

# Officials of global cotton trade body arrive today

STAR BUSINESS REPORT

Top officials of the International Cotton Association or ICA will arrive in Dhaka today to look at issues such as the laws and bylaws of cotton trade.

Currently, the Liverpool-based association and arbitral body has 94 companies from Bangladesh on its default list for different reasons, including delays in payment to suppliers.

The association will also discuss issues pertaining to the companies on the association's default list. The ICA team will be led by Jean-Marc Derossis, the association's president, said Hissam Khandker, director of Delcot Enterprise Ltd, a major cotton importer.

The visit of such a high-level ICA delegation to Bangladesh is important as the country is now an important player in global cotton markets, said Khandker.

"We need a stable cotton supply chain as demand for this white fibre is increasing in Bangladesh for higher export of garment items," added Khandker.

Bangladesh is the second largest cotton importer after China. But, recent data from the US Department of Agriculture showed that the country might surpass China and become the top importer.

Domestic cotton users and importers held the global cotton summit in Dhaka last year, to discuss issues related to the easing of the laws and bylaws of the ICA and removal of the companies from the default list.

The companies that have been named in the default list were affected during the cotton price fluctuation of 2010 and 2011 due to volatility in the cotton markets worldwide.

Cotton prices had jumped to almost \$2.5 a pound in those two years from its historic price range of between 55 cents and 60 cents. The companies that had purchased cotton during that period could not pay their suppliers fully until now.

Those companies on the default list are now doing business with suppliers who are not members of ICA, said Md Fazlul Hoque, vice-president of Bangladesh Textile Mills Association.

"Some of the companies have already removed their names from the default list through mediation by ICA. We, from the BTMA, wrote to the ICA last year to ease the rules so that all companies can come out from the default list," said Hoque, also the managing director of Israq Textile Mills Ltd.

"The greatest challenge for ICA is to make defaulting too painful to bear," Derossis said in a statement.

He also acknowledged the work that has been accomplished so far and the progress that has been made, according to the statement posted on the ICA website.

"The last thing I want is to lose the momentum. We need to keep going and we need to ensure that when volatility is back in the market, contract sanctity is respected."

Cotton traded between 56 US cents and 57 cents yesterday, compared to 65 cents and 67 cents

two weeks ago, according to industry people.

Bangladesh imports more than four million bales of cotton a year and the primary textile sector is now capable of supplying 90 percent raw materials to the knitwear sub-sector and 40 percent to the woven sub-sector.

Bangladesh may overtake China as the world's biggest cotton importer in the current crop season thanks to strong demand from apparel makers, according to data from the US Department of Agriculture.

In the year ending July 31, 2016, Bangladesh may import a record 5.75 million bales of the fibre, up 6.5 percent from a year earlier, according to the USDA.

One bale weighs 480 pounds, or 218 kilograms. China is projected to import 5.5 million bales, the lowest since 2003.

Cotton use by Bangladeshi mills is forecast to rise 10 percent in 2015-16 which will be 20 percent for Vietnam, according to the International Cotton Advisory Committee.

The International Monetary Fund's most recent macroeconomic outlook projects global income growth in 2015 to be at its slowest in six years.

World cotton production in 2015-16 is forecast to be 103.7 million bales, which is 13 percent below last season, as lower area combined with a reduced yield will push the global crop to its lowest since 2009-10.

Considerable production declines in 2015-16 for all of the major producers will reduce the supply of the crop by more than 15 million bales.



Mahbubur Rahman, president of International Chamber of Commerce Bangladesh, attends the inaugural session of the ICC training on international factoring for foreign trade, in Dhaka on Wednesday. Hedayet Ullah Al-Mamoon, senior commerce secretary, and Muhammad A (Rume) Ali, ICCB's banking commission chairman, were also present.

## Profit-booking leaves stocks in the red

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Stocks closed 0.4 percent lower yesterday as investors offloaded shares to book profits, taking the benchmark index of Dhaka Stock Exchange, DSEX, down 18.81 points to 4,579.52 points.

Though the market started on a positive note, as the DSEX crossed the 4,600-point level after gaining 25 points in the first hour of trading, the morning zeal did not sustain, IDLC Investments said in its regular analysis.

Investors became sceptical of the market's sustainability at that level and opted to sell off scrips for profit, and the market eventually closed in the negative amid persistent selling pressure throughout the session, the merchant bank said.

"The buying spree slowed down after the

first hour of the trading session as investors started booking profit," LankaBangla Securities said.

Turnover, another important indicator of the market, also declined 15.1 percent to Tk 485.14 crore, with 14.86 crore shares and mutual fund units changing hands on the DSE.

Of the traded issues, 110 advanced and 160 declined with 52 securities closing unchanged on the premier bourse.

BSRM dominated the turnover chart with 15.03 lakh shares worth Tk 28.02 crore changing hands, followed by LankaBangla Finance, United Commercial Bank, Lafarge Surma Cement and Ifad Autos.

Among the major sectors, non-bank financial institutions increased 1.16 percent in market capitalisation, followed by banks that rose 1.06 percent.



