Ready Made RMG Garments

DHAKA, THURSDAY, JUNE 9, 2011, E-MAIL: business@thedailystar.net

A debate on foreign investment

REFAYET ULLAH MIRDHA

THE ever-swelling textiles and garments sector is becoming a lucrative investment segment for not only the domestic investors, but also foreign investors.

The sectors witnessed robust growth in export and investment as factory owners are either expanding their capacities or setting up new units to meet rising demand from local and international buyers.

The country is in an advantageous position with its cheap labour costs, easy market access to developed countries, a suitable geographical location and a large workforce.

But Bangladesh is suffering from weak infrastructure, heavy traffic congestion, dependency on imported cotton and an inadequate supply of energy to the industrial units.

Despite these, the question of foreign direct investment has recently surfaced.

Except for some foreign direct investment or joint venture initiatives, the local investors are mainly running the sector now.

Many foreign investors off late have expressed willingness to invest in Bangladesh because of the zero-duty facility the country enjoys from European Union (EU) under the generalised system of preferences for relaxed rules of origin.

Many foreign investors off late have expressed willingness to invest in Bangladesh because of the zero-duty facility the country enjoys from European Union (EU) under the generalised system of preferences for relaxed rules of origin

Now all, from entrepreneurs to the leaders of the related trade bodies and ministers, are giving their opinions in public forums on the issue of foreign investment in the textiles and garments sector.

The issue has sparked many a debate, as Bangladesh is good in the basic segment for apparel.

Other competing countries like China have already shifted their focus to high-end products. As a result, Bangladesh's opportunity in basic apparel has widened internationally.

AMRAN HOSSAIN

Women work at a garment factory in Gazipur. Many foreign entrepreneurs now express interest to invest in Bangladesh's textiles and garments sector.

So, industry insiders feel there is no need for any investment from outside in the basic segment and, if it is needed, the government can allow it in the specialised segment.

In a recent meeting, Commerce Minister Faruk Khan said the government will not allow any foreign investment in the garments sector because the domestic manufacturers are producing high-quality items.

But, the government may consider the foreign investment proposals for specialised garments, as the country has not yet made a mark in producing high-end products.

Agreeing with the commerce minister, Shafiul Islam Mohiuddin, president of Bangladesh Garment Manufacturers and Exporters Association, also said the country does not need any foreign investment in the basic segment at the moment, as the local investors are doing well.

Mohiuddin said there are many small and medium scale garment factories in Bangladesh that have little capacity, and they are just staying afloat in competition.

"If foreign investors make an entry with heavy investment and machinery, these factories will face problems."

He said Bangladesh needs investment from outside in the backward linkage textiles industry to supply fabric to the woven and knitwear divisions.

Firstly, the government should ensure an adequate supply of gas and power to protect the primary textiles sector, and then think about foreign investment, said Jahangir Alamin, president of Bangladesh Textile Mills Association.

"We encourage foreign investment in backward linkage industries, but we need to protect the local industries at first," Alamin said.

The inflow of foreign investment in the backward linkage industries will also ensure the transfer of sophisticated technologies, he said. "Many international buyers will also come here with foreign investment."

Last year, more than 15 running textiles and garment factories were either sold out to foreign nationals or co-joined with local owners as partners, said industry insiders.

Some owners sold their units as they were incurring losses due to increased production costs, while a few others joined hands with foreign partners to get more international buyers. Some expanded operations by raising their capital.

Industry insiders said foreigners now want to take over existing ownership in the textiles and garments sectors as they do not have to wait to purchase land, get gas and power connections, receive government approval and construct the factory.

All domestic and foreign investment proposals, except proposals inside the export processing zones and Bangladesh Small and Cottage Industries Corporation, are subject to being registered with the state-owned Board of Investment (BoI).

The number of proposals registered with BoI in textiles and garments was the highest during the July 2005 to April 2011 period. During this time, a total of 299 proposals from 100-percent foreign ownership firms or joint venture initiatives were registered with BoI in this sector.

The numbers were 227 in the services sector, 120 in chemical, 117 in engineering, 74 in agro-based industries and 20 in food and allied sectors in the period.

reefat@thedailystar.net

Demand-supply gap should come to focus

Ficci chief tells The Daily Star protecting local enterprises is the first priority

REFAYET ULLAH MIRDHA

BANGLADESH is desperately trying to attract more foreign direct investment (FDI) to create more employment and keep up the pace of growth momentum. The number of FDI proposals registered with the Board of Investment is also increasing in different sectors, while most of the proposals are coming in the textile sector. But, local entrepreneurs say the country does not need any FDI in textile sector, as they are performing well.

The Daily Star talked to AM Hamim Rahmatullah, president of Foreign Investors' Chamber of Commerce and Industry (Ficci), to know his opinions on the issue. He is also the managing director of Singer Bangladesh Ltd.

Bangladesh desperately needs FDI, but the question is how desperate the country is to open all sectors to foreign investors, said Rahmatullah.

"Ficci feels it is important for the government to give protection to an industry, if required, in specified timeframe as it was done by other countries to safeguard local entrepreneurs."

Textile is a broad sector, and one may spend in every sector/area of textile, as there is scope of FDI in every segment, he said. "A wise decision regarding investment could be taken by understanding the demand-supply gap, which otherwise is met through imports," he said.

Still, there is a gap in supply and demand in some segments. Bangladesh does not need to attract further competitors in the areas where it is performing well, he said. But in areas, like specialised textile and garment, the government can allow foreign investment, he added.

When his attention was drawn to the issue of energy supply situation, he said the answer is "unsatisfactory". Foreign investors are dissatisfied with the present supply of gas and power in industrial units, he said.

"Unavailability of required lands is also an obstacle to attract FDI in Bangladesh." Scarcity of industrial lands and higher prices of such lands are becoming issues of concern for both local and foreign investors. "Clean (undisputable) land is also difficult to find," said the FICCI chief.

At present, the situation of overall FDI in the country is "unimpressive". The country needs political stability to attract foreign investment, he said. "Civility of trade unions and political stability are must for FDI."

A stirring investment climate is also required to attract more foreign investors. Asked, whether foreign investors are satisfied with the present investment climate, he said: "We would have seen impressive investment pouring into Bangladesh if they were satisfied."

Bangladesh desperately needs FDI, but the question is how desperate the country is to open all sectors to foreign investors. A wise decision regarding investment could be taken by understanding the demand-supply gap

reefat@thedailystar.net

AM Hamim Rahmatullah