Ready Made RMG Garments

DHAKA, MONDAY, SEPTEMBER 26, 2011, E-MAIL: business@thedailystar.net

A new worry for apparel

REFAYET ULLAH MIRDHA

A new window has opened for Bangladeshi garment items after India allowed a duty-free access of 46 Bangladeshi garments to its market. But a risk is also looming large for the sector in Bangladesh. A proposed Indian move may hurt Bangladesh's prospects in the EU market, the largest export destination for Bangladeshi apparel.

According to media reports, India will withdraw its objection at the World Trade Organisation (WTO) against a European Union decision meant for allowing duty-free access to 75 Pakistani products, most of which are garments.

India had been opposing the EU move for long, as Pakistan is a developing nation.

Bangladesh will face tough competition mainly for eight garment items if Pakistan is allowed the duty-free facility to the EU.

Because, both Bangladesh and Pakistan are strong players in the eight items.

Currently, Bangladesh is the third largest garment supplier to the EU after China and Turkey, whereas the position of Pakistan in the EU is not among the top 10 supplying countries. One of the main reasons for becoming a top player in the EU is preferential duty benefit Bangladesh has been enjoying for long years.

AMRAN HOSSAIN

Workers give final touches to exportable T-shirts at a factory in Gazipur.

India had always been opposing Pakistan's plea for duty waiver in the EU market. Even, last year, when many countries were supporting Pakistan's appeal considering the devastating floods, India opposed it. But, this year India is going to support the demand of Pakistan, at a time when India has just announced duty-free access of the 46 Bangladeshi garment items to its market

Apart from the preferential duty, Bangladesh has been getting a 12.5 percent duty waiver to the EU since January this year, when the EU relaxed the rules of origin (RoO) for all the least developed countries (LDCs).

Pakistan's plea for getting a GSP Plus status for its 75 products became stronger last year when the country faced one of the devastating floods in history.

GSP (generalised system of preferences) Plus status is given to a country under special consideration.

Last year the WTO could not give Pakistan the GSP Plus status due to strong opposition from India.

But, this year, according to media reports, a formal announcement is expected at the forthcoming meeting of the commerce ministers of the two countries in New Delhi on September 28-29 as Indian Prime Minister Manmohan Singh has already agreed to withdraw the objection.

Developed countries offer GSP benefit to the LDCs for preferential treatment in duty under WTO rules, but when any developing country faces any problem or crisis, the developed countries relax the duty-facility also for the developing countries.

The EU offered the GSP Plus facility to Sri Lanka in 2007 and it was stopped in 2009 on human rights grounds.

India had always been opposing the Pakistan's plea for duty-waiver in the EU market. Even, last year, when many countries were supporting Pakistan's appeal considering the devastating floods, India opposed it.

But, this year India is going to support the demand of Pakistan, at a time when India has just announced duty-free access of the 46 Bangladeshi garment items to its market.

However, according to a study conducted by the commerce ministry, Bangladesh will have to face tough competition in the eight major garments if Pakistan gets the GSP Plus status.

Along with India, Bangladesh has also been opposing Pakistan's initiative, but this year the government is yet to start working on conveying its stand regarding the Pakistan's issue, said a senior official of the commerce ministry.

"We did not prepare any position paper this year in this regard. We are not sure enough whether we would oppose this year as we did not receive any signal from the high level of the government," the official said.

Bangladesh will primarily lose $800 million garment market in the EU if Pakistan is granted the duty waiver, the official said, adding that the amount will increase gradually.

However, Bangladesh expects garment exports to India to reach $100 million within next two years, from around $80 million now, according to the commerce ministry.

If Pakistan gets the benefit, the EU will exempt Pakistan's leading value-added textile and leather products from customs duty for the next three years. It will benefit 65 Pakistani textile products, excluding bed linen, the media reports said.

Exports from Pakistan are currently worth about 3.3 billion euros annually, of which 900 million euros come from the 75 items, the reports said.

The matter of the GSP Plus status of Pakistan will be presented for approval to EU member states and the European Parliament soon and will only come into effect if WTO partners grant the waiver.

Major items on the list of 75 Pakistani products include dried mushrooms truffles, cotton yarn, cotton fabric, woven cotton fabrics, twill weave cotton fabric, overcoats and anoraks.

Nasir Uddin Chowdhury, acting president of Bangladesh Garment Manufacturers and Exporters Association, said Bangladesh will be affected if Pakistan gets the duty benefit from the EU.

"We will lose our business in the EU to some extent," he said, adding that Bangladesh might recover some losses by exporting garments to India under the duty-free scheme India has offered to Bangladesh recently.

"We will talk about the issue with the countries concerned," he said.

However, Sadiq Ahmed, executive director of Policy Research Institute (PRI), said Bangladesh should not be worried about the Indian move to support Pakistan's access to the EU.

If Bangladesh can do well in the US market competing with other major players such as China, India and Vietnam, why not in the EU? Ahmed questioned.

"Moreover, it is not fair to create blockage in trade for other countries. Pakistan has the right to demand the duty-free facility from the EU," he said.

The competitiveness of Bangladeshi products is increasing as orders are shifting to the country from China, he added.

Bangladesh exported knitwear worth $6.90 billion to EU in fiscal 2010-11 and woven worth $3.61 billion, according to Export Promotion Bureau data.

The amounts were $4.71 billion and $2.48 billion respectively in the previous year.

reefat@thedailystar.net

Saarc conclave stresses regional connectivity

REFAYET ULLAH MIRDHA

The Saarc Business Leaders' Conclave that concluded on September 22 adopted a nine-point Kathmandu Declaration with an initiative to push the governments of the member countries to go for greater regional connectivity.

The leaders recommended signing the regional investment treaty and upgrading the South Asia Free Trade Area (Safta) to a comprehensive economic partnership agreement for the region.

They decided to hold the next such conclave in 2012, and chose Pakistan as the probable place.

The Saarc region needs connectivity through road, rail, air and sea, and also people to people connectivity, the declaration said. It also put emphasis on enhancing cooperation in health, tourism and education.

The conclave urged for greater willingness for regional economic integration and solving core issues for socio-economic cooperation in the region through discussion.

The announcement also suggested utilising the benefits of geographical proximity in case of land, sea and river for massive expansion of trade and intra-investment.

Water, energy, climate change and food security are the priority concerns, and collective measures should be taken to address these challenges, the announcement added.

More than 500 leading business leaders and international experts, academia, media and social scientists from across the region participated in the conclave.

The participants discussed all the business related issues during the seminar, said Annisul Huq, president of Saarc Chamber of Commerce and Industry.

"But, all we need is connectivity. We emphasised connectivity so that we can make Safta a meaningful platform to expand trade among the Saarc nations," he said.

Huq said the leaders agreed to reduce the non-tariff barriers so that the Saarc countries can be declared as a duty-free region by 2016.

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

reefat@thedailystar.net