

# star BUSINESS

New German law to boost compliance in supply chain

Says official

STAR BUSINESS REPORT

A new German due diligence law will come into effect from January next year, aiming to bind companies to ensure better human and labour rights in factories and supply chains, said an official of a German development agency.

The law will be applicable for companies headquartered in Germany with at least 3,000 workers and violators may face a fine, have to remediate or be excluded from public tender, which will also ruin their reputation.

Bangladeshi companies supplying goods to the violators will also face fines since they are a part of the supply chain, the official said.

Companies in Germany will have to submit an audit report to a German authority, said Carla Dohmworth, adviser of the Initiative for Global

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Solidarity (IGS) under the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH.

It must be provided at the beginning of the year following some due diligence rules, she said.

Germany will bring the law in tune with one proposed for the European Union (EU) once it comes into effect as the country falls under the trade bloc, she said.

The law will also aim to reduce negative impacts on German consumers, she added.

Dohmworth was talking to The Daily Star after talks on "mandatory human rights and environmental due diligence regulations and their implications for Bangladesh" organised by the GIZ and EU at Renaissance Dhaka Gulshan Hotel.

The new law will also provide opportunities to countries like Bangladesh, such as helping to obtain the GSP Plus status for the EU, said Bernd Spanier, deputy head of mission of the EU Delegation to Bangladesh.

The EU's Generalised Scheme of Preferences Plus (GSP+) gives developing countries a special incentive to pursue sustainable development and good governance.

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## 3rd submarine cable's cost set to rise 50pc

MD ASADUZ ZAMAN and MAHMUDUL HASAN

The cost of Bangladesh's third submarine cable project is set to increase by 52.23 per cent as double the bandwidth capacity is being availed while dollar prices are soaring.

The revised project will now cost Tk 1,055 crore and is scheduled to be placed before the Executive Committee of the National Economic Council (EcneC) today.

The main project was approved in an EcneC meeting held in December 2020 with a cost of Tk 693.16 crore and was due to be completed by June 2024.

Now the project will take another year.

The government will provide Tk 476 crore for the project and the rest will come from state-run Bangladesh Submarine Cable Company, the agency implementing the project.

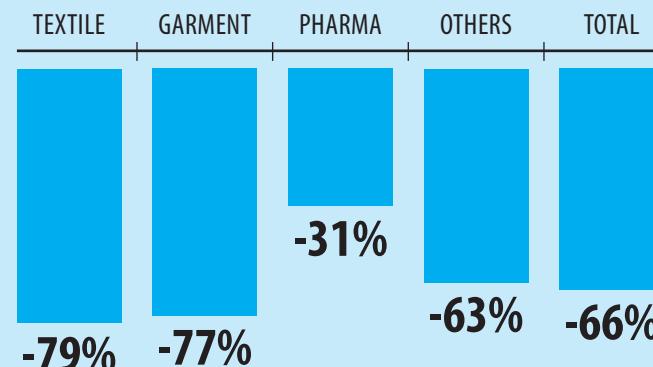
### REASONS OF DELAY IN INVESTMENT

- Impact of Russia-Ukraine war
- Inflationary pressure
- Shortage of dollar
- Low confidence among investors
- Rising cost of doing business
- Restrictions on opening LCs



### DECLINE IN LC OPENING FOR CAPITAL MACHINERY

(In %) Jul-Sep of FY23 VS Jul-Sep of FY22, SOURCE: BB



### TWO YEARS' COMPARISON

LC for capital machinery; In million \$

	FY22 (Jul-Sep)	FY23 (Jul-Sep)
Textile	187	39
Garment	252	59
Pharmaceutical	47	32
Others	1285	477
<b>Total</b>	<b>1771</b>	<b>607</b>

## FIRMS GO SLOW on investments amid crisis

JAGARAN CHAKMA

Firms, both local and foreign, have put on hold their investments in Bangladesh owing to the surge in the dollar price, the energy crisis, the escalated cost of production, and the deep uncertainty caused by the Russia-Ukraine war.

One of the key indicators of the investment situation is the import of capital machinery.

The opening of letters of credit (LCs) to import capital machinery declined 65.74 per cent year-on-year to \$606.89 million during the July to September quarter, data from the Bangladesh Bank showed.

It was \$926.25 million in the identical quarter a year earlier.

Similarly, the opening of LCs for importing intermediate goods and industrial raw materials, both used by factories, fell more than 14.5 per cent during the three-month period.

The slowdown in investments is the result of the conflict, the sharp rise in the price of the US dollar against the taka, the energy shortage and above all uncertainty, said investors, business leaders and economists.

Meghna Rubber Industries Ltd, a concern of Meghna Group, the largest bicycle tyre and tube manufacturer in the country, has been compelled to delay the implementation of a Tk 500 crore plant to produce tyres used in large buses and trucks.

It started the project around two years ago but could not complete it due to the pandemic and the ongoing crisis.

