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The Decision on Central Bonded Warehouse (CBW): Is It Wise?

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Abstract

The Government of Bangladesh has recently rejected the proposal for the establishment of the Central Bonded Warehouse on the ground that such an initiative would adversely impact the present growth of the domestic textile industry. However, the review of the arguments for and against the CBWs, analysis of the possible impacts of the CBWs on the country's textile and apparel industry, and the assessment of its actual feasibility clearly indicates that the costs of not allowing CBWs is likely to be much higher than that of allowing CBWs.

I. Introduction

On August 31, 2004, the Government of Bangladesh finally rejected the proposal for setting up the Central Bonded Warehouse (CBW), leaving no scope for debate on this issue, which positioned Bangladesh Garments Manufacturers' and Exporters' Association (BGMEA) and Bangladesh Textile Manufacturers' Association in a literally face-to-face confrontation. The final decision maintained the Cabinet Committee's stance, however, it contradicted with the recommendation of the National Coordination Council (NCC) on Textile and Readymade Garment Industries, which was earlier formed to recommend measures for improving the country's textile and apparel sector.

If affirmative action had been taken in favour of the CBWs, then under the facility, the private sector would have been allowed to set up the warehouses at the Export Processing Zones (EPZ) and import fabrics, yarns, machineries, and other textile related accessories free of duty in advance. These raw materials could eventually be used by the textile and RMG units on demand.

The Bangladesh Garments Manufactures' and Exporters' Association (BGMEA) has been advocating for the establishment of the CBWs for quite sometime arguing that it would facilitate delivering the finished apparels to the global buyers by way of reducing the lead time to as low as 45-60 days. The existing lead time, ranging from 90-135 days, is affecting the growth of the RMG sector since most of Bangladesh's close competitors are able to ship goods much quicker. The establishment of the CBWs will therefore allow the RMGs to buy imported raw materials from home, and start producing the finished apparels as soon as the orders are received.

This is to be noted here that from January 1, 2005, the global apparel market would enter into a new phase of trade regime where there will be no quota restrictions on the trading of textiles and apparels. The suppliers all around the world would therefore start competing with each other, being armed with the competitive instruments such as favourable business climate, price, quality, quick delivery, improved marketing campaigns, availability of inputs, maintaining good customer relations, etc. Amongst these variables, Bangladesh has the visible disadvantage in the areas of delivery time since Bangladeshi RMGs largely depend on imported fabrics, requiring extra time due to imports of fabrics from other countries under the back-to-back LCs. This extra time can be significantly reduced if the required fabrics and other raw materials can be imported in advance and be used instantly without any delay.

On the other hand, the Bangladesh Textile Manufacturers' Association (BTMA) is holding an opposing view. They claim that allowing CBWs to operate would jeopardise the interests of the domestic Primary Textile Sector (PTS)[1], which needs to flourish to face the looming challenges of the post-MFA Phase Out period[2]. The success of the RMG sector largely lies on the sustainability of a strong domestic backward linkage industry, which is presently being affected from the leakage of textile fabrics and yarns from the existing bonded warehouses. Therefore, the establishment of the CBWs under the existing governance regime would further deteriorate the situation.

II. Objectives and Methodology of the Research

The primary objective of this article is to review the arguments that have been put forward in favour of and against the establishment of the Central Bonded Warehouse (CBW), and measure to what extent the decision of not allowing the CBWs to operate is wise. In order to reach the final conclusion, the study followed a very simple methodology. At the beginning, the article reviewed the arguments

[1] Primary Textile Sector (PTS) includes weaving and spinning sub-sectors.
[2] The Multi-Fibre Arrangement (MFA), which has been governing the global textile and apparel trade, will be completely phased out from January 1, 2005.

for and against the establishment of the CBWs, and subsequently analysed the validity of the arguments, both theoretically and empirically. The conclusion is further supported by a hypothetical impact assessment of the CBWs on country's textile and apparel industry, and an assessment of the operational feasibility of the CBWs. The data that has been used in this research is taken from various sources, such as Centre for Policy Dialogue (CPD), Export Promotion Bureau (EPB), BGMEA, and BTMA.

II. Arguments For and Against the CBW Initiative

The following Table 1 and 2 list all the arguments for and against the establishment of the CBWs. Most of the arguments were put forward by the BGMEA and the BTMA officials in various seminars and workshops; however, some of the arguments (such as Dependency on Imports, Specialisation, and Competitiveness) emerged from author's own research.

TABLE 1
ARGUMENTS FOR CBW INITIATIVE

Topic	Arguments
Lead Time	The establishment of the CBWs will allow the RMGs to import fabrics in advance. As a result, the lead time will be reduced by 45 days. Currently the lead time requirement is 90-135 days.
Dependency on Imports	Bangladeshi RMGs are still dependent on foreign fabrics for producing apparels. So reducing the lead time would still be a key issue to retain future competitiveness.
Benefits	The benefits will accrue not only to the RMG sector, but also to the entire PTS since they will also be benefited from the imports of raw materials and accessories in advance.
Limited Liability	Under the present bonded warehouse facilities, the RMGs can import 4 months of supplies in advance, however, funds are being tied up in such imports, which eventually raises interest expenses. So, CBWs will allow to pass the responsibility to another private entity.
Specialisation	Since the CBWs will be owned by separate entities, they will be able to specialise in such businesses, enabling them to reduce cost of warehousing the merchandise. Such specialisation is not possible for RMGs, which mainly concentrates on finished products.

Source: Various Issues of the Daily Star and the Financial Express.

TABLE 2

ARGUMENTS AGAINST CBW INITIATIVE

Topic	Arguments
Governance	Past experience from the operation of bonded warehouse shows that the imported fabrics have been sold illegally to the domestic market, hampering the interests of the PTS. Such products have been imported duty-free, which were supposed to be used by the local export-oriented RMGs. Lack of governance enabled scrupulous traders to sell the goods in the local market.
Competitiveness	CBWs will allow RMGs to import cheaper fabrics in advance. Till now, the local PTS is taking advantage of the existing high lead time for importing foreign fabrics. As soon as this advantage is eliminated, the domestic PTS has to compete with the foreign fabrics in terms of price. Such a situation will hamper their interests.
Overdependence On Foreign Fabrics	CBWs will make the local RMGs over dependent on the foreign fabrics, ultimately making the sector more vulnerable during the post-MFA period since most of the foreign suppliers will not be able to export fabrics after 2005.
Loss of Revenue	Leakage of imported fabrics from the CBWs will cause loss of revenue for the government.
Unsold Fabrics	Imported fabrics might remain unsold, which will eventually be sold to the domestic market, hampering the interests of the domestic PTS.
Cost	CBWs will increase the costs of fabrics – the major cost component of the RMGs. The sources of increased costs are: additional cost causing from multiple loading to CBWs and then to RMGs, additional banking charges since two LCs are required, additional costs of establishing CBWs, increased cost for storage, inventory, and interest charge, profit of the CBW operators, extra cost for dead stock, etc.
Increased Outlay of Foreign Exchange	In the present back-to-back LC system, no foreign exchange outlay is needed since payment is released as soon as the export proceeds are realised. But in case of the CBWs, the fabrics will be imported in cash, involving huge foreign exchange outlay from the central bank. Thus the foreign exchange reserve will be affected.
The Actual Need for the CBWs	There is no actual need for the CBWs since the present bonded warehouse system is providing the same facility. Moreover, since every RMGs need different fabrics depending on the type of orders, the formation of the CBWs is actually unrealistic.

Source: Various Issues of the Daily Star and the Financial Express.

