

star BUSINESS



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CHINA

- A source of massive worldwide investment
- Second largest economy (\$20tr); largest in PPP \$ (\$30tr)
- Largest exporter (\$3.3tr)
- Second largest importer (\$2.7tr)

BANGLADESH-CHINA ECONOMIC ENGAGEMENTS

- Historical relationship, geographical proximity
- Duty-free market access for Bangladesh

LACKLUSTRE PERFORMANCE OF EXPORTS TO CHINA: \$680M IN FY2021

- Bangladesh imports \$13b (25% of all its imports) from China
- China accounts for just 2% of Bangladesh's exports
- Bangladesh exports to China less than \$700m
- Imports from China are important for Bangladesh's overall exports

BANGLADESH HAS AN EXTENDED DUTY-FREE MARKET ACCESS IN CHINA

- In 2020, China offered duty-free access in 97% tariff lines (or 8,547 Bangladeshi products)
- Previously, Bangladesh was enjoying tariff-free access for 61% items under GSP and APTA
- In FY2022, China added 383 new products to the list, making the duty-free lines 98% or 8,930 items
- On August 7, 2022, China offered duty-free access to 98% of Bangladeshi products

THE MISMATCH

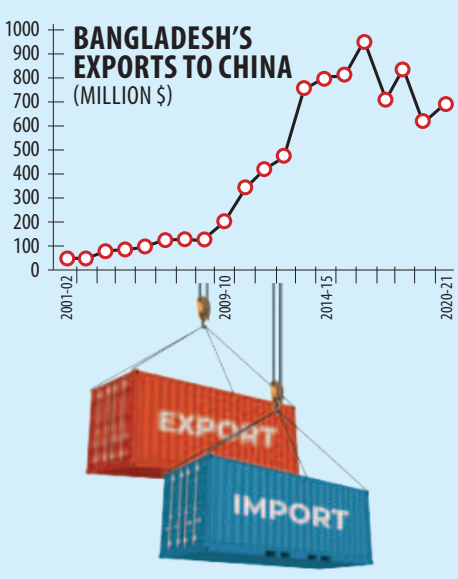
BANGLADESH'S MAJOR EXPORTS TO CHINA

- Non-knit, clothing accessories: 28.2%
- Knitted, clothing accessories: 22.9%
- Vegetables textiles, paper yarn and woven fabrics: 14.1%
- Cotton: 2.08%
- Rawhide, skin and leather: 5.27%
- Footwears; gaiters and like, parts of such articles: 3.05%
- Iron and steel: 1.4%

CHINA'S MAJOR IMPORTS FROM THE WORLD

- Electrical machinery and equipment: 17.4%
- Machinery and appliance: 8.55%
- Mineral fuels, mineral oils and products of their distillation: 14.7%
- Ores, slag and ash: 9.95%
- Organic chemicals: 2.75%
- Vehicles and their parts: 4.48%
- Plastic and articles thereof: 4.06%

BANGLADESH'S EXPORTS TO CHINA (MILLION \$)





SOURCE: BANGLADESH-CHINA CHAMBER OF COMMERCE AND RAPID

Small export basket failing Chinese trade benefit

REFAYET ULLAH MIRDHA

Bangladesh can make little use of the generous duty benefits offered by China simply because of its narrow export basket, with the situation compounded by the fact that the products are low in demand in the East Asian country.

Prior to 2020, China had been offering duty-free access to 97 per cent of Bangladeshi products, or 8,547 types of products to be precise, exported there.

From September, it is to bring within the benefit's purview one more percentage point of products, or 383 new products.

China says it considers Bangladesh an important trading partner and it wants to reduce the trade imbalance between the two countries.

But the problem lies in the fact that of Bangladesh's annual export earnings, more than 84 per cent is generated from garment items, the manufacture of which is a key strength of China.

China says it considers Bangladesh an important trading partner and it wants to reduce the trade imbalance between the two countries

Industrial production slows

Raises question about record import bills

SOHEL PARVEZ

Industrial production has slowed in Bangladesh, official figures showed although surging imports paint a different picture.

According to the Bangladesh Bureau of Statistics (BBS), the general index of manufacturing stood at 489.73 in April, down 6 per cent from 520.90 in March. The manufacturing production grew 4 per cent year-on-year in April.

