



From the Desk of President

In the age of COVID 19, let me begin by wishing you very good health. I am delighted that the Third Issue of BTMA Newsletter is ongoing, addressing the contemporary and important aspects of textiles and industry. The textile and garment industry is in a progressive transformation. The right visionary decision was taken by our Honorable Prime Minister Sheikh Hasina for the country, which also helped the Textile Industry to get back its cancelled / suspended orders. All economic activities were opened up for the betterment of the citizens.

At the present time of the pandemic, BTMA is continually working to upgrade the textile industry. Meetings were held with the National Board of Revenue and Bond Commissionerate to discuss important policy reforms that could lead to positive economic growth. Costs of Doing Business and Ease of Doing Business were the objectives of the meetings. The Ministry of Commerce, the Ministry of Textiles, needs to come forward to support BTMA in its efforts.

As concerning Alternative Cash Assistance, BTMA requested that the Government change the protocol for the textile sector, which should be based on the FOB value instead of the current one. We believe that no increase except the payment of cash assistance on the actual value of FOB will benefit the textile business community, as the cost of cash assistance is a minimum for high value added goods relative to low value added products. The strategy on cash assistance has to be changed in order to promote high value added goods.

As President of BTMA, I still strive to preserve unity between the Member Mills. It is important that differences of opinion should exist between the members, but our importance will still be to improve friendly ties and support one another. I will urge all the Members to keep this going. Once again, I would like to thank and appreciate Rashidul Hasan Rinto, Director of BTMA, for his support to make this newsletter happen. Finally, my good wishes go to everyone, and I hope that you, your families, friends and colleagues are safe.

Mohammad Ali Khokon

Nov'20 Issue Covers

- BTMA's Efforts on National Issues
- International Issues
- BTMA Activities
- BTMA Mourns
- Data and Updates Corner



Editorial Panel

- **Mr. Alamgir Shamsul Alamin**
Vice President, BTMA
- **Mr. Abdullah Al Mamun**
Vice President, BTMA
- **Mr. Abdullah Al Mahmud**
Vice President, BTMA

Secretariat

- **Mr. Feroz Ahmed**
Secretary General
- **Md. Monsoor Ahmed**
Secretary
- **Ms. Silvia Zaman**
Research Officer
- **Ms. Syeda Shagin Akhter**
Research Officer

Special Thanks to all the Distinguished Members of Board of BTMA

Alternative Cash Assistance for Textile Sector and its Challenges

The Government of Bangladesh introduced Alternative Cash Assistance of 25% for Textile Industry in 1997 through FE Circular-5. In 2020 the percentage of Alternative cash assistance on textile became 4%. Bangladesh allows cash assistance to various products on FOB Value. In case of textile industry the present alternative cash assistance is on either FOB Value or Fabric Value (whichever amount will be lower). In case of fabric price, the value is derived on the basis of yarn price + knitting Charge. The calculation process does not follow any scientific or logical method which ultimately does not promote this sector. The present policies are not unknown to anyone. Globally the policies are available and while export from Bangladesh the policy shows 4% incentive. Foreign buyers try to negotiate the price with the said amount accordingly, but at the end of the day this alternative textile cash assistance, which shows 4%, actually translates to 1.00-2.80 %. BTMA requested Government to change the alternative cash assistance policy for textile industry and the rate should be given on FOB value instead of existing. BGMEA, BKMEA and BTMA all are concerned regarding this issue and they will sit and convey the details of the issue to Commerce, Textile and Principal Secretaries.

The alternative cash assistance is give under following terms which includes.

- The facility of Alternative Cash Assistance should be availed instead of Bonded Warehouse and Duty Drawback facility.
- Yarn should be from BTMA Spinning Mill.
- Yarn, Fabric and Finished Goods (RMG) all have to be produced in Bangladesh.
- Among three-Yarn, Fabric and RMG Manufacturer only one can avail the benefit through negotiation.

