Apparel industry needs strategic plan for future growth: ICCB

In its latest news bulletin, the chamber urges retailers to stay in Bangladesh

STAR BUSINESS DESK

The situation in the Bangladeshi garments sector has been improving gradually, but more comprehensive attention and cooperation of owners, regulators as well as buyers is needed to achieve significant results, said a leading chamber yesterday.

The sector came into worldview after the tragic deaths of 1,243 workers in the collapse of Rana Plaza in Savar and in the factory fire of Tazreen Fashions in the recent months, said International Chamber of Commerce-Bangladesh (ICCB).

"Such failure must be tried quickly according to law and should act as a deterrent," according to the editorial of the April-June 2013 issue of the chamber's news bulletin released yesterday.

The Savar incident was widely covered worldwide because of Bangladesh's position as the number two apparel exporter in the world, ICCB said.

Many international NGOs as well as consumers campaigned for restricting purchase of Bangladeshi garments until the factories ensure workers' safety and labour rights, and many workers are also singing a similar tune, it said.

The apparel manufacturers and experts are suggesting a set of reform roadmap for a sustainable apparel sector broadly dealing with: factory classification, factory health and safety standards, compliance monitoring, responsibilities of trade associations, new RMG economic zones.

They also suggested relocation of unsafe factories, financing the RMG reforms, minimum wage increase linked with efficiency and productivity, trade unions for better worker representation, formation of workers' welfare fund and branding through international public relations engagement.

Nobel laureate Prof Muhammad Yunus and the social business team said if the buyers agree to pay a little extra for a "Happy Workers Tag", the proceeds could be utilised to ensure workers' health, dormitory, pension, provident fund, children's care facilities etc. "The idea deserves serious attention of the buyers," the chamber said.

The strength of the country's apparel sector is well understood through its ability to supply high-end items to famous global brands.

Currently, more than 30 percent of total RMG export is high-end products. The sector generates a total of $21.5 billion in exports, employing more than 4 million workers dispersed among 5,400 factories, most of which are rural poor women.

Currently, the sector accounts for 80 percent of exports and contributes 16 percent to GDP.

International retailers have interest to stay in Bangladesh, as the country is one of the few places in the world that has enough workers, manufacturing capacity and experience to provide what retailers demand: high volume, low prices and good quality etc.

According to McKinsey & Company, Bangladesh's apparel exports will reach $36 billion by 2020.

Analysts believe that the country's potential is even greater, as the present yearly global apparel export is $412 billion and Bangladesh's share is only 4.8 percent.

The EU and the US are the two largest importers of Bangladeshi garments, which accounts for 86 percent of the total exports, representing only 6 percent of their total apparel demand.

China currently meets 30 percent of total apparel demand of the EU and the US.

Therefore, the four main stakeholders -- the government, suppliers, buyers and workers -- must work together to develop a long-term strategy to realise the potentials of Bangladesh's readymade garments market.

The owners and the government, on the other hand, may consider setting up a foundation to provide support to the garment workers and their children for education and healthcare, including the victims who are otherwise incapable of earning their living.

The existing 5,400 factories could make yearly contribution of Tk 1 lakh for the foundation, the chamber said.

After the recent shocks, the garment manufacturers hope that instead of deserting the Bangladesh's apparel sector, the Western buyers would provide resources and financial support and work together to make Bangladeshi factories more compliant.

REHAB

Md Wahiduzzaman, general secretary (in-charge) of Real Estate and Housing Association of Bangladesh, presents a cheque for Tk 1 lakh to Limon Hossain at Gonoshashthaya Nagar Hospital in Dhaka recently.

Global Insurance elects chairman

STAR BUSINESS DESK

Md Nasiruddin Choudhury has recently been elected chairman of Global Insurance Ltd, the company said in a statement yesterday.

He is also chairman of Holiday Travels Ltd and a sponsor director of Delta Hospital Ltd, Technocon Ltd and Manar Associates Ltd.

He was also sponsor of Mercantile Bank and Premier Leasing and Finance Ltd. Choudhury is a fellow of Institute of Engineers Bangladesh.

Paramount Textile debuts on DSE today

STAR BUSINESS REPORT

Paramount Textile is all set to make its trading debut today in the textile category on the Dhaka Stock Exchange.

The company will raise Tk 84 crore from public using the fixed price method to repay its bank loan.

The fully export-oriented woven fabric manufacturer will float three crore ordinary shares of Tk 10 each at an offer price of Tk 28 after accounting for Tk 18 as premium.

IDLC Investment is acting as the issue manager of the initial public offering. As of June 2012, earnings per share of the company stood at Tk 3.47.

Paramount would become the 31st textile company to be listed on the bourses.

