

Saifur seeks Italian investment

Finance Minister M Saifur Rahman has invited Italian investors to avail themselves of excellent opportunities that Bangladesh provides for foreign investment, reports UNB. "Investment potential in Bangladesh is better than that of other South Asian countries," he said presenting the keynote paper at a seminar in Rome on Monday, according to a message received in Dhaka yesterday.

The two-day seminar on "Economic and Commercial Cooperation between Bangladesh and Italy" was jointly organised by the Bangladesh Embassy in Italy and the Italian Institute for Asia.

About 80 Italian private entrepreneurs and investors and a 25-member Bangladesh delegation, including 21 private sector representatives, participated in the seminar.

Giving an overview of the present economic situation at home, the Finance Minister said Bangladesh has stable currency, a very favourable foreign

exchange reserve and substantially increased domestic savings.

Rahman also mentioned that 40 per cent of Bangladesh's development expenditure is now financed out of internal savings. He also focused on the government measures aimed at promoting privatisation.

"In spite of inheriting a bad economic situation in 1991, the present government has been able to revive economic growth and generate favourable investment climate," he said.

As a result of the government's economic policy reforms, the export earnings, have gone up to three billion US dollars from 250 million dollars during the last three years.

The Finance Minister said Italy is one of the largest trading partners of Bangladesh and a very important market for Bangladeshi products.

Bangladesh had already signed an agreement with Italy on foreign investment protec-

tion and avoidance of double taxation. These bilateral agreements and many other incentives and opportunities should encourage Italian investment in Bangladesh, Rahman said.

The minister invited Italian investment in textiles, leather, food processing, civil construction, power generation, transportation, telecommunication and service sectors.

M Mokammel Haque, Executive Chairman of Board of Investment, explained the government policies and measures to attract foreign private investments and outlined the potential sectors for investment.

Bangladesh has been rated as the "best investment choice in South Asia," he said.

Bangladesh Ambassador to Italy Khurshid Hamid gave a brief account of the significant improvement of the trade and commercial relations between Bangladesh and Italy in recent years.

He said there has been a phenomenal growth of

Bangladesh export to Italy during the last two years and referred to the increased awareness of Italian private investors about the new investment opportunities in Bangladesh.

A number of contracts have been signed by Italian companies with Bangladeshi companies regarding supply of textile machinery, he added.

President of Italian Institute for Asia Giulio Orlando and Director of Economic Affairs at the Foreign Affairs Ministry Zanini also spoke at the inaugural session of the seminar.

A roundtable discussion, held in the afternoon, was participated by members of the Bangladesh delegation, Italian companies and representatives of the Italian government agencies.

Board of Investments, Bangladesh Export Processing Zone Authority (BEPZA) and Export Promotion Bureau (EPB) officials made presentation on various investment opportunities and incentives in Bangladesh.

Lucky coupon draw of Partex Group held

By Staff Correspondent

The draw of the lucky coupons distributed among the buyers of Danish, and Silver Cross condensed milk in the just concluded Dhaka International Trade Fair was held at the fair premises on Saturday.

Editor of Bangladesh Times Mahboob Anam conducted the draw, while Chairman of Partex Group MA Hashem, Deputy Managing Director Aziz Al-Kaiser and Director (Production) Aziz Al-Mahmud were present.

The coupon-holders of the following numbers became the winners: First-76786, Second-30137, Third-80401, Fourth-78486, Fifth-96393, Sixth-50385, Seventh-62095, Eighth-87135, Ninth-103068 and Tenth-46492.

The winners have been requested to contact the company's advertising firm M/s Adora Limited, 50 Purana Paltan Lane (3rd floor), Dhaka immediately.



Mahboob Anam, Editor of The Bangladesh Times, conducting the lucky coupon draw announced by Partex Group at the Dhaka International Trade Fair on Saturday. Deputy Managing Director Aziz Al Kaiser is also seen in the picture.

Ottawa to welcome entrepreneurs with newer ideas from Dhaka

By Staff Correspondent

A two-day Canadian catalogue show began yesterday at the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) with the hope of building a stronger trade ties between Dhaka and Ottawa.

