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This aggressiveness of Indian exchange rate policy is not only affecting the jute sector adversely, but it is also affecting other export and domestic industries. Today very little smuggled goods are going from Bangladesh to India. Products are coming the other way round. Why? Because of the unrealistic exchange rate policy which we are following today.

The World Bank itself has calculated that 40 per cent of the public sector losses between 1983 and 1991 could be accounted for by the exchange rate over-valuation. Our association has done the same exercise but we have gone back to 1972. We have calculated that 100 per cent on the losses of the sector is explainable by that one factor alone.

As far as the internal problems are concerned, a lot of those have been identified and we are very hopeful that they will be resolved with the implementation of the JSRB programmes. I do not agree with what a lot of the people have said about capacity. There is an over-supply situation. And it is about time that we did reduce our capacity. What the government has done, we must also appreciate, is close down inefficient mills. But rest of the sector is still running in two shifts. They have 50 per cent additional capacity. When the industry does well, we can always increase our capacity.

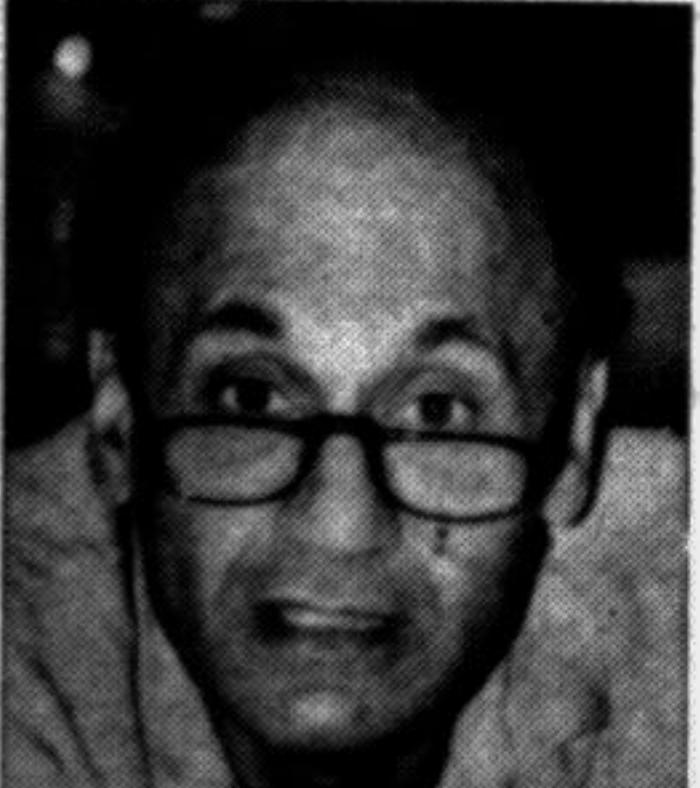
Privatisation of the public sector mills is an absolute must. The quicker, the better. Financial restructuring is ongoing. A lot of benefits are given. We do not think it is sufficient, but it is in the right direction. The government has also undertaken under the JSRB programme to provide technical assistance to improve productivity and we are sure we are going to benefit from that.

There are a number of problems with JSRB itself which we have taken up with the government and hopefully we will be able to resolve these. The problem lies mainly with delay in implementing the project itself. A lot of things have been said but nothing has been implemented so far.

Again, the time factor given to the private sector is too short. We have virtually been given 12 months.

The finance quantum is also fairly inadequate. I cannot stress how difficult it is for the jute sector to get finance and that probably is the biggest internal problem we have. If we can get the finance, the problem of over-manning, productive investment on gas generators to reduce the electricity costs, balancing, all these can be resolved.

Owaise Sadat: This is, as usual, an outstanding effort by you and the Daily Star to bring together all the luminaries here. We are very honoured to be able to participate.



The success of this programme is really predicated on timely implementation of all the commitments which were made. Every day, every month of slippage means more loss for the exchequer, more losses for the tax-payer in Bangladesh. After all, whenever public enterprises are making losses, ultimately the tax-payer has to pay that, either through the banking system or through the budget.

