Ready Made RMG Garments

DHAKA, SUNDAY, SEPTEMBER 18, 2011, E-MAIL: business@thedailystar.net

A new era opens for RMG

REFAYET ULLAH MIRDHA

A new chapter has opened in Bangladesh's readymade garment sector with the declaration of duty waiver on exports of 45 garment items and a silk fabrics item to India.

Bangladesh will benefit from the move, analysts said yesterday. With the declaration of Indian Prime Minister Manmohan Singh on September 6, Bangladesh entered the quota-free world in the Indian market.

India circulated a gazette on September 6 stating the guidelines of garment exports for the agreed duty-free products. In the gazette, India said garment items -- made of imported or local fabrics -- will qualify for duty-free market access to the country. Exporters have to ensure 30 percent value addition while manufacturing the products in Bangladesh to get the duty-benefits

Bangladesh used to enjoy a quota to export 10 million pieces of garment to India a year before such declaration under the South Asian Free Trade rules since 2008.

India circulated a gazette on September 6 stating the guidelines of garment exports for the agreed duty-free products. In the gazette, India said garment items -- made of imported or local fabrics -- will qualify for duty-free market access to the country. Exporters have to ensure 30 percent value addition while manufacturing the products in Bangladesh to get the duty-benefits.

Now, the question of quota is not so much important, as the 46 items -- 24 knitwear products, 21 woven garments and a silk fabrics item, including shirts, trousers, blouses, children's clothes, nightwear, T-shirts and jeans -- cover nearly 81 percent of the eligible export items.

AMRAN HOSSAIN

Workers pack shirts at a factory in Gazipur. Garment exporters are expected to benefit from India's duty waiver on exports of 46 items out of Bangladesh.

The declaration will erase 23 percent direct tax on export of garment items from Bangladesh to India, but exporters said they have to count 12 percent duty for having different para-tariff and non-tariff barriers.

The majority of the 46 items include basic items meaning the country will not need any extra efforts to manufacture those. India gave the duty facility, as Bangladesh is a strong player in the field.

Bangladesh's apparel exports to India never crossed $100 million, but the commerce ministry expects to pass the $100 million mark in two years.

India is not a lucrative destination to Bangladeshi garment exporters, but it has a special significance as a new destination. Moreover, India would be a worthy destination for export to garment businessmen for the geographical proximities of the two countries.

India with more than 1.2 billion people is an emerging market that has crores of middle-class consumers who cannot afford high-end Indian clothing.

As a result, Indian manufacturers cannot meet the demand of customers and the country's retail clothing chains have to depend on other countries. For them, Bangladesh is the easiest option.

If all garment markets are categorised, India falls in the list of new markets for Bangladesh. India appeared as an emerging market for Bangladesh during the global recession in 2007-08 calendar years when exporters were relentlessly hunting for new destinations, as the major traditional markets, like EU and the US, were badly affected by the downturn. Exporters then found India, Malaysia, South Korea and China as new destinations.

Bangladesh has the lowest border distance with India compared to other countries. If India eases the non-tariff barriers, doing business with the country will be much easier for Bangladeshi businessmen.

For Bangladesh, India takes less lead-time to export than the western countries. That's why export procedures for India are easy.

The geographical proximity of the two countries will help reduce the transportation cost. The same culture, tastes and physical structures will be positive tools for Bangladesh to utilise the duty facility.

Moreover, the two countries have almost same economic base. One of the major objectives of giving such a facility in trade is to minimise the ever-growing trade gap between the two.

Total exports to India from Bangladesh in 2010-11 were calculated at $512 million while the import was over $3 billion through formal channels.

Indian trade through informal channels is worth over $3 billion a year. Bangladeshi exporters face dozens of non-tariff barriers to send goods to India. So they feel discouraged to do business with their Indian partners that widened the trade gap further.

Some of the major non-tariff barriers are: non-acceptance of standards certification, absence of banking transaction facilities like customs stations in border areas, absence of testing facilities at land customs stations and double testing of goods that consume much time.

Some of the para-tariff barriers include countervailing duty, high educational fees and special additional duty.

In 2010-11, Bangladesh exported goods worth $512 million to India, 68 percent up from $304 million in 2009-10, according to data from Export Promotion Bureau (EPB). Woven and knit garment items accounted for $80 million of the total amount.

Knitwear exports to India was worth $2.54 million and woven garments was $9.99 million in 2009-10, while the amounts were $1.7 million and $10.25 million in 2008-09, EPB data showed.

In a recent press briefing, Abdul Matlub Ahmed, president of India-Bangladesh Chamber of Commerce and India, said a group of Bangladeshi businessmen will go to India in a month to meet clothing retail chains in an effort to increase apparel export there.

During the visit, they will meet the management of 10 clothing retail chains, like TATA Retail Chain, Reliance and Pantaloon, he said.

"Bangladesh will definitely be benefited from the duty-free facility if India continues it meaningfully by removing the para-tariff and non-tariff barriers," said Anwar-ul-Alam Chowdhury Parvez, former president of Bangladesh Garment Manufacturers and Exporters Association.

From now, bigger companies will come forward to make business with India for having unlimited quota, he said, adding that many manufacturers used to feel discouraged under the quota system as the business was temporary.

"Moreover, India is strong in producing casual dresses and Bangladesh is strong in formal basic garments. So, Bangladesh has an opportunity to grab the Indian market, which is growing at 18 percent a year."

Zaid Bakht, research director of Bangladesh Institute of Development Studies, echoed the views of Parvez on tariff barriers. The exhausting of the quota of 10 million pieces in six months indicates the acceptance of Bangladeshi garment products to India, Bakht said.

"It would have been better if India allowed duty-free facility for products like ceramic, plastic, food products and toiletries, because Bangladesh has a lot of traditional garment market worldwide," he added.

reefat@thedailystar.net

Saarc group to discuss trade duties

REFAYET ULLAH MIRDHA

THE least-developed countries of South Asian Association for Regional Cooperation (Saarc) are working to reduce the duties in trade among the eight members of the group, said a senior commerce ministry official yesterday.

A working group will sit in a meeting at Kathmandu in Nepal from September 20-22 to discuss the progress of reduction of duties and to shorten sensitive products list under the South Asian Free Trade Area (Safta), the official said.

He said India, being a developing country under the Safta umbrella, has already agreed for zero tariffs for all products except those in the sensitive lists for the LDCs.

Pakistan has also reduced the duty to zero percent to 5 percent excluding the products in the sensitive list, he added.

The official said Bangladesh Tariff Commission sent a list of products to the commerce ministry recommending duty-waiver for other Saarc countries as all the member countries agreed to reduce the duty to zero percent to 5 percent by 2016.

He said the ministry is working on the Tariff Commission's recommendations taking the interest of domestic industries into account. Protection of the domestic industries will get priority during the negotiation, he said.

"India has also sent a letter to the commerce ministry requesting for reducing the number of products from the sensitive list at least 10 months ago. But we are now in discussion under the Saarc umbrella. We cannot take the issue bilaterally," he said, asking not to be named.

Under the Saarc umbrella, the number of products in the sensitive list for developing countries is 1,231 and for the LDCs it is 1,233, he said.

Exports under Safta have been witnessing considerable upward trend since the launch of the Trade Liberalisation Programme, Saarc said in a statement.

As of August 10, 2011, total exports by member states under Safta have reached to around $1.3 billion since the launch of Safta Trade Liberalisation Programme in July 2006, the statement added.

reefat@thedailystar.net