

Board of Directors Report-2009

PREAMBLE

Dear Members'

On behalf of the Board of Directors and my own behalf, I extend my heartiest greetings to all & a warm welcome of you on this winter morning for your kind presence in the 25th Annual General Meeting of BTMA. Let me wish all of you a happy & prosperous 2010, in advance. I am happy to present before you, the Annual Report 2009 containing the Board of Directors' Report of BTMA for 2009 based on various issues relating to Bangladesh Textile Industry. This is my first year as President for the second consecutive term.

You are aware that BTMA was established to resolve various issues impacting & hindering the development of textile sector as well as to protect & promote interest of its members. As such since inception, we have taken various steps & initiated various programmes for the upliftment of the sector which is still on. You will surely bear me out that remarkable and significant development have been made in the overall textile sector spanning from PTS to forward linkage units.. But there is no scope for complacency. We need to progress further. In such a backdrop I would like to present a brief overview of the present State of Affairs of Textile Sector particularly on the Primary Textile Sector (PTS).

Role of Bangladesh Textile Industry & its Size

The Textile Sector as a whole is at present the most important sector, capable of generating maximum new employment and the most potential sector to earn foreign exchange. The Government has undertaken to increase per capita income by boosting textile sector. Textile Sector is now also contributing significantly towards GDP growth. This has been possible due to development of textile sector which comprises of Spinning, Weaving, Dyeing-Printing-Finishing (Woven & Knit) Knitting, Ready Garments (Knit & Woven), Hosiery, Handloom & other auxiliary textile units. The Table below projecting the details of different sub-sectors of textile will surely provide comprehensive idea about the size of each branches of textile sector.

Textile & Clothing is considered to be the largest foreign exchange earnings sector (12bn USD) surpassing the manpower sector (10 bn USD) Bangladesh Textile Sector revolves around RMG and that is continuing. As per our record following is the size of Bangladesh Textile Industry.

Sl. No.	Sub-Sector	No. of Units	Installed Machine Capacity	Production Capacity (In Million) Capacity	Manpower
1	Textile Spinning	341	7.20 ml. spld 0.18 ml. rotor	1600.00 ml. kg	4,00,000
2	Textile Weaving	400	25,000 SL/SLL	1600.00 ml. mtr	80,000
3	Specialized Textile & Power loom	1,065	23000 SL/SLL	400.00 ml. mtr	43,000
4	Handloom (GF/F)	148,342	498,000 Handloom	837.00 ml. mtr	10,20,000

5	Knitting, Knit Dyeing (GF): (a) Export-Oriented (b) Local Market	800 2,000	12,000 Knit/Dy/M 5,000 Knit/M	3,600.00 ml. mtr 500.00 ml. mtr	300,000 24,000
6	Dyeing & Finishing (FF): (a) Semi-mechanized (b) Mechanized	180 130	- -	120.00 ml. mtr 1600.00 ml. mtr	10,000 23,000
7	Export Oriented RMG	4,500	-	475.00 ml. doz	20,00,000
8	Others:	-	-	-	600,000
	GRAND TOTAL				45,00,000

Contribution of Textiles

The textile industry is the largest manufacturing sub-sector of the country's Industrial Sector. Textile Industry, until liberation was mainly a small industry to cater the local requirement. Subsequently after liberation it entered into export market of ready made garments initially in the early eighties and by now has achieved a spectacular growth pattern during the last three decades. Now, the sector in addition to meeting the almost cent percent demand of fabric & apparels domestically, contributes significantly in the export trade of textile & clothing. Here I give an over view of the achievement and contribution of the textile sector.

- Export earnings from textile increased tremendously, which is now over 12 bn billion USD i.e. 79 % of the total export earnings of the country.
- Around 100% of domestic yarn & fabric requirements are met by PTS, where 85-90% yarn requirements for export of knitwear & 35-40% yarn requirement woven RMG are meet by PTS.
- 78% of the total export earnings and 40% value addition of manufacturing sector come from textile.
- Provides around 5 million jobs of which 80% are women.
- Contributes around 10% to GDP
- Retains 68-70% foreign currency through knitwear exports
- Creates huge cliental base for Banking, Insurance, Transportation, Hotel, Tourism, Toiletries & many others.
- PTS is considered an import substitute industry.