The catalogue show organised jointly by the Canadian High Commission in Dhaka and the FBCCI was inaugurated by Jon J Scot, the High Commissioner of Canada.

The Canadian High Commissioner, in his welcome address, said the aid-based relation between the two countries should be converted into a trade-based relation through increased economic activities.

He said trade between the two countries has increased significantly during the last few years besides the Canadian bilateral donations to Bangladesh.

Jon J Scot said exports from Canada to Bangladesh rose to 32 million US dollars in the first ten months of 1994 from only 14 million in 1992, while bilateral Canadian donations to Bangladesh stood at 26 million dollars.

He said Bangladeshi entrepreneurs should come forward with newer ideas for expanding the existing trade ties between the two nations.

He said Bangladeshi exports

to Canada was dominated by readymade garments with its 80 per cent share in the overall exports, although leather and leather goods, frozen foods and handicrafts have good demand in his country. Oil seed, tobacco, electronic items and spare parts are also being exported to Canada, he added.

He said investment proposals worth 34 million US dollars have been registered with the

Board of Investment during the last few years. The Canadian companies are interested in investing oil, gas and telecommunications sector in Bangladesh, he said.

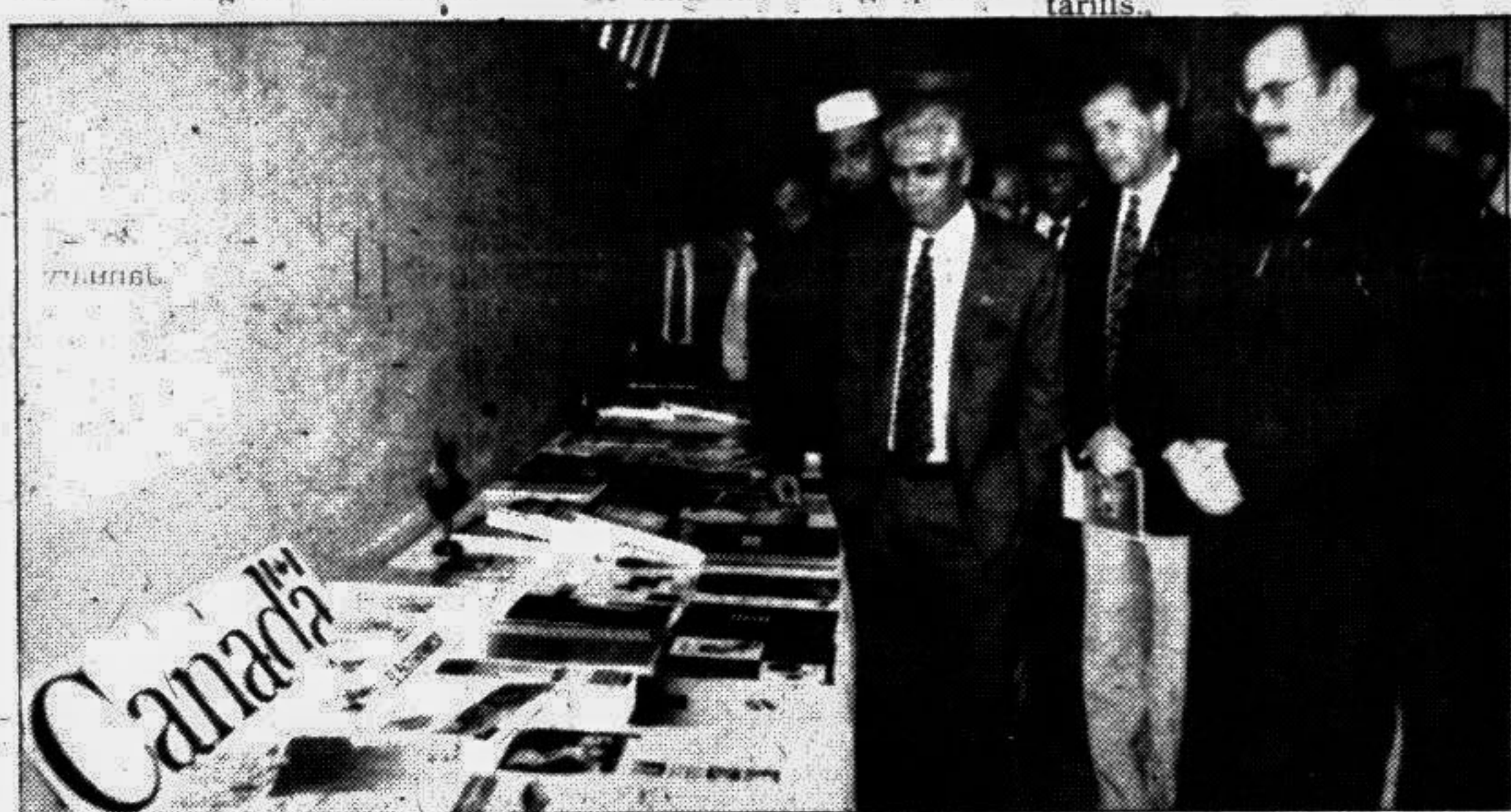
FBCCI President Salman F Rahman called upon the Canadian investors to invest in Bangladesh taking the advantages of lucrative incentives offered by the government.