The process for disbursing cash assistance is lengthy and the steps to get back to the previous stage are unusual. Also in the case of value-added goods, the cash assistance process discourages the addition of value. A case study showed that high value added goods receive cash assistance of 0.74% of FOB where low value added goods receive cash assistance of 3.90% of FOB, which is the cause of discouragement. BTMA is seeking to solve these issues by sitting with government leaders. The Former President of BTMA, A Matin Chowdhury, gave a presentation on 26 September 2020 discussing all the issues relating to the problem where textile industry leaders were present.

Bond: Vital Issues that Need to be Addressed

Textile Mills operating under bond have long been facing various problems and in some cases they face harassment without any logical reason. Realizing the problems of the BTMA Mills, BTMA President along with some representatives discussed some of the important issues with the Bond Commissioner to reach out for some solutions. These problems are hampering the production flow of the mills and resulting the cancellation of export orders in many cases.

One of the vital issues that need proper attention from the concerned authorities is the lengthy process of getting Utilization Declaration (UD) from the RMG exporters. The deemed exporters require to obtain UD from BGMEA. On the basis of the UD they collect UP from the Bond Commissionerate Office. Without the UD the exporters cannot apply for UP from the Bond Commissionerate Office. But this process requires a lot of time. It takes 2/3 days to obtain the UD and then another 2/3 days to acquire the UP which increases the lead time. BTMA proposed that if Back to Back LC is considered as the only instrument of getting UP then this problem can be resolved. Upon the discussion, The Bond Commissioner agreed with the proposal of considering Back to Back LC as the only instrument of getting UP and assured BTMA that they will look into this matter.

Adding to this issue, the Bond Commissionerate would not issue UP whether the banks issue a maturity or payment against export documents prior to the UP issue. Maturity or payment shall be made early only in order to guarantee delivery within the time frame.

The production and manufacturing process of BTMA Mills is somewhat different from that of BGMEA Mills. Due to their activities, production processes and technological aspects, BTMA Mills need to run 24 hours a day. The mills are also struggling from UD's irregular online updates. UD amendments are made manually but are not updated online on time.



Meeting held at Bond Commissionerate

Bond Commissioner agreed with these problems and ensured BTMA that these problems will be considered with importance and will do the needful.

Effluent Treatment Plant (ETP) was another issue that came up in the discussion. ETP is mandatory for the mills involved in Wet Process to maintain the environment and the compliance. The mills do not get profit from running ETP. The chemicals used in ETP are expensive. Considering this problem, the Government has adjusted Duty and VAT at 3% concessionary rate for four chemicals. But more chemicals

are used to run ETP. BTMA believes, more chemicals should be included under the bond and Duty and VAT should be considered at 0%. This will not only lessen the woes of the mills but will help to boost export also.

Many Other issues were discussed in the meeting and it was agreed unanimously that the current Customs Act needs to be modified to date accordingly. The Bond Commissionerate were very welcoming to address the problems of the mills and understanding them.

BTMA's Opinion on Draft MoU between the Ministry of Textiles and Jute of Bangladesh and the Ministry of Textiles of India

BTMA has shared valuable opinions on some articles of Draft MoU between the Ministry of Textiles of India and Bangladesh. The Issues of Tariff, Non-Tariff and Para-Tariff barriers are prominent in the expansion of Trade & Commerce with India. In order to reduce the huge Trade Gap and improve the Balance of Trade position issues of Tariff, Para-Tariff and Non-Tariff Barriers should be addressed properly. Therefore, in this regard, Bangladesh's proposal is fair and should therefore be included in the MoU. In Indian proposal it is seen that Cotton & Cotton Products have been included. In this respect, BTMA believes that it should not include "Cotton Goods".

With respect to the Indian proposal for cooperation in the Ethnic Wear segment and its exports of Ethnic Wear goods such as Kurta, Jutis and all other things to Bangladesh, BTMA believes that this will be detrimental to the interests of Bangladeshi entrepreneurs / manufacturers. India also plans to open a retail store to sell Indian clothes in this regard, but again this will be a significant blow to Bangladeshi entrepreneurs and will totally lose the local market. Therefore, for the sake of the production and survival of our goods of these kinds, which are primarily SME goods, such an Indian proposal should not be considered.