INTERNAL ISSUES

BUDGET

At present the use of fabrics made of man-made fibre has increased significantly the due to comfort of the fabrics & easy to wear. Currently the ratio of demand for blended RMG is about 30%. Considering the huge potential of the RMG made of blended yarn particularly from Viscose, Polyester & Acrylic Staple fibre, we raised the negative impact of such duty imposition to NBR as well as Finance Ministry and requested to allow duty free import of the above raw materials in line with raw cotton.

Since the inception of BTMA, we are relentlessly trying to create a favourable environment for our industry to operate at par with the competing countries. Considering the above, we submitted the following proposals to the National Board of Revenue before the pre-budget discussion meeting :

- In order to encourage re-investment, extend the validity of SRO No. 168/Law/Income tax/2000 till 2015.
- Review the definition of Textiles with inclusion Spinning, Weaving, Knit Dyeing, Yarn Dyeing and Dyeing-Printing-Finishing as Textiles.
- Extend facilities to deemed exporters similar to those of existing 100% export oriented units.
- Withdrawal of import duty & VAT on Polyester, Viscose, Acrylic, Moda-Acrylic Staple fibre, Chips & Pet-chips.
- Withdrawal of import duty on Capital Machinery of textiles both for local & export oriented industry.
- Complete withdrawal of all kinds of duty on import of spare-parts, dyes-chemicals and sizing materials used in textile sector.
- Extend Tax Holiday to all sub-sectors of textile upto 2015.
- Allow duty free import of chemicals used in ETP..

Some of the above proposals of BTMA were reflected in the National Budget for 2009-10. However, efforts are continuing to convince the Government to consider the other proposals of BTMA which have been left out for the greater interest of the textile sector as a whole.

Banking Matters

■ A delegation headed by BTMA President met the Governor, Bangladesh Bank and discussed various banking and financial issues relating to exports, incentive, interest rate, cost of capital and other related issues. You will be glad to know that disputes between bankers & millers for not **following the prescribed rules & regulation particularly on L/C acceptance and delay in payment by some of the commercial banks on various excuses was also raised during the meeting.** Two Deputy Governors were present during the discussion and advised BTMA to submit specific proposals on problems arising out of non acceptance of the L/C documents. Accordingly, the issue was placed in the Board of Director meeting wherein a sub-committee was formed to make specific proposal on the above issue. I am grateful to the members of the Sub-Committee for making the following proposal which BTMA forwarded to the Bangladesh Bank with request to insert in the L/C as a provisional clause.

- * **Delivery Challan shall be signed by Applicant or his authorized persons whose name be mentioned in the L/C.**
- * **A vendor agreement is to be signed between buyers & sellers so that in future if any claim arises with regard to short-supply of the goods quality of the goods or delay in supply shall be settled under the terms & conditions of the vendors agreement to the entire satisfaction of both the party, if necessary.**

I am confident that if the above proposal is considered, it will help the exporters in operating their business smoothly without any consequential loss. BTMA is perusing Bangladesh Bank to insert the above clause in the L/C. In addition to above, the following proposals were also submitted by BTMA during the meeting with Governor, Bangladesh Bank. :

- **Provision of import facility with the foreign exchange earned out of exports.**
- **Include deemed exporting units into the fold of Export Development Fund (EDF) (Bangladesh Bank has accepted the proposal and 75% of the raw material of PTS could be imported. out of EDF)**
- **Fixation of interest rate at single digit.**

- **Withdrawal of discriminating interest rates inclusive of equity, bank commission & charges**
- **Enhancement of funding limit of ETP Fund.**
- **Rationalization of CIB reports**

BTMA even though a national trade body, still its multinational role has established the association into the global Textile Trade arena. Therefore, BTMA sometime plays very effective role in shaping international policies pertaining for T & C. Due to positive role played by BTMA in influencing global textile trade, some international organizations extended invitation to BTMA President and members for participation in various events especially seminars, workforce to present key note papers particularly related to national and international T & C trade.

