

National Jute Policy is a Must for Reviving the Industry

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M Mahmud: I have a question for Dr. Mobin. In the JSAC programme, even with one third of the waiver written off and two-thirds staggering over a period of 12 years with three years moratorium due to rate of interest, there remains a 24 per cent difference between the cost of production and the cost of sales. In the case of government mills, composite jute mills which are owned by BJMC, 24 per cent will be financed by the government. And in the case of private mills, two thirds will be financed by themselves. How are they going to pay back this money after the interim period is over, even when they are losing money? It is the tax payers' money which will be used to make up for the difference. Who is going to be benefitted?

Secondly, if I could see that after this restructuring programme they could have come at par, I would say okay, this is social justice. You are giving employment, you are earning foreign exchange. But when you are losing, even after this investment, how are they going to return this money to the government?

As I said, from the first of July, 1992-93, they were supposed to improve their productivity and efficiency. But there is no BMRE programme. How do you prove your productivity? Can you increase your efficiency without modernising your machinery? Are you going to have that capability or finance to mobilise this industry when you are losing 24 per cent of your cost of production as against cost of sales? I would request you to highlight these two points.

Mohammed Shamsul Haq: Before Dr. Mobin answers, I would like to pose a supplementary question. At what percentage of efficiency will the mills be able to repay according to the reform programme? How was this exercise carried out? When we applied for loan for the industry, we have shown minimum 80 per cent efficiency performance. Otherwise this is not viable.

Please do not misunderstand me. We are not against any reform. If the intentions are good, these are welcome. But we would like to see that it is working. You must see how, many people you are employing per ton of production, that is important. In India they pay more to the workers, their overhead costs are more, but they are still making money. So that efficiency is very vital.

Dr. Mobin: There are three concerns to which I have to respond. But before I respond to these specific issues, let me express my concern also. This JSAC was devised after negotiations with the various actors including the private jute mill owners and people concerned with the jute industry, business etc. Almost two years was spent with the local and international experts.

A very complex programme has been devised. Every aspect of the jute industry consisting of the producers of hessian, CVC and sacking, these three sub-sectors, were covered under the JSAC. It didn't cover the spinners. And traders were of course left out. It was intentionally and deliberately done. Let me confine my comments to these three sectors. A very complex programme has been devised. Every part of it, every sub-sector under the programme is linked to the success of the whole programme. Not a single part of this can be ignored, can be delayed. Then we can't hope for the success of the reform.

Various assumptions were considered to see when these particular mills under the restructured programme would be able to repay. And we had as many as eight sub-components of the programme, and each had a targeted date for completion. Any deviation from those dates would of course upset the entire calculations made. For example, if the mills are not closed down as envisaged in the programme, the mills will continue to make losses. So loss financing would have to be enhanced. Loss financing may go up because we have so far faltered in some of these components, like closing down, reducing excess manpower and so on.

Now, why has this been done? The object is that at the end of interim financing it is expected that the mills will be in a position to pay back the reduced debt burden. And then they, in their own right, will be able to get access to bank finance purely on commercial terms. That is the expectation of the programme. In the process, the government has undertaken to pay the debts of the mills. The nation, the tax-payer would pay because it is believed that the jute industry has a future. It has potential. It will continue to play a vital role in the export sector.

Now let me answer the questions. The first question was, why the jute mills are given access to credit in the

interim period when they are making a loss of 24 per cent, as identified by the government. The main objective of the JSAC is to reduce the cost of production, to make the industry competitive in the international market. It is not in the domestic market where the prices are dictated. It was found out that within a period of 18 months, private mills won't be in a position to reduce those losses which they were incurring at almost 30 per cent. For the government mills it was assumed that they were not so efficiently run as the private mills, so they would take a longer time. That is three years. That is how we fit the time of an interim period.

In the interim period, their losses would be shared on a reducing scale. But at the end of 18 months for the private mills, there would be no loss sharing, no loss making. So this is gratis from the nation to the jute industry, so that it is not closed down and the country does not lose the opportunity of exploiting it in the future.