DHL

Desmond Quiah, country manager of DHL Express Bangladesh, receives the Best Air Express Company 2012 award given by the Bangladesh Monitor, a fortnightly magazine, from Faruk Khan, civil aviation and tourism minister, at The Westin Hotel in Dhaka recently. Kazi Wahidul Alam, editor of the magazine, was also present.

AIRTEL

Rajnish Kaul, chief operating officer of Airtel Bangladesh, and Farah Kabir, country director of ActionAid Bangladesh, exchange documents of a deal to provide corporate mobile solutions to ActionAid at Pink City in Dhaka recently.

Cement exports to India halve as rupee plunges

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Echoing him, Ali Bashar, managing director of Seven Circle (Bangladesh) that makes Seven Rings brand, said: "The Indian exporters are still offering the same prices they offered before the depreciation of the rupee. We can't accept it."

"We didn't make any shipment last week as the offered price did not match our expectation," he said, adding that his company usually exports 2,000 tonnes to 2,500 tonnes of cement a month.

Bashar said the trend may continue until the Indian importers adjust their local price with the depreciated value of the rupee.

However, Mostafa Kamal, chairman and managing director of Fresh Cement, said the situation is temporary.

He said non-tariff barriers such as certification and bank guarantee from the Indian part and weak infrastructure on the Bangladesh side are some impediments to cement export. Bangladesh exports 15,000-20,000 tonnes of cement a month to India.

Currently, the cement production capacity of the country is around 22 million tonnes per year, while the annual demand is around 16 million tonnes.

Three more firms to join DSEX

STAR BUSINESS REPORT

Three listed companies will be added to the benchmark index of Dhaka Stock Exchange, DSEX, on Sunday.

The companies are: Premier Cement Mills, Golden Harvest Agro Industries and Orion Pharma, the DSE said in a statement yesterday.

The indices committee of DSE selected the companies after revising the performance of the firms in line with the index methodology designed by S&P Dow Jones Indices.

With the three, the DSEX will have 203 listed companies, around 94 percent of the total market capitalisation.

The DSEX was introduced on the premier bourse on January 28 this year, replacing the DGEN, which contain inflated points due to previously faulty calculation method.

In another move by the DSE indices committee, five listed companies will replace the existing five ones on the DS 30 index from Sunday.

The five companies are: Uttara Bank, Southeast Bank, Unique Hotel & Resorts, Bangladesh Submarine Cable Company and National Life Insurance Company.

The firms that will be excluded from the DS 30 are: MJL Bangladesh, Keya Cosmetics, United Commercial Bank, Peoples Leasing and Financial Services and National Bank.

Barclays to fight $453m power fine in US court

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Barclays Chief Executive Antony Jenkins, who took the helm last year, is trying to rebuild the bank's battered reputation and repair testy relationships with regulators.

One of his first moves was to tackle the investment banking business criticized for a free-wheeling culture and accused of paying staff too much.

Jenkins said in April he wanted his bank "to become a model of constructive engagement with regulators", but has admitted turning the bank around could take at least five years. Barclays shares were down 0.7 percent at 306.1 pence by 0604 EDT, in line with a slightly lower European banking index.

The US case is expected to be a major test of FERC's enforcement powers, expanded by Congress in 2005 legislation that had its genesis in the Enron electricity manipulation scandals in the western United States earlier in the decade.

Ron Wyden, the chairman of the Senate's Energy and Natural Resources Committee, said FERC sent a strong message to traders and banks.

"Consumers have the right to heat and power their homes without fear that traders are stacking the deck against them to rack up unjust profits," Wyden said in a release.

The FERC order said the bank must pay $435 million within 30 days, while the managing director of the power trading team, Scott Connelly, must pay $15 million. FERC also ordered Barclays disgorge $34.9 million in "unjust profits" and interest.

FERC said three other traders involved in the scheme must pay fines of $1 million each.

A former FERC enforcement director said that if Barclays refuses to pay the fine, agency staff will likely file an action in a US District Court.

It would be the first time an energy market manipulation case from FERC would be considered in such a venue, said Susan Court, FERC's director of enforcement from 2005 to 2009.

The court "can make its own findings of fact and conclusions of law, and craft a remedy that it sees fit," said Court. Since 2005, FERC has increased its enforcement division's staff to more than 200 from about a dozen, led by a number of high-profile law enforcement recruits.

NBFIs face stricter rules

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"These responsibilities will continue to be rigorously reinforced by the NBFIs," it said.

Loan approval system has also been strengthened to minimise risks.

"The sanction authority for loans should be at least three-level committees -- management, executive committee and the board of directors. There must be a written policy statement regarding the approval authority, and the NBFIs will have to follow it strictly," the guideline said.

The BB also said credit appraisal has to be made through client visit, discussion and assessment of needs. Even after disbursement of credit, the NBFIs will have to monitor the borrowers periodically.

