Trade liberalisation is coming up, import restrictions must go, tariff, non-tariff barriers must go and we will have to meet the increased competition.

This industry seems to be beset with critical problems. One has already been mentioned, excess manpower. The other question is, excess capacity. These issues have to be dealt with and there's no point in it. We feel the time has come when we have to consider the hard options in this particular area. We have to restructure the industry. We have to get rid of its basic problems. I hope the round table discussion will enable us to know more about these problems in detail. I am sure those who have assembled here, know the ins and outs of the industry. They should try to hit the problem straight on, rather than skirt around it.

**KM Rabbani** (Executive Director, IJO): Jute has been a traditional industrial raw material for packaging in its various forms. It is in this area that jute is facing problems because of the emergence of synthetics and also the bulk handling technology. Various studies and assessments done in this regard show that this trend is likely to continue for some time. One recent study by the FAO and the World Bank says that this decline of jute in the packaging sector is likely to continue till the end of this century. Therefore the producing countries, in order to sustain the production of jute, in the interest of the farmers, are giving more and more attention to the diversified use of it. In order to ensure the competitiveness of jute, which is the main concern of the producing countries and also of the IJO, we emphasise on the importance of research activity in the field of jute agriculture and jute industry. In the field of jute agriculture, the emphasis is to improve the productivity, by having varieties which can grow in more marginal land. We need vari-



eties of seed which can give good yield in marginal lands with good quality and lesser costs. In that way, jute can be made a cheaper material. That is one thrust of the research activity.

The other is to improve the primary processing like retting, jute extraction and all that. These are the areas where improvement is required and should be undertaken.

On the industrial side we should try to reduce the cost of production so that we can compete better with synthetics. At the same time, it is necessary to develop new diversified products which can have a good market. Various items have been identified: jute textiles, pulp and paper, jute composite — both woven and non-woven, decorative fabrics, soft luggage and several other things. Jute carpet has already an established market. It is also a diversified product apart from packaging.

However, in the packaging sector, the future does not look bright. In the non-packaging sector, there is a future. It looks bright. Now, as I said, the forecast is that for some time, jute will have difficult times. But after that, jute is likely to have a better future because of three reasons. One is the global awareness and concern for environmental protection. Jute being a natural and bio-degradable fibre, has a natural edge over synthetics in environmental considerations.

Secondly, the bright prospect of jute for diversified products. We can have bulk use of jute and a good market which will help us sustain production.

The third reason, in the long run, is that the main substitute for jute is synthetics. And synthetics, being by-products of petroleum, happens to be an exhaustible mineral resource. We do not know how long it will last. Maybe 25 to 50 years. But jute is a renewable natural resource. So in the long run jute will definitely survive competition.



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In spite of the difficult situation, the member countries of IJO, consisting of both exporting and importing members, in the last council meeting in Dhaka, reaffirmed their faith in the future of jute. It decided unanimously that the life of IJO should be extended and we must work for jute. This shows international confidence in the future of jute. IJO operates under periodic agreement, the current agreement will expire in 1996. When we can have better varieties of jute cultivation, with higher yield at lesser cost, when we can have better quality fibre through our industrial research programme, we think we can reduce the cost of production and compete

better with synthetics. So, even in the field of packaging, I hope after some years we get a better future for jute products, and we have a brighter future of course, in the non-packaging sector.

**Lutfur Rahman** (Trade Union representative): Jute and the jute industry today face a crisis. But then one should not chop off one's head in the case of a headache. Let me present some statistics. Jute production in our country constitutes 35 per cent of the industrial production and 12 per cent of the Gross National Product. These are significant statistics.



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Our jute sector is considered a losing concern. I say this is a relative term. The World Bank Report 1992 states, "In the early 1980s, the over valuation of exchange rate was as high as 30 per cent." Now it is shown that from 1971 till 1991, \$312 crore worth of jute was exported. If losses are to be counted, this is 13 per cent of the earnings. Calculating this with the 30 per cent exchange rate fluctuation of the World Bank report means that there has been a 17 per cent profit. But we are told that the jute industry runs at a loss.

Now the World Bank is saying, it will give us 450 crore taka, for which we have to close down nine of your mills, denationalise 18 of them and downsize two. Yet, we are already exporting 4.75 lac tons. But they are saying that there is no world market. It is not that the World Bank people are not aware of this. When the developed countries want to increase the cost of things, they do. But if we want to increase our prices, we cannot do so. This is never mentioned in the World Bank study.

I want to say that government involvement must be



there. Handing it over to the private sector will not help.

