

# There is much to salvage from 2020 still

Says top executive of Berger Paints Bangladesh

AHSAN HABIB

Companies must innovate, manage expenditure meticulously and ensure the safety of employees to survive in the post-pandemic era, said a top executive of Berger Paints Bangladesh.

“Berger Paints is following these principles and is getting the results,” Mohsin Habib Chowdhury, senior general manager for sales and marketing at Berger Paints Bangladesh, told The Daily Star in an interview last week.

The impact of the coronavirus on the global economic situation has been devastating and Bangladesh’s economy has also come to a halt. Bangladesh’s two important sectors – garment and remittance – both would be impacted by the global meltdown. The International Monetary Fund has forecasted that the growth of the Bangladesh economy may be around 3.8 per cent in the just-concluded fiscal year, which is way lower than the 8.15 per cent recorded for fiscal 2018-19.

“The impact would be huge on all industries,” Chowdhury said.

Under these circumstances, the government needs to focus on treasury management, rationalising and prioritising projects and agricultural development.

As industrial production is yet to pick up, tax and duty are also going to be slid through lower imports.

“So, every penny of the government’s spending should be well-managed so that there is maximum return,” Chowdhury said.

For the private sector, all the companies need to take care of the safety and healthcare measures for employees, he said.

“It is important because when you fight against an adverse situation, you need to fight to take all the team members on board. The safety measures may motivate the employees. When employees are motivated, a firm gets its result automatically.”

The market leader in the paints industry, Berger has made available all types of safety and healthcare equipment for its employees after the outbreak of the contagion. An extra allowance has been given for using designated transportation rather than public transport.

The multinational company has gone one step further and distributed safety and health equipment among external stakeholders such as painters, dealers and shopkeepers as well. It disbursed more than Tk 1.75 crore among the painters, allowing insurance policy for them



Mohsin Habib Chowdhury

along with dried foods.

Innovation should be at the heart so that every opportunity in any area can be seized, Chowdhury said.

As part of the innovation drive, Berger has introduced some new products and services even during the pandemic and some are in pipeline. It rolled out a hand sanitiser under the brand name Mr Expert.

“We have offered a safe painting service so that people need not be worried about running painting activities. They can get full painting solutions from us safely,” said Chowdhury, who joined Berger in 1995.

The company also initiated a sanitisation service under which its service team member works for a periodical sanitisation of customer’s places, whether homes, premises or offices.

The service, available in Dhaka and Chattogram, is intended to provide consumers with a safe environment from all kinds of virus and germs, including coronavirus.

The research and development team is working to bring in a new product, anti-microbial coating. The anti-virus coating provides long-term protection, can’t be washed out and lasts for the lifetime of the painting coat product.

“The coating protects our consumers against the virus. We already have an antibacterial

coating, which is our Breathe Easy series. However, this particular microbial coating that we are currently working on will protect against a virus similar to coronavirus.”

Once the anti-microbial coating is applied on a surface, it causes no dis-colouration and any adverse effect, he said, adding that the company is bringing some textile products too.

The financial portfolio has to be well-managed because all companies don’t have sound financial health, according to Chowdhury.

Expenditure management should be very meticulous so that investment in the necessary stage can be made and cash flow can meet the demands of necessary expenditure.

“Since revenue for all the companies is drying up, expense management should be looked into so that they can invest whenever it sees a profitable place,” Chowdhury said.

Berger is a debt-free company and it hopes to withstand the current storm while optimising expenditure. “Enough cash-flow is very important in this juncture and we are mindful about that.”

The financial situation needs to be shared with a company’s stakeholders, especially employees, he said.

“Then employees would realise the condition of the company, how much they

should earn and how they should spend. Then transparency and confidence would be there and employees would be motivated to do their best for the betterment of the company.”

Digitalisation is also required so that customers from all corners can be in touch with the company online, Chowdhury said.

“Berger has already sailed its boat for digitalisation so that there would be no communication gap between our company and consumers.”

The pandemic had a detrimental impact on the paint industry as the construction industry has screeched to a halt owing to the shutdown.

Before the onslaught of the pandemic, Bangladesh’s painting industry had been growing at 7 to 8 per cent per year in keeping with the economic growth of 7 to 8 per cent.

Businesses have been impacted because of the drastic drop in demand. For instance, demand for paints plunged about 50 per cent.

“This year, the painting industry will grow

of the Bangladesh Paint Manufacturers Association.

The situation is getting better because of the part resumption of economic activities.

“We hope July would be a good month for everybody as most of the businesses are trying to make up the losses they had incurred due to the shutdown.”

The government implemented a general shutdown from March 26 to May 30 to contain the spread of the contagion.