III. Validity of the Arguments for CBW Initiative

The Importance of Lead Time

It is well regarded that shortening the lead time for delivery of apparels to the overseas buyers will be a major component of the retention of competitiveness during the period following the MFA Phase Out. Ability to quickly respond to changes in market conditions has been cited by major US buyers as one of the most significant factors that would lead to increased competitiveness in apparel trade (USITC, 2004). Tait (2002) asserts that in the post-2005 world, buyers will choose suppliers in terms of reliable delivery and lead times. Birnbaum (2001) notes that since US buyers are increasingly demanding "quick response" services, distant factories will find it more difficult to satisfy customer requirements. Hummels (2001) estimates that each day of increased ocean transit time between two countries reduces the probability of trade by as much as 1.5 percent. He also reports that an ocean voyage of 20 days is equivalent to a 16 percent tariff.

With the establishment of the CBWs, the Bangladeshi RMGs will be able to procure the required raw materials from home, and it will help them to reduce the lead time from the existing 90-135 days to 45-60 days (see Table 3).

TABLE 3
THE LEAD TIME WITH AND WITHOUT THE CBWS (IN DAYS)

Components	**Without CBWs**		**With CBWs**	
	Optimal	**Non-optimal**	**Optimal**	**Non-optimal**
Producer Receives LC	0	0	0	0
RM Supplier Receives BBLCs	4	6	0	0
RM Supplier Produces and Ships Goods	15	30	0	0
RM Sails and Reaches Ctg Port	21	30	0	0
Port Clearance & Inland Transportation	5	9	0	0
Garments Produced and Shipped	20	30	20	30
Finished Goods Sails and Reaches Buyer	25	30	25	30
Total Lead Time	**90**	**135**	**45**	**60**

Source: BGMEA.

Such a shorter lead time will positively contribute to the enhancement of the competitiveness of Bangladeshi RMGs since the lead time for the potential competitors of Bangladesh still varies from

60-90 days. However, suppliers in Mexico and Italy, which are blessed with their favourable geographical locations, can export RMGs to the US market within only 15-20 days (see Table 4).

TABLE 4
LEAD TIME IN OTHER COMPETING COUNTRIES (IN DAYS)

Countries	**Lead Time**
Mexico	15-20
Italy	15-20
Vietnam	60-90
Cambodia	60-90
India	60-90
Pakistan	60-90
China	60-90
Sri Lanka	90+

Source: BGMEA.

It is to be noted that China, India, and Pakistan have already developed their own backward linkage industries, and therefore the stated lead time is optimal for these countries. Vietnam and Cambodia are not willing to develop backward linkage industries; rather they will continue to be dependent on their close neighbour China for their raw materials. Sri Lanka has already established the Central Bonded Warehouse and it is highly likely that their lead time will come down to as low as 60 days [BGMEA, 2004].

Dependency on Imports

The existing demand-supply gap of the fabrics for the RMGs shows that Bangladeshi RMGs still depend on foreign fabrics for meeting their requirement, even though the domestic PTS sector has gone through extensive development during the last few years (see Table 5). This is partly because RMGs require different types of fabrics depending on the type of orders, which might not be produced by the local fabrics manufacturers. The analysis shows that for woven fabrics, the local PTS is meeting only the 20 percent[3] of the requirement, while the corresponding share of the knit fabrics is around 70 percent. These numbers contradict with the BTMA claims, which state that the corresponding numbers are 40 percent and 100 percent respectively. The underlying reason might be

[3] According to the most recent Export Promotion Bureau data, in 2003-2004, the local fabric manufacturers were able to supply only 18.66 percent of the required fabrics for woven garment export to the European Union (EU) market. The supply was only 10.70 percent of the requirements for export to the combined EU-US market (*Source:* The Daily Star; September 14, 2004)

such that even though the local PTS has the supply capacity to reach the target, it does not necessarily mean that the RMGs will buy all the supplies due to undesirable quality and prices.

TABLE 5

EXISTING DEMAND-SUPPLY GAP OF FABRICS FOR EXPORT-ORIENTED RMG SECTOR

Item	Demand (Mln MT)	Local Fabric (Mln. MT)	Gap (Mln. MT)	% Gap
100% Woven Cotton	998	277	721	72.24
Synthetic Blended, Woven Fabric	388	0	388	100.00
Subtotal Woven	***1386***	***277***	***1109***	***80.01***
100% Cotton Knit Fabric	1049	775	274	26.12
Synthetic Blended, Knit Fabric	91	0	91	100.00
Subtotal Knit	***1140***	***775***	***365***	***32.02***
Grand Total	**2526**	**1052**	**1474**	**58.35**

Source: BGMEA.

The analysis of imports of yarn under the back-to-back LCs reveals that although the imports for synthetic man-made yarns declined during the recent periods, the growth rate of imports of cotton yarns is still significant, indicating Bangladesh's lack of competitive supply capacity of cotton yarns (see Table 6). This indicates that Bangladesh has developed competitive supply capacity for synthetic man-made yarns, but the situation is not that promising for supplying cotton yarns. The fact that Bangladesh is completely dependent on imported cotton for producing cotton yarns might be one of the reasons for the lack of competitive supply capacity; such an obstacle does not persist for producing synthetic man-made fibre. The conclusion also corroborates with the fact that BTMA officials have agreed to allow establishment of the CBWs under the condition that only the man-made fibre would be stored in such warehouses.

TABLE 6

IMPORTS OF YARN UNDER BBLCS (MLN US$)

Types of Yarns	1999	2000	2001	2002	2003
Growth Rate of Imports (%)		-91.86	1711.30	-9.82	-21.65
Cotton Yarn BBLCs	28.06	32.68	41.91	17.47	31.86
Growth Rate of Imports (%)		16.48	28.24	-58.32	82.41
Total	**31.47**	**-58.90**	**1758.25**	**12.18**	**13.77**

Source: Calculated from CPD data.

Benefits, Limited Liability and Specialisation

The establishment of the CBWs will not only benefit the RMG sector, but the entire PTS as well, since the CBWs will be allowed to store the fabrics for the RMGs, yarns for the fabrics sub-sector, machineries, accessories, and raw materials for all the sub-sectors. Therefore, the benefits will accrue to the entire value chain. So, in terms of benefits to be accrued, it would be logical to allow the CBWs to operate.

The argument on the issue of *limited liability* is convincing since a third party will be involved in operating the CBWs, and it will allow to release the funds of the RMGs, which are usually tied up in the process of importing fabrics. Such a third party involvement also benefits all parties in the value chain through *specialization*, since the RMGs and textiles are primarily production units, and delegating others to deal with the matters of imports will allow them to concentrate more on their production efforts.

On each of the above counts presented above, the arguments in favour of the establishment of the CBWs can be strongly supported; particularly the issue of lead time and the dependence on imports firmly establishes the ground for setting up of the CBWs; however, before reaching such a firm conclusion, the arguments against the establishment of the CBWs demand considerable attention.

IV. Validity of the Arguments Against the CBWs

Governance Issues

Under the present bonded warehouse system, the fabrics and yarns imported duty-free under the back-to-back LCs are being leaked into the local market, jeopardising the interests of the domestic PTS. Therefore, the establishment of the CBWs under the present governance scenario would further escalate the damaging consequences of the domestic PTS. The lack of proper governance of the bonded warehouses allows scrupulous traders to import fabrics duty-free and sell it to the local market, resulting loss of revenue of the government. The possibility of leakage rises when the imported fabrics and yarns remain unused by the concerned textiles or the export-oriented RMGs.

