

# Recovery of apparel exports top priority

*BGMEA President-elect Faruque Hassan says in an interview after his election victory*

REFAYET ULLAH MIRDHA

Faruque Hassan, the president-elect of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), has vowed to beef up international marketing to recover the apparel export losses that stemmed from the fallout of the coronavirus pandemic.

Earnings from apparel shipment, which contributes about 85 per cent to national shipment, declined to \$27.94 billion in the last fiscal year from \$34.13 billion a year ago as the crisis battered global economies and caused demand to collapse.

"My first job would be to revive our export earnings so that factories operate well, nobody loses jobs, and the economy runs well," said Hassan, also the managing director of Giant Group, one of the leading garment exporters.

Hassan is set to take charge of the association on April 20 for a two-year term after leading his Sammilita Parishad to a convincing win in the biennial polls on Sunday.

His panel bagged 24 posts, and another panel Forum got 11 out of a total of 35 posts of directors. Some 1,604 out of 1,852 voters voted in the Dhaka zone, and 392 voters in the Chattogram zone cast their votes.

The entrepreneur said he would involve foreign missions of Bangladesh, the foreign and commerce ministries, and international retailers and brands in the marketing drive of the BGMEA, both in major traditional markets and non-traditional markets.

"We will continue our efforts to brighten the image of the sector. We will negotiate with international buyers and communities to increase the prices of the garment items exported from Bangladesh."

He heaped praises on the outgoing BGMEA board for some commendable jobs, including improvement of working conditions and compliance, raising the number of green garment factories, technology upgradation, setting up of modern machinery, improving capability, facilitating the production of more value-added items, and making artificial fibre available in the domestic industry.

"I will continue the good works of the outgoing board and implement our pledges so



Faruque Hassan

that we can do better together in the coming days as we are facing a lot of challenges due to the current volatile global business situation."

According to the entrepreneur, Bangladesh can export more garment items made from artificial fibre, known as manmade fibre, and local suppliers can immediately get at least 10 per cent higher prices since the demand for such products is higher compared to those made from cotton.

He said the government's cash incentives on export receipts should be given with purposes as the effective rate of purposeful incentive was higher than the flat incentive.

The government now gives 1 per cent cash incentive in all markets, 4 per cent on exports to new destinations and 5 per cent cash incentives on the use of local yarn for garment manufacturing and exports.

The export to the non-traditional markets grew after the government announced 4 per cent cash incentives for new destinations in fiscal 2008-09. Bangladesh's apparel shipment to emerging markets stands at about \$6 billion,

which was nearly \$600 million a decade ago.

Except for the EU, the UK, the US, and Canada, Bangladesh considers all other export destinations as non-traditional markets.

The country's primary textile sector has turned into a strong backward linkage industry for the garment sector because of the incentive.

Hailing from Thakurgaon, Hassan studied at Dhaka Residential Model College, Dhaka College and at the University of Dhaka. He started his journey as a garment entrepreneur in 1985 after finishing his post-graduation in management from the DU.

Giant Group exported \$30 million worth of garment items last year and currently employs 6,000 workers.

His election victory came on the eve of the new restriction on the movement of people and transport as the government looks to curb the rising cases of coronavirus infections.

The move came at a time when factories were reviving from the losses they had incurred during the countrywide lockdown enforced in April and May last year.

"It would be very difficult for them to run business and make a profit if the lockdown prolongs," he said.

Hassan did not think that factories would face any difficulties in running operations as they were prepared to tackle the challenges of Covid-19 infections. "Almost all of the factories have isolation beds and medical facilities for the workers in case of infections."

Hassan said the next three months would be very crucial for the apparel sector because of the volatile market situation as most of the major export destinations were still in lockdown, which kept the demand for apparel items at a lower level.

He urged the government to defer the repayment period for the loans going to the apparel businesses.

"The central bank should give deferral payment facility to manufacturers so that they can run the business smoothly during the crisis."

