

Revamp efforts to secure market access, seek more American investment

Pran awaits gas supply to expand Tk 100cr Rajshahi pulping estate

Business leaders, economists say about steps after change in US leadership

REFAYET ULLAH MIRDHA

Any major trade benefit on the export of goods bound for the US from Bangladesh with the changeover in power is unlikely as Washington rarely alters tariff structures on the import of apparel items.

However, the power shift may open the door for Dhaka to step up its efforts to secure preferential market access and investment from the US, according to experts and industry leaders.

Their comments came as American voters chose Democrat Joe Biden as the 46th president of the US.

Of the total shipment to the US from Bangladesh, nearly 95 per cent includes the apparels. But the US government has never cut

Bangladesh's apparel exporters face 15.62 per cent tariff, one of the highest, in the US markets. The rate is far lower for countries like China and Vietnam.

Mustafizur Rahman, a distinguished fellow of the Centre for Policy Dialogue, said Bangladesh might not get any major benefit on the export of garment items to the US because the tariff on the imports is fixed on the most-favoured-nation basis.

Rather, the new Democrat government might impose more stringent conditions on labour and compliance issues practised in Bangladesh.

"Historically, the democrats are always more careful about global human rights, labour rights and compliances in industries compared to the Republicans."

Group, a top local garment exporter, said there might not be any extra benefit due to the change in the administration in the US.

Of his total garment shipment, 90 per cent are destined to the US. Some of his clients include GAP, American Eagle, JC Penney, Abercrombie and Fitch and VF Asia.

However, if the Biden administration maintains the same policy on China as enforced by the Trump administration, Bangladesh might benefit from shifting of work orders from China, Azad said.

Before the Covid-19, local garment manufacturers were receiving work orders moving away from China, but the pandemic stopped the shift.

"A lot of major US retailers and brands had contacted me to source more garment items. The pandemic put a halt on their plans. I hope they will revive their plans once the pandemic is over."

During the fifth round of meeting under the Trade and Investment Forum Agreement (Ticfa) in August, Bangladesh sought more American investment in potential sectors like the pharmaceutical. The issue of reinstating the GSP for certain Bangladeshi products was also raised.

Before the country's GSP status was suspended, Bangladesh shipped products worth \$24 million to the US under the preferential trade treatment.

As much as 97 per cent of the goods of Bangladesh-origin had enjoyed the duty-free access to the US markets as a least developed country. The country's main export item, garment, was not included in the package.

Rubana Huq, president of the Bangladesh Garment Manufacturers and Exporters Association, said: "We can't predict trade based on the shift of the US administration.

"We also have to consider the dynamics of the US economy which is going through a slowdown at this moment and how the second wave of the Covid-19 unfolds in the US."

There may be some shifts in the trade policy between Trump regime and the upcoming Biden administration which may reshape the US trade relationship with China and Vietnam, she said.

"To be more specific, lifting off the punitive tariff imposed by the US on China and reopening of the Trans-Pacific Partnership (TPP) discussions would certainly not be favourable for Bangladesh."

"Yet, the dynamics of China's competitiveness in apparel items and the capacity of Vietnam vis-à-vis Bangladesh in the products that we manufacture tilt [the balance] to our favour somewhat."

In contrast, Huq said, the power shift may equally open the door for Bangladesh to revamp its efforts and lobby in the US for market access since it has been making so much of progress in the area of sustainability.

ANWAR ALI, Rajshahi

Having already invested Tk 100 crore to establish an industrial estate in Rajshahi's Godagari upazila in 2017, Pran is planning expansions there, subject to government assistance, including the supply of natural gas.

The zoned area on 34 acres of land in Godagari's Amanatpur village currently houses equipment to pulp agricultural produce before those are sent off to its other plants for further processing and packaging.

Factory activity is currently seasonal, based on the availability of mango, tomato, guava and olive.

The list is set to get bigger very soon as the country's biggest food processor aims to work with watermelon, pineapple, cucumber and aloe vera.

"We have prepared a new plant for producing frozen food and noodles to export those from Rajshahi," said Chowdhury Kamruzzaman, director of marketing of Pran-RFL Group, yesterday.

"We have already applied for gas supply. When we get it and other assistance from various government agencies, we will go into production," he said while exchanging views with journalists at the estate, Barind Industrial Park.

Using alternative fuels such as furnace oil and diesel will raise costs fivefold, he said.

The estate already employs 1,500 people and the new plans promise jobs for at least another 5,000 people, about 95 per cent of whom is being planned to be sourced from the locality.

If an enabling environment prevails, many others will come over to set up

their operations in this region, said Kamruzzaman.

Pran chose Godagari to source the region's quality agricultural products directly from farmers. This not only lowers transportation costs for growers but takes out the need for middlemen, he said.