He said the "image problem" of Bangladesh created through the previous government's aid-dependent attitude has been obstructing inflow of foreign investment. Although Bangladesh is now more interested in trade rather than aid, he added.

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John J Scott, Canadian High Commissioner in Bangladesh, seen visiting the two-day Canadian Catalogue Show at FBCCI auditorium following its formal opening yesterday by Salman F Rahman, President of FBCCI. — Star photo

Foreign insurance branch incharges' confce held

The 1995 Branch Incharges' Conference of Federal Insurance Company Limited was held at the company's Head Office in the capital on Sunday, says a press release.

It was presided over by the Company's Acting Chairman Alhaj Ahmed Shafi.

Speaking on the occasion, the company's Directors Md. Abdul Khaleque, Feisal Siddiqi, Enamul Hoq and Acting Chief Executive A K M Sarwar Chowdhury expressed their satisfaction over the business success of 1994.

They exhorted the Incharges to take every psychological preparation for achieving the business target set for 1995. They also emphasised the need to ameliorate the business volume and sustain the company's goodwill through improved client services.

The company's Directors Md. Abdus Salim Chowdhury, Alhaj Babirul Hoque, Alhaj Jashim Uddin and Nurul Alam, Senior Officers BC Barua, DGM (U/C) and Abdul Haque ACA, Company Secretary were present on the occasion.

In the presidential address, Acting Chairman Alhaj Ahmed Shafi, said the achievement of the 1994 target has been possible for us solely due to your dedication, allegiance and sincere efforts.

The conference was addressed, on behalf of the Branch Managers, by Md. Nasiruddin, Manager, Md. Sadaruddin AVP, Zamal Hossain Bhuiyan, VP Abdul Gani Chowdhury, SVP and Kamaruddin Bhuiyan, SVP and Kamaruddin Bhuiyan, SVP.

Foreign investment in DSE exceeds \$170m

By Rafiq Hasan

The Dhaka Stock Exchange (DSE) has recorded a great surge in market activities during the 1993-94 fiscal year and the foreign investment in the country's stock market stood at over 170 million US dollars.

The recently published '93-94 annual report of the DSE said, macro economic stability, reduced budget deficit, steady growth in foreign exchange reserves, low inflation rate, cuts in bank lending rates, downward revision for gilded government securities and savings certificates have been positive factors for the growth of the capital market and the stock exchange.

244.29 crore, representing a six fold rise.

According to the report, economic deregulations, foreign exchange decontrols and opening up of the capital market to foreign funds have strengthened the operational base of our exchange.

The DSE all share price index — barometer of price movement of all the listed securities — marked a faster growth last year. Strong share price appreciation as well as a marked increase in initial public offerings and right issues caused this upward movement of the index from 418.75 points in June '93 to 659.83 points in June '94. The index hit all time high of 771.95 on April 2, '94.

As the index moved higher during the year, capitalisation also rose by 109 per cent from Taka 1565.40 crore on June 30, '93 to Taka 3271.50 crore on June 30 in '94.

In was also mentioned in the report that during the pe-

riod, seven new securities with paid-up capital of Taka 94.50 crore were listed with the DSE. This brought the number of listed securities to 156 with paid-up capital of Taka 926.80 crore.