If manufacturers can't run business, the back-to-back letters of credit will be paused, and the whole cycle of business will come to a standstill, he said.

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## Lift supplementary duty

*Ceramic makers demand*

JAGARAN CHAKMA

Ceramic manufacturers have demanded the withdrawal of supplementary duties on tiles and sanitary products at production stage to protect the local firms and recover from the losses caused by the coronavirus pandemic.

Firms pay 15 per cent supplementary duty while selling tiles at the mill gate and 10 per cent duty on sanitary products. There is no supplementary duty on tableware.

The country has to import raw materials such as zirconium silicate, cover coat, printing ink, lavatory seats and covers, flushing equipment, and tank fitting to make ceramic products.

"The production cost has increased by Tk 3 to Tk 5 per kg due to the gas price hike in 2019," said Md Shirajul Islam Mollah, president of the Bangladesh Ceramic Manufacturers and Exporters Association (BCMEA).

He made the comment in his budget proposal to the National Board of Revenue (NBR) in the first week of March.

The government raised gas price by 37.89 per cent for industrial use in July 2019. The gas price hike increased the cost

of ceramics production by 10 per cent, industry people said.

Mollah said the ceramic sector had high potential. But, the sector is competing with foreign firms that have better technology, raw materials, and equipment whereas Bangladesh is dependent on the import of raw materials and technology.

Against this backdrop, he demanded an adjustment of the weight of moisture and reduction in customs duty.

He urged the NBR to stop under-invoicing during the import of finished products to save the local industry.

Irfan Uddin, general secretary of the BCMEA, said the sector would face long-term challenges in its efforts to restore the business as consumers tend to avoid purchasing luxury items during the pandemic.

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Production cost has increased by Tk 3 to Tk 5 per kg due to gas price hike in 2019, industry insiders said.

PHOTO: STAR/FILE



## GLOBAL BUSINESS

## Asian markets rise after forecast-busting US jobs data

AFP, Hong Kong

Equities mostly rose in Asia yesterday following a forecast-busting US jobs report and as investors kept tabs on the progress of Joe Biden's latest economy-boosting spending package.

With holidays keeping business limited, trading was light, but the strong employment reading on Friday provided healthy support, while eyes turn to the upcoming earnings season.

The US Labor Department said the world's top economy created more than 900,000 jobs in March, far more than expected and reinforcing the view that it is well on the recovery track after last year's virus-induced collapse.

"We can expect one million-plus prints

they expect the gains to be a little harder.

"We are not doubting the market's expectations of strong US economic momentum," Eric Robertsen, of Standard Chartered Bank, said.

But the market has also priced in much of the good news up front.

Focus now turns to Washington, where lawmakers are preparing to discuss Biden's \$2.25 trillion infrastructure plan, which he has said will create millions of jobs for struggling Americans.

Talks on the package come as the White House's recently passed \$1.9 trillion stimulus begins to filter through, with \$1,400 cash handouts being delivered.

And the chances of the latest spending surge getting through Congress were given a boost at the weekend after a top Senate



A man wearing a face mask stands in front of an electronic board showing Nikkei and other countries' stocks in Tokyo.

PHOTO: REUTERS/FILE

if the US vaccination efforts stay on track," said OANDA's Jeffrey Halley.

Meanwhile, upward revisions to figures in January and February meant 156,000 more jobs than previously flagged were created. Tokyo, Seoul, Singapore and Manila were all in positive territory, though Jakarta and Bangkok fell.

Mumbai sank more than two percent as India continues to struggle with surging virus infections, which have forced the government to impose limited lockdowns in Maharashtra state.

However, observers said that while they expect markets to continue their upward march this year as vaccination programmes progress and the global economy reopens,

Republican said the president could get an "easy bipartisan win" if he concentrated on physical improvements such as rebuilding roads, bridges and airports.

