

# Fabrics makers feel pinch of EU's relaxed rules

Experts suggest improved productivity, efficiency

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Local fabrics makers should increase productivity, improve the quality of products and enhance efficiency in production to offset the bad impact of the European Union's relaxed rules of origin on the local textile sector, experts suggest.

The suggestions came when the local textile sector is affected by the relaxed rules of origin (RoO) for the least developed countries (LDCs), including Bangladesh, effective from January 1.

RMG exports to the European Union (EU) increased substantially in the first three months of the year, but the sales of local fabrics, especially woven, have been affected by the move.

The garment manufacturers import fabrics from other coun-

tries, such as China, paying less than what they would pay for locally produced fabrics.

MA Taslim, a trade analyst, said the opportunity of producing and selling fabrics locally to the garment makers increased tremendously following the EU's relaxation of the RoO under the generalised system of preferences (GSP).

But many are not purchasing the fabrics from local suppliers, but importing from other countries for lower prices. "As a result, the local fabrics sector is not seeing any boom," he said.

The previous RoO acted as a protective shield for the local textile sector for decades, because the garment makers had to buy the majority of the fabrics from Bangladeshi textile factories at the time to get zero-tariff benefits from the EU.

Taslim said the garment manufacturers will purchase the fabrics from local manufacturers when they will be able to sell their products at competitive prices.

If the domestic investors cannot supply the fabrics at competitive prices, the foreign investors like Arvind will weigh in. Arvind, the largest denim company in India, is coming here because the company could realise that there is a market in Bangladesh.

"So, the domestic fabrics manufacturers should increase productivity, enhance efficiency and improve the quality of products to avail of the opportunity," said Taslim, who teaches economics at the Dhaka University.

Dr Zaid Bakht, research director of Bangladesh Institute of Development Studies (BIDS), said Bangladesh has no choice but to agree

with the policy changes of EU, because it is their decision.

He said no industry can be protected for an unlimited period. Bangladesh's backward linkage industry has been protected for years since the early 1990s. "Now it's time for us to be competitive," Bakht said.

If the garment manufacturers can purchase quality fabrics at competitive prices from the local market, they will not import, he added. He also suggested the local manufacturers enhance their efficiency in production for supplying the fabrics at competitive prices.

He, however, said the capital costs of the fabrics manufacturers should be reduced. The government can supply electricity to them at a subsidised rate to help them or the government can help them in other ways to reduce their

cost of capital, he elaborated.

Fahmida Khatun, head of research of the Centre for Policy Dialogue, said maintaining quality and supplying the fabrics at competitive prices are important for the local fabrics makers.

Moreover, they should also persuade the international buyers to specify particular types of fabrics for garment manufacturing which might favour them, she added.

"Since the exporters can avail the zero-duty facility even from the imported fabrics, in many cases the garment manufacturers do not want to purchase fabrics from the local makers. They import the fabrics at lower prices. As a result, the home textile sector is affected," said Jahangir Alam, president of Bangladesh Textile Mills Association.

## DCCI opposes sales of excess bandwidth

STAR BUSINESS REPORT

A leading chamber yesterday suggested the government should refrain from selling the excess bandwidth to any foreign company, distribute the same among the primary schools and thereby facilitate their students' e-learning.

If the government has any excess bandwidth, it should be used for the country's interest first, then only the question of selling it to any foreign company should arise, said Asif Ibrahim, president of Dhaka Chamber of Commerce and Industry (DCCI), at a press briefing yesterday.

"Our primary school students are yet to be computer literate. The government should create facilities for their IT learning at school through allocating excess bandwidth in their favour," Ibrahim said.

Sales of excess bandwidth to any foreign company will not be right, because the future nation builders should learn the IT from primary schools, he said. The government is planning to sell excess bandwidth to a foreign company, he added. "More than 60 percent of the total bandwidth remained unutilised until now."

The DCCI briefed journalists on the outcome of a recently held daylong seminar on "Digital Bangladesh: Connectivity and the Growth of economy".

On the basis of the seminar, the DCCI put forward a set of 26 point recommendations to the government for development of the IT and telecom sector, a major tool for future development of the country.

In the recommendations, the DCCI urged the government for strengthening the cooperation among the IT and telecom, education and science and technology ministries for better results.

Organisations like Infocomm Development Authority (IDA) of Singapore and National Institute of Smart Government (NISG) can be planned for shaping and planning several public-private partnership projects to exploit the full potentials of the IT, he said.

Among the major recommendations, the government should reform the education system in order to create tech-savvy generations. High tech park, software technology park, ICT incubator park and computer villages may be set up at every suitable location of Bangladesh.

The government should remove barriers to help the economically potential call centres flourish in every possible manner, he recommended adding that the government should introduce e-transaction system at all levels of transaction.