**Shahidullah Chowdhury** (President, Latif Bawani Jute Mills Workers Union): It is sad that the jute industry today is indeed in a bad shape. The situation has become intolerable for everyone, be he a worker, a politician or an industrialist. We have had the lowest production in the current fiscal. Our highest record production was 5.27,000 tons and last year we produced 4.26,000 tons. Our highest export was 5.37,00 tons and last year we exported 3,74,000 tons. Any responsible person will be concerned with the state of affairs.

It also must be noted that the golden fibre of our memories is no longer produced now-a-days. Fine fibre jute is hardly produced in our country anymore. Indian seeds have come over. These are high-yield variety but coarse.

Our production is falling and on the other the quality of jute is also deteriorating. In West Bengal it is increasing. They were a minor factor in the international market, but they have now caught up with us. In 1992-93 their target was to export three lac tons. This target in 1993-94 was increased to 4.50,000 tons. While our exports are going down by one lac tons, India's are increasing by the same amount. We must take this into consideration. There is so much pressure on the government to cut down production. We are failing to resist this. We are being guided by this policy of reduction.



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We know that the international market has not expanded, but it is a stable market for the past 40 years. Synthetics have captured a huge part of the market, but the market for jute remains as before. But where our share of export was 70 per cent, this has come down to 50 per cent. Perhaps next year this will become 40 per cent. This must be looked into. Will we save our jute industry or will it take the fate of indigo? This is a basic question.

Why has the situation been so? There has been a debate from 1972 till 1982, that na-

tionalisation damaged the industry. But from 1982 till the present, there has been widespread privatisation. Can we still hold public ownership responsible for the predicament?

In 1982, when jute mills were handed over to the private sector, it was hoped that private entrepreneurs would run the industries well, production would increase, employment opportunities would grow and the industry would be economically viable. But the entrepreneurs have not proved very successful. What happened in state ownership is being repeated in private ownership. So the problem is not one of ownership. It is of the whole industry.

And the solution has to be found which looks at the whole industry. It may belong to a private owner or the state. If we had any assurance that the industry would improve if handed over to individual owners, the nation perhaps would have had no objections. But over the past 12 years after it went to private ownership, this has not been proved.

**Rezaul Karim** (Vice Chairman, Bangladesh Jute Association): Jute, for ages, had been the prime economic crop of this country. But since liberation, various interventions and policies of the governments have obstructed this sector from running its own course and have brought it to its present poor state. In 1974-75 the export of raw jute was suddenly closed down by the government without consulting any of the associations. As a result, we were forced to sell a bale worth Tk. 3000 for only Tk. 300 in the local market.

Then in 1985-86 the price fell so low that the cultivators would not even get Tk 150 for a bale. We were asked by the authorities to buy from the cultivators at a fair price and the government would purchase it from us. But after we created a stock of about 10 lac bales, government failed to keep its promise.

In 1988-89, jute was further damaged by floods and cyclones. Thus our accumulative losses, due to faulty policy of the governments, have come to a level from which there is hardly any chance of retrieval. And with grave concern, it must be stated that from 1964 till 1994 statistics of jute export show that in 1993-94, jute reached its lowest export rate, only 11,98,000 bales. In 1990-91, 16 lac bales, in 1991-92, 15,33,000 bales and in 1992-94, 15,69,000 bales were exported.



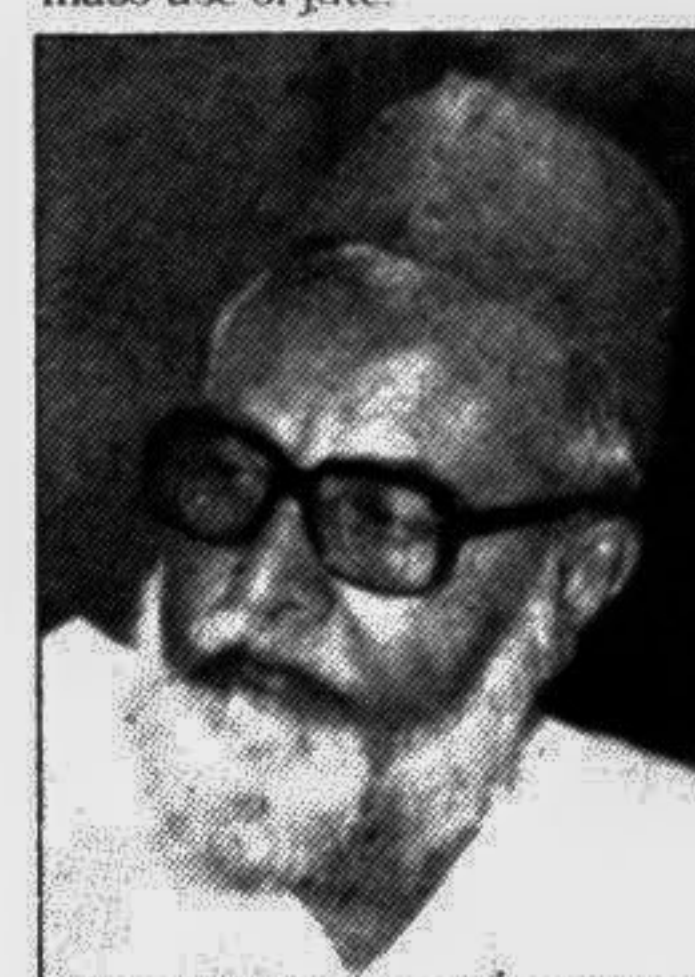
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The raw jute from which we had earned Tk. 400 crore in the past, now yields only Tk. 225 crore. Our Jute Minister,