Besides, sixty-nine out of 150 listed companies declared dividend during the period, ranging from four per cent to 55 per cent. In the previous year, 63 out of 145 listed companies had declared dividend ranging from four per cent to 65 per cent.

"In recent months, we have, however, noticed a very encouraging trend. More companies are using the market to raise capital. The market is now capable of handling big flotations as the market is deepening and diversifying, along with growing investors confidence, new companies are relying more on securities than on bank borrowing to raise their capital," the report commented.

During the period 1993-94, a total of 11,580,837 shares and debentures were exchanged as against 4,373,143 in the 1992-93 fiscal year. The growth in volume term was more than 150 per cent. In value term it was more impressive from Taka 40.36 crore in 1992-93 to Taka



Branch in-charges of the Federal Insurance Company Ltd taking part at a conference held in the city on Sunday.

"Leather" is the finished/intermediate product obtained from mechanical and chemical processing of raw "hides" and "skins". This process is called "tanning". Hides are used to refer to the skins obtained from larger bovine animals such as cows, buffaloes, and oxen. "Skins" are used to refer to those obtained from smaller animals, such as goats and sheep. Finished leather is used as the primary raw material for the production of leather shoes, leather garments, and leather goods.

For the purpose of this paper we will limit ourselves to hides and skins and not include the limited area of exotic skins such as snakes and crocodiles.

The process required to convert raw hides and skins to pickled and wet blue, up to the crust stage requires the use of large quantities of corrosive and pollutant chemicals such as chromium sulphate. These chemicals are difficult and expensive to treat, and pose a major disposal and recycling problem for the industry. Although research is still continuing on alternate tanning methods using more environmentally friendly materials such as aluminum compounds, "chrome" tanning is still the industry standard. The focus of industry therefore has shifted to try to better deal with reducing the costs involved in effluent treatment from chrome tanning.

Historical background

In the 1940's the primary concentration of cattle hides and skins was in USA, Australia, New Zealand, South America, and South Asia. At that time however, only the USA, and Australia to a lesser extent, developed the necessary technology to process finished leather. The developing countries in South America and Asia remained major exporters of raw material whilst in Europe, other than Germany, the level of industrializa-

Leather industry: The present and future

tion and process technology in this industry was relatively low. Therefore the tannery and leather industry remained concentrated in the United States. This continued till after the end of World War II, when the devastation of the European economies provided the US economy the opportunity to develop its industrial base to wards more capital intensive and high technology industries. Thus in the 1950's the leather industry migrated from the US to the war-ravaged economies of UK, Germany, and France which were suffering from high unemployment and low industrial output. This situation continued till the 1960's with USA, Germany, United Kingdom, and France remaining the main importers of raw materials from the developing countries. However increases in wage rates and growing environmental pressures began to impact the European producers and the industry once again moved to Japan and Italy, which was still the "poor man" of Europe. By the 1970's Italy dominated the global leather industry, particularly excelling in being able to convert relatively low grade, low quality material from all over the world to high quality, high value finished leather. But as Japan and Italy both developed an industrial base, their success began to undermine their ability to dominate production capacity in this industry. Government policy actively promoted more "clean", capital-intensive industry and so the leather industry began yet another journey, east to Hong Kong, Korea, and Taiwan, by the seventies, had developed to a sufficient extent that transfer of technology to these countries was easily absorbed. Thus production capacity was built up in these countries, based almost entirely on im-

ported raw hides and skins.

In the 1980's and 1990's the Asian dragons had expanded their industrial base, and as wage rates and levels of technology began to rise in these countries, the leather finishing industry shifted to the "second-tier" South Asian countries such as Thailand, Indonesia, China, India, Pakistan, and Bangladesh. South America still retains a manufacturing base to sustain its own leather goods industry, but it cannot compete in the long term with South Asian producers due to wage costs.

Therefore, the leather industry has been forced to continually relocate east or southward over the last 50 years mainly due to the following reasons:

Processing of hides and skins to finished leather is very labour intensive. As economies became more industrialized, rising wage rates reduced competitive advantage.

