

Turkish businesses urged to invest in EZs

STAR BUSINESS REPORT

Turkish businesses can consider the 100 economic zones and 28 high-tech parks of Bangladesh as their preferred investment destinations, Dhaka Chamber of Commerce and Industry President Rizwan Rahman said yesterday.

The bilateral trade between the two countries now stands at around \$900 million, which is not satisfactory at all, he said.

Trade diversification can enhance the amount of the bilateral trade to over \$2 billion, Rahman said. He made the call in a meeting with Turkish Minister for Trade Mehmet Mus at the latter's ministry at Ankara in Turkey on October 2.

The progress in public-private and business-to-business partnerships between the two countries remain low, the DCCI president said.

He also requested the Turkish minister to extend the current duty- and quota-free tariff line facility to Bangladesh, which is now 79.9 per cent for trade growth.

Moreover, joint economic commission meetings should be held regularly to arrange effective joint exhibitions and seminars on bilateral economic issues and address trade issues, Rahman said.

Furthermore, Bangladesh and Turkey can work and advocate together to form an effective D-8 economic bloc, he said.

The Turkish minister agreed that the bilateral trade is not up to the mark. He also termed Bangladesh as an attractive investment destination.

Both the countries should work together to enhance this trade volume, Mus said. Some Turkish companies are already doing business in Bangladesh and they are doing very well, he said.

"And this success will be an example for others to invest in Bangladesh."

Ambassador of Bangladesh in Ankara Mosud Mannan was also present at the meeting.



Leather and leather products were the third biggest foreign currency earner through exports in fiscal year 2021-22.

PHOTO: STAR/FILE

Now e-commerce falls prey to soaring inflation

MAHMUDUL HASAN

Bangladesh's e-commerce platforms have been witnessing a drop in sales in recent months due to high inflation and rising delivery costs.

Industry people said the sales growth was 30 per cent to 40 per cent on an average in the last five years but the sales figure remained constant so far this year.

The appetite for purchases through online platforms using cards declined in July this year from that a month ago as consumer tightened their belts facing multipronged crises.

In July, customers spent Tk 992.1 crore on products and services, over 1 per cent less than June's Tk 1003.2 crore, according to the latest data of Bangladesh Bank.

On a year-on-year basis, there was a growth of 33 per cent in July 2021, when e-commerce transactions by cards amounted to Tk 741.7 crore.

However, e-commerce transactions dropped 42 per cent from Tk 1,277 crore in June 2021, which was the lowest since the pandemic hit the country in March 2021.

Since then, people have become cautious in placing orders following a series of scams centring e-commerce companies which have since come to light.

"In the last six month, sales of e-commerce

have dropped significantly," said AKM Fahim Mashroor, chief executive officer of AikerDeal.

"A significant amount of revenue of the e-commerce platforms comes from the sales of tech gadgets including mobile phones, laptops etc. Due to the soaring price of the dollar, the price of such products increased by 30 per cent. So, customer sentiment dropped for those items," he added.

According to him, sales of f-commerce platforms also dropped due to the rising price of the dollar.

"Most of the f-commerce companies boost their posts by paying Facebook. Since the payment has to be made through dollars, the entrepreneurs are spending less in marketing and subsequently their sales have fallen," he added.

With the option of boosting sales by paying Facebook, which automates the paid user's ads to show products that are tailored to each person's interests, many youths, especially women entrepreneurs, sold a huge amount of goods or services using the world's largest social media platform during the pandemic.

Another reason for the falling e-commerce sales is that courier and logistics services have increased their rates recently, he said.

Online purchases become costlier as courier companies in the country have collectively raised their fares in response to

the recent increase in fuel prices.

The country's top courier and logistics service providers already raised their charges by around 20 per cent in the face of an increase in transport costs since August when the government revised up the prices of diesel and kerosene by 42.5 per cent while the cost of petrol and octane rose 51.1 per cent and 51.7 per cent respectively.

As the increase in charge will be levied on end consumers, an item that previously cost about Tk 500, including the delivery fee, will now be priced at about Tk 600, according to industry people.

Morin Talukder, co-Founder and CEO at Pickaboo.com, said sale of luxury items dropped significantly in the last three month due to inflation that made customers more cautious on spending.

Industry people said Bangladesh Bank's data on e-commerce transaction by cards based on payments includes those for hotel stays and airline ticket purchases. So, actual e-commerce transactions are far less, they said. Usually, e-commerce and Facebook-based traders in Bangladesh see monthly transactions of Tk 500 crore to Tk 550 crore, according to the industry insiders.

Daraz witnessed growth during July, August and September this year, according to its director for growth marketing, Mashrur Mim.

Unsold stock of rawhide weighs on industry

Int'l buyers not interested for lack of LWG certificates

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Bangladesh is suffering from unsold stocks of hides and skins for reasons, including a lack of interest of international brands to source from here, as most tanners do not have certification from Leather Working Group (LWG) centring sustainable and environment-friendly leather production.