apprehending the seriousness of the situation raised the problem to the higher authority. A meeting was held with the Finance Minister where assurance was given that interest would be written off and arrangement would be made for long-term installments so that we can go to the fields this very season.

Meanwhile, new steps may be taken to increase exports. Bank interest rates can be lowered and the export duty on raw jute can be lifted. Our missions abroad can play effective roles in expanding the market. A separate bank can be set up for the export of jute and jute goods. We have been attaining some positive results from certain measures taken by the present government. Free market economy has enabled us to sell jute freely wherever we want. The government has already introduced the versatile utilisation of jute, jute pulp and jute textile.

**Mohammed Ali** (Chairman, Bangladesh Jute Goods Association; Chairman, Shamsur Jute Mills Ltd.): Jute is a natural fibre which used to be traditionally used as a packaging material and in the carpet industry and also for erosion control. But now its usage has been expanded to some other areas, such as in the paper industry, building and construction industry etc. The Honourable Jute Minister and the government deserve appreciation for their efforts to identify the above areas for mass use of jute.



**Mohammed Ali**  
**On environmental grounds and for the preservation of forests, it is time to promote jute in paper industry. Besides, in furniture industry, jute has fair prospects. There are many other areas where research is being carried out for its diversified use. In view of this, it is certain that jute will have a bright prospect in the near future.**

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Bangladesh is concerned about the jute industry. Due to competition with synthetics, the jute industry in Bangladesh is in a serious financial constraint. As a result, most of the mills have become sick.

It is necessary to take positive steps for the survival of jute industry in Bangladesh by subsidising it. Jute industry was never economically viable and profitable. Not only in our country, but also in India and China, for which this industry was running on subsidy even during Pakistan times.

As for the present restructuring programme made by the World Bank, in my opinion, this may not keep the jute industry in Bangladesh surviving.

**Abul Hossain** (DGM, Sonali Bank): Sonali Bank has long financed the jute industry and the jute sector. At present, according to the prescription of the World Bank and the gov-

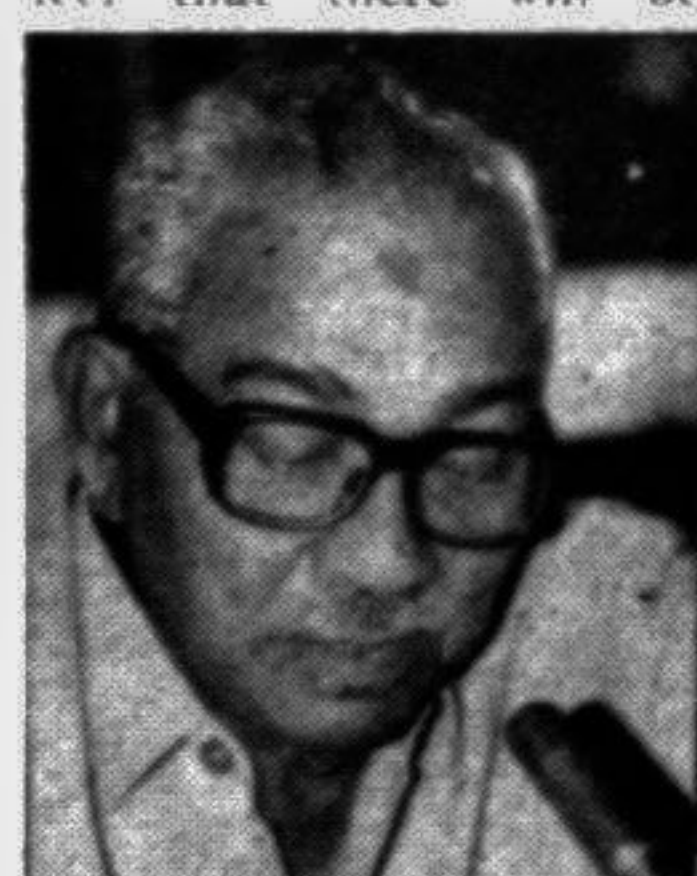


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ernment policy, it is financing this sector too. If anyone has any problem concerning financing, I will be happy to answer their queries.