Prior to 2018, farmers sometimes had no option but to leave tomatoes out to rot in the field because the prices had gotten too low and there was a lack of buyers, said the park's deputy general manager, Sayed Md Sarowar Hossain.

The situation has now dramatically changed with tomato cultivation increasing day by day because farmers are getting fair prices, he said.

"We prioritise the collection of quality raw materials so that customers can get standard products," he added.

Pran is said to create pulp using aseptic technology. Aseptic means free from contamination caused by harmful bacteria, viruses, or other microorganisms.

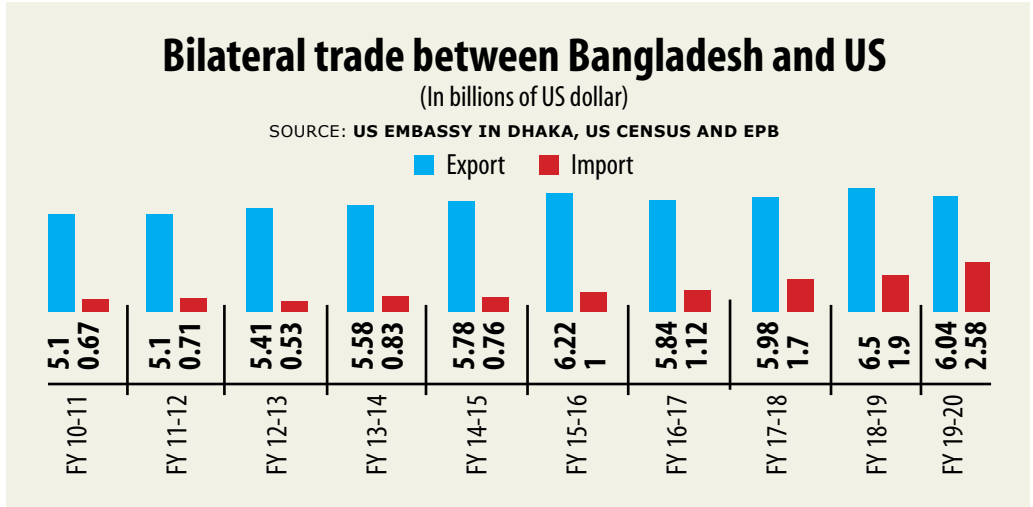
The process involves filling the cooled food products into airtight sterile containers under aseptic conditions enabling safe storage at room temperatures

What remains after the pulping is used to generate compost fertiliser for farmers.

"We produce organic fertilizer and energy from the wastages, so there is no environmental concern. Liquid waste is treated in a modern effluent treatment plant," he said.

The estate is one of the 23 Pran has in 16 locations across the country, employing more than 1 lakh people.

The conglomerate does not want to stop at exporting to 141 countries. "We will soon set up industries outside the country as well," said Kamruzzaman.



the import duty on apparels and the garment has remained excluded in the list of the items that have been granted the Generalised System of Preferences (GSP).

The GSP status for Bangladesh has remained suspended since June 2013 after the nation's deadliest industrial incident Rana Plaza building collapse in April 2013 that left 1,138 workers dead and more than 2,500 workers injured.

The current tenure of the US GSP scheme is coming to an end next month and unless the Congress renews the preferential trade scheme, Bangladesh would have little possibility of gaining any extra benefit with the shift of power in the US, the south Asian country's single largest export destination.

Currently, 120 developing countries and territories are GSP beneficiaries, according to the US GSP Review Book.

In 2018, products valued at \$23.8 billion entered the US duty-free under the programme, out of \$238.4 billion worth of total imports from GSP-eligible countries. The US imports from all countries amounted to \$2.6 trillion in the year.

Bangladesh may seek US investment. The Trump Administration has some reservations on foreign investment by American companies.

"Bangladesh can lobby with US companies to attract investment from major American conglomerates as the Democrat governments are liberal on foreign investment," Rahman said.

Furthermore, Bangladesh can seek supports from the Biden administration at various multilateral forums like the World Trade Organisation for the extension of the Trade-Related Aspects of Intellectual Property Rights so that the country's pharmaceuticals industry benefits.

So far, the US government has allowed duty-free benefit on apparel imports only to some African countries under the African Growth and Opportunity Act (AGOA).

However, the beneficiary nations are failing to fulfil the expectation on the garment export to the US as they are not strong in apparel manufacturing and do not have adequate facilities to produce clothing items as per the demand of American customers.

AK Azad, managing director of Ha-Meem

Vaccine news prompts Asian share rally but signs of weakness emerge

REUTERS, Hong Kong

Asian share markets mostly rose on Tuesday as global investors applauded successful trial data for a coronavirus vaccine, although expected delays to any mass roll-out took the gloss off early gains.

European futures trading during the Asian session were indicating a weaker open of at least 1.2 per cent, while US

per cent in early trade.