High dependence on China for the export of crust and finished leathers, use of synthetic leather as an alternative to leather, and failure to increase the use of locally produced leather are the other factors that are leading to the stockpile of unsold goods, according to a paper by the Bangladesh Trade and Tariff Commission (BTTC).

"Our domestic production of hides and skins increased over the last 10 years but its prices have not increased," said Md Mahmudul Hasan, deputy chief of the BTTC, presenting the paper at a public hearing at the BTTC office regarding ensuring fair prices for rawhide.

The BTTC said the annual supply of hides and skins was two crore pieces in Bangladesh and half of that was generated during Eid-ul Azha.

Prices of rawhide are in the rage of Tk 25 to Tk 35 per square foot.

Wet blue leather or moist chrome-tanned leather is sold at Tk 60-Tk 90 per square foot locally whereas prices of the same are Tk 100-Tk 150 per square foot internationally, it said.

High dependence on China for export, rising use of synthetic leather, and failure to increase the use of locally produced leather are holding the industry back

The BTTC paper, citing a 2019 policy on leather and leather processing, said 6 crore square feet of hide and skins were not processed out of total production of 3.10 crore square feet.

At the event, some participants demanded an opportunity for export of hides and skins to increase demand and ensure better prices for leather.

"All the stakeholders including consumers will be benefited if fair prices can be ensured," said BTTC Chairman Mahfuza Akhter.

Leather and leather products were the third biggest foreign currency earner through exports in fiscal year 2021-22, with leather footwear bringing the highest for the sector.

Leather, once the main foreign currency earner through exports in the industry, registered \$150 million in fiscal year 2021-22, up 27 per cent year-on-year.

In the July-September period of the current fiscal year, leather export grew 8 per cent year-on-year to \$34.5 million from that a year ago, according to Export Promotion Bureau.

Emerald Oil plans Govt frames policy

FROM PAGE B1

At present, buyers demanded 3,000 tonnes of oil. However, it has the capacity to export a maximum of 500 tonnes to 700 tonnes, he said.

There is a demand for 6,000 tonnes of rice bran oil per month in Japan, he said in response to a question.

Established in 2008, Emerald Oil Industries launched its rice bran oil brand "Spondon" in 2011.

It raised Tk 20 crore from the public to pay off loans and meet working capital needs in 2014. It went out of production in 2017 leaving general investors with shares.

Since then, Emerald Oil Industries has not given any dividend so the Bangladesh Securities and Exchange Commission (BSEC) recast the board last year.

In the meantime, Minori Bangladesh, a subsidiary of Japanese farming company Minori Co, invested in Emerald Oil industries availing a 30 per cent stake.

In its full-fledged commercial operation, the company can produce 48 tonnes of rice bran oil and 282 tonnes of de-oiled rice bran annually.

Stocks back

FROM PAGE B4

hopes of a further price surge, International Leasing Securities said in its daily market review.

So, the market witnessed a buying spree since the day began, it added.

Among all sectors, jute rose 3 per cent and pharmaceuticals advanced 1.6 per cent while services dropped 1.9 per cent and cement fell 1.3 per cent.

Investor activity was mostly focused on the pharmaceutical (22.3 per cent), miscellaneous (16.7 per cent) and engineering (14.3 per cent) sectors.

The Caspi, the all share price index of the Chattogram Stock Exchange, rose 89 points, or 0.46 per cent to end the day at 19,288.

Of the issues that traded at the port city bourse, 56 advanced, 81 declined, and 94 did not show any price movement.

Govt frames policy

FROM PAGE B1

Light engineering, which is considered a thrust sector, was also given the highest priority in the Export Policy for fiscal years 2021-24.

Businesspeople say the industry may get a boost from the newly-framed policy as it offers a time-bound action plan for addressing the challenges hindering its growth.

The policy set 11 strategic targets to implement the action plan, such as developing forward and backward linkage industries, increasing human resources, research, and market expansion.

It also includes the development of industrial clusters, establishing common facility centres, quality assurance and certification, and financing and development of the investment environment.

As per the policy, Investors in the light engineering industry will be covered by insurance to protect against miscellaneous losses that may occur.

Besides, the government will ensure the required utilities, industrial sheds and IT infrastructure required by the sector by 2027.

Also, the Bangladesh Industrial Technical Assistance Centre will establish a raw material bank while the National Board of Revenue (NBR) will ensure buy-back management and tax incentives for light engineering products by 2025.

To ensure sustainable development in the sector, the Bangladesh Small and Cottage Industries Corporation will establish industrial clusters for light engineering across the country by 2022.

The policy also said the Finance Division and Bangladesh Bank would take initiatives to establish a venture capital fund to ease the production process of light engineering goods by 2025.

Meanwhile, the industries ministry, commerce ministry and NBR will ensure protection for the sector through providing export

subsidies and updating the tax policy by 2025.