**Syed Mohsin Ali** (Chairman, Bangladesh Jute Mills

Association): We have got 36 members, all having their jute mills. We had problems and we are having problems, and we feel that there will be



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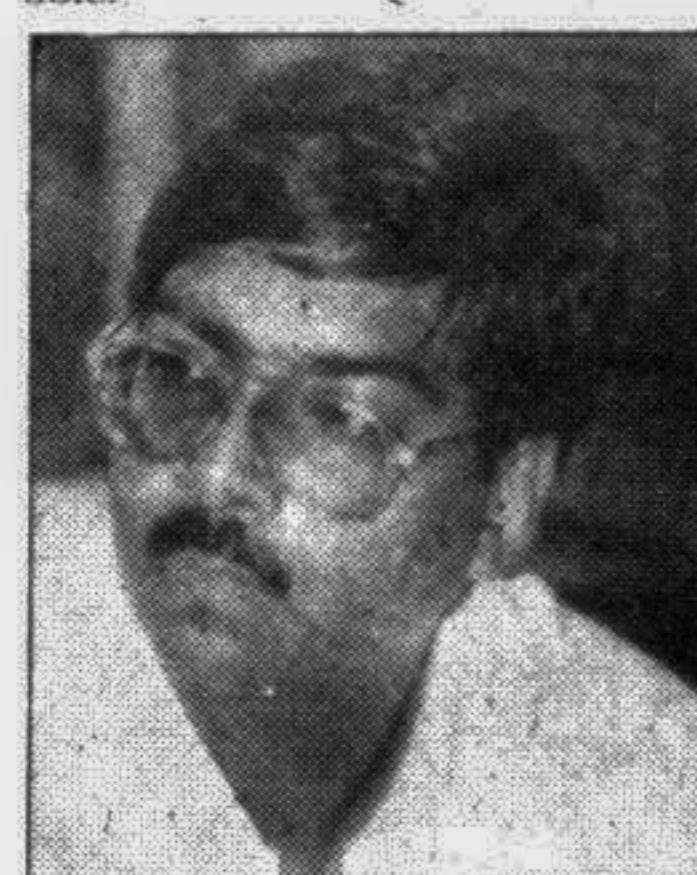
problems. But the future of jute is definitely there. This is what we believe. As I am a bit indisposed, our Vice-Chairman, Mr. Mominur Rahman will speak on behalf of BJMA.

**Mominur Rahman** (Vice-Chairman, BJMA): Before I start, I think we must get the perspective correct. A lot of people here today spoke about diversified products. Bangladesh and India together manufacture about two million tons of jute products every year. Of that, only 15,000 tons are diversified products. We must keep this perspective clear.

The future of the jute industry and its prospects are closely linked with how we deal with our present problems and primarily the problem of external competitiveness vis-a-vis our main competitor India.

Our problems can be grouped basically in two categories, external and internal. The external problems are one of synthetics, handling etc. We are not too worried about that, because of the global awareness of synthetics. Our main external problem remains India and the challenge is how we can maintain our competitiveness vis-a-vis India.

One of the speakers had mentioned local currency over-valuation. I think that is the biggest and the most difficult of our problems. If I was to name one problem, it is our exchange rate policy. A lot of people today have said that jute sector is not viable or has never been viable. I don't know how they have got the idea. This sector has always been viable.



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A lot of people have the misconception that the Pakistan government used to subsidise the jute industry by giving bonus voucher. Bonus voucher was nothing but a foreign exchange corrective mechanism. It wasn't a subsidy. Pakistani rupees at that time were over-valued. The government used to compensate for that over-valuation and used to make the importers pay for that over-valuation by giving this bonus voucher.

Talking about external competitiveness, in 1988-89, when Indian rupee was 15 to a dollar, Bangladesh taka was 32 to a dollar. Today Indian rupee is 31 to a dollar. We are 40 taka to a dollar. That means over a two or three year period, Indian manufacturers are getting twice the amount in local currency for the same dollar that they are exporting. We are just getting 25 per cent more. And you expect us to be competitive?

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