Now I would answer the second query. The 30 per cent over-valuation is an estimate of certain years. We had a massive devaluation in 1976-77. There was some mismanagement. There might have been some over-valuation in some period but not necessarily 30 per cent. We are paying off one third. One third is 33 per cent. So actually the industry is being paid 33 per cent. Written off means it is paid. Your devaluation loss is being actually paid for by the government now.

Shamsul Islam Khan: Mr. Shahidullah has said that the quality of jute has fallen, it must be saved. All this is true. He also said that the government is doing good. That doesn't seem true to me. The fact remains that the quality of jute has fallen as the growers are not receiving due payment and are losing interest. There was a time, just 30 years back, when the cultivator would wash the jute and lay it carefully on banana leaves so it would not get mixed with dust from the ground. When it dried, the fibre would really look golden. But now for not being paid properly, not only does the grower dry the jute on plain ground, he also mixes sand with it, to increase weight.

As for nationalisation, the very people who initiated the concept of nationalisation, Russians and others, have themselves turned away from it now. Moreover, it is true that our public sector personnel are very capable people. Those who have worked with jute for years, since 1953, are all efficient people. But when you put them in a government office and a foreign order comes for jute goods, the person cannot take independent decision. The order copy will go to the board, from the board to the corporation, from there to the ministry, and by the time the rounds are made, our competitors would have met that order. That is why we do not support nationalisation.

As for losses, we are having to support bad mills, bad companies. In 1971, during the liberation war, our jute godown in Narayanganj was destroyed. Though insured, the insurance claim was not met. Then again during the floods of 1988, jute was ruined in the godowns. Insurance money was not paid. This was the cost of calamity. Yet we are helping the bad mills, the bad companies.

I would like to ask Dr. Mobin, the World Bank people and the Jute Minister one question. From 1971 till 1994, not one conventional jute mill was installed. There have been 35 spinning jute mills that were set up, and these have exported one lac tons. Before 1976 only 4000 tons would be exported. In World Bank's language, you talk about 'restructuring of the jute sector as a whole.' You say 'as a whole,' but you are leaving out the spinners and the raw jute people. Why has this mistake been made?

Brig. Hasanuzz Shah: Let me respond to that. All of you have been lamenting, trying to drive home the point that the jute growers since independence have never got their proper payment. Well, I challenge anyone of you, not as a jute minister, you gentlemen have been coming to me and saying the jute price was high last year. Yesterday I went to a market. C grade jute was being sold at Tk. 350. In the parliament when Mr. Suranji had posed a question to me, I said that the mangoes of Dhaka and those of Rajshahi are not of the same price. But they are both mangoes. The price is being given for jute but not as much as should have been. They got better price last year, and by the grace of God, they will get it this year also.

If we are to take our discussions to a successful conclusion, I think direct accusations are useless. Those associated with the spinning mills want to take the discussion to one side. Spinning is also a part of

devaluing. But, at what percentage? From 1990 till now, it has been 12 per cent. In India the devaluation has been 78 per cent. They have gone for the cost plus theory. The Jute Minister is aware of all this. We have discussed these with the Finance Minister also.

Shamsul Islam Khan: When the paper for restructuring was drawn up, we were excluded. The honourable minister lobbied for us, we are grateful to him. But my point is, this has been a serious lapse, a mistake. And those 35 spinning mills are now running, but those to whom you are giving support, they are not expanding.

I thank you for the action you will be taking for raw jute. If you want to restructure the jute sector as a whole, raw jute has to be included. Spinners have to be included.

Mominur Rahman: (Vice Chairman, BJMC) BJMC is one of the two beneficiaries of the JSRP programme. BJMC, the government corporation, is the other one. Now, whether the JSRP programme succeeds or not, we are the ones who should be accountable for it, not the Jute or Finance Ministry. We are absolutely confident, if the spirit of JSRP is fulfilled and effectively implemented, then the jute manufacturing sector will be viable.

I am sure the Jute Ministry would have informed that one foreign company has already proposed to buy two jute mills. We share their confidence, or rather they share the same confidence we have in the Jute Ministry and their programme. Unfortunately, the minister also accuses us, that our private sector performance has not been upto the mark. However, the most authoritative study on the comparative performance of the private sector makes it quite clear that it has overwhelmingly done better. And I am sure the privatisation policy is a fall out of that.