HUMAN RESOURCE DEVELOPMENT ISSUE

Textile is the backbone of Bangladesh Economy. Over the years textile proved to be the engine of growth as it has been the 2nd largest sector for absorption of working force after agriculture. On the other hand textile sector in Bangladesh is the largest single sector having highest investment around 3.5 billion Euro. Over the last 3 decades this sector has achieved un-precedented growth. As such we feel it is our obligation to take all possible initiative/steps to protect the sector and make the sector more competitive as well.

Though huge investment have been made and latest state-of-the art technology are being used in the textile industry still we are lacking behind to provide adequate knowledgeable skilled work force. You will agree that in Bangladesh Research & Training for skill development, enhancement of efficiency & productivity of workforce in textile sector are not upto a satisfactorily level compared to our competitor. We thought that without over all development including improvement of technology, increase in the number skilled manpower, our textile industry will face serious handicap in the global textile trade.

Accordingly upon a proposal of BTMA, the Government transferred National Institute of Textile Training, Research & Design (NITTRAD) (former TIDC renamed by BTMC) to BTMA to run the institute under public-private partnership. Now NITTRAD is operating under a newly reconstituted Governing Body headed by BTMA President as its convener. Meantime the Governing Body has taken various steps to make the NITTRAD a Centre of Excellency. Some notable programmes of NITTRAD are appended below :

Name of the Course

Yarn Manufacturing

- Development and Operation of Computerized Spinning plant
- Integrated Productivity Improvement Approach in Spinning

Fabric Manufacturing

- How to Ensure Quality of Yarn
- Production of Fashion Fabrics in Circular Knitting Machine
- Selection of Process Parameters in

Garments Technology

- Costing of Apparels and effective approaches to cost minimization

Textile Testing and Quality Control

- Testing of Cotton Fibre Using HVI and AFIS
- Assessment of Yarn Faults by Uster Classmate Tester
- Quality Characteristics of Yarn and their Impact on Woven Fabric Quality

Circular Knitting to Achieve a
Predetermined Finished GSM fabric

Dyeing & Finishing

- Working with Continuous Pretreatment, Dyeing and Finishing
- Efficient Knit Dyeing with Reactive & Disperse Dyes
- Effluent Treatment & Waste Disposal in Dyeing/Finishing Mills

Others

- Foundation Training in Textile Engineering
- Foundation Training in Textile Management
- Application of Computer in Textiles

I believe that the above training programme will be beneficial for our members. So I request all the distinguished members to nominate their officers/staff to participate in the training programme. I am pleased to inform you that the Governing Body is actively considering starting BSC Textile Engineering (graduate course) course. I am confident this will help to reduce our dependency on foreign experts and will save huge foreign currency as well.

In spite of one of the most liberal investment policies we have failed to attract a significant quantum of FDI as well as domestic investment.

As the apex body of the primary textile sector we consider all-out efforts should be taken to attract investment both local and foreign and to assist our potential entrepreneurs to invest in the textile sector. Realizing the role of BTMA since 2004 we are organizing an exhibition namely the Dhaka International Textile and Garments Machinery Exhibition in co-operation with a foreign organization. I think this has helped our entrepreneurs, local textile and garment manufacturers and the technician unique opportunity to have a glimpse of technological advancement that has been made in the global textile production. This year, the said exhibition will be held in February 2010. The main objective of holding the above exhibition is to familiarize the local entrepreneurs with the state of art technology used in the textile industry. DTG offers the concerned stakeholders the following opportunities .

- **Showcase the latest machinery, equipment, accessories and development that has taken place in the industry for marketing and expanding business.**
- **Transfer of high technology and identifying field for investment and joint ventures in Bangladesh**
- **Sourcing output requirements from Bangladesh**
- **Technology adaptation and up gradation**
- **Supply of plant, machinery, process control equipment, projects and services etc.**
- **Project collaborations**
- **One to One business meetings and networking opportunities**
- Opportunity to have a glimpse of latest technologies without going abroad.

