

Our Jute has to Become Competitive to Regain World Market

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mostly in oblivion today, and a few have now turned votaries 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

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 sometime. 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. IJO operates under periodic agreement, the current agreement will expire in 1996.

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



ties 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 sometime, 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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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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Shahidullah Chowdhury
Our production is falling and on the other the quality of jute is also deteriorating. 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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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

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 tex-

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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. Moninur Rahman will speak on behalf of BJMA.

Moninur 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 the disadvantages 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.

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.

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 1992-93, 15,69,000 bales were exported.

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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 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 go-

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

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Talking about external competitiveness, in 1988-89, when Indian rupee was 15 to a dollar, Bangladeshi 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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