While many in the party oppose the planned tax hikes pencilled in to pay for the scheme, Roy Blunt, the chairman of the Senate Republican Policy Committee, called on Democrats to focus on the traditional pillars of infrastructure.

Axi strategist Stephen Innes said: "The infrastructure package could have an enormous impact on a veritable smorgasbord of areas in the real economy, including traditional infrastructure, construction, repairs of roads, bridges, transport infrastructure and utility lines."

AFP, Singapore

Chinese tech giants are expanding in Singapore as they face a crackdown at home and growing pressure in other key markets -- but they may struggle to find talent in the city-state.

Messaging-and-gaming behemoth Tencent is opening a hub and TikTok owner ByteDance is on a hiring spree after establishing a regional HQ, while e-commerce giant Alibaba is investing in property and recruiting.

The tech firms are shifting their focus to booming Southeast Asian markets as authorities tighten the screws at home amid concerns about the platforms' growing power.

Regulators have launched a blitz on the sector, hitting several firms with heavy fines, and threatening to slice up massive companies whose reach now extends deep into the daily lives of ordinary Chinese.

Meanwhile, festering tensions between Washington and Beijing after an assault on Chinese tech titans during Donald Trump's presidency make the United States an unattractive prospect, and



REUTERS/FILE

Tik Tok logos are seen on smartphones in front of a displayed ByteDance logo in this illustration.

problems abound elsewhere.

"Chinese tech companies are facing regulatory pressures and sanctions from governments in other countries, notably the US but also other nations such as India," Rajiv Biswas, Asia Pacific chief economist at IHS Markit, told AFP.

India has banned a swathe of Chinese apps since a border clash

last year, while the European Union and other Western powers recently imposed sanctions over China's treatment of the Muslim Uyghur minority, prompting retaliatory sanctions.

But Singapore, a prosperous financial hub, maintains good ties with Beijing and the West, and tech firms have come to view it as a

safe bet to expand their operations without upsetting either side.

In the current climate of geopolitical uncertainty "Singapore is considered as a more neutral country", Chen Guoli, professor of strategy at the Singapore campus of business school INSEAD, told AFP.

In addition, long-running turmoil in traditional rival Hong Kong may have dimmed its appeal, although observers stress other factors are likely more important.

The influx of Chinese cash will be welcome in Singapore, whose economy has been hammered by the coronavirus and which is seeking to build itself up as a tech centre. It is already home to major offices of US tech titans Facebook, Google and Twitter, while ByteDance recently moved into bigger offices in the financial district, and has launched a hiring drive.

Between September and February, a third of ByteDance's job postings were in Singapore, more than twice the ads it placed in China, with a focus on hiring specialised engineers, said Ajay Thalluri, an analyst with data and analytics firm GlobalData.

## More liquidity means more instability on Wall Street

AFP, New York

The collapse of the Archegos fund is only the most recent example of how extreme liquidity can make financial markets more volatile and sometimes lead to bizarre outcomes.

Another dramatic instance came in late January, when shares of GameStop suddenly skyrocketed following a buying frenzy coordinated by retail investors eager to defend the video game retailer from funds betting against the company.

Shares of GameStop have since retreated, but the episode shined an uncomfortable light on online trading platforms and speculative investment funds involved in the financial melee.

In the case of Archegos, leading



AFP/FILE

A Wall Street sign hangs at the New York Stock Exchange at Wall Street in New York City.

banks appear poised for hefty losses following billions of dollars in sudden stock liquidations by a fund that had large market exposure backed by very little cash.

Then there has been the wave of SPACs (special purpose acquisition companies), which have entered public markets through transactions with fewer rules than traditional stock offerings.

All of these cases show how a flood of liquidity in the wake of accommodative monetary policy is changing Wall Street.

"Stocks have risen extremely quickly from their lows last March, but there is still plenty of liquidity out there," said Gregori Volokhine of Meeschaert Financial Services.

The Federal Reserve has been aggressive in pumping funds into the financial system.