The operation of the proposed Central Bonded Warehouse, if allowed to operate, will be governed by the Customs Act 1969 [DLR, 2002]. The relevant rules and regulations for operating a special bonded warehouse are annexed. The analysis of the relevant provisions of the Act reveals that the government has the proper governance system in place to prevent the leakage, however, the existing state of corruption in the regulatory and monitoring agencies create the opportunities for fraud and violation of the rules and regulations.

Moreover, if the Central Bonded Warehouse is established by the private sectors other than the RMG producers, the opportunity for violation will rise since the feasibility of the business will largely depend on how well and fast the imported materials can be sold to the export-oriented textile and the RMG units. Therefore, the probability of leakage is likely to be much higher under the proposed system than it is the case under the present system. Currently the RMGs holding the bond licenses are more focussed on their export-oriented businesses; the leakage mostly happens only when there are unused fabrics and yarns.

Increased Competition

With the establishment of the CBWs, the local fabrics and yarn manufacturers might face stiff competition from the duty-free import of cheaper fabrics and yarns. If the RMG owners and the fabrics producers find the foreign supplies cheaper than Bangladeshi products, it will jeopardise the country’s fabrics and spinning sub-sector respectively. In such a situation, a large number of textile units would shut down, thousands of workers would lose their jobs, and eventually it would adversely impact the overall economy. To determine whether there is any possibility of such a situation, a detailed analysis on the state of the competitiveness of the country’s PTS is necessary.

The Competitiveness of the Backward Linkage Industries

In order to determine whether allowance of the CBWs would affect the country's domestic PTS through increased imports of the foreign fabrics and yarns, the starting point can be the cross country comparisons of the unit costs of the fabrics and yarns; however, whether a product would be marketable not only depends on the cost component, but also on other qualitative factors, such as timely delivery, quality, relationship with the clients, risks of procuring supplies, marketing campaigns, etc. Comparing the cross-country supply capacities can be another source of reference, but still, reaching a conclusion on the basis of such analysis, particularly in a world of quota where countries are operating in an artificial environment, would produce misleading result. Such limitations can be partially overcome by using *RMG Backward Linkage Competitiveness Index (BLCI).* The index is based on the notion that the overall competitiveness of the backward linkage industry can be measured through the ultimate marketability of the industry products. The more the products are marketable, the more the competitiveness of the industry is. As earlier mentioned, the marketability dimension is not only influenced by the quantifiable components, such as price, but also by other qualitative factors, which cannot be readily measured. The index, in other words, indicates that the actual competitiveness of the textile sector can only be measured by evaluating the buyers' (the local RMGs) response. The index can be formulated using the following formula:

$$BLCI_{PTS} = \frac{\text{Total RMG Exports in a Given Year}}{\text{Total Imports of Textiles Products under the BBLCs in that Year}} \text{ X } 100$$

The higher the dependency of the domestic RMGs on the local PTS is, the lower is the volume of imports of textile products under the BBLCs. Therefore, the lower the denominator is, the higher is the competitiveness of the local PTS; in other words, the rising value of the index would mean the growing competitiveness of the local PTS. Theoretically, the possible range of the BLCI is in between 100 and infinity. It can be expressed as follows:

$$100 < \text{BLCI} \leq \infty$$

It is impossible to have the value as low as 100 since the imports under the BBLCs (the denominator) will always be below the total RMG exports (the numerator) because there is always a degree of value addition in the RMGs. On the other hand, the highest possible value of the index would be infinity since the competitiveness of the local PTS would be the highest when the denominator reaches zero. The strength of the index lies on its construction; using imports under the BBLCs as the denominator overcomes the limitation of any kind of trade restrictions, such as tariff, quota, etc. The index can also be calculated for individual textile products, such as fabrics, yarns, and other accessories[4].

Figure 1 shows that during the period 1996-2003, the overall competitiveness of the domestic PTS increased. In 1996, the index value was 170 and in 2003, the index rose to 238. However, there was some deceleration of the level of competitiveness during the interim periods. The argument on the competitiveness of Bangladesh's RMG Backward Linkage Industries would have been more compelling if the state of the competitiveness of select competitors (such as India, China, Pakistan, etc.) could be compared. However, the relevant data sets are not available to conduct this analysis.

The data on RMG exports and the utilisation of the GSP in the EU market also corroborates the conclusion that the domestic PTS has gained some degree of competitiveness during the last few years. The Figure 2 shows that the percentage share of non-GSP exports has fallen during the periods 1997-2002, while the corresponding share of GSP exports has increased.

This is to be noted that in the EU, due to the Rules of Origin (RoO) requirement, Bangladesh needs two stage conversion processes to utilise the GSP facility. Until 2001, the value of non-GSP exports was higher since Bangladesh did not have competitive supply capacity to support the local RMGs; as a result Bangladesh could not take advantage of the preferential GSP facility. But in 2002, the GSP exports superseded the non-GSP export for the first time, indicating Bangladesh's growing supply side capacity to support the local RMG sector. This is to be noted here, that the tariff differential

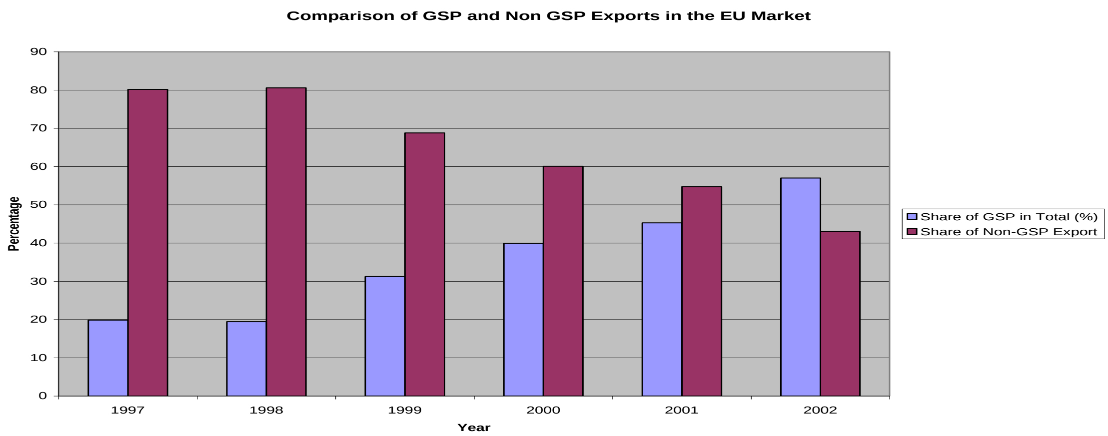
[4] For calculating the index for the weaving sub-sector, the denominator should be replaced by the "Imports of Fabrics under the BBLCs in That Year", and for spinning, the corresponding imports for yarns should be used as the denominator. No attempt has been made to calculate the index for the textile accessories since the value of imports of accessories cannot be obtained from the existing datasets.

between a non-GSP beneficiary country and a GSP beneficiary country is around 12.5 percent [Rahman, M. and Bhattacharya, D ; 2000], meaning even if the price of the imported textile materials is below Bangladesh's textile products, the maximum possible price differential is 12.5 percent.

Figure 1

Source: Calculated from CPD Database.