I think we wish to go on record to congratulate the government of Bangladesh for showing the vision and courage, and to embark on a very bold and badly needed programme. It is not restructuring, it is really a revival of the jute sector. We appreciate the difficult decisions the government had to take. We do realise that the government had to take a decision for the legacy of the past. This is an issue on which the government has really shown its re-

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Jute Sector Reform must Not be Delayed

same stroke, the government is also trying to bring discipline and resolve the issue. This was a very difficult decision. We have spent long hours with the government discussing this issue. It may seem that the government has succeeded very easily to some pressure or the other, but I can tell you we had a very tough time negotiating this and we admire the tenacity of the people on the other side in terms of convincing us. Each point of the programme was looked into.

Having said all these good things, the point I want to look at is the concern on our part. The success of this programme is really predicated on timely implementation of all the commitments which were made. Every day, every month of slippage means more loss for the exchequer, more losses for the tax-payer in Bangladesh. After all, whenever public enterprises are making losses, ultimately the tax-payer has to pay that, either through the banking system or through the budget.

There are four areas that I would like to mention. The programme is predicated on five components and there has been a slippage in the implementation of those components. It's predicated on a closure programme which was supposed to have been completed by June. It is predicated on a privatisation programme which is to be completed by August. It is already late.

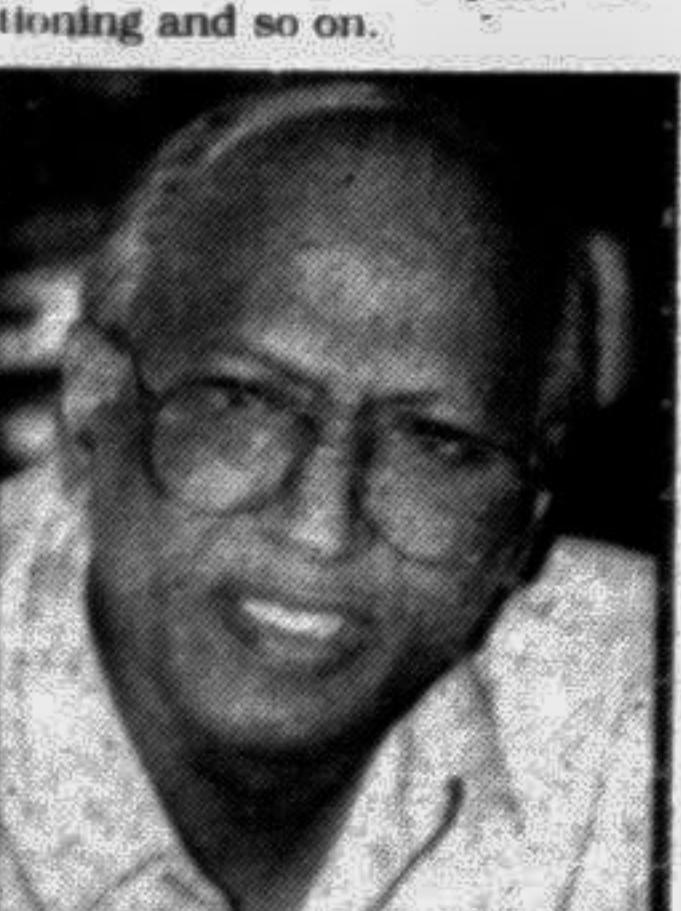
Restructuring of past debts of these mills is very important. The banks need to know, where they stand. We have an interim financing problem. We have been working very closely with the Ministry of Finance and I think they have been very forthcoming, but I think some of the wrinkles have to be ironed out. And finally I would say that the training programme, which is extremely important for workers to increase productivity. As for those workers who are going to leave the jute industry, they must be retrained so that they can be reemployed in other sectors. I think these are the issues.

So, with a note of cautious optimism, if these things happen by the end of December, we should still see that the programme is on track. But we are getting a little concerned that it is slipping already.

Mahfuz Anam: Once we finish going around the table, I think we will focus on the programme which Mr. Owaise Sadat has termed, not as restructuring but "reviving" the jute sector.

Dr. Momin (Joint Secretary, Finance Ministry): A lot has been said about the entire gamut of jute. There is not much left for me to add. As you have already mentioned, the details of the on-going restructuring programme would be discussed later, so at this stage I only have few remarks to make. I will very briefly describe the major components of the restructuring programme, so that a meaningful discussion, a more specific discussion of the problems of the programme, may be brought out later.

For the jute restructuring programme, various efforts have been undertaken by the government to give succour to the industry over the last two decades. These are sometimes in the form of price support for jute produced in the country, export subsidy, access to various credit facilities, segregation of credit, export rationing and so on.



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