Industrial growth also prompted a shift from polluting industries such as leather to "clean" industries.

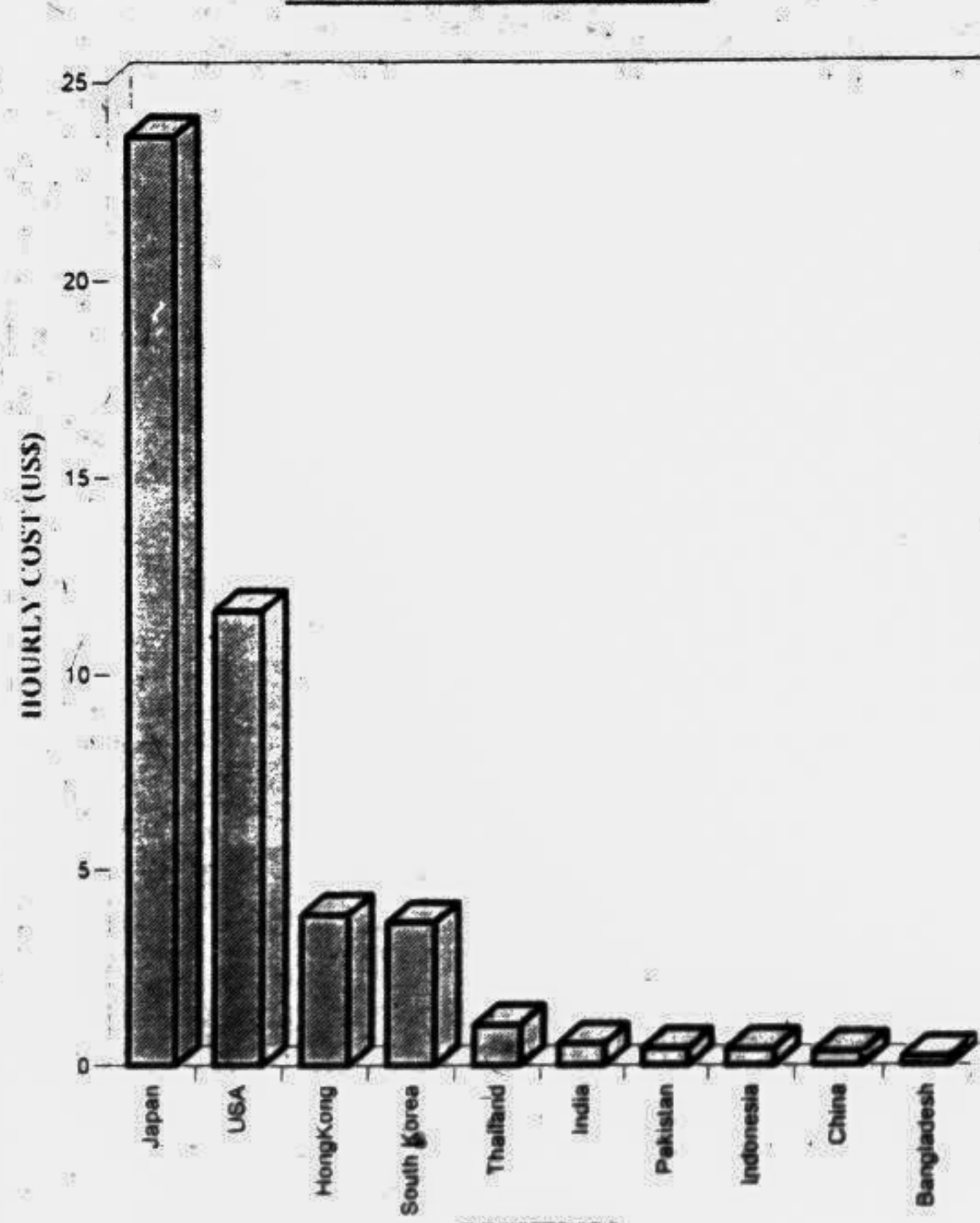
Labour in the industrialized nations have become more "white-collar" making it difficult to find workers for such industries.

The following table compares the wage rates existing in the leather industries of different developed and developing countries.