This year more than 300 exhibitors from 23 countries participated with 700 booths. The event was highly successful. This has now become a regular event of BTMA. I am pleased to announce here that the 7th Dhaka International Textile and Garments Machinery Exhibition (DTG) will be held in February, 2010 from February 2-5. I invite all of my distinguished friends, colleagues and entrepreneurs to visit the upcoming exhibition.

POWER & ENERGY SITUATION

You will agree that, we are, (the entrepreneurs who are running their factory through captive generation) facing serious problem to operate our units due to acute short supply of gas as well as low gas pressure. As per our record mills located at Gazipur, Kaliakoir, Tongi & Tangail are being seriously affected due to power crisis caused by low gas pressure. The accumulated impact of irregular supply of gas & low pressure of gas have forced down the mills of the above areas to cut down their production capacity below 48% resulting huge financial loss, which is continuing unabated. Availability of gas has now become erratic and this is now putting the industry into jeopardy as many of them are unable to achieve the targeted production level due to inappropriate gas supply. As such they are failing to meet the export deadline which is apart from loss of revenue entailing the units to penalties & finally loss of export market.

When such a situation was prevailing in the gas transmission Bangladesh Energy Regulatory Commission arranged a Public Hearing of the stake-holders for soliciting views regarding adjustment or revision of gas price. Last 3/4 months global trading scenario has taken into a positive turn and the world economy has gradually been coming out of recession. Major items including petroleum price plummeted by 50-60% per barrel. As such we felt that the major factor that prompted for the revision/adjustment of gas price i.e higher cost of production due to direct influence of higher petroleum price, does not justify to be a never be a valid reason for enhancing of gas price. Considering the above we requested the Government not to go for the gas price escalation. On the other hand we also requested the Government to take the following points into consideration before taking any decision with regard to escalation/adjustment/revision of gas price if situation demands in future :

- **Bangladesh Government has failed to provide required power to industrial units, though this is the responsibility of the Govt. but the units are generating power not out of choice but out of compulsion**
- **The industries in Bangladesh, especially the Textiles & Clothing are competing with giant competitors operating in international markets where energy and other utilities are guaranteed by the Government or local authorities**
- **Big industrial units under private sector had to make huge investment for captive power generation including infrastructure development.**
- **Gas connection and to ensure proper flow of gas, industrial units had to incur additional expenditure resulting in increasing project cost thereby, affecting cost of production.**

You are aware that the Government has given exemption from duty /VAT on import of some textile spare-parts and allowed import of dyes-chemicals and sizing materials with concessionary rate of duty subject to Certification from BTMA. This surely has given us some sorts of relief . You will positively bear me out that owing to supportive policies of the Government mainly withdrawal of duty from textile capital machinery, some raw materials and introduction of incentive, our spinning & knitting sub-sector has achieved a phenomenal growth.

However I am sorry to mention here that the Caretaker Government, in 2007 imposed duty on textile capital machinery and on some raw materials of textiles mainly Viscose, Polyester &

Acrylic Staple fibre, Chips & Pet-chips, which is still in force. You are aware that to sustain in the competitive market environment and to face global challenge on an equal footing, a good number of spinning mills converted part of their production facilities to produce blended yarn with mixture of raw cotton & man made fibre.

ACTIVITIES IN THE INTERNATIONAL ARENA

President, BTMA had the opportunity to undertake a number of foreign trips to project Bangladesh Textile sector in various international fora .

- Office of Commercial Affairs of Royal Thai Embassy in Dhaka organized an exclusive 9 members Textile Trade Mission to Thailand and to exchange views with Thai entrepreneurs and visitors. During the visit the members of the delegation participated in various programmes arranged by the Thai Government. I consider such visit always a fruitful and result oriented one.
- Ministry of Commerce, Government of the People's Republic of China in co-operation with the China Chamber of Commerce for Import and Export of Textiles organized the International Forum for developed of Textile and Apparel Trade. The aim of the forum was to bring together major importers and suppliers of the textile machinery and Government officials from trading countries to share their views on the trends of the Global Textile and Apparel Trade and to look for new avenues to venture into & encash opportunities facing the industry amidst the current financial crisis and in the past crisis era. I attended the said forum wherein I presented a paper containing the proposal, problems and the challenges of Bangladesh Textile Industries.
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BTMA President has been an Associate Director of ICA which is a rare honour for organization to uphold the image of the Association.

