

Star BUSINESS

Although tea sellers expected sales to pick up in the winter months, especially ahead of the general elections, the reality has turned out to be quite different.



Story on B4

WEEKLY INTERVIEW



Mahbulul Alam

'Focus on good governance, job creation'

STAR BUSINESS REPORT

The business community wants to see all-out steps on job creation and good governance as well as measures aimed at ensuring stability in the economy from the new government once it takes over, said the top business leader of Bangladesh.

"We want a stable Bangladesh," said Mahbulul Alam, president of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), in an interview with The Daily Star on the eve of the 12th parliamentary elections.

He says the business community hopes the new government will implement the promises made in the manifesto. "Particularly, it should concentrate on employment generation and good governance. We want to a business-friendly government."

"We have always said that politics are for individuals and political parties but the economy belongs to all of us. So, we need a stable economy."

The Awami League-led government in the past 15 years has been lauded for being business-friendly. Still, the sector faces some of the persisting challenges.

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An unlikely product brings \$400m a year: cotton waste

REFAYET ULLAH MIRDHA

The export of cotton waste from Bangladesh is rising rapidly on the back of higher demand for recycled garments globally amid growing consumer awareness and their lower prices in the domestic market.

Cotton waste refers to the waste of cotton and textile waste generated in spinning, weaving and textile mills coming in the forms of fibres, threads or fabric pieces depending on the manufacturing stage.

The consumption of recycled apparel items has grown in western markets, prompting local traders to ship the expensive raw materials directly to other countries, particularly India, China and Turkey.

In July-December of the current financial year of 2023-24, cotton waste export rose 72.15 percent year-on-year to \$264.05 million, data from the Export Promotion Bureau showed.

Cotton waste export stood at \$411.2 million in the entire fiscal year of 2022-23.

Many international clothing retailers and brands are transforming the fashion industry on the basis of recycled items with a view to cutting their carbon footprint and avoiding widespread waste, sending the demand for waste materials high.

Recently, Swedish retail giant H&M asked garment suppliers to use more cotton waste than raw cotton in their manufacturing process. Clothing retailers and brands prefer the reuse and recycling of garments to avoid environmental damage.

A new proposed European Union law has already had an impact on the consumption of garments made from cotton waste. The 27-country bloc has decided not to buy garments from factories that don't use cotton waste from 2030, as part of their circular fashion move.

Circular fashion is a closed-loop system making new materials out of old materials, reducing the number of natural resources used to make clothing and diverting products from landfills.

Bangladesh generates around 4 lakh tonnes of cotton waste a year. If recycled, it could be used to manufacture exportable garments worth \$6 billion. However, most of the items is being shipped abroad although local garment exporters are very much against.

"Because of higher demand abroad, traders don't even have to sort them properly before shipping," said Md Abdur Rouf, executive director of Bhaluka-based Simco Spinning & Textiles Ltd, which currently produces 20 tonnes of recycled yarn a day.

The gap between the export



EXPORT

Cotton waste shipment from Bangladesh is rising

Export rose by 72.15% to \$264.05m in Jul-Dec this fiscal year

Annually \$400m worth of cotton waste is exported from Bangladesh

PROSPECTS

If recycled, cotton waste can help make exportable garments worth \$6b a year

DEMAND

Demand for cotton waste is rising worldwide due to environmental awareness

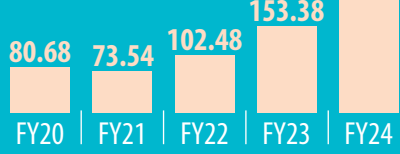
Buyers are putting pressure on Bangladesh's suppliers for raising production of garment from cotton waste

Export of cotton waste

(In million \$)

July-December period

SOURCE: EPB



price and the local market rate is also a factor for the shipment of cotton wastes, said Rouf. As a result, many local mills are not finding enough wastes to make yarn and fabrics.

Khorshed Alam, chairman of Little Group, said since exporters receive higher prices, they prefer to sell the raw materials in the international markets.

"As a result, both value and volume of the export of cotton wastes are increasing." Among the garment wastes, the cotton waste is more expensive and millers usually don't export them. Rather, they use them to make denim fabrics and denim garment items, Alam said.

On the other hand, knitwear waste is exported since the item is not recycled at a large scale, he added.

Monsoor Ahmed, chief executive officer of the Bangladesh Textile Mills Association, says nearly 30 local mills produce recycled yarns and they are demanding the removal of the VAT and other taxes on the sales of recycled yarn in the domestic market.

"Owing to the taxes, new investments are still slow and many traders prefer to exports."

Faruque Hassan, president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), says the demand for recycled garment items is growing globally as consumers want to cut carbon emissions.

Each year, more than 10,000 crore items of clothing are produced globally, according to some estimates, with 65 percent of these ending up in landfill within 12 months. Landfill sites release equal parts carbon dioxide and methane – the latter greenhouse gas being 28 times more potent than the former over a 100-year period, said a BBC article in February last year.