Figure 2

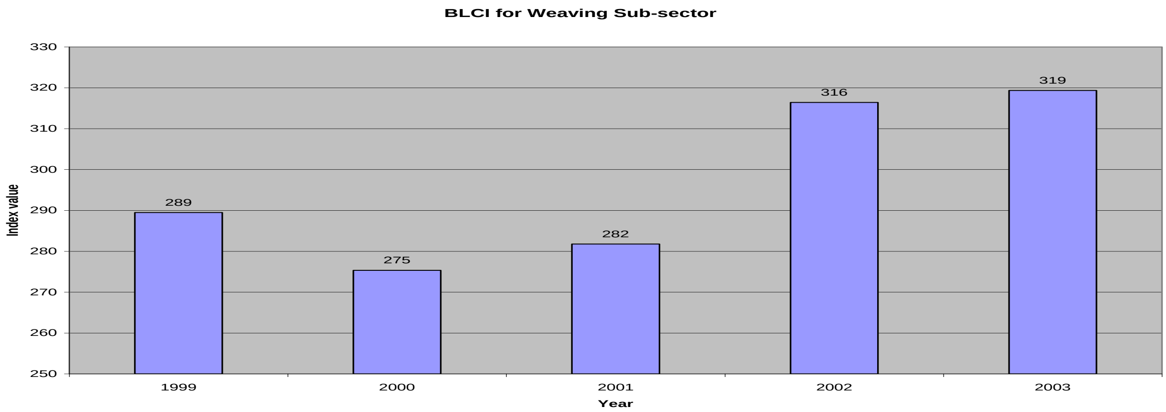


Source: BTMA.

Competitiveness of the Weaving Sub-sector

During the last few years, the competitiveness of the domestic weaving sector rose sharply, which can be captured from the BLCI Index for Bangladesh's Weaving Sub-sector (Figure 3). The graph shows that, during 1999, the index value was 289, but in 2003, the index rose to 319, indicating a positive trend in the rise of the competitiveness of the weaving sub-sector.

Figure 3



Source: Computed from CPD database.

The similar conclusion of rising competitiveness can also be drawn from the increased capacity of the weaving sub-sector to meet domestic demands. Table 7 reveals that, during 1984-85, the sector met almost 82 percent domestic demand, while in 2003 the share rose to as high as 90 percent. However, the remaining gap is not being filled by the imported fabrics, rather by the leaked fabrics from the local bonded warehouses. These fabrics are imported duty-free under the back-to-back LCs to support the export-oriented RMGs, but due to the poor governance system, these products are being leaked to the domestic market. If we assume that the governance system is strong, then the local production will meet almost 100 percent of the domestic need for fabrics.

On the other hand, the disaggregated analysis of exports to the EU reveals that it is the knit weaving sub-sector that is fuelling the rise in the competitiveness from the global context. Table 8 reveals that the share of GSP exports of woven RMG stayed almost at the same level (16 percent) during FY2001-FY2003, meaning that most of the GSP facilities were being obtained through knit RMG exports during those periods.

TABLE 7
DOMESTIC MARKET FOR FABRICS

Items	**1984-85 (in Mln. Yds)**	**%**	**2003 (in Mln. Yds)**	**%**
Total Demand	967.9	100	1485	100
Local Production	796.6	82.3	1330	89.56
Imports	69.61	7.19	1.5	0.1
Smuggling and Leakage from Bonded Warehouse	101.69	10.51	153.5	10.34
Total Domestic Production Assuming No Leakage	898.29	92.81	1483.5	99.90

Source: BTMA.

TABLE 8

EXPORTS OF WOVEN GARMENTS UNDER THE EU-GSP

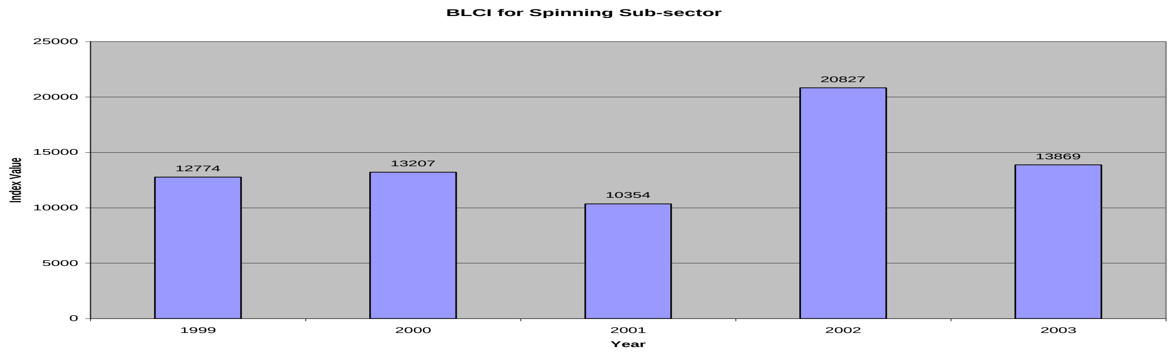
Year	Total Export (Mln $)	Export Under GSP (in Mln $)	Share of GSP Export (%)
2000-2001	1404.6	199.78	14.22
2001-2002	1391.77	233.18	16.75
2002-2003	1553.29	249.8	16.08

Source: EPB.

Competitiveness of the Spinning Sub-sector

The spinning sub-sector is composed of industrial units that are producing synthetic man-made yarns, and the units that are producing cotton yarns, which completely rely on imported raw materials (cotton). During the last few years, the trend in the values of the BLCI Index for Spinning Sub-sector shows a mixed result (Figure 4).

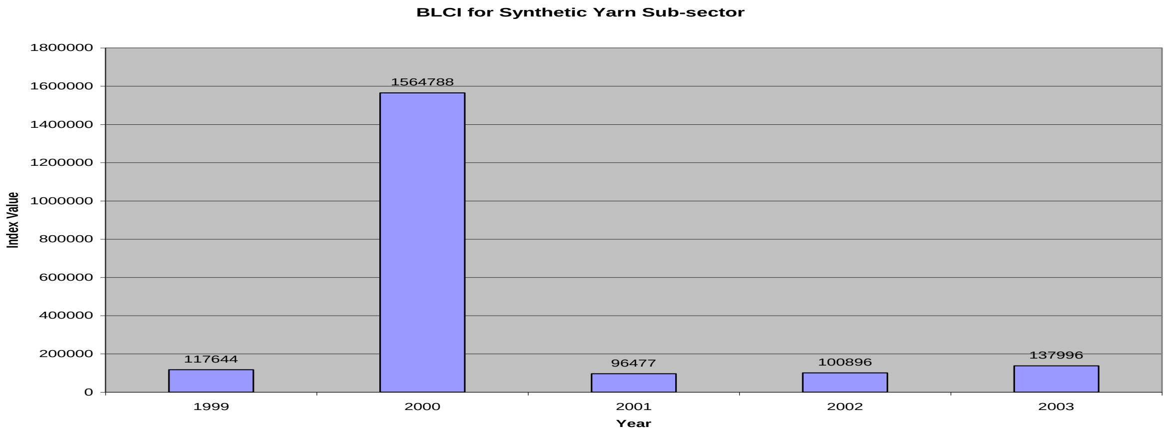
Figure 4



Source: Computed from CPD Database.