Indian proposal appears to aim at expanding the market of NER in Bangladesh in respect for Handloom, Evi Silk & Jute. There is no reciprocity in this respect from Bangladesh side. With the expansion of NER Goods' market in Bangladesh our Handloom, Silk & Jute producers/Manufacturers will face extreme difficulties in marketing their products in Bangladesh.



Vietnam's Position in Textile Industry during COVID 19

Textile Industry of Vietnam has come a long way in the Global Market and now it is the third largest textile exporter in the world. Vietnam established its textile industry in 1958 and is now seeking to emerge as an ideal alternative to China as a result of its driving forces in 2020. The country produces top textile products and has taken a good role as Apparel Exporter through its strategic decisions. The USA, Europe, Japan and South Korea are the major export destinations for the garment and apparel products of Vietnam. Vietnam's Garment and Textile Sector consists of three sub sectors: Upstream, Midstream and Downstream. The downstream industry is predominantly Garment Manufacturing. The labor cost advantage and the skilled workforce are helping Vietnam to get the manufacturing order out of China's tub.

COVID 19 has made a difference in the economy of every country, and Vietnam is no exception. But the way outs they followed helped them a lot in dealing with this crucial time. In the last seven months, garment and apparel exports from Vietnam dropped 12 % to US\$ 16.2 billion this year. Despite this drop, Vietnam's industry is increasingly expanding to resolve its haunted progress, rising its positive recovery prospects. The textile industrialists and experts expect if international buyer places an order in Vietnam in current time this can be assured that it will be fulfilled as they think that production and logistics could break down in Bangladesh, Pakistan or India but not in Vietnam.

The orders from European supermarket chains and online retailers are now increasing relatively quickly. Vietnam exported about \$30 billion of garment products between July and June, surpassing Bangladesh that shipped about \$28 billion of clothes, according to the General Statistics Office of Vietnam and the Bangladesh Export Promotion Bureau. Though this two months data cannot give any conclusion as it is an atypical situation, when the global trade and supply chain has gone through disruption as well ups and downs in demand.

Although Vietnam is a good threat for Bangladesh and it has a diversified product basket. The free trade agreement with the European Union will now be another benefit for the country that will result in improved export results. The Corona Virus has significantly changed the market dimension. Many experts and economists are skeptical about Bangladesh holding second place in the export market, as Vietnam has few more advantages, and COVID has also been used wisely in time.

Bangladesh apparel industry has faced different obstacles for the outbreak already owing to supply chain disruption, weakening global demand, downsizing of existing orders and shipments being called off by buyers through from June/July currently the situation got better. Bangladesh should aim to follow sound policies, diversify its basket of products and take aggressive steps to improve its position and contend with Vietnam.

Bangabandhu Mourning Message for 15 August

Bangabandhu means - a leader of courage, a man of conviction, a sage of peace, a champion of justice, equality and dignity, a hand of defiance against brutality, and, a shield against coercion. These qualities of him gave a new energy to hundreds and thousands of youths in those times to face all the challenges for the liberation of Bangladesh. The country lost its greatest leader and asset who was brutally gunned down by Pakistani army and their local cruel cohorts in 1971.



He is remembered as a visionary who fought for his countrymen all through his life. He was a superior politician than anyone else during his time in the whole world. Still, Bangabandhu has remained a great leader after his death and he will remain the same in the years to come.

BTMA observed the day of mourning on 15th August 2020 with utmost respect and renewing the pledge to safeguard perpetually the country's independence and sovereignty. BTMA president conveyed his utmost grief and BTMA and its member mills observed the day by Doa-Mahfil program by maintaining the social distancing in wake of the global pandemic COVID-19.

While it is true that the Bangladesh revolution was the result of years of efforts by many people, it is also true that without the singular charisma, vision and willpower of Bangabandhu Sheikh Mujibur Rahman, it probably would not have happened. Many around the world love him for his ability to thumb his nose at the mighty Pakistani rulers and get away with it. We must give Bangabandhu his due honour as one of the most remarkable men of the last century.

