

Ready Made



Garments

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India, a promising RMG destination

REFAYET ULLAH MIRDHA

MANY believe that the next major export destination for Bangladesh's readymade garment (RMG) products is neighbouring India as the country has a big growing middleclass consumer base, the main strength of the fastest growing South Asian economy.

Export of garment items is increasing fast due to the ever-swelling demand of the middleclass consumers, although India has already emerged as one of the major players in apparel business worldwide.

The demand for basic garment items is high as many middleclass Indian consumers can hardly afford the high-end products of their own country, exporters say.

The trade facility offered by India under the Safta agreement added a new dimension in bilateral trade.

India has already allowed duty-free export of eight million pieces of garment export under the Safta agreement, which came into effect in July 1, 2006.

Of the total quota, affiliated members of the Bangladesh Garment Manufacturers and Exporters Association get a 70 percent share, while the rest goes to the members of Bangladesh Knitwear Manufacturers and Exporters Association.

However, Bangladesh could fulfil the export quota of eight million pieces only last year, after the deal was signed in September 2007.

Businessmen were reluctant to export under the agreement, as they had to pay additional duties and taxes for it. But, later the Indian government relaxed some rules and removed some tariff and non-tariff barriers for importing the garment items from Bangladesh under the quota after the visit of Prime Minister Sheikh Hasina in January last year.

The data from the state-owned Export Promotion Bureau (EPB) shows that Bangladesh exported knitwear products worth \$5.24 million and woven garments worth \$16.91 million in the first nine months (July-March) of the current fiscal year.

The export of knitwear to India was \$2.54 million and woven garment was \$9.99 million in the fiscal 2009-10, while in 2008-09 Bangladesh exported \$1.70 million worth of knitwear and \$10.25 million worth of woven garments, the data shows.

Following Hasina's visit last year, Bangladesh



AMRAN HOSSAIN

Garment exports are increasing fast due to the ever-swelling demand of middleclass consumers in India, one of the major players in apparel business.

has been lobbying India for making the exports quota-free or increasing the volume of products under the quota and also for removal of different barriers.

A senior official of the commerce ministry said the Indian side is scrutinising if the quota was really fulfilled last year.

"Probably, some exporters are yet to send their consignments to India, although they received the quota last year. So, the Indian authorities are looking into the matter," he adds.

He said Bangladesh sent a proposal to the Indian government in March last year proposing a quota-free export.

"We requested the Indian government to make the export volume unlimited, as the exporters will feel encouraged if they get bulk orders," he said, requesting not to be named.

Big garment makers are not interested in such a small volume of export, he said, adding that both the countries are now negotiating on how to increase the volume.

"The transportation cost involved in exports to India is low," said Javed Chaudhury, managing director of Generation Next Fashion Ltd, a garment exporter to India.

He said a strong logistic service is needed to export garments to the EU and US, but exporting to India does not require so strong backup supports.

"We can export in a shorter lead-time as the Indian locations are easily reachable by roads, which is not possible in case of the western countries," Chaudhury said.

The combined population of the EU and US

is less than that of India. Moreover, India is a rising economy. "So, the prospects are bright," he said.

India has a large number of consumers of basic garments for which Bangladesh is a strong player. The demand for T-shirts, polo shirts and knit items is higher in India, he added.

The volume of export to India from Generation Next is still low as the group mainly exports to the EU and US, he said.

Zaid Bakht, research director of Bangladesh Institute of Development Studies, said the Indian market is a potential one for Bangladesh, but until and unless India downsizes the products on the 'sensitive' list, the exports will not go up to the expected levels.

Bangladesh is negotiating with India to get duty-free access for 61 products, including 54

garment items.

In some cases, the garment makers prefer India as the export costs to the country is lower compared to other countries. As a result, the total export of garment items to India is increasing, he added.

The prospects are also bright for pharmaceuticals and ceramic products exporters, but India is not removing various tariff and non-tariff barriers on import of Bangladeshi goods.

"The trade imbalance between the two countries will not come down if India does not remove the existing trade barriers and allow import of non-traditional items from Bangladesh," Bakht said.

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In search of a potential market

Pacific Jeans chief shares his experience with The Daily Star

REFAYET ULLAH MIRDHA

WHEN export orders for Bangladeshi garments were declining due to the global financial crisis in 2007 and 2008, exporters were looking for non-traditional markets to offset the bad impact of the recession.

All the markets except EU, US and Canada are non-traditional for Bangladesh.

During the crisis, the exporters explored the Asian markets, rather than the traditional markets as the western world was seriously affected by the financial meltdown.

Japan, Korea, Malaysia, Singapore, China and India were then discovered as new destinations for Bangladeshi basic garment items.

All these newly explored destinations are potential markets for Bangladesh as exports to these countries are increasing at a high rate, said M Nasir Uddin, chairman of Pacific Jeans.

Nasir Uddin said he has been exporting to India for the last four years.

India is a potential market for Bangladesh as all the global renowned brands opened their outlets in India in the last five years to grab the business opportunities of this fastest growing South Asian economy.

Export of apparel items to India has been increasing at a double-digit rate in the last three years, he said. The export growth is still high as the demand is increasing in that country, he added.

Although India is one of the major players in readymade garment, export from Bangladesh to the country is increasing, as production cost in India is higher than Bangladesh, he added. He said Bangladesh is strong in basic garment manufacturing.

As a result, Bangladesh can supply garment items for the middleclass consumers at a competitive price, added Nasir Uddin who owns some factories in Chittagong Export Processing Zone.

The demand for jeans, casual and knitwear items is high in India, he said, adding that he



M Nasir Uddin

exports mainly trousers.

"I export jeans and other garment items worth more than \$1 million annually," he said.

But, different tariff and non-tariff barriers are affecting the business, he said, demanding strong trade diplomacy from Bangladesh government to remove the barriers. Bangladesh imports raw cotton, fabrics and yarn from India.

If strong trade relations can be established, Bangladesh will also be benefited from Indian market, which will ultimately help reduce the bilateral trade gap.

He gave an example of Latin American countries where the regional trade relationship is strong. As a result, they are dependent on each other for business, Nasir Uddin said.

"Aggressive marketing drive by both the government and the private sector can help attain bigger benefits from the growing Indian market in the next three to four years," he said. "Indian domestic market is huge. We must explore it."

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