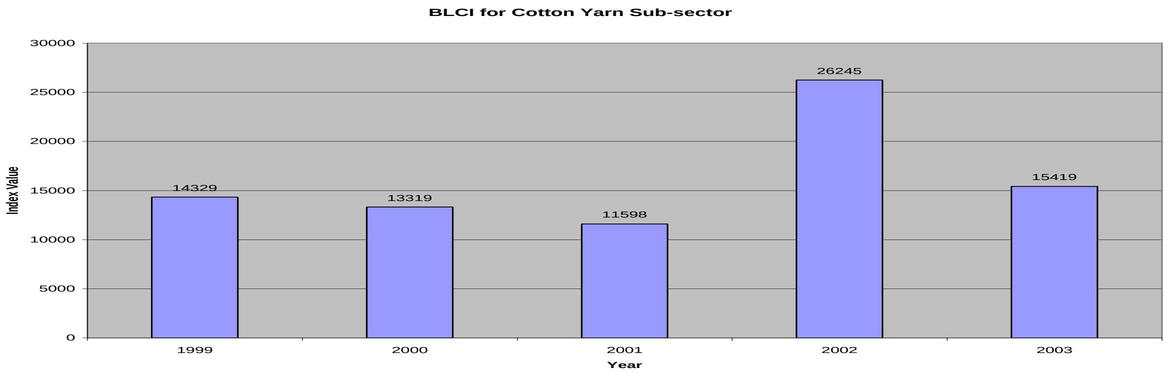
The disaggregated analysis of the competitiveness of the spinning sub-sector reveals that since the market for yarn is dominated by the cotton yarn products, the rise in the state of competitiveness in the synthetic man-made yarn sub-sector had little contribution to the overall competitiveness scenario of the spinning sub-sector. Figure 5 shows that during the periods 1999 to 2003, the index value for the synthetic man-made yarn rose from 117644 to 137996. However, the Figure 6 shows a mixed result for the cotton yarn sub-sector.

Figure 5



Source: Computed from CPD database

Figure 6

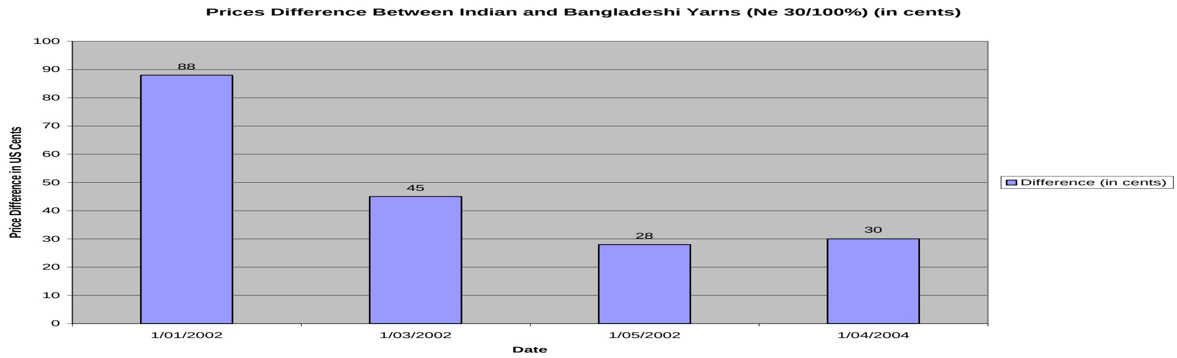


Source: Computed from CPD database.

Therefore, even though Bangladesh has already generated capacity to meet 100 percent domestic requirement for cotton yarns [Texbangla, 2004], the imports of cotton yarns are still taking place, and Bangladeshi spinning sub-sector has not yet been able to raise its competitiveness to the desired level. The underlying reasons can be identified from the existing per unit price differentials between the Indian yarns and Bangladeshi yarns (Figure 7). It shows that, although the price differentials changed dramatically in favour of Bangladesh during the last two years, it still stays around 30 cents, which is quite significant[5]. However, one should take note of the fact that the production of Indian yarns are being subsidised by the Government of India. Since India produces its own cotton while Bangladesh is completely dependent on cotton imports, duty free imports of cotton yarn, particularly from India, might therefore negatively impact the domestic cotton yarn producers.

[5] Indian prices are lower than Bangladeshi prices by 30 cents.

Figure 7



Source: BTMA.

From the aggregate analysis, it is evident that the RMG backward linkage industries in Bangladesh have improved its competitiveness during the last few years, however, the degree of improvement largely varies among the sub-sectors. The knit fabrics sector is the most equipped sub-sector to withstand any foreign competition, but the situation for the woven fabrics sector is not that promising. Given the fact that the woven fabrics sub-sector has not yet attained the required supply side capacity, it can be assumed that the economies of scale are yet to be achieved. On the other hand, Bangladesh has developed competitiveness in the man-made yarn sub-sector to an extent, while the competitiveness scenario for the cotton yarn sub-sector is still questionable.

Other Arguments Against the CBWs

With the argument of RMGs increased dependence on foreign fabrics suppliers resulting from the establishment of the CBWs, the BTMA officials impliedly accepted the lack of competitive supply capacity of their own textile units. If this is the case, then not allowing CBWs would further deteriorate the situation!

The argument on the *actual need of the CBWs* is not realistic since proposed CBWs have visible distinguishing characteristics from the existing bonded warehouses in terms of its scope of operations and ownership. Moreover, the argument on the *cost of operating the CBWs*, in fact, corroborates the BGMEA’s stance that the establishment of the CBWs will have little impact on the domestic PTS since the CBWs would lose its price competitiveness due to its high operational costs. The argument on excess one time outlay of the foreign exchange can also be nullified arguing that the potential benefits from the establishment of the CBWs might outweigh the potential loss from the increased one-time outlay of foreign exchange. The benefits will be accrued further if the RMGs can generate substantial growth taking the advantage of the shorter lead time.

Considering the present governance situation, the apprehension on the possible ruin of the domestic textile sector resulting from the CBWs is quite logical, however, there are rooms for development in the areas of governance, and the Government has the capacity and the required instruments to improve the present situation. If proper governance mechanism is restored and possible unfair leakage is prevented, allowance of the CBWs would have little adverse impact on the domestic textile industry. To determine whether there is increased possibility of leakage of goods from the CBWs due to the involvement of a third party in the process, a detailed analysis is required on the sources of gains and risks of the CBW operators. This discussion is presented in section VII.

On the other hand, allowance of CBWs might invite increased competition, particularly for cotton yarn and woven fabrics sub-sectors, but whether the sub-sectors would be able to withstand the resulting competition is still debatable. It is probable that the higher price in cotton yarns, even after providing cash incentives, might result from the increased bargaining power of the yarn manufacturers due to the protectionist environment[6]*. If this happens, then allowing CBWs would erode their bargaining power, which would eventually positively contribute to country's textile sector development. It is to be noted here that when an infant industry reaches its maturity, it would be better if it faces fair competition, since competing in a level playing field improves operational and production efficiency, reduces costs, and increases professionalism in dealing with various clients.*

[6] This notion is supported by the Finance Minister's recent criticism on charging high price for domestic cotton yarns even after receiving cash incentives (*Source:* The New Nation; August 28, 2004). This is to be noted that, for protecting the interests of the domestic cotton yarn manufacturers, imports of yarns through land borders is now prohibited, and at the same time, the domestic yarn manufacturers are receiving cash incentives. Such protectionism might have generated profit maximizing attitude amongst the yarn manufacturers

For woven fabrics sub-sector, it seems that even after providing incentives, the return of the industry is not high enough to overcome the associated risks; this should be noted that producing woven fabrics involves complex production pattern, and requires skilled manpower.

Given the current state of the competitiveness of Bangladesh's PTS and the potential advantages resulting from fair competition, the following hypothetical exercise is carried out to determine the extent of possible impacts on the country's entire textile and clothing value chain if the CBWs are allowed to operate and if the present decision of not allowing the CBWs is maintained.

V. The Potential Impacts of the CBWs

In this section, two hypothetical scenarios have been developed and the potential impacts of these two scenarios have been assessed for individual sub-sector. The two hypothetical scenarios are as follows:

Scenario 1	The CBWs Do Not Exist
Scenario 2	The CBWs Exist

In order to isolate the potential impacts of the CBWs on the country's textile and apparel industry, the following assumptions are made:

(1) An *Ideal Market* condition is assumed where only the lead time matters, meaning the competitors of Bangladesh would be able to gain market share only by shortening the lead time, all other things remaining the same.