Mr. Nurul Islam (Babul)

Mr. Nurul Islam (Babul), one of the prominent industrialists of the country left us on 13th July, 2020 succumbing to COVID-19. He was the founder of Jamuna Group and also a distinguished Member of BTMA. BTMA Family express and convey our deepest sympathy and sincerest heartfelt condolence for this irreparable loss.

Sheikh Momin Uddin

Sheikh Momin Uddin, Managing Director of Akij Footwear and SAF Leather Industries Ltd. left us on 24th August, 2020. He was a renowned entrepreneur and a dynamic leader. BTMA mourns for this loss and expresses deep sense of grief and profound sorrow. His leadership and his optimism and motivational ventures will be an example for the rising entrepreneurs and youths.

Mr. Addul Mannan

Mr. Abdul Mannan, Chairman of Bengal NFK Textiles Ltd., Former Minister of the Government left us on 4th August, 2020. BTMA remembers him with deep sense of grief and profound sorrow.

Md. Hasan Jamil Sattar

Md. Hasan Jamil Sattar, Managing Director of Moinamati Textile Mills Ltd, a former Vice President of BTMA, a Renowned Industrialist and Politician of the Country passes away on 25th June 2020. BTMA remembers him with deep sense of grief and profound sorrow.

Alhaj Mohammad Ali Sarkar

In memoriam of Alhaj Mohammad Ali Sarker BTMA expresses heartfelt grief and prays for the eternal peace and salvation of the departed soul. He was the Chairman of Rahmat Group and beloved father of Mr. Amanullah Sarker, former Director of BTMA.

Alhaj Abul Kashem Dhali

We lost the Chairman of Super Fabrics Ltd on 26 September, 2020. BTMA prays for the eternal peace and salvation of the departed soul.

Latest Circulars Relevant to Textile Industry

FE Circular 29 which has been published on 12 August 2020 instructs about appointment of Audit firm for Cash incentive /Export subsidy in textile and other sectors. One particular audit firm will be applicable for 3 years after that for next consecutive 3 years term another audit firm has to be hired for examining the applicability of cash incentive/export subsidy. If for any reason the Bank fails to appoint any new audit firm for a particular year then the audit can be conducted with the previous one.

Small and medium producing-exporting industrial establishments and the industries shall receive cash assistance on local value addition subject to the condition of minimum 30% local value added in case of export of goods produced using all foreign yarn / textiles. Additionally it has to be ensured that no additional cash assistance has been received against the said export earlier. The condition that cash assistance and duty draw-back / duty bond facility will not be applicable. (FE Circular-35, Dated: 25 August 2020).

The Bangladesh Bank has relaxed its policy on granting loans to manufacturers-exporters from the export development fund (EDF) with a view to help the businesses absorb the coronavirus-induced economic shock. refinancing from the EDF will be admissible in case of no overdue against the realizable export proceeds during the immediate past 720 days from the date of applications by manufacturers-exporters for loans from the fund against the input imports. (FE Circular :36, Dated 27 August 2020).

The Bangladesh Bank (BB) issued a BRPD Circular-45 on 3rd September 2020 which declares that all textile mills and buying houses will require mandatory registration with the authorities concerned under the Textile Act 2018. As many textile mills and buying houses of the country have been doing business without complying with provisions of the act. Directorate of Textile will be pertinent for the registration.

The central bank of Bangladesh has extended suspension of adverse classification of any loan for more three months, until December 31 instead of September 30 to facilitate business activities that have been adversely affected by the ongoing Covid-19 pandemic. Under the latest relaxations, all the scheduled banks have been instructed not to adversely classify any loans earlier from the states of January 01, 2020. (BRPD Circular-17, Dated-September 29, 2020).

To help the business community to cope up the current circumstances Bangladesh Bank has extended its policy supports by another six months until March 31, 2021 instead of September 30, 2020. Under the policy supports, importers are allowed to enjoy different benefits relating to advance payment, import of raw materials, chemical fertilizer and life-saving drugs. Authorized dealer (AD) banks can also open letter of credit (LC) with the realization clause during this period, according to the notification issued by the central bank earlier. (FE Circular 44, Dated-6 October, 2020).