"We need a second fibre optic connection immediately; otherwise the reliability and confidence will not be in place. Finalising the guideline for submarine and terrestrial cable where the private sector will be recognised as stakeholders is an urgent need. The tendering process should be made rational and as simple as possible to facilitate and ensure the access of the private sector," Ibrahim said.

The government should modify the draft guideline for renewal of the 2nd generation (2G) licence following the best standard practices, he said.

"All renewal fees of mobile operators should be fixed in such a way so that the operators are encouraged," he added.

In this connection, he said, the government should also promote the state-owned Teletalk Company for rendering better services to the customers.

The government is working on a massive expansion of the teletalk network expansion within next two years, said Khairul Majid Mahmud, a director of DCCI.

## Obama to announce plan to reduce long-term deficit

REUTERS, Washington

President Barack Obama will lay out his approach for long-term deficit reduction later this week, his senior adviser David Plouffe said on Sunday.

Obama will look at the Medicare and Medicaid government healthcare programs for the elderly and the poor to "see what kind of savings" are possible, Plouffe told NBC's "Meet the Press" program, without giving details.

Plouffe also indicated Obama was open to a discussion on the Social Security retirement program, although he said it was not a big driver of costs for now.

"In the process of sitting down and talking about our spending and our programs, if there can be a discussion about how to strengthen Social Security in the future: he (Obama) is eager to have that discussion," Plouffe said.

A White House official said Obama's speech would be on Wednesday.

Obama and congressional leaders reached agreement last week on a short-term spending bill for the current fiscal year that averted a government shutdown. But it also paved the way for more and bigger deficit-reduction fights to come.

The government could hit the current \$14.3 trillion limit on its borrowing authority by mid-May and will need Congress to approve another increase in that debt ceiling.

Congress must also approve a budget for the next fiscal year starting in October, a fight likely to last well into the 2012 campaign season as Obama seeks a second term.

The No. 2 Democrat in the Senate, Dick Durbin, told CNN on Sunday that he expected a broad approach from Obama in discussing the long-term deficit challenge: "I think the president will try to approach this in a comprehensive way," he said.



KH Masud Siddiqui, director of British American Tobacco Bangladesh Company Ltd, and Arun Kaul, managing director, attend the 38th annual general meeting of BATB at Pan Pacific Sonargaon Hotel in Dhaka on Sunday. The meeting approved dividends of Tk 43 per share.



Chris Tobit, managing director of Airtel Bangladesh, and Shah A Sarwar, managing director of Trust Bank, sign a corporate agreement on providing mobile banking services to the bank's customers at the Airtel office at Banani in Dhaka recently.

## Saarc seed bank in the offing

STAR BUSINESS REPORT

Saarc states plan to set up a regional seed bank to help farmers get quality seeds from the reserve in case of a shortage due to natural calamities.

Under the move, each member state of the Saarc bloc will take initiative to be self sufficient in seed to meet its own requirement and contribute to ensuring food security in the region.

Already a draft agreement to set up the 'Saarc Seed Bank' has been prepared. The agreement will be placed at a meeting of the agriculture ministers of the Saarc (South Asian Association for Regional Cooperation) states in June this year, said Anwar Faruque, director general of the Seed Wing of the agriculture ministry yesterday.

The Seed Wing of the agriculture ministry, Bangladesh Seed Association and Saarc Agricultural Centre organised the three-day show at Bangabandhu International Conference Centre.

Agriculture scientists and experts from the Saarc countries are participating in the fair, focusing on the need for ensuring food for growing population of South Asia, one of the worst climate-hit region that faces frequent draughts, floods and cyclone.

Some 70 public and private organisations took part in the fair to display both high yielding and hybrid seeds of crops and vegeta-

"We hope to place the draft of the agreement at the next Saarc summit after getting the nod of the agriculture ministers," he told The Daily Star at the Saarc Seed Congress & Fair 2011 in Dhaka.

The idea of establishing a regional seed bank came first at the 16th Saarc Summit in Thimphu, Bhutan last year when Bangladesh's Prime Minister Sheikh Hasina put forward the proposal to increase regional cooperation in agriculture to attain food security in South Asia.

Analysts say majority of the population in the region depend on agriculture and cooperation in ensuring quality seed for farmers will boost crop production.

According to the analysts, there are similarities in agro-climatic conditions and farming practices in the region, offering scope of deepening cooperation among the states for development and maintenance of harmonised seed system of the Saarc states.

bles with the objective to popularise the use of quality seeds.

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"The seed bank is a good initiative. It will bring about good results if all member states cooperate," said Mohammad Masum, chairman of Supreme Seed Company, a leading seed seller.

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