(2) There exists a strict control mechanism in administering the CBWs in Bangladesh, and there is no possibility of leakage of textile goods.

(3) The Government policy would not change in the short, medium and long term.

Under these assumptions, the potential impacts of the CBWs and no-CBWs on RMG, Weaving, and Spinning sub-sectors are described below.

The Potential Impacts on the RMG Sector

The potential impacts of the establishment and non-existence of the CBWs on the RMG sector is illustrated in Matrix 1. The hypothetical impacts reveal that under Scenario 1, it is highly likely that a good number of woven RMGs will be out of the business since they will not be able to stay competitive because of the higher lead time. However, those woven RMGs which have their own backward linkage support will continue to thrive in the post MFA-Phase Out regime.

Since Bangladesh has already gained competitiveness in the knit RMG sector, it is highly likely that the non-existence of the CBWs will make Bangladesh a competitive producer only for knit-RMGs. Bangladesh has already developed the required supply side capacity in the knit RMGs, and being armed with the shorter lead time due to the domestic backward linkage support, the knit-RMG sector will gain its dominance in its global niche market.

Under Scenario 2, it is highly likely that both the woven and knit-RMG sectors will thrive in future due to shorter lead time. The growth of the woven RMG sector will be much higher than that of the knit-RMG sector since the global apparel market for woven RMGs is much bigger than that of the knit RMGs.

The Potential Impacts on the Fabrics Sub-Sector

The potential impacts of the two scenarios on the woven and knit fabrics sub-sectors are illustrated in Matrix 2. Under Scenario 1, both the woven and knit fabrics sub-sectors will grow but the growth of woven sub-sector will be much lower than that of the knit sub-sector since investors will be keen to invest more on knit fabrics sub-sector because of the low technology requirement and a guaranteed local RMG market. The investors will be reluctant to invest in the woven fabrics sector because it requires high technology, expert manpower, and huge investment. In the long-run, the woven fabrics manufacturers will face difficulty to market their products since by that time, a good number of woven RMG units will be closed because of the higher lead time. Therefore, for survival, the woven fabrics producers will have to look for global exports.

Under Scenario 2, the woven fabrics sub-sector is likely to be hard-hit because of the massive imports of foreign fabrics. It will be very difficult for the sub-sector to survive without the government support. It will require entrepreneurs' courage and creative thinking to grow further; so whether the sub-sector will grow or not is subject to various qualitative factors. The sub-sector will need to concentrate on the domestic market and explore foreign markets for exports.

On the other hand, the knit fabrics sub-sector will stay competitive but because of the potential threats from imported fabrics, the entrepreneurs' will put more efforts to enhance competitiveness through reducing costs, increase production efficiency, etc. In the long-run it will help not only the textile sector but the RMG sector as well.

The Potential Impacts on the Spinning Sub-sector

The potential impacts of the two scenarios on the spinning sub-sector have been illustrated in Matrix 3. In both the scenarios, the synthetic yarn sub-sector will continue to thrive, but under scenario 2, the entrepreneurs will be more cautious to stay competitive to withstand the potential threat from the imported yarns. For cotton yarn sub-sector, the present situation will be aggravated under scenario 2 because more fabrics manufacturers will depend on foreign cotton yarns due to the price advantage. Therefore, if there is no government support, the cotton yarn sub-sector will likely to be significantly affected.

Scenarios	MATRIX 1: POTENTIAL IMPACTS ON THE RMG SECTOR		
	Impact	**Strategy**	**Conclusion**
CBWs Do Not Exist	***Woven RMG:*** The woven RMG sector will continue to depend on imported woven fabrics. But the lead time will remain unchanged, while the competitors will enjoy the advantage of faster delivery. As a result, the woven RMG sector will lose competitiveness for global export.	***Woven RMG:*** RMG's dependency on local woven fabrics producers will increase, but the limited supply capacity of the local woven fabrics producers will not allow to meet the increased demand.	***Woven RMG:*** It is highly likely that a good number of woven RMGs will lose the business within a very short time because of the higher lead time. Only those woven RMGs which have own backward linkage support will enjoy overall competitiveness.
	Knit RMG: Knit RMG sector will mostly be unaffected since Bangladesh has the full supply side capacity to support the knit RMG sector. However, those RMGs which will get orders requiring specialised textile fabrics will be affected due to the higher lead time. So, there is a possibility to lose business in those niche markets where faster delivery is more important than price.	***Knit RMG:*** The situation of the knit RMG sector will mostly be unchanged.	***Knit RMG:*** In the long-run, Bangladesh will become a competitive producer only for knit apparels.
CBWs Exist	***Woven RMGs*:** The existence of CBWs will allow woven RMGs to buy the needed textile products from home. So, the lead time will be much shorter. It will enhance the competitiveness of the RMG sector.	***Woven RMGs:*** Continue to expand production capacity and number of units to meet the growing global demand, resulting from the enhanced competitiveness.	The RMG sector, both the knit and woven, will grow very fast, but the growth of the woven RMGs is expected to be higher than that of the knit RMGs because the global market for woven RMGs is much bigger.
	Knit RMG: The situation of the knit RMG will not be influenced by the existence of the CBWs. Only those RMGs will be benefited to an extent, which will rely on imported specialised fabrics.	***Knit RMGs:*** The strategy of the Knit RMGs will be uninfluenced by the existence of the CBWs. It will grow in its natural pace.	

Scenarios	MATRIX 2: POTENTIAL IMPACTS ON THE PRIMARY TEXTILE SECTOR (PTS) - FABRICS		
	Impact	**Strategy**	**Conclusion**
CBWs Do Not Exist	***Woven Fabrics:*** Demand for woven fabrics increases. Existing woven fabrics manufacturers will gain bargaining power.	***Woven Fabrics:*** Continue to expand production of woven fabrics to meet the short term need. More investors will look for investments in the woven fabrics sector but since the technology requirement is high and there is no guaranteed local RMG market, investors will be sceptic about the success of their investment.	In the short term, both the woven and knitting sector will thrive but the pace of progress for woven fabrics sector will be slower. The weavers who don't have woven RMGs will face difficulty in locating domestic RMG clients since a good number of woven RMGs are already closed and the existing woven RMGs have their own backward support. Therefore, the woven fabrics manufacturers will have to look for global export but it will be difficult to find niche market since the sub-sector has not yet reached its maturity stage. On the other hand, the knit textiles will continue to thrive and there will be massive investment in the knit fabrics sector to meet the increased demand.
	Knit Fabrics: The situation will mostly be unchanged for the knit fabrics manufacturers.	***Knit Fabrics:*** More units will be set up since the investment requirement is low, human resource is abundant, and technology requirement is low.	
CBWs Exist	***Woven Fabrics:*** They would no longer be able to take the advantage of the lead time. So, they will lose those clients which used to buy goods only because of the shorter lead time.	***Woven Fabrics:*** They will concentrate on domestic market and look forward to export globally. Exporting globally will need enhanced marketing campaign and creative thinking. For establishing new RMG clients, they will put efforts to reduce their lead time (from existing 2-6 weeks to 0 weeks). More efforts will also be put to increase the competitiveness through enhanced production efficiency, good management, etc.	It will be difficult for the woven fabrics manufacturers to stay competitive without the government's intervention. The sector might thrive but the success is subject to entrepreneurs increased courage and creative thinking. If they can develop such an attitude, the woven fabrics sector will enhance its competitiveness in the long-term, which will eventually impact favourably both the RMG and the PTS. On the other hand, the knit fabrics sub-sector will grow rapidly but the potential threat from imported products will create an urge amongst the knit fabrics manufacturers to increase their competitiveness, which will impact favourably not only the textile sector but the RMG sector as well.
	Knit Fabrics: Since Bangladesh has already gained its competitiveness in this area, the knit manufacturers will have less to worry. There might be some threat from foreign imports since the lead time from CBWs is shorter than that of the domestic PTS.	***Knit Fabrics:*** Knit fabrics manufacturers will not be worried for their local RMG market, however, they will always be under pressure to stay competitive since there is always a potential threat from foreign knit fabrics manufacturers. They will put efforts to increase their competitiveness by reducing their lead time from existing 2-4 weeks to zero weeks, and also by increasing management efficiency, reducing cost, etc. So, such initiatives would impact positively on the state of competitiveness of the local knit fabrics manufacturers.	

