

Bangladesh's apparel now targeting Middle East

STAR BUSINESS REPORT

The Middle East is going to be a major export destination for Bangladesh's garments as local apparel manufacturers are receiving a lot of queries from buyers in the region.

Almost the entire Middle East region is dominated by Chinese garment items while the presence of Bangladeshi garment items is still sparse.

A few buyers, even ones from Iraq, have come to the Made in Bangladesh Week 2022, said Faruque Hassan, president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

This is a good sign for Bangladesh in its attempts at grabbing a bigger market share of the Middle East, he said.

Bangladesh has been trying to expand its market globally as nearly 90 per cent its garment export is confined to the European and North American region.

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So, in the roadmap of the BGMEA for the next 15 years, Middle Eastern and other potential Asian countries are considered as the export destinations for the country, said Hassan.

He was inaugurating Dhaka Apparel Expo at International Convention City, Bashundhara in Dhaka.

Regarding recent challenges and garment trade, Hassan said the international retailers and brands are coming back here with a lot of work orders.

This is a result of local suppliers continuing to supply goods even amidst the pandemic which boosted confidence on Bangladesh, he added.

The global energy crisis has also been affecting the local garment industry but it is temporary as everybody is trying to fix the problem, he said.

There is no crisis of dollars for the garment sector as they can open

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A section of a fair organised at Bangabandhu International Conference Centre in Dhaka yesterday as part of the ongoing Made in Bangladesh Week 2022. The Bangladesh Garment Manufacturers and Exporters Association in partnership with Bangladesh Apparel Exchange is organising the events to showcase the capability of the country's apparel sector before the world.

PHOTO: RASHED SHUMON

BB spots cases of trade-based money laundering

STAR BUSINESS REPORT

The central bank has identified cases of money laundering as it unearthed trade under- and over-invoicing during a special audit.

Some entities inflated their price at the range of 20-200 per cent than the actual cost of the products under a method called over-invoicing, said GM Abul Kalam Azad, spokesperson of the Bangladesh Bank, at a press briefing at the central bank headquarters.

Over-invoicing takes place when exporters submit an inflated invoice to the importers, generating a payment that exceeds the value of the shipped goods in order to launder money abroad.

The entities opened letters of credit (LCs) by overstating the price of the goods concealing the actual price, Azad said.

Under-invoicing happens when the price of a good on an invoice is less than the price paid. It usually happens when either the importer or exporter wants to reduce a tariff or if the buyer or seller wants to lower their profits to pay lower taxes.

The central bank had not monitored the under and over-invoicing in the financial sector

before the instability hit the global market because of the post-covid situation and the Ukraine-Russia war. The monitoring has been geared up recently.

It came after the foreign currency reserves nosedived due to the escalated import payments, causing volatility in the foreign exchange regime of Bangladesh, forcing the taka to dip against the US dollar and sending inflation to

Global Financial Integrity (GFI) in December last year said Bangladesh lost \$8.27 billion every year on average between 2009 and 2018 resulting from mis-invoicing of values of imported and exported goods by traders to evade taxes and illegally move money across international borders.

The average loss of customs and taxes was 17.3 per cent of

involved in the over-invoicing," Azad said.

It would also take some time for the BB to provide information about the products that saw the excessive prices. The central bank is also working on under-invoicing, he said.

Following more than 23 per cent drop in reserves in the past one year, the central bank is monitoring the opening of every letter of credit (LC) that involves a monetary value of more than \$3 million.

"We are also monitoring the genuine price of the goods in the global market in order to tackle over-invoicing," Azad said.

Md Sarwar Hossain, an assistant spokesperson of the BB, said that the cases of over-invoicing have recently declined thanks to the strong supervision.

The BB contested media reports that banks are not opening LCs.

"The information is not true," said Azad.

Businesses opened LCs to the tune of \$1.26 billion in the first 10 days of November in contrast to \$1.23 billion during the same period a month ago.

"There is no bar to opening LCs for commercial imports and

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a decade high.

"Under such a situation, the cases of over-invoicing have been detected," Azad said. The BB shared the findings at a time when illegal money transfers through various channels, including under and over-invoicing of internationally-traded goods, out of the country are believed to be rampant.

The Washington-based

Bangladesh's trade with all its trading partners during those years.

The central bank spokesperson could not provide precise information immediately when asked whether the BB has taken any measures to tackle over-invoicing.

"But the authorities have definitely considered taking action against the entities

Demand for shirts wanes for pandemic



MADE IN BANGLADESH

REFAYET ULLAH MIRDHA

Bangladesh started its journey as a garment exporting nation in 1978 with the shipment of a few thousand formal shirts to a French buyer, MNR.

In the apparel export basket, the shirts continued to maintain dominance for many years. However, a sudden rise of other knit items outshined the shirts because of easy access to associated raw materials.

For instance, local spinners can currently supply 90 per cent of the raw materials required by the knitwear sector as investors of the primary textile sector invested nearly \$15 billion in state-of-the-art spinning mills which are capable of ensuring fast delivery of the raw materials.