- I attended the Annual Dinner of International Cotton Association (ICA) wherein I submitted proposals for simplification and rationalization of some clauses of ICA Laws and bye-laws. I am pleased to mention here that the ICA authority has taken those recommendations in positive note and assured me that they would take appropriate initiative to mitigate the difficulties, if any arising out of complicity at ICA laws and bye-laws. You will be happy to know that ICA is actively considering to organize a workshop in Dhaka on the observation of BTMA & would like to solicit reactions of stake-holders on the recommended laws and bye-laws of ICA.

THE 7TH WTO MINISTERIAL CONFERENCE

The 7th Ministerial Conference held in Geneva between 30th November, 2009 and 2nd December, 2009, Hon'ble Commerce Minister led a 17-member Bangladesh delegation. President BTMA was a member of the Bangladesh delegation. The Ministerial was held in the backdrop of slow process of Doha Round of Negotiations and Global Financial crisis. The Ministerial was held mainly to meet obligatory requirement rather than a negotiating meeting. However, in the Plenary session "WTO Multilateral Trading System and Current Global Economic Environment" was discussed, while in the working sessions Doha Work Programme and WTO's contribution to recovery, growth & development have been discussed. Issues like NAMA, DFQF market access, RoO, Services, Agriculture, Trade facilitation, TRIPS, Trade & Environment, Rules and S&D were discussed without any

specific recommendations. No one knows when DDA would be implemented if at all. On the other hand commitments made in Hong Kong Ministerial to all LDCs 97% products as duty-free are yet to be implemented.

REGIONAL ACTIVITIES

- SAARC Chamber of Commerce and Industry organized the 3rd SBLC regional co-operation. A catalyst for socio-economic growth in South Asia was held in Sri-Lanka between SBLC is a prestigious event of SAARC CCI. Head of the government of the Socialist Republic of Sri-Lanka, leading politician, prominent speakers, scholars and elite corporate leaders from SAARC region addressed on trade, investment, social security, HRM, Environment protection etc.. The third SBLC focused mainly on the following issues :
- Global financial crisis and its impact on South Asia
- Addressing food crisis through enhanced investment in agriculture.
- Interactive dialogue between business leaders and triumphant entrepreneurs.
- Trade facilitation : A fosterer of regional integration.
- Trade in services: Prospects and challenges for regional integration
- Climate change & depleting water resources: emerging priority concerns for South Asia.
- Culture and Tourism : A fosterer of socio-cultural interactions.
- Creating synergies in the area of enhanced regional cooperation.

Besides the above I participated various seminar, workshops organized by the international organization based in Dhaka and also attended various based in Dhaka and also attended various meetings of the Ministries which were related to the interest of textile industry.

INTERNATIONAL POLICES RELATED TO TRADE PROMOTION

EU GSP

You are aware that 27 Member States of the European Union (EU) are one of the most important destinations of Bangladesh's Textile & Clothing Export. **European Union (EU) as a single market entity market is the destination of over fifty percent of our total export. One very vital factor contributing to this achievement has been Generalized System of Preference (GSP) granted by the European Commission (EC) under its Everything But Arms (EBA) Scheme.** The GSP Scheme was introduced in 1971 to support Trade Aid. the scheme was governed by the concept of Rules of Origin (RoO), to determine the country of origin of the product.

Rules of Origin (RoO) is a set of criteria imposed that needs to be complied with for the GSP eligibility of products exported from the beneficiary country. RMG & Textile products from Bangladesh enjoy GSP facilities since we entered into export market. Since the introduction of the scheme a three-stage transformation criteria (from fibre to yarn, from yarn to fabric & from fabric to apparels) was required to be complied with to be eligible to receive GSP facility; i.e. duty free market access for T & C In 1998 EC derogated the RoO for the least developed countries (LDC). Since then, only two-stage transformation is required to be GSP eligible.