Scenarios	**MATRIX 3: POTENTIAL IMPACTS ON THE PRIMARY TEXTILE SECTOR (PTS) - YARN**		
	Impact	**Strategy**	**Conclusion**
CBWs Do Not Exist	***Synthetic Yarn:*** This sub-sector has already in the maturity stage and the market is small. So, it will be unaffected by the existence of the CBWs.	***Synthetic Yarn:*** Continue to produce yarns for the existing fabrics manufacturers.	The situation of the synthetic yarn manufacturers will improve. In the short and medium term, the situation of the cotton manufacturers will improve but the increased bargaining power of the cotton yarn manufacturers will impact negatively the overall growth of the entire textile and clothing value chain.
	Cotton Yarn: It is likely that the dependence of the fabrics manufacturers on the domestic cotton spinning mills will increase. The increased dependence might increase their bargaining power.	***Cotton Yarn:*** Continue to produce yarns for the existing fabrics manufacturers.	
CBWs Exist	***Synthetic Yarn:*** Will be mostly unaffected but there will still be potential threats from foreign imports.	***Synthetic Yarn:*** They will continue to increase production to keep pace with the market demand, and they will also be cautious to maintain competitiveness to reduce the potential threats from the imported yarns.	It is highly likely that the synthetic yarn sub-sector will thrive at usual pace, but the cotton yarn sub-sector will be affected adversely.
	Cotton Yarn: Fabrics manufacturers will be able to buy foreign cheap cotton yarns from home, and they will increase using these cotton yarns because of the price advantage.	***Cotton Yarns:*** They will face stiff competition from the cheap imports of cotton yarns, but they won't be able to withstand the threat since the price of local yarns is higher. They will face pressure to reduce the price but unable to do so because Bangladesh is completely dependent on imported cotton for producing cotton yarns.	

From the above analysis, it can be concluded that if the CBWs are established, it will benefit the RMGs (both woven and knit) and the knit fabrics sub-sector to a great extent, while it will impact negatively the cotton yarn and the woven fabrics sub-sector. However, if the concerned entrepreneurs can employ more efforts to reduce the operational costs, increase efficiency, and reduce the lead time, in the long-run it will benefit not only the PTS but the RMG sector as well. It should be reiterated that for matured industries, such as knit fabrics, the establishment of the CBWs would create a fair competition, which will allow the entrepreneurs to improve the competitiveness of their respective business units.

On the other hand, if the government does not allow the CBWs, Bangladesh would eventually become a competitive knit RMG producer in the long-run. A good number of woven RMGs will be closed, which will also shrink the domestic market for the woven fabrics sub-sector. Bangladesh's export concentration will be further narrowed down, and there will be less growth of exports since the global share of knit apparel exports is less - 45 percent[7].

VII. The Feasibility of the CBWs

If the proposed CBWs are operated by the private sector other than the RMG manufacturers, the risks they will face include the risk of forecasting, exchange rate risk, risk of unsold products, interest rate risk, risk of high operating costs, etc. The actual feasibility of the business will therefore largely depend on how well the CBW operator mitigates his/her risks and takes the advantage of the existing sources of gains. The following is a brief account of the sources of risks and gains from the CBW operators' perspectives. In describing the risk factors, the existence of a strict governance system is assumed.

[7] Calculated from COMTRADE statistics, ITC (2002).

Sources of Risks of CBW Operators

Risk of Forecasting

Since the local RMGs' requirement of fabrics widely varies depending on the type of orders, it will be very difficult to predict in advance which type of fabrics would sell most. The CBW operators can mitigate the risks by building long-term business relations with only those RMGs, which have predictable production pattern. There is every possibility that the CBW operators might incur loss if they import fabrics without appropriate forecasting the market trends.

Exchange Rate Risk

The CBW operators might also incur loss from the volatile exchange rate movements. It is to be noted that Bangladeshi Taka is now being floated, and the CBW operators will lose money in case they have to re-export the imported materials due to the failure for marketing such items.

Risk of Unsold Products

There is possibility that the imported items might not be sold properly. In case of strict governance system, the CBW operators would have to sell the products in the domestic markets by paying appropriate customs duty. In that case, they will lose the price advantage, and marketability of such items might decrease significantly. Moreover, if there is no buyer for such products, CBW operators might have to look for overseas buyers; in that case, locating a suitable buyer who would pay the desired price would be a daunting task.

Interest Rate Risk

If the products are imported through bank financing, then the CBW operators will run the risk of paying high interest charges in case the products are not sold timely.

Cost Structures

Since the CBW operators have to incur various types of cost components (such as overhead, infrastructure cost, insurance, cost of marketing, etc.), the price competitiveness of the duty-free products would be reduced. Moreover, if the profit percentage of the CBW operators is added to such costs, then the competitiveness of the imported items would diminish further.

Sources of Gains

Predictable Clients

As mentioned earlier, the CBW operators will gain much by importing fabrics if they can build long-term relationship with some clients who have predictable production pattern. For these clients, they can import the fabrics in advance and can sell the products as soon as the clients need the products for producing finished goods.

Marketing Other Items

The CBW operators might gain substantially through importing items for which Bangladesh does not have any production capacity, such as textile machineries, RMG sewing machines, accessories, spare parts, etc. For these items, the CBW operators can generate guaranteed profits.

Taking Price Advantage

The CBW operators can also gain by taking the price advantage; selling the items at a higher price than the desired price in case the international price of such items rises sharply.

The analysis of sources of risks and gains reveals the fact that it would not be very easy to operate a Central Bonded Warehouse. The CBW operators have to deal with various risk factors, and successful operation of business will lie on the smart trade-off between the potential gains and the existing risks. So, the general apprehension that the establishment of the CBWs would jeopardise the local PTS might not be always correct.

On the other hand, if the assumption on the existence of a strict governance system is relaxed, it can also be concluded that to mitigate the risk factors, the CBW operators would be more prone *to violation of the existing rules, and there is high possibility of leakage. Therefore, the allowance of CBWs should be supplemented by appropriate measures that would reduce the risks of the CBW operators.*

VIII. Concluding Remarks

The review of the arguments for and against the establishment of the CBWs, the analysis of the textile sector's competitiveness, the impact analysis of the CBWs and the assessment of its feasibilities reveal that the cost of not allowing CBWs is likely to be much higher that it is the case if CBWs are allowed. Therefore, government's recent decision should be reversed, and it should be done as immediately as possible, since a late reversal might reduce the overall effectiveness of the decision due to the fact that increased competition will prevail during the post-MFA era, and unnecessary delay in the policy making process would increase the costs at a much faster rate.

Considering the fact that the RMG sector largely depends on foreign imports, and that the domestic textile sector, particularly the woven fabrics and cotton yarn sub-sectors, is not matured enough to withstand the competition, one realistic option might be to allow CBWs to operate at a restrictive environment, and at the same time, take appropriate measures to mitigate the economic costs that might adversely impact the domestic PTS.