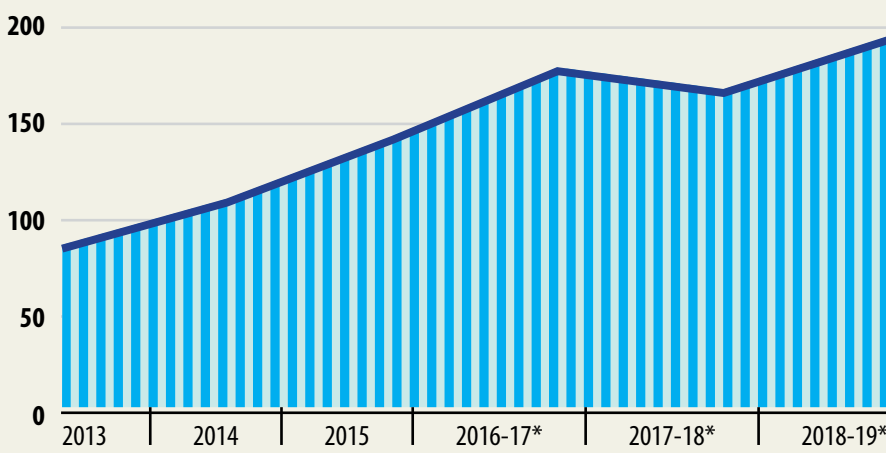
As there is no silver-bullet cure for the virus, companies need to survive in the coming months by taking precautions, Chowdhury said.

“We all should be prepared mentally that 2020 would be the worst year,” he said, adding that the last quarter of the year would be better than the April-June quarter.

He said the government has taken the right steps so far and it needs to improve the testing facilities across the country and make sure isolation of the infected people to stop the

## NET PROFIT OVER THE YEARS

(in Tk cr); \*Apr-Mar



hardly. 2020 would be a very tough year for the construction industry as a whole and the paint industry as well,” Chowdhury said.

There are some activities involving mega projects though they are moving at a slow pace.

“The re-painting segment can pick up this year,” said Chowdhury, a former vice-president

raging contagion.

Listed on the Dhaka Stock Exchange in 2006, Berger provided 250 per cent cash dividend in 2019, 200 per cent in 2018, 600 per cent in 2017 and 370 per cent in 2015, according to the DSE data.

Its share ended 1.71 per cent higher at Tk 1,331 on Thursday.

# Is duty-free facility enough to boost export to China?

SHAFIQUEL ISLAM

On June 16, 2020 China declared duty-free export facilities for the least-developed countries (LDCs), including Bangladesh on 97 per cent of their tariff line. The media reports that followed mentioned that China was going to provide duty-free export benefits to an additional 5,161 products from Bangladesh, taking the total number of products to 8,256, including the items admissible under the agreement of the Asia Pacific Trade Agreement (APTA).

The media reports gave a clear sense of prediction that with such a duty-free facility, exports from Bangladesh to China are going to be boosted in the near future at a significant level. People expect to grow our exports to the Chinese market, the most populous and the second-biggest economy in the world.

However, that expectation needs to be evaluated based on ground reality. We need to think first on whether the extension of the duty-free facility will help grow our exports. Then based on the proper evaluation, we should fine-tune the strategy and the government policy to enhance Bangladesh’s exports to the Chinese market.

When China first declared the LDCs package of the duty-free facility in 2010, it covered about 61 per cent of their tariff line. Bangladesh availed such facility. Since the scheme was implemented, Bangladesh has been enjoying duty-free export facility on 5,054 products in China.

China extended the facility covering about 97 per cent of the tariff line in 2013. However, it attached a condition of signing a ‘Letter of Exchange’ by the beneficiary LDCs to avail the facility. Signing such a letter of exchange practically meant that any other benefits availed under any regional trading arrangements had to be sacrificed.

China and Bangladesh are the members of the APTA and both countries are availing duty benefits for each other’s products. So, Bangladesh needed to sacrifice APTA benefits if it wished to avail the Chinese-extended package for the LDCs. The fourth round of trade negotiation under the APTA, which started in 2006, completed in 2017 where all the member countries offered greater concessions than before to the other members.

The APTA is a preferential trading arrangement where the members do allow duty concessions ranging from 5 per cent to 100 per cent on a certain percentage of the tariff line for the products to be exported from

the other members.

China, following the fourth round of the APTA negotiation, allowed duty benefits to 2,191 products under ‘General Concessions’ applicable for all other members and for 181 products under ‘Special Concessions’ applicable for the LDC members (Bangladesh and Laos) and it was implemented on July 1, 2018.

In the Chinese offer under the APTA, duty concessions for most of the products given under the ‘General Concessions’ were 35 per cent while the same was 100 per cent for most of the products under the ‘Special Concessions’. Moreover, many of the products under the ‘Special Concessions’ were from the textile and leather sectors, which are considered more sensitive.

to China was worth \$791 million in fiscal year 2014-15, \$808 million in FY16, \$949 million in FY17, \$695 million in FY18, \$831 million in FY19 and \$557 million in July to May period of FY20.

