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BUSINESS

DHAKA TUESDAY MAY 29, 2012, e-mail:business@thedailystar.net

Political unrest makes H&M wary of Bangladesh

Officials of Swedish fashion retailer say strikes delay production

STAR BUSINESS REPORT

Swedish fashion retailer Hennes & Mauritz (H&M) wants to source more products from Bangladesh due to the country's cheap labour, but political unrest and violent strikes bar the company from expanding here, Dow Jones Newswires said in a report yesterday.

"The often-recurring strikes and demonstrations disrupt production and cause delays. We want to grow in Bangladesh [...] a stable market will benefit us -- buyers, the suppliers and the workers," Dow Jones quoted H&M's head of sustainability Helena Helmersson as saying.

H&M, the world's second-largest clothing retailer, sources 25 percent of its products from Bangladesh and aims to increase the figure.

H&M is not the only big retailer looking to expand in Bangladesh.

The local industry already accounts for about 80 percent of Bangladesh's exports and employs about 30 lakh people.

Research firm McKinsey expects apparel exports from Bangladesh to double by 2015 and triple in 10 years, with big buyers moving from China as capacity constraints and wage inflation erode profit margins, the report said.

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Exporters seek safeguard against global storms

REFAYET ULLAH MIRDHA

Exporters asked the government to devise the next budget taking into account the economic troubles in major export destinations which have hampered exports considerably.

The government last week revised down the export target for this fiscal year in light of EU and USA's worsening economies, the country's two major export destinations. Now, exporters seek more cooperation from the government.

The appeal came as Bangladesh fetched \$19.78 billion, which is 7 percent lower than the periodic target for \$21.26 billion. Exports grew only 8.41 percent in July-April period of the current fiscal year compared with the same period a year ago, according to data from the Export Promotion Bureau.

"We want the government to help us in the next national budget for maintaining our competitiveness globally," said Shafiul Islam Mohiuddin, president of Bangladesh Garment Manufacturers and Exporters Association.

In particular, Mohiuddin demanded withdrawal of value added tax (VAT) on rented commercial houses, reinstatement of tax at source at 0.25 percent from the existing 0.60 percent, allocation funds for training workers and exemption from taxes on incentives given by the government.

In addition to the reinstatement of 0.25 percent tax at source on export, AKM Salim Osman, president of Bangladesh Knitwear Manufacturers and Exporters Association, also demanded subsidy on diesel, a major power source in factories.

He asked the government to continue with the incentive package sanctioned in 2009 for export market diversification. The package is set to expire this year.

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Qatar plans to park \$1.8b in BB

REIAUL KARIM BYRON

Qatar has proposed to invest its currency worth of \$1.8 billion in the Bangladesh Bank.

The central bank will share profits with the Gulf nation from investing the fund abroad, a high official said.

Bangladesh received such a proposal from abroad for the first time in 25 years.

The proposal was made Sunday when a 10-member team led by Qatar's assistant minister for international cooperation affairs met BB officials in Dhaka.

BB officials had a detailed discussion with the Qatari delegation on the investment proposal.

The Qatari team enquired about

the BB's foreign currency reserve (around \$10 billion now), where the BB makes investment abroad and how much profit it gets against those investments.

The BB official told The Daily Star that the central bank makes a handsome amount of profit every year from the investments it makes abroad.

The investment of BB's reserve ranges from one day to one month or more. As a result, the rate of interest varies.

The official said the profit to be given to Qatar will be determined on the basis of the time for which it deposits the money with the BB.

He said Qatar will convey its final decision regarding the investment during Prime Minister Sheikh Hasina's

visit to that country from today.

The BB official also said, if Qatar deposits the money with the BB, its reserve will increase and it will have a positive impact on the balance of payments.

The official said it will also bring a better result regarding Bangladesh's country rating.

He said, after 1987 this is the first time Bangladesh got such a proposal. Before 1987, some Middle East countries invested small amounts of money with the central bank of Bangladesh.

The BB official also said Qatar makes investment of a huge amount of money abroad. The country has offered to invest a small part of it with the BB as a symbol of Muslim fraternity.

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