Since the establishment of the CBWs might hurt the domestic textile industry to an extent, and since the need for developing the domestic RMG backward linkage industry is, at the same time, very important given the current context, the government should ensure the proper governance of the proposed CBWs. In this connection, the government can make some of the provisions of the Act stricter to increase the cost of violating the rules. The Government should also consider the need for speedy trial of the alleged CBW operators and their accomplices.

To protect the interests of the domestic textile industry and to improve the monitoring mechanism, the Government can implement the initiative in multiple stages. In the first stage, the facilities of the CBWs can be accessed by select export-oriented textile and RMG units who have high reputation in the market. If the implementation in the first stage is proved successful, then the coverage of the CBWs can be enhanced gradually.

It is also important to continuously assess the need for the import. Since the textile and RMG units have much better information about their market, they can disclose their predictions periodically to inform the Government as well as the CBW operators about their future need. Such disclosure will help the Government to predict the future need for foreign exchange reserve, and the CBW operators will be able to mitigate the risks of forecasting. Reduction of the risks of the CBWs is important because it will not only attract the private sectors and foreign entrepreneurs to invest in these business ventures but also reduce the probability of violating the rules. Moreover, disclosure on future needs would help the Government to monitor the amount of imports and possible leakage.

To improve the governance mechanism of the CBWs, the Government should form a surveillance committee, consisting of government officials, particularly from the Department of Customs and the representatives from the BTMA, to monitor the performance of the CBWs. The BTMA members can file complaint to the committee as soon as they detect any irregularities. The alleged CBWs will then be audited, and if any irregularity is detected, the concerned CBW(s) will be subject to stern punishment under the Act.

It is evident from the analysis that, unlike the knit fabrics sub-sector, Bangladesh did not gain competitive supply capacity in manufacturing woven fabrics. Therefore, in order to place the risk-return trade-off in a more favourable position, the Government should formulate added incentive packages to attract investors to invest in the woven fabrics producing units. Appropriate policy measures should also be designed to increase the flow of expert manpower in the industry.

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Rules and Regulations Regarding Bonded Warehouse

The Customs Act 1969 has a dedicated chapter (chapter XI) on the management and governing the bonded warehouses. Some of those provisions, which deal with the controlling authority and the governance mechanism, are described as follows:

Section(s)	Description
Section 91: Control Over Warehouse Goods	(1) All warehoused goods shall subject to the control of the appropriate officer (2) The appropriate officer may cause any warehouse, except a special bonded warehouse, to be locked. (3) Subject to sub-section (4), no person shall, without the written permission of the appropriate officer, (a) enter into a warehouse or remove any goods there from; (b) unlock the warehouse which is locked under sub-section (2). (4) An officer – (a) not below the rank of Assistant Commissioner of Customs of the Customs Inspection Directorate or of the Customs Intelligence and Investigation Directorate, or (b) below the rank of Assistant Commissioner of Customs of the said two Directorates authorised by the officer mentioned in clause (a), shall have access to any part of a warehouse and power to examine the goods, records, accounts, and documents there in and ask any question as may deem necessary.
Section 92: Power to cause Packages Lodged in Warehouse to be Opened and Examined	(1) The appropriate officer may, at any time, by order in writing, direct that any goods or packages lodged in any warehouse shall be opened, weighed or otherwise examined, and, after any goods have been so opened, weighed or examined, may cause the same to be sealed or marked in such manner as he thinks fit. (2) When any goods have been so sealed and marked after examination, they shall not be again opened without the permission of the appropriate officer; and, when any such goods have been opened with such permission, the packages shall, if he thinks fit, be again sealed or marked.
Section 93: Access of Owners to Warehoused Goods	(1) Any owner of goods lodged in a warehouse shall, at any time within the hours of business, have access to his goods in the presence of an officer of Customs shall, upon application for the purpose being made in writing to the appropriate officer, be deputed to accompany such owner.
Section 94: Owner's Power to Deal with Warehouse[d] Goods	(1) With the sanction of the appropriate officer and on payment of such fees as may be prescribed by rules, the owner of any goods may, either before or after warehousing the same, (a) separate damaged or deteriorated goods from the rest; (b) sort goods or change their containers for the purpose of preservation, sale, export or disposal of the goods; (c) deal with the goods and their containers in such manner as may be necessary to prevent loss or deterioration or damage to the goods; (d) show the goods for sale; or (e) take such samples of goods as may be allowed by the appropriate

	officer with or without entry for home consumption, and with or without payment of duty, except such as may eventually become payable of a deficiency of the original quantity. (2) After such goods have been so separated and repacked in proper or approved packages, the appropriate officer may, at the request of the owner of such goods, cause or permit any refuse, damaged or surplus goods remaining after such separation or repackaging (or, at the like request, any goods which may not be worth the duty) to be destroyed, and may remit the duty payable thereon.
Section 106: Clearance of Warehoused Goods for Export as Provisions on a Conveyance Proceeding to Foreign Destination	Any warehoused provisions and stores may be exported within the period of their warehousing under section 98 without payment of import duty for use on board any conveyance proceeding to a foreign territory.

Section 156: Offences and Penalties

Offences	Penalties	Relevant Section(s)
51. If any person misuses warehouse facilities for evading payment of customs duties and taxes leviable thereon;	A penalty twice the amount of duty and tax evaded shall be imposed on such person; and he shall also be liable to rigorous imprisonment for a term not exceeding five years by a Magistrate	Chap. XI
54. If the owner of any warehoused goods, or any person in the employ of such owner, clandestinely opens any warehouse or, except in the presence of the appropriate officer, gains access to his goods;	Such owner or person shall, in every such case, be liable to a penalty not exceeding fifty thousand taka.	Section 93
55. (i) If any warehoused goods are opened in contravention of the provisions of Section 92; or (ii) If any alteration be made in such goods or in package thereof, except as provided in Section 94;	Such goods shall be liable to confiscation.	Section 92 & 94
56. If any warehoused goods that have been delivered as stores and provisions for use on board a conveyance under the authority of this Act are re-landed, sold or disposed of in Bangladesh without due entry and payment of duty;	The person in charge of the conveyance shall be liable to a penalty not exceeding fifty thousand taka; and such goods shall also be liable to confiscation.	Section 106
59. If any goods, after being duly warehoused, are fraudulently concealed in, or removed from the warehouse, or	Any person guilty of such removal, concealment, abstraction or transferment and every person aiding or abetting him	Chapter XI

Offences	Penalties	Relevant Section(s)
abstracted from any package or transferred from one package to another, or otherwise, for the purpose of illegal removal or concealment;	shall be liable to a penalty not exceeding fifty thousand taka.	
61. If any goods be removed from the warehouse in which they were originally deposited, except in the presence or with the sanction, of the appropriate officer, or under the proper authority for their delivery;	Any person so removing them shall be liable to a penalty not exceeding fifty thousand taka; and such goods, shall also be liable to confiscation.	Chapter XI
62. If any person illegally takes any goods out of any warehouse without the payment of duty, or aids, assists or is otherwise concerned therin;	Such person shall be liable to a penalty not exceeding twice the value of the goods, and upon, conviction by a Magistrate, shall further be liable to rigorous imprisonment for a term not less than three months but not exceeding two years.	Chapter XI

[Note: There is an unintentional error in the Table 6 of the paper. The import of synthetic yarn was not reported in the Table. Moreover, it has to be noted that the Cabinet Committee of the Government of Bangladesh actually rejected the idea of setting up of CBWs on August 16, 2004. The date has not been correctly reported in the paper – Mabroor Mahmood (August, 2010)]