Bank Asia Chairman A Rouf Chowdhury opens the 103rd branch of the bank in Mirpur-1, Dhaka on Wednesday. Vice Chairmen Mohd Safwan Choudhury and AM Nurul Islam, Chairman of the Board Executive Committee Rume A Hossain, Directors M Shahjahan Bhuiyan and M Irfan Syed and Additional Managing Director Aminul Islam were also present.

## Inequality deepens on unfair tax treaties

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Women and children in poverty pay the price when crumbling public services like schools and hospitals are starved of possible funding.

"It is time for our government to make tax fair and urgently revise very restrictive treaties that we have. Multinational companies should be paying their fair share in Bangladesh."

Tax revenues collected by Bangladesh are among the smallest in the world in proportion to the size of its economy.

Many tax treaties make it possible for multinational companies operating in lower income countries to significantly reduce corporate tax by moving money out of the country through dividends, royalty or interest payments which are subject to low tax rates capped in tax treaties, the report said.

Tax treaties that lower income countries have signed with members of the Organisation for Economic Cooperation and Development, a club of rich countries,

take away more taxing rights than those with non-OECD countries, and worryingly, the deals struck with OECD countries are getting worse, said the report.

The UK and Italy are tied as the countries that have entered into the highest number of very restrictive tax treaties with African and Asian countries since the 1970s, followed by Germany, China, Tunisia and Mauritius also have a rapidly growing number of very restrictive treaties with some of the world's poorest countries.

For many lower income countries, raising more revenue from taxing multinational companies could help fund lasting change by improving chronically underfunded schools and hospitals, it said.

ActionAid is calling on governments to reconsider the restrictive treaties to ensure multinational companies pay their fair share of tax in poorer countries.

The charity is also urging companies to increase transparency and publish details of lobbying activities relating to tax treaties.

## DBBL introduces virtual cards for app developers

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To get the cards, applicants will have to show the certificate provided to participants during programmes on mobile apps, games and hackathons run by BASIS or the ICT Division.

Initially, BASIS members used to enjoy the service. But now it is open to students, IT professionals and entrepreneurs, according to the association.

Ahsan hopes the youth will now be encouraged to join IT-related professions.

DBBL has started the service at all of its branches, said officials of the bank.

BASIS Senior Vice President Russell T Ahmed, Secretary General Uttam Kumar Paul and Director Suny Md Ashraf Khan were also present.

## GSP claim grows stronger as EPZs improve labour rights

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Once the Bepza verifies the applications and allows the WWAs, there would be a referendum among the workers for holding polls to elect the WWA leaders.

The government was initially rigid about allowing such rights in the factories housed inside the EPZs owing to its commitment to foreign investors that unionism would not be allowed within the zones.

EPZs' foreign investors were divided on the issue of unionism, but the government gave it the go-ahead, giving the utmost importance to winning back the GSP.

Currently, more than 4.4 lakh workers are employed in the 453 factories in eight EPZs. These factories attracted investment of \$3.74 billion so far from home and abroad.

Another 121 factories are under construction in the EPZs.

In fiscal 2014-15, the EPZ facto-

ries exported goods worth \$6.11 billion.

After the twin industrial disasters of Tazreen Fashions fire and Rana Plaza building collapse, the US government in June 2013 suspended the GSP scheme for Bangladesh on grounds of serious shortcomings in workplace safety and poor labour rights.

Under the scheme, Bangladesh used to export 0.54 percent of its total shipments to the US in a year, which amounted to about \$26 million.

The USTR, however, laid down a 16-point action plan for the Bangladesh government to win back the trade benefits.

One of the conditions was the amendment to the labour law to allow workers the full freedom of association, which the government complied in July 2013.

Since then, the government has also allowed more than 350 new

trade unions.

The government has also upgraded the department of chief factory inspector to a directorate and recruited more than 200 new inspectors, as per the action plan.

It has also built a publicly accessible database on factories and arranged training programmes for garment workers.

Three inspection agencies -- Accord, Alliance and National Action Plan -- have completed inspection of 3,800 factories and have recommended remediation works to improve structural, fire and electrical safety.

Yet, the US government feels the government has to do more, leaving out Bangladesh from the list of 122 nations for whom GSP was restored last June.

The USTR has not set a timeframe for the next review on Bangladesh's progress in meeting the US requirements.



M Nazeem A Choudhury, head of consumer banking at Eastern Bank, and Md Giash Uddin, chief financial officer of STS Group, exchange documents of a payroll banking agreement at a programme in Dhaka.

## IFC buys 5pc of City Bank

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The IFC's equity investment ranges between 5 percent and 20 percent of a company's shares, according to its website.

It said equity investments provide developmental support and long-term growth capital that private enterprises need.

The corporation also invests directly in companies' equity and also through private-equity funds.

In the fiscal year ended on June 2015, equity investments accounted for about \$3.2 billion of commitments IFC made for its own account.



Abu Noyem Md Khasru, head of finance and admin at Bank Alfalah, and Md Monwar Hossain, chief executive of CerebralLink, sign an agreement for the use of the iProhori software for security of all vaults and ATMs of the bank for five years. SAA Masrur, country head of Bank Alfalah, was also present.