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Non-bonded direct exporters struggle to source raw material

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A good number of direct garment exporters are facing difficulties in producing their goods as they are failing to source raw materials from local suppliers because of not having bonded warehouse licenses.

Customs Bond Commissionerate, both in Dhaka and Chattogram, has recently stopped issuing utilisation permission (UP) to the direct exporters, who don't have bonded warehouse licenses against their purchases of raw materials, goods and dyed and finished yarn for sweater,

from deemed exporters who have bond licenses.

Direct export is the sale by an exporter directly to an importer situated in another country, without using another individual or organisation to make arrangements for them.

Bangladesh Garment Manufacturers and Exporters Association (BGMEA), Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA), and Bangladesh Textile Mills Association (BTMA) on May 02 in a joint letter to the Customs Bond Commissionerate raised the issue.

The trade bodies urged the bond commissionerate to continue issuing the utilisation permission (UP) to non-bonded direct exporters against their purchases of all goods and services from deemed exporters who have bond licenses.

They also made the same plea to the National Board of Revenue.

The letter signed by presidents of the three trade bodies said, "A good number of non-bonded but direct exporters are on the verge of closure due to the sudden suspension of UP issuance against service and goods supply."

As a result, the export activities are being interrupted, said the letter, expressing fear that many workers would be unemployed.

"A good number of factories can't go for production in the absence of raw materials supply despite they

have work orders," the letter read.

Management of bond license is a complex matter, the letter said, adding that there was a possibility of misuse.

"So both we and the government encourage direct exporters who don't have bond licenses," read the letter, signed by BGMEA, BKMEA and BTMA presidents.

It will not be right to force them to have a bond license by suspending UP issuance and interrupting their exports, said the letter.

Measures or moves can be taken through discussions to ensure exports of finished goods by direct non-bonded exporters who source raw materials and other services from deemed exporters having bond licenses, they opined.

Talking to the FE, Mohammad Hatem, vice president of BKMEA, said 65 to 75 per cent of the BKMEA members did not have bond licenses.

They export RMG goods by sourcing raw materials locally and their value addition is 100 per cent, he added.

A strong RMG backward linkage industry has already been set up and this industry has helped reduce import dependency drastically, he said. Earlier, Mr Hatem said, they were largely dependent on import for accessories, yarn and fabric for knitted items.

Many factories are closed while a good number are at the risk of closure due to the Covid-19 pandemic, he said, adding that the sector had been hit hard by the pandemic.

The sector will lose its competitiveness in the global market if exports are interrupted, he noted.

To sustain the competitiveness and help increase export volumes, BGMEA, BKMEA and BTMA urged the government to continue UP issuance to direct non-bonded export-oriented factories against their sourcing of all goods.

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