Privatisation doesn't necessarily mean success in terms of profit. It is a market mechanism. Some mills will do better and some will not. But in general terms of productivity, even in last year, in the public sector corporations, losses were almost 100 per cent higher than private sector losses.

There are certain problems with JSRP. One which has been pointed out and needs to be reemphasised, is that, unless the spirit of JSRP is implemented effectively and quickly, we will not get the benefit of this programme.

Mahfuz Anam: I would like to call on the Chairman of Jute Goods Association.

Mohammed Ali: I have been involved in the jute industry since 1962. I have seen a lot and I very well can say that the discussion that is going on here will bring no good result for the jute industry.

Mahfuz Anam: Please tell us, what sort of a discussion will?

Mohammed Ali: First of all, the government must decide whether it will keep the jute industry in the country. If it wants to do so, if it wants to maintain the livelihood of the lacs of workers, if it wants to pay the growers, then it must take certain specific measures. There is no need to spend lacs and lacs of taka in the name of jute reforms.

The simple exercise is just to meet all the existing liabilities and start absolutely anew according to a prescription formulated by the government. The prescription can be formulated by consultation with all concerned, political parties, the entrepreneurs, spinners, weavers, government officials. The prescription will be administered in the way a doctor administers his medicines; say, hessian must be produced such and such amount per loom, per hour etc. Whoever does not follow this will be closed down. If it is followed, the industry will be viable.

Of course it won't be fully viable. There will be losses. The overseas market is not buying at prices offered by us. Goods are being sold on the international market at the international rate. Who will pay for the difference between the cost of production and the sale price? The government must make up for the losses. The jute industry must be saved, the workers must be employed. The government must make up for the difference according to the prescription of the committee.

Lutful Rahaman: I think the perspective has changed since the World Bank and the Finance Ministry had drawn up the prescription for jute reforms. The prescription is no holy book. I think some re-thinking is necessary. They had thought that the international market would fall. But it is stable and we are losing that market to other countries. Instead of closing down mills, there should be a proper utilisation of what is in existence. If utilised properly, these mills can run without any loss.

I would like to come back to the issue of value of taka and exchange rate. The Finance Minister has said that we are

about 332 million people, there synthetics are discouraged openly.

So the natural fibre has a great potential and we have really not been able to take advantage of this European market. Instead, so many of our industries have become sick. I say this with regret. There are so many contradictions about how to restructure our jute industry and how to give relief in terms of payment of capital, loans and things like that. But that is a problem which has to be solved and is being dealt with by the government.

But this will not bring actual results unless there is a consensus in the country, across the table, among the political parties, that jute is a sector which absolutely demands priority political commitment.

Only then can the jute sector really be saved. And jute can save Bangladesh, because no other industry can have that much return in Bangladesh.

If you talk of garments, we are still hanging around 20-22 per cent return, excepting employment. We are still bringing most of the things from outside and exporting them. The value addition is small.

First I have talked about political commitment. The second is state support. One must understand that state support cannot go on for eternity. It must be for a limited time, even if it has to be given. And I think it has to be given because of the priority which it involves. It involves a lot of people, not only entrepreneurs, the growers are also involved. Millions of people are depending on jute. So from a social point of view, not only from the economic point of view, the state has a responsibility towards jute.

However much we go for privatisation, however much we talk about market economy, the state will not be able to separate itself from its responsibility. The question is, how to give the support. It can be given within the market economy framework, but the programme must be very strictly followed, very vigilantly followed in the sense that you cannot go on giving support for an unlimited period.

During our time, we took up a programme. The idea is the same. In course of time, the criteria will be implemented in such a way that if you meet the criteria, you get the support. If you can't meet the criteria, support will go down proportionately. A time will come when a particular mill will not get support and will close down. That I think is the basic principle.

And timely disbursement of money is a very important thing. Most of our industries have been sick only because the banks have not been able to give the money on time. If they've given money for machineries, they could not give money for working capital. So the machineries would come and the factories could not start because of dearth of the working capital.