Syed Manzur Elahi

Bangladesh is obvious! The structure of the industry has also transformed where the developed countries, EC and USA, have become major exporters of raw hides and skins to the developing countries which have developed the processing capacity. In addition the growth markets for leather are also in the South Asia and South America which are gradually replacing the standardized mass production capacity for leather goods of the West. Since demand for

COMPARATIVE HOURLY WAGE RATES IN THE LEATHER INDUSTRY (1993)



leather is derived from the demand for leather products such as shoes, the leather industry has naturally followed the production capacity for the finished product. As China, South America, Thailand, Indonesia, India, Pakistan, and Bangladesh become the major manufacturers of leather footwear and goods, future demand growth for leather will also be in these regions.

State of the industry

As in other parts of the Indian sub-continent, Bangladesh has been involved in leather for many years first as a source of raw material, then semi-finished leather and today as a source of finished leather and to a limited extent leather goods.

Until the late 1970's, Bangladesh's leather export comprised entirely of wet blue, the first stage of leather processing used as a raw material for the secondary stage, crust, and the final stage, finished leather. At that time, Government of Bangladesh (GOB) realized the need to move the industry towards more value addition and declared leather and leather products as "Export Product" of the years 1978/79 and 1979/80, with the goal to develop this sector to its full potential. Today the leather industry includes about 49 commercially operating tanneries.

In order to analyze the state of the leather industry, it is essential to identify the two main driving factors, namely:

A. The Supply of Raw Hides and Skins

B. The Processing of Raw Hides and Skins

A. The supply of raw hides and skins

Bangladesh has been endowed by nature with a large cattle and livestock population which has remained sizeable

due to the agrarian nature of the economy. In addition the quality of the raw hides and skins is relatively good, particularly the "Kushitia Black Goat" noted for its fine grain structure and tensile strength. The main source of hides and skins is from slaughtered animals and the kill depends on various external factors including meat prices, feeding condition, and the occurrence of a Muslim festival, the Eid-ul-Azha. While raw hides and skins are usually available from April to December the focus for the leather market is the Eid-ul-Azha, which occurs annually and requires the sacrifice of cattle. It is estimated that almost 40 per cent of the annual supply is obtained during this time and skins are on average of better quality because of improved feeding and care prior to the sale, in expectation of higher prices. However, due to the almost total lack of regulatory control and implementation of controls on butchering and non-availability of trained butchers, the majority of slaughtering is done by laymen. This causes the hides and skins to suffer innumerable fly cuts, scotch marks and loss of area which downgrades the quality and lowers the price. This is a major problem and depletes the natural source of raw material.

The other major detriment to raw supply are improper storage, transport, and preservation system. The supply chain is extremely long. Due to overall lack of knowledge of preservation techniques suitable for our climate, other than rudimentary salting putrefaction of the hides and skins in transit is also a significant problem.

Currently, the annual availability of hides and skins in Bangladesh is estimated at 160 million square feet of which

less than 15 per cent is consumed domestically. With the current investment in balancing, modernizing, rehabilitation, and expansion (BMRE) of plants, it is safe to conclude that more than sufficient crust capacity has been developed. However modern export-quality finishing capacity is still lagging far behind with only 3 tanneries exporting on a regular commercial basis. In addition if Bangladesh intends to increase its range of products in the leather industry and penetrate new market segments such as heavy "Timberland" type leather which requires more thickness (substance), local raw material is insufficient. Thus import of raw hides and skins has become a need of the day.

B. The processing of raw hides and skins

With the decision of the GOB in June 1977 to promote more value addition in exports, there was a major movement in the tanning industry in Bangladesh. The installed capacity for crust leather production was increased and is currently double the domestic supply of raw hides and skins, and investments were also made in installing finished capacity. Despite this fact however today there are only a handful of tanneries producing finished leather on a commercial basis. The main reason for this is the level of technology required for converting crust leather to finished leather compared with the technology required for converting raw hides to crust is much higher. Analogy may be drawn to the textile industry where the technology required to process finished fabric from yarn is much more involved viz-a-viz the technology required to process raw cotton into yarn. Transfer of technology is critical for success in this area, and it is essential that the industry be able to source, absorb, and assimilate the technology involved.

(To be continued)