Dear Members,

Recently European Union has proposed a further derogation of the preferential trading scheme (GSP Scheme) from two stage transformation to single stage transformation for T & C . It is learnt that this new GSP scheme will take effect from July 2010, if the member states approve the newly proposed scheme. **As per new GSP scheme if fabrics are converted to garments & exported to EU, then duty free market access will be available, that means origin of fabric will not be taken into account while determining the country of origin for the duty free market access. In simple term it is one state transformation.** Once introduced the proposed one-stage transformation, replacing the two-stage for availing **duty free market access facility, will surely dealt a negative blow to the industrialization process in PTS and will negate the basic principles of sustainability & development of PTS. A huge amount of investment (around 3.5 bn) has been made on the PTS based on 2 stage transformation criteria, which will be in jeopardy under the preferential trading scheme.**

Dear Member,

One of the arguments put forth by the European Union is to establish a simplified Rules of Origin which will benefit the preference receiving country from either duty free or lower rates of custom duty as the present scheme is complicated and susceptible to abuse, for which the commission proposed the existing rule to single stage transformation to make it scheme simple & abuse proof.

Under the Two Stage Transformation System, there is a check & balance. At present, before issue of certificate an exporter has to comply with some procedural regulations operated by different agencies both public & private sector. This has reduced the rate of abuse and fraudulent practice greatly. **In the newly proposed scheme, exporters are authorised to declare the country of origin for attaining the eligibility of a preferential certificate. Under this practice his declaration will be final for which he will not accountable to any authority except as and when EU demand.** This may encourage misuse of such facility, as the check and balance will be over under the new scheme.

The existing policy has given duty free market access of LDCs products but has not allowed products from developing countries duty free market access. Existing scheme is the ideal model in which LDC like Bangladesh who has a satisfactory level of backward linkage industry, is taking control of its own exports and thus attain sustainability, which is the aim of the GSP scheme. The scheme also provides fair protection to the European Textile Industry as it prevents them from unfair competition from developing countries who are not eligible for GSP.

However, Proposed reform in the existing GSP scheme with single stage transformation criteria in place of two stage encompassing regional & global accumulation will put non cotton producing countries like Bangladesh to a very disadvantageous position compared to highly matured textile sector & cotton producing countries like India, Pakistan and China. Considering the negative impact of the proposed GSP scheme we have placed our arguments to EU authorities and to our Government with request to take up the issue with EU considering the existing investment & employment scenario before derogating RoO to single stage transformation, Bangladesh Textile Industry particularly the industry in the Primary Textile Sector will face disastrous consequences. Present & potential investment both will be

in jeopardy leading to closure of mills, increase redundancy in employment & affecting poverty alleviation programme.

NPDA

New Partnership for Development Act of 2007 designed to provide duty free quota free market access to the U.S, was introduced by Senators McDermott and English in the House of Representatives. The bill has two components (i) duty free market access for LDC's products originating in all LDC's.(ii) aid and development funds for the LDC's.

The bill however, does not make the beneficiary countries automatically eligible. The bill has provided power to U.S President not to designate a country as a beneficiary of the preferential treatment. A number of conditions both with regard to eligibility as a beneficiary and subsequent continuation as a beneficiary country must be complied with. They are: (a) Adoption and maintenance in statues & regulation of core labour standards & their enforcement, (b) meaningful progress towards establishing market-based economy with minimum govt. interference in economic activities, (c) elimination of barriers to U.S trade and investment, (d) protection to intellectual property, (e) resolution of bilateral trade & investment disputes, (f) introduction of a system to combat corruption, (g) enforcement of laws to manage natural resources and prevent exports of illegally harvested flora and fauna. (h) cooperation in international efforts to eliminate human rights violation and (i) access to the U.S authority to investigate and monitor compliance regarding enforcement of labour rights.