The financial institutions will have to take approval from the central bank before launching any product and service. They should not offer products or services that have been prohibited in other countries and could potentially give rise to public concerns.

"All new products/services and material variations of the existing products must be authorised by senior management and/or the board," the guideline said.

The policies and procedures for products should be designed to identify measures, and monitor and control product risks in each stage of product development, authorisation, pricing, marketing, sale, distribution, portfolio management and accounting.

The central bank also prepared a guideline for the NBFIs on the penal charge in case of delay in repayment.

The penalty should be lowest for the first time and it may be charged at increasing rate for the next missing schedules. Whatever the case may be, the penal amount should be limited at the rate of 1-5 percent (per annum) over the actual rate on the overdue amount only for the delayed period, the guideline said.

Export target fixed at $30.5b

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The government has emphasised export of woven garment, knitwear, agricultural products, leather and leather goods, shrimps and jute and jute goods.

The target was set at the meeting with Commerce Secretary Mahbub Ahmed in the chair.

"I hope the export growth will continue also in the current fiscal year, as the country's export increased in the last few years," Ahmed said at the meeting.

At the meeting, exporters urged the government to improve infrastructures to ensure adequate supply of gas and power and enhance port efficiency for higher export growth.

Mymensingh shoes lose shine on fund crisis

FROM PAGE B4

However, the prices of handmade shoes have gone up in recent years because of a rise in raw material costs, Tileswar said.

Shoemakers said they were disappointed when they attempted to get loans on easy terms. "I attempted to get a loan at a local bank, but I don't know why I didn't qualify," Emdadul said.

Shoemakers have to borrow funds from NGOs or moneylenders at a high rate of interest. If the handmade shoemakers receive bank loans on soft terms, the industry will qualify as a small and cottage industry in Mymensingh, creating job opportunities for many, added Emdadul.

Babul Rabi Das, proprietor of Babul Shoes, said the sector has the potential to change the lifestyle of hundreds people related to this profession inside and outside the town, if investments are made.

Delwar Hossain Badal, a regular customer of Shivbari, said the craftsmanship in the area is unique.

Shankar Saha, a director of Mymensingh Chamber of Commerce and Industry, said the sector will bloom rapidly if the shoemakers are patronised by the government.

BoP surplus hits record $4.66b

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The hale and hearty situation of the BoP, however, has thrown up a problem for the central bank: it is now finding it "very difficult" to maintain a stable exchange rate.

"If the local currency is appreciated much, exporters and expatriates may be affected," said the BB official, adding that the central bank intervenes in the foreign exchange market almost every day to ensure that taka does not appreciate more against the dollar.

ROBI

Faruk Ahammad, acting managing director of Bangladesh Infrastructure Company Ltd (BICL); Pradeep Shrivastava, chief market officer of Robi; and Mohd Arif Hossen Khan, director of Tomato Web, sign a tripartite network sharing agreement at the corporate office of BICL in Dhaka recently.

Labour law 2013: many steps backwards

FROM PAGE B1

Even the section in the new law which bars the country's labour ministry from giving factory owners the list of the 30 percent of workers who want to form a union, has been met with scepticism by the labour leaders.

They claim that the government officials can still give out the names to factory owners, perhaps because of collusion or bribes.

As was practice until now, after receiving those lists, owners often fired union supporters or pressed many to withdraw their names from the petition, bringing the number below the requisite 30 percent mark for a union to be recognised, the labour leaders added.

Another objection to the new law is with the section which says that workers would need registration from the directorate of labour for formation of trade union.

"It is extremely difficult to obtain a registration from the labour directorate. In recent years, hardly any registration was given by it," Khan said, adding that he himself has a registration pending. Human Rights Watch, too, said the new law would make unionising harder.

It criticised the legislation for adding more industrial sectors, including hospitals, where workers would not be permitted to form unions. The group noted that workers in Bangladesh's important export processing zones would remain legally unable to unionise.

In addition, the government would be empowered to stop a strike if it would cause "serious hardship to the community" or be "prejudicial to the national interest."

And workers at any factory owned by foreigners or established in collaboration with foreigners would be barred from striking during the operation's first three years. Under the new law, unions would need government approval before they could receive technical, health, safety or financial support from other countries.

Plus, the law excluded workers of many informal sectors like domestic workers, rickshaw-pullers and agricultural sector as they were not recognised as workers.

"Bad is better than worse," Roy Ramesh Chandra, general secretary of the local arm of IndustriALL, a global union federation, said regarding the new labour law.

He said the new law is in a direct conflict with the International Labour Organisation (ILO) convention 1987, as the government cannot command on a certain percentage for formation of trade unions.

The labour leader added that the legislation might not have done enough to persuade Europe not to suspend trade preferences or to get Washington to reinstate such preferences.