April was the third month in a row that registered slower industrial production after the score hit 566.19 in January, the highest in three years.

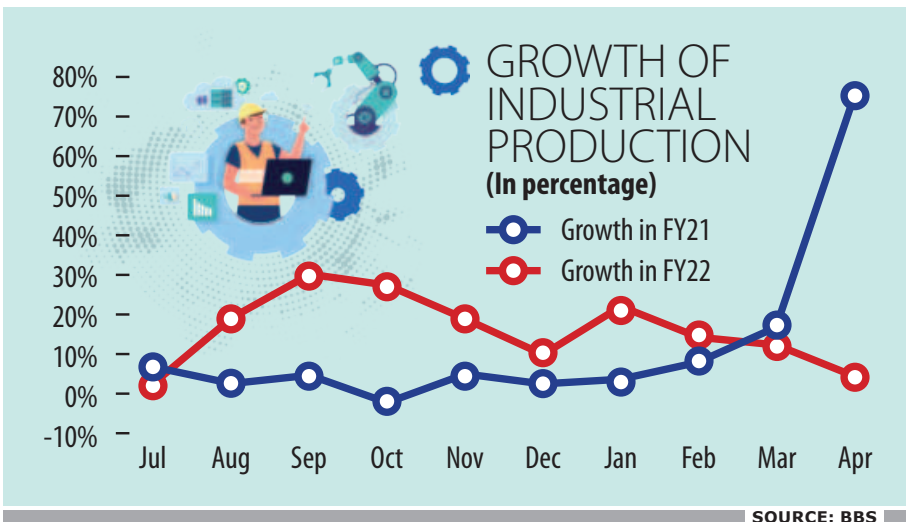
The downward trend came at a time when imports had ballooned to feed the economy rebounding from the slowdown induced by the coronavirus pandemic. The prices of goods and commodities have surged owing to the pent-up demand as global economies make a turnaround and the Russian-Ukraine war.

Bangladesh's imports grew 41 per cent in the July-April period of the last fiscal year. It moderated to 36 per cent at the end of the fiscal year as importers brought in \$82.49 billion worth of goods, data from the Bangladesh Bank showed.

"Industrial production data does not match the import data," said Selim Raihan, a professor of economics at the University of Dhaka.

According to the economist, high imports should have translated into high investment and industrial production.

"Our imports have skyrocketed. Then, why has the overall manufacturing production slowed down? It appears that there was over-invoicing of imports



SOURCE: BBS

which have created undue pressure on the foreign exchange reserves."

Referring to BBS industrial production data, Prof Raihan said there are symptoms even in the closing months of the last fiscal year that the economy is losing steam.

"It may be that the cost of production increased owing to the Russia-Ukraine war and higher inflation."

Industry accounted for 37 per cent of Bangladesh's gross domestic product in the fiscal year of 2021-22, according to the provisional estimates by the BBS.

The national statistical agency collects industrial production data from 965 industries, both public and private, in 22 sectors on a monthly basis to assess the movement of industrial production.

The sectors include food processing, beverages, textile and garments, jute,

leather, paper and printing, petroleum, chemical and chemical products, pharmaceuticals, plastic, steel, cement, edible oil and soap and detergent.

Among the sector, the industrial production for 14 sectors declined while it grew for eight sectors.

The production of jute and cotton textiles, pharmaceuticals, tea and fruit processing and preservation increased in April from the previous month.

On the other hand, the manufacturing of apparels, petroleum products, fertiliser, tiles, cement, paper and paper products, and salt fell.

"It appears that the overall consumption has declined as higher inflation takes a toll on the purchasing power of consumers," said Anwar-ul Alam Chowdhury, president of the Bangladesh

Chamber of Industries.

Khondaker Golam Moazzem, research director of the Centre for Policy Dialogue, said: "What we see is that a number of export-oriented sectors are doing good."

"But it appears the demand for the domestic market-oriented products has declined. It may be that the buying power of people has not increased while the production cost of factories has increased."

Importers bought a 58.2 per cent year-on-year higher readymade garment related goods in FY22, data from the BB showed.