Exports declined in the FY20 because of the Covid-19 pandemic. But the reasons for very little export growth or even decline in the remaining years are not understood. While Bangladesh’s exports to the other countries, including the US and Europe showed very impressive growth over those years, the same to the Chinese market looked pathetic. That reality proves that duty-free export benefits, though helpful is not the major factor for boosting exports. Rather, other factors, including price competitiveness play a vital role.

the APTA negotiations.

Facing such a situation, Bangladesh requested China to bilaterally consider granting duty-free status on 17 products. The products included underpants and briefs for men and women, swimwear and tracksuits, sacks and bags made of polythene and polypropylene for packing articles, duster cloths, footwear soles made of rubber, textile and plastic, lead-acid accumulator, clothing accessories made of leather, plastics as packing materials, tobacco stripe and maize cereal.

China responded that out of the items requested, one (maize cereal) is not included in the package offered duty-free for the LDCs and the remaining 16 products could be allowed once Bangladesh signed the ‘Letter of Exchange’.



Bangladesh, as an LDC, is entitled to duty concessions for the products under both concessions.

Major export items from Bangladesh to China include jute and jute products, plastic products, rawhide and skins, frozen fish like crabs and live eel fish, sesame seeds and cotton waste products.

Bangladeshi exporters are entitled to export most of the products to China duty-free since 2010. Additionally, duty benefits are enjoyed since long for many products from Bangladesh to China under the third round of the APTA negotiation. Because of the fourth round of negotiation, Bangladesh enjoys duty benefits at different rates for 2,372 products.

Despite all the duty benefits, exports to China are not growing much. According to the Export Promotion Bureau (EPB), total export

An analysis of the export trend to China reveals that most of the export items from Bangladesh do vary a lot. The export amount for most of the products is very fluctuating. It is true for all the time even if one excludes the very abnormal fiscal year of 2019-20. There was good growth for some items in a year or two before they slid in the following year. The only exception is ready-made garments, which showed consistent positive growth over the years, whatever little it be.

Before July 1, 2020, all the potential export items from Bangladesh were not entitled to duty-free entry into China. It happened as the extended offer from China covering 97 per cent products from the LDCs came in 2013 subject to signing a ‘Letter of Exchange’ and Bangladesh was not in a position to ink it sacrificing the duty benefits available under

Now with the recent declaration from China on allowing duty-free to 97 per cent products without sacrificing any duty benefits available under the regional trade agreements such as the APTA, the 16 products can be exported to China without any duty. Any other products under the package are entitled to the duty-free facility from now on to the Chinese market.

An analysis of the export status of the 17 products reveals that there were no exports of at least five products – clothing accessories made of leather, plastic as packing materials, tobacco, maize cereal and accumulator – in the last three years. Moreover, the remaining products had very little amount of export to China.

Products having either no actual export or very insignificant amount of export at

present are most likely not to have substantial exports even after its duty-free status. Thus, it can be very logically assumed that the recent declaration of China on allowing duty-free export facility for Bangladeshi products is not enhancing Bangladesh’s exports there. If it grows, it will be for other reasons.

China is called the ‘Factory for the World.’ In terms of quality consideration, their products are so cheap that anyone can hardly dare to challenge them. Many of the products made in Bangladesh are also made there.

China is the top exporter in the world for so many products, including footwear and ready-made garments. Still, they produce a lot of products which Bangladesh does produce and export. So, it will be very challenging for Bangladesh, along with other developing countries, to capture a substantial share of Chinese domestic markets as long as China keeps its price competitiveness and produces those products.

The good news is that with its impressive economic growths over the years, China is moving forward to the higher value chain of economic activities. Chinese producers are gradually facing the higher cost of doing business and many of them are relocating to the other countries with cheap labour and reasonably good infrastructure.

In consideration of that reality, Bangladesh needs to emphasise framing policy positions accordingly to lure Chinese investors. More and more foreign direct investment from China should be the focus of our export development strategy.

With the establishment of factories in Bangladesh, the Chinese investors, on the one hand, can have available and cheap labour as required and on the other hand, the manufactured products could be exported to China with duty-free facilities. That will also benefit Bangladesh with greater employment generation as well as export growth. Thus, the utmost efforts should be given on the proper development of infrastructure, both physical and non-physical to attract foreign investors, especially from China.

Moreover, approval and facilitation should be provided to Chinese investors interested to establish the ready-made garments factories outside the export processing zones and special economic zones. If those are done properly, Bangladesh’s export to China will grow at the expected level with the utilisation of the recently declared duty-free facilities.

The author is a former additional secretary