At the initial stage the bill generated high hopes among the Textile and Clothing sub-sector exporters, but with detailed analysis and evaluation by the 11 member Expert Committee formed by Ministry of Commerce, where Secretary General of BTMA was a member, it was concluded that it would be difficult to comply with all core conditions to be eligible as a beneficiary country even if the bill is passed and turned into an Act. However, negotiation is on to relax the stringent conditionalities. This is for information of the members of BTMA.

DAC Issue :(Disproportionately Affected Countries)

Pakistan & Sri-Lanka are considered to be the disproportionately affected countries (DAC) are offered tariff reduction for 5 products each with (5 years instead of 10 years), which will put Bangladesh in disadvantage position these lines of products represent more than 50% of Bangladesh's Export to USA.

Global Economic Situation

You are aware that the mills under Primary Textile Sector especially the spinning mill had to pass through a very torrid time between January to June this year to market their yarn. Due to fall in demand & high cost of produce the spinning mills lost their competitiveness which has been compounded by devaluation of currency of our neighbouring countries. The extra financial benefits under the banner of stimulus packages they could sell their yarn at a lower price compared to our produced. BTMA member mills yarn has been at much higher price due higher cost of production on account of higher procurement cost of raw cotton. You were also aware that at that time unsold yarn valued at thousands of crores of Taka had stock piled up at various mills. Even in such a situation to protect the jobs of millions of workers and to keep the mills running, we were forced to sell our produce at much lower price (on an average 40 to 45 cent loss) than cost of production must to stay in business. This compelled the mills to suffer continuous loss leading to serious liquidity crisis, reducing the economic viability of the mills. As a result most of the member mills failed to repay their loan

instalment We are grateful to the Govt. for realisation of the problem and therefore subsequent directives to extend time for re-scheduling of the Term Loan re-payment.

Considering the gravity of the situation BTMA initiated a lot of efforts to apprise the concerned authorities of the Government regarding the negative impact of global economic recession on the PTS. We met the Hon'ble Minister for Textile & Jute, Minister for Commerce & Minister for Finance. Finally, we met the Hon'ble Prime Minister. During these meetings we submitted memorandum outlining our position alongwith recommendations to over come the crisis. Finally, realising the impact of recession, the Government formed a Task Force to access and monitor the impact of recession and suggest ways & means to overcome the crisis including probable stimulus packages.

Subsequently, the Taskforce in its 2nd meeting formed a 7-members sub-committee wherein BTMA President is a member to evaluate of global Economic Recession & its impact on all export sectors including T & C.. Soon after the formation of the sub-committee BTMA submitted a comprehensive paper containing the following recommendation for consideration to over come the crisis arising out of global economic recession. :

- **Enhancement of Alternative Cash Assistance from 5% to 15%**
- **Placement of a one time fund for spinning mills as an interim step as promised by the Finance Minister**
- **Create a Fund for interest subvention @ 5% as a long term measure .**

It will be pertinent to inform the Hon'ble members of BTMA that the Government on 25-11-09 has for the 1st time announced a stimulus package covering Textile and Clothing. to mitigate the negative impact of Global recession. The package is to the tune of Taka 1000/-crores which covered various noted issues including use of EDF for import of raw-cotton. Access to EDF shall be a major step forward for fighting the negative consequences of global financial crisis to some extent to the member-mills.

-The Government will pay the license/renewal fees of Captive Power plants used in industrial units from November 01, 2009 to June 2010 to compensate the losses due to power disruption/ poor gas supply.

-Extension of the bank loan re-scheduling facilities without any down-payment up to June 30, 2010 from October 2009 at 10% interest rate instead of 13% interest will be considered.

-If any borrower defaults loan repayment during the above time frame, extension of the re-scheduling facility will be considered.

-Members of Bangladesh Textile Mills Association (BTMA) will received 5% Cash Incentive for direct export of yarn.

-Government will introduce a uniform bank charges.

-BTMA members that import cotton and other fibres for production of yarn will get access to Export Development Fund (EDF).

-Government will bear 50 per cent cost of the operation of the National Institute of Textile Training, Research & Design (NITTRAD) from 2010 for the next three years. .