Thirdly, I would like to say, I hear Suranji Sen Gupta has already made the point, that let us not depend too much on World Bank. Every ten years they will make a study and give us suggestions. Jute is our own industry, our own technology. Let us evolve a national jute policy by taking all the political parties and all shades of people into confidence.

I am a little surprised that when you talk about jute sector as a whole, you exclude a very vital sub-sector. My suggestion will be, I hope the Jute Minister will consider this, that the programme must include the spinners. You can't divide this sector. One is dependent on the other. I do not find much logic in the consideration of World Bank or the government. There should be a support, of course, depending on performance. You do not give support to someone who is well-off. They will give support for the purpose that one can regenerate and come to an equal footing and also be in competition with all others.

Mahfuz Anam: There is only one speaker who hasn't spoken at all. Dr. Faisal Siddiqui of

IBA, Dhaka University. May I ask you to say something, please?

Faisal Siddiqui: I would like to highlight one point which had been implied but not stated clearly. Jute export accounted for ninety per cent of export revenue until the garment business came along. Nobody batted an eyelid when these industries incurred losses. Now today we find a new set of policy makers are suddenly coming in, forgetting this background and saying that the sector is awful. It is losing money.

I cannot agree with Dr. Mobin and others who are saying that the tax payers are bearing the money. What happened to the importers and the tax payers when we were earning for them? Why has all that past history suddenly become irrelevant? Our memories have become too short.

Why have we forgotten the contribution all the jute mills have earned for the country not for one or two years, but have built up the country for 20 to 25 years? Suddenly why are these people involved in the jute sector, being accused of ruining the banks and all?

How could that happen? It has only happened because there was no consideration. The value of earning of the jute mills was beyond any kind of economic condition and that is why the situation came around.

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strongly urge that the programme be kept on pace and those things which the government has undertaken, be undertaken, so that later on the private sector doesn't say that we now want another 18 months of this interim financing.

K.M. Rabbani: Although we are all concerned about the decline of international trade in jute, the actual position for the last 20 or 25 years is that jute production and jute consumption globally is more or less stable. What we have lost is freedom in international trade and more so in the developed countries.

Jute packaging material is facing competition. And in the developed countries also, the decline is very conspicuous in certain markets like USA, Japan and Australia. But in Europe, where the market is about 40 per cent of total jute goods, it has remained stable over the last 25 years. It remained so perhaps because of sustained market promotion programmes by the producing and exporting countries. IJO also had a lot of market promotion programmes. So, there is a market and with the new concern for environment, the market prospect looks better in Europe and elsewhere.

I was talking to some European traders recently and I told them that we want to undertake market promotion programmes from IJO. They said you do not need any market promotional programme for traditional products. You can do it for new products. They know about traditional products very well. The best market promotion that you can do is to advise the producing countries to ship their products in time.

Foreign businessmen, as traders, are not interested in research and development, in which IJO and others are. They are interested in the price of the products. It has to be competitive. They are interested in the quality of the product which must be acceptable. They want the delivery shipment schedule to be made when the contract is drawn up. This must be maintained strictly. Their experience in this regard is rather sad, and they said that shipment default is one of the major reasons for which we lost a series of markets in America.

They complained that the contract form which is now being used between the exporters and importers is heavily biased towards the exporters. If there is a shipment default or if there is any quality defect, the arbitration power is heavily in favour of the exporter. Moreover, if the exporter defaults in the contract, the importer faces an embarrassing situation as he is selling it to some third party. And the third party ultimately switches over to synthetics because its producers can sell their products readily. They can just get it over a telephone call.

So, some jute importers are reluctantly switching over to synthetics just because they cannot get shipment on time. So, the exporters should try to satisfy the sensitivities of the importers. If they can ship the goods in time, with good quality and proper price, jute still has a good market in Europe and elsewhere.

Mahfuz Anam: We are at the very end of our discussion. A few things have emerged, as I have understood. One is, jute is a most integrated activity in our country. It involves millions of people, it is traditional, it is part of our culture. As Barrister Moudud Ahmed said, it carried the country for so long, and Faisal Siddiqui said, it can carry it even in the future. So it has to be there.

The second point that has emerged, is that many things happen but not in time. Many things are thought about but not implemented.