"Our project is being delayed for the current realities," said Md Luthful Bari, director for

operations at Meghna Group.

Meghna, which produces tyres for motorcycles, easy bikes, CNG-run three-wheelers, light trucks and rickshaws, and exports bicycle tyres and tubes, now plans to complete the project by the middle of 2023 and that's too would depend on the improvement in the scenario.

Firms in Bangladesh are now having to settle import bills by buying each American greenback for Tk 108, which was trading at Tk 84 to Tk 86 a year earlier, a



jump of at least 28 per cent.

They are also facing higher raw materials and freight costs.

The gas and power crisis has deteriorated after the government stopped buying liquefied natural gas from the international spot markets because of the depletion of the foreign currency reserves.

"It is quite rational to delay investments during a crisis," said Abul Kasem Khan, a former chairman of the Business Initiative Leading Development (BUILD).

He thinks of the total investment that has been put on hold, around 75 per cent is foreign direct investment.

Japanese firm Ship Healthcare Holdings, in partnership with

Bangladesh's Aichi Medical Group, was scheduled to set up a 1,000-bed dedicated cancer hospital and research centre in Dhaka at a cost of Tk 2,000 crore by early 2024. But it is yet to start the project first for the prolonged pandemic and then for the ongoing dollar crisis and inflationary pressure.

"And it might not be possible to go into operation as per schedule," said Prof Md Moazzem Hossain, chairman of Aichi Medical Group.

Inflation in Bangladesh stood at 8.91 per cent in October, slightly lower than a multi-year high in the previous two months.

"Investors do not feel comfort pouring in funds when inflation remains high and is rising," Rahman said.

In 2017, CEAT Ltd, the flagship company of Mumbai-based RPG Group, formed a joint venture with Chattogram-based AK Khan & Company Ltd for CEAT AK Khan Ltd in order to invest around Tk 670 crore for a plant in the Bhaluka upazila of Mymensingh. There has not been much progress for the plant as well.

"The project was put on hold after Covid-19 emerged. But the current situation has added to the uncertainty," said one official linked with the joint venture.

Kazi Iqbal, a senior research fellow of the Bangladesh Institute of Development Studies, said the rising trend of the dollar price is the main reason for the delay behind investments as the cost of investment would increase.

"And investment will not get momentum until the crisis of the dollar subsides."

Even if investors want, they may not be able to execute their

READ MORE ON B3

The joint venture has received design approval from the Rajdhani Unnayan Kartripakha for the construction of the physical infrastructure. But the work has not progressed much as it could not open LCs to bring necessary equipment and machinery.

After the improvement of the pandemic situation in Bangladesh, the joint venture was about to start the construction work, but the outbreak of the current crisis at home and abroad has hampered the plan.

"We will not be able to start the project in full swing until normalcy returns," Hossain said.

The estimated project cost has gone up for the higher dollar rate,



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## Power tariff hike will add to woes Say businesses

ASIFUR RAHMAN and SUKANTA HALDER

The decision to increase the wholesale price of electricity by 19.92 per cent to Tk 6.20 per unit has raised concerns among businesses who say consumers may soon have to bear the added burden.

However, the government has assured that the retail price of electricity will not increase for general consumers or industries.

Entrepreneurs say they are already having a tough time dealing with multiple crises, including the Russia-Ukraine war, depreciation of the local currency against US dollar, and frequent power cuts in recent months.

As such, the decision will only aggravate the situation when imposed at the consumer level as it may decrease the people's purchasing capacity, which will have a ripple effect on various products.

Faruque Hassan, president of the Bangladesh Garment Manufacturers and Exporters Association, said the higher wholesale price of electricity will ultimately pass onto the retail level.

**The decision will aggravate the situation when imposed at consumer level as it may decrease people's purchasing capacity, which will have a ripple effect on demand**

"So, we will request the BERC not to increase it at retail level, especially for general consumers and industries," he added.

Faruque then said there is a lot of system loss in electricity production as well as theft in meter reading.

"There are many illegal electricity lines in many places and if the government is strict on these issues, the country's revenue will increase further," he said, adding that this would help cover the subsidies on energy.

Tapas Sengupta, deputy managing director of the Bangladesh Steel Re-Rolling Mills, said if the people's buying capacity decreases day by day, then so too will the sale of various products.

"This may result in layoffs while factories may even shut down at some point," he added.

Nasrul Hamid, the state minister for power, energy and mineral resources, told reporters at the secretariat that the price of electricity and fuel is being adjusted all over the world due to a global rise in production costs.

"But as the prices are not going to increase at the consumer level right now, people have nothing to worry about," he said.

Besides, whether the price will increase or not also depends on field level data. So, the next decision in this regard will be taken after verifying all potential impacts, Hamid added.

Dr Ijaz Hossain, former professor of the Bangladesh University of Engineering and Technology, said the price increase is rational as the Power Development Board had asked to hike electricity prices by 60 per cent while the Bangladesh Energy Regulatory Commission set it at only about 20 per cent.

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