Cotton Price Trend

In last quarter through analysis we observed that the cotton price was lower. In June'20 the average price was about USC 60 per lbs. At present the cotton price is in an upward trend. In October the price range of cotton is between USC 76.45-USC 79.15 on call basis (varies from country of origin).

Meetings and Events

Meeting with NBR Chairman

A meeting was held on 23 September 2020 at NBR, where the President of BTMA attended the meeting with the Chairman of NBR, accompanied by distinguished Members. The President of BTMA raised the problems faced by BTMA Members with regard to the payment of VAT on Manmade fiber yarn and Viscose yarn. He asked the Chairman to fix the VAT on these two types of yarn in line with the VAT on Cotton Yarn. The President, BTMA, also pointed out that 2% of the AIT for locally sourced cotton will further alleviate the existing competitiveness of the textile industry. In the past, no tax was charged on locally sourced cotton. He also asked the Chairman, NBR, to extend the bonding time for the use of dye chemicals from 24 months to 36 months. Another issue was raised that, in the case of mills which would be unable to collect the Utilization Permission (UP) against expired LC due to Covid 19, those mills should give direction to the UP declaration.



Fifth Cotton Day 2020

Cotton USA held a virtual seminar in Dhaka to celebrate the Fifth Cotton Day-Bangladesh on 28 September 2020 where BTMA President was invited as Textile Leader to deliver a Welcome Address. Cotton Council International (CCI) launched Cotton Day in 2016 in Bangladesh to honor US Cotton and Bangladesh as the largest manufacturer and exporter of cotton apparel products. Bangladesh Textile Mills Association (BTMA) President Mohammed Ali Khokon wished the organizers a successful Cotton Day. He gave a brief on the overall status of the Cotton Textile Industry due to COVID 19. The challenges facing the industry as a result of the pandemic and the policies adopted in the country for the textile industry, the stimulus package announced for the industry, etc.

He also stated that-the USA is a major market for our ready-made garments. Many of us that use cotton from the USA and make clothes with it, in this situation, if the duty is reduced, then the textile industry sector will expand further in the US market. The use of US cotton in Bangladesh has steadily increased over the last 5 years.



Upcoming Steps which will be Taken by BTMA

- Duty Exemption and Drawback Office (DEDO) determines the Co-efficient of the mills who operate under Bonded Ware House License. Co-efficient is a pre-condition for obtaining Import Entitlement of required raw materials from Customs Bond Commissionerate Office. BTMA member mills have been facing problems in obtaining the Co-efficient since long. Considering this, in 2019, BTMA requested DEDO to determine coordinated Co-efficient for the BTMA Composite & Dying-Finishing mills having Bonded Ware House. As per the discussion of the meeting held with DEDO, BTMA submitted a Report to DEDO with a request to determine Co-efficient on the basis of BTMA Report. But the issue is not resolved yet. However, a meeting was supposed to hold with DEDO in October, 2020 but could not be held. BTMA is actively trying to arrange holding the meeting with Director General, DEDO within the shortest possible time to resolve the Co-efficient issue.
- The Member Mills of BTMA face unnecessary harassment since long while receiving the price of the supplied goods through Back to back LC. To make the process easier and to avoid unnecessary hassle, BTMA submitted a proposal wherein, BTMA requested to consider the BTMA suggestions.

As the issue is very important, BTMA Leadership is trying to meet the Governor, Bangladesh Bank, to materialize the BTMA's effort in the matter.

- The pandemic caused export order hiatus for a time being affecting the global economy badly. But there is a recent surge of export orders. Particularly, Knit export orders are soaring up. The local yarn suppliers supply yarn to knit exporters, they are also benefiting from this and seeing a positive growth in their orders too. BTMA is hopeful that this will continue in the upcoming days.