BTMA'S Initiatives for Policy Suggestions for Development of T & C

To make the textile industry more competitive countries. Following were the main proposal of BTMA have been submitted to the Policy maker.

- **Debt-equity ratio should be fixed at 70:30 on any favourable rate.**
- **Weaving & Dyeing-Finishing sub-sector should be given extra thrust and priority while considering bank loan for investment.**
- **The difference between export proceed conversion with taka be restricted within the maximum range of 50 paisa between Taka and US dollar.**
- **Interest on investment in the textile sector be fixed to 9% both by nationalized and private sector banks. At the moment nationalized banks are lending loan at 9% but private sector banks do not extend loan at that rate rather they charge @ 14%.**
- **Considering textile as 'Thrust Sector' all importable spares used in the textile sector be made duty & tax free.**
- **Considering textile as 'Thrust Sector' all importable dyes-chemicals and sizing materials used in the textile sector be made duty & tax free.**
- **The rate of Cash Assistance in lieu of duty drawback & bond facilities be increased to 15%.**
- **Set up High-tech Park, Garment Villages, API & EPZ with necessary infrastructural facilities for setting up textile industries on priority basis.**
- **The scheme of Tax-Holiday to continue upto 2015.**
- **Protect the environment by establishment of Central Effluent Treatment Plant (ETP). At the same time private sector be encouraged by providing machines, equipments and spare-parts duty free and to make provision for bank loan at lower rate of interest for setting up ETP at individual level.**
- **Considering textile to be a Thrust Sector the Electricity, Gas, C&F & Insurance be left out of VAT net.**

LAND FOR BTMA BHABAN

Over the years BTMA's area of operation has diversified to a great extent and its contributions in the national economy is highly recognized by the policy makers. In the mean time huge investment has been made in the primary textile sector. resulting in expansion of BTMA's activities. All the leading Trade Associations/Chambers have its own building (Bhaban). Keeping that in mind and to perform its role more properly. I have deposited a sum of Tk. 6 Lac to RAJUK for a suitable land in Dhaka city, as per advertisement of RAJUK.

Concluding Remarks:

Dear Members,

The importance of the textile sector in the national economy, its contribution to GDP, its provision to employment generation and contribution to the expansion of the industrial base cannot be ignored by anybody. Owing to BTMA's relentless endeavour, the image of textile sector of Bangladesh has been enhanced nationally and internationally. BTMA is trying its best over the years to solve the problems confronting the textile sector. No doubt, significant development has already been achieved by now. However, there are a lot more to be done and those need to be taken care of.

On different occasions, we took up the unresolved issues with the concerned authorities and try to reach an amicable solution. I along with my fellow Board of Directors have always been trying to work jointly for furtherance of our cause. Various issues affecting the growth of textile sector are there. If we get your continued support and co-operation, like that we have had in the past, Insha-Allah, we will be victorious. In fine, I express my profound appreciation to all of my distinguished members for their continuous and unconditional support and co-operation.

I have tried to lay before you the overall activities as well as programme undertaken by my cabinet. You will surely bear me out that when I took-over the realm of BTMA, the country was reeling under political upheavals. All machinery of the govt. were either inoperative or could not function appropriately. In such an environment, we had to continue with our assigned responsibilities. If some one is to work in a hostile and unfriendly environment, successful conclusion of programmes might not always be possible. However, we left no stone unturned to protect and uphold the interest of BTMA member mills including that of Textile sector as a whole. Whether we were successful or not in our endeavour will be assessed and judged by the beneficiary. I leave it with you to decide. We sincerely and honestly tried our best to make various policies and programmes a success. No one can guarantee success in every venture. Success in trade related programme can not be guaranteed as many factors outside the control and power of individuals might impinge resulting in failure. In this regard sincerity of purpose and honest attempt could be viewed with a positive frame of mind and perception. Before I conclude let me outline briefly what we have achieved and what remain to be done, although there is no finish line of success and improvement. :

Abdul Hai Sarker
President

Allah Hafez !