The policy says that entrepreneurs in the light engineering sector will get tax holidays and loans from the Green Development Fund for establishing compliant factories.

It also intends to develop "made in Bangladesh" brands both in local and global markets by ensuring quality and compliance standards by 2025, and increase export earnings from the sector.

Some 50,000 light engineering industries are operating in the country, making \$8.2 billion worth of products each year.

Businesses operating in the foundry, manufacturing, repair and maintenance sub-sectors produce 10,000 types of light engineering products, according to a paper of the Bangladesh Engineering Industry Owners Association (BEIOA).

Light engineering is an important sub-sector of small and medium enterprises, which create innumerable employment opportunities and help the economy post higher growth.

Data from the Export Promotion Bureau shows that Bangladesh fetched \$795.63 million from the export of light engineering products in fiscal 2021-22 while it was \$529 million the year before.

In the first three months of the current fiscal year (July-September), the industry earned \$144.39 million from exports, marking 21.43 per cent growth year-on-year, the data showed.

But in its latest report, the Bangladesh Institute of Development Studies identified an estimated 33.6 per cent skill gap in the sector.

Welcoming the government's move to form a policy for the light engineering sector, BEIOA President Abdur Razaque said timely implementation of the plan will help the sector flourish, generate employment and increase export earnings as well.

Creating jobs, bringing home dollars

FROM PAGE B1

of The KOW Company, thinks image editing, computer-generated imagery, 3D, and content post-production segments have a big potential to fetch foreign currencies.

From Bangladesh, many people go to the Middle East spending Tk 5 lakh to Tk 6 lakh. Many of them have to sell land to manage the fund. But the return is very low.

"If they get proper training, they can earn foreign currencies sitting at home within a few months. Besides, graphic design and related verticals require basic skills to land jobs," said Nirab.

According to the entrepreneur, it takes more than two years to become a skilled software developer.

"But for image processing, if you train someone for six months, you will get a skilled worker to get your job done."

Wahid Sharif, president of the Bangladesh Association of Contact Center and Outsourcing, said as e-commerce and digital needs are thriving globally, the demand for image processing and related segments is growing fast.

"It is one of the most promising areas in the business process outsourcing."

Russell T Ahmed, president of the BASIS, said creativity and basic skills are needed to flourish in the world of graphic designing and image editing.

"For a graphic design or image editing job, you don't need a graduate in computer science and engineering. A graduate in the humanities and other areas can do it with training," he said.

Ahmed underscores branding for the industry as well. "We are lagging when it comes to branding. If we can brand well, our firms will get smooth access to the global market," he said.



Habibur Rahman, managing director and CEO (current charge) of South Bangla Agriculture and Commerce (SBAC) Bank, greets Mosleh Uddin Ahmed, outgoing managing director of the bank, with bouquets in a farewell programme at the bank's head office in Dhaka on Monday. Abdul Kadir Molla, chairman of the bank, Md Nurul Azim, AKM Rashedul Hoque Chowdhury and Altaf Hossain Bhuyan, deputy managing directors, were present.

PHOTO: SBAC BANK

Apparel export

FROM PAGE B1

Similarly, the share of MMF apparel shipments rose to 57 per cent from 38 per cent in Vietnam, 32 per cent from 15 per cent in India, and 26 per cent from 13 per cent in Cambodia at the same time.

Meanwhile, the share of MMF garments sent from Bangladesh increased to 24 per cent from 18 per cent of the country's apparel exports during the period, the study said.

The global demand for MMF-based apparel items has been growing because of uncertainty in cotton production and supply, price comparability, and certain advantages offered by such products, namely higher durability, water and wrinkle resistance, and colour retention.

Other reasons include environmental concerns, the fact that 2,700 litres of water are needed to produce a single cotton t-shirt, use of pesticides in growing cotton, and plastic recycling advantage of MMF.

Global fibre production stood at 109 million tonnes in 2020, when manmade synthetic fibres accounted for 68 per cent (close to 80 million tonnes). MMF production worldwide is expected to reach about 110 million tonnes, by 2030, when the market will be worth around \$100 billion compared to \$62.7 in 2021.

To tap into this market, Bangladesh needs to build its backward linkage capacity, Razaque said.

MMF currently comprises around 30 per cent of Bangladesh's total fibre imports with China being the largest source.

Razaque then suggested making the most of the few remaining years that Bangladesh will enjoy trade benefits as a least developed country (LDC) by offering additional cash incentives for MMF apparel exports and attract foreign investment in the sector so that the country becomes a regional supply hub.

Planning Minister MA Mannan said the government has been considering paying more cash incentive to MMF-based apparel exporters as the garment sector is considered a strong component to address the challenges of LDC graduation.

However, he did not say exactly how much the cash incentive would be increased as local manufacturers have already demanded 10 per cent cash incentives on export receipts of MMF to grab more of the global market share and attract foreign and local investment in the sector.

The minister also said the cash incentive given on export receipts should be disbursed equally as other sectors deserve equal benefits.