Singapore's Straits Times gained 2.94 per cent to take the index to its highest point since June.

Despite the optimistic tone across the region, there was some weakness in China, with the CSI300 Index slipping 0.17 per cent.

Analysts attributed the decline to the heavy exposure of China's indices to tech stocks, which came under pressure as



REUTERS/FILE

A worker in protective suit takes body temperature measurement of a woman inside the Shanghai Stock Exchange building, at the Pudong financial district in Shanghai, China.

futures showed a potential fall of at least 0.5 per cent after Monday's steep market gains.

The positive tone in Asian equities came after Pfizer Inc said its COVID-19 vaccine, developed with German partner BioNTech, was more than 90 per cent effective in preventing infection, marking the first successful results from a large-scale clinical trial. Major Asian markets soared on the vaccine news before weakening later in the session.

Japan's Nikkei ended up nearly 0.3 per cent after being 1.1 per cent higher in early trading, touching a 29-year high. Australia's S&P/ASX 200 closed 0.66 per cent higher after trading up as much as 1.6 per cent, while Hong Kong's Hang Seng index was at 0.77 per cent in the afternoon after rising 1

investors eyed less consumer reliance on technology if a vaccine leads to an easing of movement restrictions.

MSCI's broadest index of Asia-Pacific shares outside Japan was 0.1 per cent higher.

"The market is looking forward to a more sustained solution to the pandemic and that is why we have seen such a sharp reaction," said Tai Hui, chief Asia market strategist at JPMorgan Asset Management

However, he sounded caution over the speed in which the vaccine could be implemented.

"Given more tests are needed, then the approval process. Manufacturing and distribution would mean the vaccine, if truly effective, is still months away from mass deployment."

STAR BUSINESS REPORT

The government is planning to set up a modern packhouse and a certified laboratory to boost the export of agricultural products.

A packhouse is a facility where fruits and vegetables are received and processed before distributing them to markets.

A two-acre plot in the capital's Purbachal area has already been awarded to the agriculture ministry for the project.

Quick initiatives will be taken to expedite the construction of the packhouse, said Agriculture Minister Muhammad Abdur Razzaque.

Once built, the number of fruits and vegetable shipments to the EU, the Middle East and other regions will increase manifolds, according to a press release.

"Agriculture will be able to make a huge contribution to the overall economy of the country," he added.

KEY POINTS

- » A two-acre land in Purbachal has been awarded to the agriculture ministry for the house
- » Construction of the state-of-the-art facility will start soon
- » The house and lab will help in increasing export of fruits and vegetables abroad, including Europe and Middle East
- » It will also help in gaining globally accepted certifications for packaging and safe food
- » Goods transportation will be easier from the house as it will be established in the vicinity of the airport

Huawei to sell smartphone unit for \$15b to Shenzhen government, Digital China, others

REUTERS, Hong Kong

Huawei plans to sell budget-brand smartphone unit Honor in a 100 billion yuan deal to a consortium led by handset distributor Digital China and the government of its home town of Shenzhen, people with knowledge of the matter told Reuters.

The plan comes as US restrictions on supplying Huawei Technologies Co Ltd force the world's second-biggest smartphone maker - after South Korea's Samsung Electronics Co Ltd - to focus on high-end handsets and corporate-oriented business, the people said.

It also indicates little expectation for any swift change in the US perception of Huawei as a security risk following a new US administration, one of the people said.

The all-cash sale will include almost all

assets including brand, research & development capabilities and supply chain management, the people said. Huawei could announce it as early as Sunday, one of the people said.

Main Honor distributor Digital China Group Co Ltd will become a top-two shareholder of sold-off entity Honor Terminal Co Ltd with a near-15 per cent stake, said two of the people. Honor Terminal was incorporated in April and is fully owned by Huawei, the corporate registry showed.

Digital China, which also partners Huawei in businesses such as cloud computing, plans to finance the bulk of the deal with bank loans, the two people said. It will be joined by at least three investment firms backed by the government of financial and technology hub Shenzhen, with each owning 10 per cent to 15 per cent, they said.

After the sale, Honor plans to retain most of

its management team and 7,000-plus workforce and go public within three years, the people said, declining to be identified due to confidentiality constraints.

Honor declined to comment. Huawei, Digital China and the Shenzhen government did not immediately respond to requests for comment.

"It seems to be a drastic move given the Honor brand has been highly complementary to Huawei's smartphone portfolio," said Nicole Peng, vice-president of mobility at market research firm Canalytics.

"The interesting synergy with potential buyers actually can be Honor's IoT (Internet of Things) business, which can see potential upside."

Honor is one of several brands aiming to turn their phones into control centers for internet-connected devices such as home appliances, to capture a potential market for future growth.



People are seen in front of Pran-RFL Group's Barind (Varendra) Industrial Park at Godagari, Rajshahi yesterday.

PHOTO: STAR