The fashion industry is estimated to be responsible for 8-10 percent of global carbon emissions, according to the United Nations. Just 1 percent of recycled clothes are turned back into new garments.

The BGMEA has already requested the government discourage the export of cotton wastes since demand is rising at home. According to Hassan, since significant investments in the recycled yarn processing have not taken place, some like to export the items.

The exports or local sales are much better options compared to the past scenario when most wastes from old clothing items either ended up in landfills or were burnt out.

"Now, it is being processed and made into yarns and fabrics," said the BGMEA chief.

Garment exports earned record \$47.38b in 2023

STAR BUSINESS REPORT

Apparel exports from Bangladesh hit a milestone last year, fetching an all-time high of nearly \$47.38 billion to eclipse the previous record set in 2022 by about 3.67 percent, according to the Export Promotion Bureau (EPB).

In addition, this achievement played a part in taking the country's overall exports in fiscal 2022-23 to another record high of \$55.56 billion.

Garments accounted for 84.58 percent of all export receipts that year while it was 81.82 percent in fiscal 2021-22, EPB data shows.

The 2023 apparel export earnings comprised \$25.73 billion of knitwear and \$21.25 billion of woven garments. These categories had year-on-year growth of 10.87 percent and 9.56 percent respectively.

If related products such as home textiles and specialised fabrics, including silk and wool, headgear and textile waste are included, the year-end export turnover would be \$49.24 billion.

This accounts for 88.35 percent of the overall export earnings of fiscal 2022-23.

"This is undoubtedly a significant accomplishment as we are passing through a turbulent time when global trade is shrinking," said Faruque Hassan, president of the Bangladesh Garment Manufacturers and Exporters Association.

In fiscal 2022-23, apparel exports grew 10.27 percent year-on-year. In contrast, overall exports had gone up by 6.67 percent at the same time.

This could be attributed to an 8.62 percent decline in non-apparel and non-textile exports.

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STOCKS		WEEK ON WEEK
DSEX	0.04%	6,244.17
CASPI	0.06%	18,508.53

COMMODITIES		AS OF FRIDAY
Gold	\$2,045.57	(per ounce)
Oil	\$73.98	(per barrel)

ASIAN MARKETS				FRIDAY CLOSINGS
MUMBAI	TOKYO	SINGAPORE	SHANGHAI	
0.25%	0.27%	0.32%	0.85%	
72,026.15	33,377.42	3,184.30	2,929.18	

THE RED SEA CRISIS

What does it mean for Bangladesh?

RED SEA CRISIS AND BANGLADESH

- Red Sea and Suez Canal account for
- 12% of global trade
- 30% of all global container traffic
- Over \$1 trillion worth of goods annually
- Over two-thirds of exports from Bangladesh to Europe, America pass thru the waterway
- Nearly 8%-10% of Bangladesh's imports are done thru the Red Sea



IMPACT OF REROUTING

- Shipping time to rise by over 10 days
- Overall freight cost to increase
- Cost and time for imports from Europe, America to spike
- Import time for fertiliser and petroleum to remain unaffected

SOHEL PARVEZ

In recent weeks, the Red Sea has drawn huge attention owing to its importance in international trade.

Global shipping companies are rerouting vessels around Africa's Cape of Good Hope to avoid the Red Sea in the face of attacks from Yemen's Houthi rebels.

As a result, the shipping time will increase by more than 10 days, raising the freight costs.

Bangladesh will not remain immune from the crisis as a good portion of its around \$130 billion trade with other nations goes through the waterway, which extends southeastward from the Suez of Egypt, for about 1,200 miles to the Bab el-Mandeb Strait, connecting with the Gulf of Aden and then with the Arabian Sea in the Indian ocean.

Exporters and shipping sector insiders say roughly 70 percent of Bangladesh's export, destined for Europe and America, the two major markets, cross the waterway. It also uses the route to import, particularly essential commodities such as wheat, pulses and soybeans from Russia, Ukraine, Romania and the US.

"Definitely, we are going to be affected as we have become dependent on Europe for wheat and pulse," said Abul Bashar Chowdhury, chairman of BSM Group, a commodity importer based in Chattogram.

As ships are rerouted, owners are demanding a \$10-\$12 additional as the freight rate. Not only that, it will be tough to get ships if the crisis lingers.

"Ultimately, the burden will fall on consumers," Chowdhury said.

According to global media, the Houthis have been attacking vessels since the third week of October in solidarity with Palestinians in war-ravaged Gaza. The group says it will target the vessels linked to Israel.

As more ships avoid the Red Sea, tonnage transiting the Bab al-Mandab Strait chokepoint has dropped by more than half since the beginning of December, said S&P Global Commodity Insights on December 21.

Around 12 percent of global trade passes through the Suez Canal, representing 30 percent of all global container traffic and more than \$1 trillion worth of goods annually.

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THE WEEKLY VIEW

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