Average Yarn Price (Card wise)

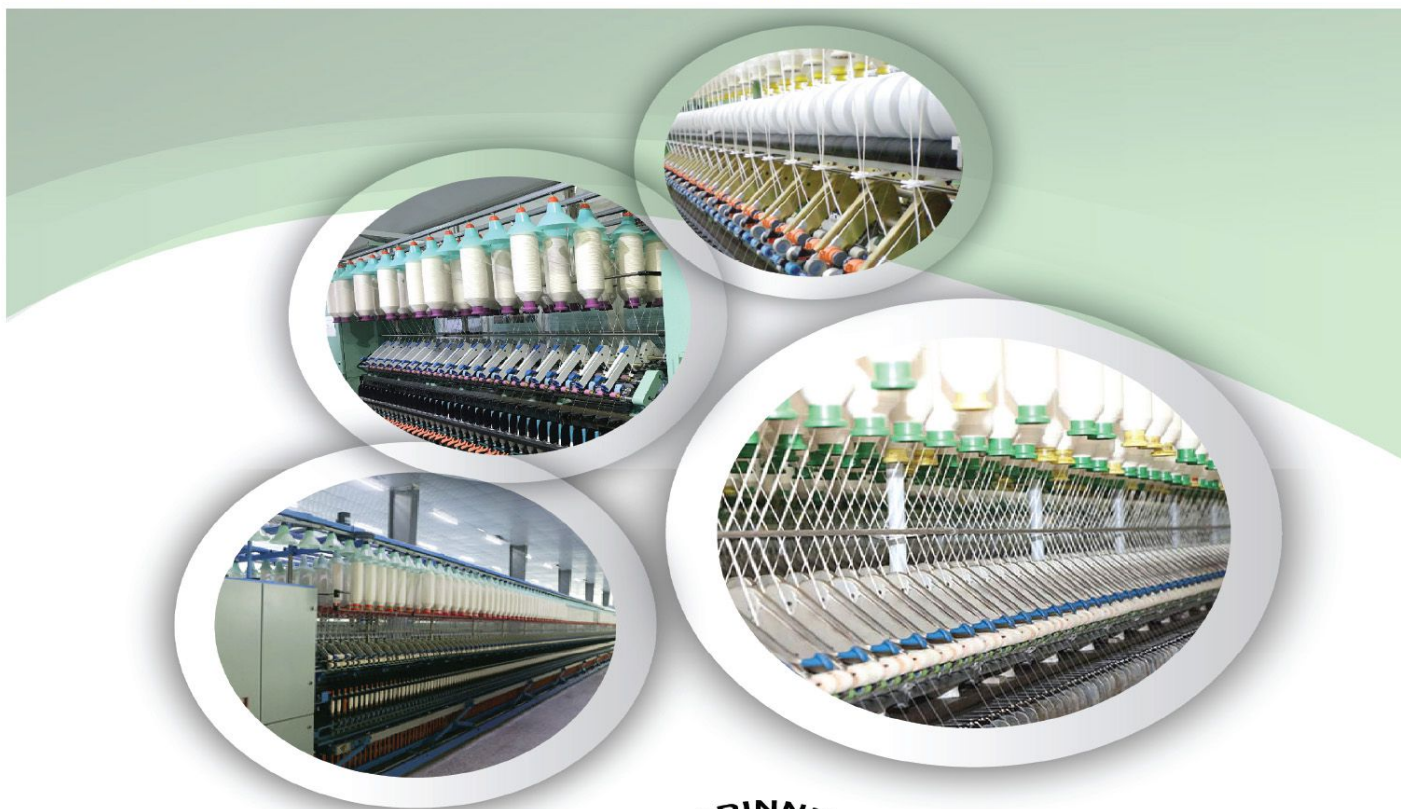
Cotton Yarn	Months		
	July	August	September
Counts			
24	2.46	2.49	2.54
26	2.50	2.51	2.60
30	2.53	2.51	2.64

Source: BTMA Member Mills

The Price Other Types of Yarn

Types of Yarn	Price (USD)
22/1 MP (70% Modal+30% Polyester) Yarn	\$3.77
24/1 Nape Yarn	\$3.92
30/1 Modal Yarn	\$4.10
34/1 Eco Vero Viscose	\$3.20
34/1 Viscose Yarn	\$2.65

Source: BTMA Member Mills



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