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Economy to thrive on RMG

REFAYET ULLAH MIRDHA

WITH the arrival of more buyers and renowned brands, Bangladesh is gradually making a mark in the global garments business. The country's widening share in the global garments sector reached nearly 5 percent recently. The contribution of this sector to exports is also being maintained at over 75 percent over the last few years. Experts say the sector will continue to perform as such in the years to come.

Generally, the more the country can exploit its comparative advantages, the more it will gain in international trade. Bangladesh's share in global garments trade is increasing because the country is in an advantageous position in some regards, against its competitors.

The country enjoys benefits in regards to cheap labour, easy market access and flexible government policy for this business. Bangladesh has been a story of success because of all these factors, despite being fully dependent on the main ingredient, raw cotton.

Recently, the widely read Business Monitor International (BMI) said in an article, given their large contributions to foreign exchange and domestic employment, the textile industries of South Asia's frontier markets -- Bangladesh, Pakistan, and Sri Lanka -- will remain a vital component to supporting overall economic activity.

"That said, given Bangladesh's favourable demographic profile and superior market access, we favour the performance of its domestic textile industry over the other two frontiers," BMI said in the report published from London.

With Beijing is explicitly endorsing higher wage growth, there is a real risk that international competitiveness will be undermined. Further infrastructure investment, although likely to improve transport links, could also put upside pressure on wages, leading textile manufacturers to look outside China to establish manufacturing plants, the article said.

Indeed, average earnings from textile and textile-related exports make up approximately 75 percent, 50 percent and 45 percent of Bangladesh, Pakistan, and Sri Lanka's total export earnings. "We believe that all three countries have a combination of favourable conditions to remain competitive in the global economy."

"The low-skilled, labour-intensive nature of the industry suggests to us that Bangladesh will continue to carry the demographic advantage over its regional peers over the long term, as its population profile is the most accommodative to the industry," the article said.

A supportive government will continue to be crucial for the growth of the industry, especially when it comes to attracting industry-related foreign direct investment, the article said.

In that vein, accommodative government



AMRAN HOSSAIN

A man operates a high-end textile machine at Hamid Fabrics in Narsingdi. Average earnings from textile and textile-related exports make up more than 75 percent of Bangladesh's overseas trade.

policies through these three frontier markets will likely remain in place, moving forward given the industry's significant contribution to export earnings and domestic employment, the BMI report said.

The BMI report also said, "We believe that Bangladesh's government could be the most accommodative, given the textile industry's relatively larger significance to the broader economy, followed by Pakistan, then Sri Lanka."

Indeed, with regards to supplying the industry with a conducive infrastructure environment, Sri Lanka holds the lead over the other two frontiers with an infrastructure rating of 45.7 (with Bangladesh at 41.6, and Pakistan at 35.5), the report said.

The long-running energy crises in both Bangladesh and Pakistan has been well-documented, causing severe inefficiencies in the industrial sector in general, as energy shortages stifle manufacturing activity, the report said.

Bangladesh is addressing its infrastructure deficit with the recent signing with Summit

Group to develop four power plants to generate 1167 megawatts (MW) and development of the \$2.9 billion Padma Bridge, the report adds.

Anwar-Ul-Alam Chowdhury Parvez, former president of Bangladesh Garment Manufacturers and Exporters Association, said garment exports will continue year on year growth at about 25 percent in the next 15 years as international buyers are coming here with large orders.

China is losing its competitiveness for a lack of workers in the garments sector. "In China, the situation is that the manufacturers are not getting an enough number of workers even paying higher."

"As a result, this is an opportunity for Bangladesh," he said. The relaxation of the rules of origin (RoO) by the European Union from January 1 this year has brought yet another opportunity for Bangladesh, he added.

But, the government needs to improve infrastructure, port efficiency, and ensure an adequate supply of gas and power to the industrial units to exploit the opportunity.

"Bangladesh is very strong in the basic garments segment. It is an advantage for the coun-

try. We need policy support from the government to continue the growth."

Professor Mustafizur Rahman, executive director of Centre for Policy Dialogue, also agreed.

Recent export trends show that Bangladesh will be dominating the export of apparel items in the US market as well, while relaxation of the RoO is a new opportunity.

Moreover, Bangladesh is doing good in the Japanese market for adaptation of the China plus one strategy by the Japanese government in 2008.

Market accessibility widened significantly for Bangladesh worldwide. China's market share is more than 30 percent in the global apparel business, whereas Bangladesh's share is slightly less than five percent.

"So, we have an immense opportunity in RMG," he said.

"Except cotton, Bangladesh can enjoy an advantage in all factors, because the country does not produce cotton," he added.

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The government needs to improve infrastructure, port efficiency, and ensure an adequate supply of gas and power to the industrial units to exploit opportunities

No alternative to training

Official of Bangladesh Institute of Labour Studies tells The Daily Star

REFAYET ULLAH MIRDHA

THE Business Monitor International (BMI) recently in an article said Bangladesh's ready-made garments (RMG) sector will continue to contribute to national exports at a high rate in the coming years, as the country has some comparative advantages.

Among a few advantages, the BMI report said the country's ever-increasing demographic profile will play a vital role for the business.

The Daily Star spoke to Syed Sultan Uddin Ahmmed, an assistant executive director of Bangladesh Institute of Labour Studies (BILS), on whether the country's labour force is ready to perform for continued growth of the sector.

Ahmmed has been working with BILS for over 15 years. He has experience in labour productivity research and comparative analysis between wages of different countries.

It is true that Bangladesh has a comparative advantage in regards to workers as a good number of new



Syed Sultan Uddin Ahmmed

hands join force every year, Ahmmed says. At present the total number of workers in the garments sector stands at more or less 3.5 million.

In other countries, even in South Asia, the number of new workers is not so high, although the sector is currently suffering from a 25 percent shortage of skilled workers, he says.

"Workers are our main advantage in our garment industries," Ahmmed

says.

"But we also need to improve their living standards, so that they can meet owner's requirements with a high rate of productivity."

He says if the condition of the workers is not improved, a question of sustainability of the garment sector will surface soon. "For long term sustainability, we need to improve workers' living standards."

He says the industry owners should not rely only on cheap labour for a long time. The owners should train up the workers for their own interests, he adds. If the workers are trained properly, productivity will increase automatically, he says.

On the path of graduation from basic products to high-end items, there is no alternative to training, says Ahmmed.

He says the country will not find an adequate number of skilled workers to manufacture high-end garment products if they are not trained now.

The owners are now facing a dearth of trained mid-level officials to run the factories, he says.



AMRAN HOSSAIN

Women work at a factory of Viyellatex, a leading garment maker in Gazipur.

This would not have happened if the owners had built up a trained human resource base a lot earlier to fill the posts, he adds.

He says there are some factories that pay high wages and give differ-

ent facilities to the workers, in addition to the minimum wages, but the number of such factories is low.

The factory owners are paying higher wages to workers as part of the compliances rules set by interna-

tional buyers.

"We must recognise the fact that the garments sector is a labour intensive industry," he says.

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