Import of raw cotton was up 39.3 per cent, yarn 115.3 per cent, textiles and allied articles 51.6 per cent, staple fibre 50.9 per cent, and dyeing and tanning materials 24.9 per cent.

The import of intermediate goods, which included clinker for the cement industry, oil seeds, chemicals and pharmaceuticals products rose 63.6 per cent in the last fiscal year.

Capital goods imports, including those for capital machinery, rose 26.35 per cent in FY22.

Zahid Hussain, a former lead economist of the World Bank's Dhaka office, says: "It is a valid question whether there is any discrepancy between export, import and industrial production data. This is because it is not explained by the changes in volume and market prices."

This begets the question about other possibilities, he said.

"There might have been import over-invoicing. But you can't conclude that because in order to reach such a conclusion, you need detailed information."

China is the largest exporter of apparel worldwide. It exported more than \$180 billion worth of clothing items to the European Union and \$90 billion to the US in 2021. The country's import of clothing items from the world amounted to \$9.7 billion in 2021.

So, even if China offers zero-duty benefit to every Bangladeshi product being shipped to that country, there is hardly any scope for Bangladesh to increase its export earnings.

"We cannot enjoy the Chinese duty benefit unless and until we can grow our product basket as China is already very competitive in apparel items in global business," said MA Razaque, research director of Policy Research Institute (PRI).

The demand for Bangladesh-made garment items in China is low as China itself is strong in the manufacture of garment items, he said.

However, now is the time for Bangladesh to utilise the duty benefits in another way – highlighting it to businesses abroad, including those in China, so that they become interested in availing it through investments in Bangladesh, said Razaque.

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STOCKS	
DSEX ▼	CSCX ▼
0.71%	0.52%
6,258.95	18,4387.40

COMMODITIES	
Gold ▼	Oil ▼
\$1,775.10 (per ounce)	\$87.36 (per barrel)

ASIAN MARKETS			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 0.80% 58,853.07	▲ 0.26% 28,249.24	▼ 0.36% 3,270.98	▲ 0.31% 3,236.93

Taka falls further

Hits Tk 95 per dollar on interbank platform

AKM ZAMIR UDDIN

The currency of Bangladesh has depreciated further against the US dollar, hitting Tk 95 on the interbank platform yesterday.

The exchange rate was Tk 94.70 per dollar on Sunday. With yesterday's decline, the local currency has depreciated by 12.02 per cent in the platform in the last one year.

The escalation of import payments against lower export earnings has created volatility in the foreign exchange market in recent months.

Import payments amounted to \$82.49 billion in FY22, up 36 per cent year-on-year, while export earnings grew 33.45 per cent to \$49.24 billion.

In addition, the amount of remittance also came down 15 per cent to \$21.03 billion in the last fiscal year.

These developments have created a shortage of greenbacks, destabilising the foreign exchange market in the process.

The higher outflow against the lower inflow of dollars also reduced the volume of the country's foreign exchange reserves, which stood at \$39.66 billion as of August 3 compared to \$46.15 billion on December 30 last year.

A managing director of a commercial bank, on condition of anonymity, said the majority of banks are now facing a dollar shortage to settle foreign exchange related transactions.

Against this backdrop, lenders are now mobilising remittance from exchange houses abroad by paying up to Tk 112 per dollar to settle their import bills, he added.

The central bank yesterday injected another \$139

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MV Rishad Rayhan arrived at the Mongla sea port yesterday, becoming the first cargo ship to use the facility under the trial run of transshipment of Indian goods destined for the north-eastern states of Assam and Meghalaya of the neighbouring country.

PHOTO: COLLECTED

TRANSSHIPMENT

First batch of Indian goods reaches Mongla port

STAR BUSINESS REPORT

MV Rishad Rayhan yesterday became the first cargo ship to use the Mongla sea port of Bangladesh under the trial run of transshipment of Indian goods destined for the north-eastern states.

The vessel arrived at the jetty No-9 of the port in the southwestern division in the morning from the Kolkata port under the Agreement on the Use of Chittagong and Mongla Port for Movement of Goods from India, Rear Admiral Mohammad Musa, chairman of the Mongla Port Authority (MPA), told The Daily Star.

"Today, a milestone has been set regarding the transportation of goods with India using the Mongla Port," he said.

According to port sources, the ship has two

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