On the other hand, local weavers can only supply 40 per cent of the raw materials required by woven shirts manufacturers as investments expected in woven fabrics is yet to come about.

As a result, local woven shirt exporters have to import fabrics from other countries, mainly China, which takes a lot of time and the long lead time is a major cause for concern for the garment business.

Moreover, over the last one decade a massive change has taken place in global fashion because of shifts in consumer behaviour and for climate change.

Previously, office-goers used to wear formal woven shirts but now a majority prefer casual dresses.

As a result, globally the consumption of woven shirts has fallen significantly, which was reflected in the country's export of shirts over the last couple of years.

Last fiscal year, earnings from shirts and blouses amounted to \$2.76 billion which was \$2.04 billion in fiscal year 2020-21, according to the Export Promotion Bureau's (EPB) data compiled by the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

Before the pandemic, a good amount of woven shirts was being exported. However, the growth fell a bit mainly because of a rise in the use of knit

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| STOCKS | |
|----------|-----------|
| DSEX ▼ | CASPI ▼ |
| 0.81% | 0.56% |
| 6,253.48 | 18,530.85 |

| COMMODITIES | |
|-------------|--------------|
| Gold ▼ | Oil ▼ |
| \$1,755.3 | \$88.19 |
| (per ounce) | (per barrel) |

| ASIAN MARKETS | | | |
|---------------|-----------|-----------|----------|
| MUMBAI | TOKYO | SINGAPORE | SHANGHAI |
| ▼ 0.28% | ▼ 1.06% | ▲ 1.01% | ▲ 0.13% |
| 61,624.15 | 27,963.47 | 3,260.80 | 3,083.40 |

25 YEARS OF OPERATION

GP on a roll, Robi yet to find strong footing

MAHMUDUL HASAN

The entry of mobile network operators Grameenphone and Robi Axiata, which was then Aktel, in 1997 was a watershed moment for Bangladesh as the country embraced Global System for Mobile Communications (GSM) technology, the second-generation digital cellular network used in mobile phones worldwide.

Since then, both operators have attracted huge foreign direct investments, introduced technologies and brought in innovation, directly contributing to the country's development.

"They not only ensured connectivity in rural areas and among the underprivileged communities but also played a big role in facilitating digital services," said TIM Nurul Kabir, a telecom and technology expert.

"In the last 25 years, the GSM technology has brought about huge social and economic changes, including boosting financial inclusion through mobile financial services."

But whereas Grameenphone has been on a roll, the latter is struggling to post a decent profit despite operating in the same market.



PHOTO: HABIBUR RAHMAN

"From the beginning, Grameenphone has been aggressive in market penetration and network expansion. It had more spectrum than Robi," said Kabir.

"GP also adopted innovative techniques and provided GP-to-GP offers, giving it a fast-mover advantage. And eventually, it became the market leader."

GP VERSUS ROBI
Grameenphone began its journey

in March 1997 to empower the rural population with the connectivity of the network.

Now it is the largest MNO in terms of subscribers, revenue and profit and holds more than 45 per cent of the market share.

Chattogram-based AK Khan & Company and Malaysian government owned TM (Telekom Malaysia) International formed a joint venture to launch Aktel in November

1997. This month, Robi celebrates its 25th anniversary.

In the past 25 years, it has witnessed changes in ownership, departure of a global investor, merger, appointment and acrimonious departure of the first Bangladeshi CEO.

Today, Robi is the second-largest operator serving about 5.5 crore customers. Despite acquiring a large customer base and earning big revenues, the company has failed to generate a decent profit.

GP turned over Tk 14,306 crore in 2021 compared to Robi's Tk 8,142 crore. The largest operator raked in a profit of Tk 3,413

crore last year versus the second largest operator's Tk 180 crore.

Such a big gap in the financial numbers has raised eyebrows about the business strategies of Robi.

But Mohammed Shahedul Alam, Robi's chief corporate and regulatory officer, described the company's profit situation good and hoped that it would reap the benefit of the current investment in the future.

"We are a profitable company and the way we are progressing we are hopeful about doing much better."

The smartphone penetration among Robi's users is more than 65 per cent while it is 45 per cent among GP subscribers, giving the former a competitive edge as voice revenue is expected to shrink in the coming years.

ROBI WENT THROUGH MORE DIFFICULT PERIODS

AK Khan Group, which held about 30 per cent of the share at the inception of the company, exited the business by selling its stake to Japanese mobile phone operator NTT DoCoMo at over \$300 million in 2008.

Since the beginning, the Japanese

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GRAMEENPHONE VS ROBI

| March, 1997 | INCEPTION | Nov, 1997 |
|-------------|------------------|------------|
| 8.32cr | Subscribers | 5.5cr |
| Tk 14,306cr | Revenue (2021) | Tk 8,142cr |
| Tk 3,413cr | Profit (2021) | Tk 180cr |
| 2009 | Stock debut | 2020 |
| 19,000+ | Number of towers | 15,287 |