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Investors keen on apparel sector

REFAYET ULLAH MIRDHA

TWO major factors -- duty benefits and quick returns -- make Bangladesh a lucrative investment destination for both local and foreign investors in the apparel and services sector.

Investors are pouring money into the apparel sector despite inadequate gas and power supplies and weak infrastructure, to take advantage of preferential treatment in overseas trade.

Bangladesh, being a least developed country, enjoys different trade benefits from the developed countries, like the EU and US.

New avenues of trade are opening up for Bangladesh for recent moves taken by the developed countries, like relaxation of trade rules.

It can be seen from Board of Investment (BoI) statistics that the registration of investment proposals in the two sectors has maintained top positions last fiscal year.

In the textiles and garments sector, a total of 476 projects worth $1.20 billion were registered with the BoI by local entrepreneurs in January-August of 2011. In 2010, a total of 645 projects worth $1.89 billion were registered with the investment body in the same sector.

In the case of foreign investment, BoI data shows a total of 55 projects worth $160.14 million were registered in fiscal 2010-11 in the RMG sector.

In the services sector, a total of 52 projects worth $3.43 billion were registered with the investment body by foreign investors in fiscal 2010-11, according to data from BoI.

Meanwhile, proposals for 134 projects worth $1.93 billion were seen in 2010 and 113 projects worth $1.59 billion in 2011 by local investors.

BoI officials said it can be seen broadly that proposals are coming in increased numbers in the RMG and services sectors for two reasons.

> *"We definitely need more foreign investment in the apparel sector as it will ensure technology transfers, which is needed for the country. Overall, we need FDI for a better economy"*

AMRAN HOSSAIN

Women sort yarn bobbins at a spinning mill in Gazipur. Investment in the apparel sector is marking a rise despite poor infrastructure and energy supplies.

Firstly, the number of investment proposals in the services sector is increasing for quick returns. Secondly, investment in the textiles and garments sector is lucrative for the preferential duty facilities in overseas trade.

Foreign investment proposals in the textiles and garments sectors are increasing despite opposition by local investors, who believe that the country does not need foreign investment in those areas at present.

Bangladesh, one of the major players in textiles and RMG in the world, has been receiving facilities from two major markets -- duty-free benefits from the EU and preferential duty from the US.

As a result, many foreign investors are recently showing interest in investing in RMG to enjoy the benefits the country gets.

The sector has particularly been witnessing a lot of investment from Japanese entrepreneurs after announcement of the "China plus one" strategy in 2008 by the Japanese government.

Previously, most Japanese entrepreneurs invested in China. But after the Japanese government wanted to diversify the investment destination beyond China, Bangladesh has become a lucrative spot.

In addition, entrepreneurs from China are also coming to Bangladesh with investment proposals -- either with full ownership or in joint ventures.

Meanwhile, India is also coming to Bangladesh with its investment proposals in the textiles and garments sector to enjoy duty benefits.

Data from BoI shows that Indian garment firms have invested about $79 million in 35 factories in the country so far.

There is a rising trend in investment from India to Bangladesh as the costs of production in India are greater than here.

Industry insiders said the same is true in the case of investors in China. The costs of production in China are also high, so it is more worthwhile for them to invest in the Bangladesh RMG sector, and the proposals are also going up.

However, implementation of the projects is another story.

The projects could not start production over the last few years for a delay in gas and power connections at the sites. The unavailability of gas and power has hurt the flow of investment in the sector.

Currently, the country has 341 spinning mills, and more than 1,000 dyeing, finishing, printing and weaving factories.

Total investment in the primary textiles sector is worth Tk 30,000 crore. The country has more than 5,000 woven garment factories and 1,700 knitwear factories.

At present, majority of the FDI projects in RMG are located in the export processing zones (EPZs) as the government provides special facilities in utilities inside such special production zones.

The government has already enacted the laws for the Special Economic Zones (SEZs) to attract both local and foreign investors in different sectors.

An official of a Hong Kong-based garments group in Adamjee Export Processing Zone said foreign investors are interested as they enjoy the duty-free import facility of raw materials inside the EPZs.

"All imports are duty-free inside the EPZs," he said, requesting anonymity. Moreover, the factories built with foreign investment enjoy a tax-holiday facility, better working conditions, a regular supply of utilities and strong safety facilities inside the EPZs, he said.

Sadiq Ahmed, executive director of Policy Research Institute (PRI), said FDI is badly needed in Bangladesh, in any sector.

"Definitely we need FDI in the textiles and garments sector as foreign investment ensures technology transfers, which is needed for the country," he said.

He said Bangladesh is strong in the low-end garments segment; FDI will help upgrade production to upper levels with the inflow of modern technologies. "Overall, we need FDI at this moment for a better economy," he added.

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Poor infrastructure holds back FDI

Analysts urge govt to improve efficiency at Chittagong Port

REFAYET ULLAH MIRDHA

THE government should improve the condition of infrastructures and the supply of energy and power to the industrial units to attract more foreign direct investment (FDI) to generate employment, say economists and industry insiders.

The country has been witnessing a poor inflow of foreign investment over the years for the problems in infrastructure and power, they said.

They urge the government to improve efficiency at Chittagong Port and upgrade the Dhaka-Chittagong highway to four lanes from two lanes.

The poor condition of FDI inflow in Bangladesh is visible in the World Investment Report 2011 of the United Nations Conference on Trade and Development (Unctad) released by Board of Investment (BoI) in July.

According to data, Bangladesh has taken the 114th position in 2010 in the world investment scenario. Last year, it took the 120th position.

The country improved its ranking among 141 countries in the global inflow of foreign investment by attracting $913.32 million in 2010, according to the report. In 2009, Bangladesh took in $700.16 million.

FDI grew by 30 percent in 2010 from 2009, data showed. During this time, India received foreign investment worth $24,640 million, Pakistan $2,016 million and Sri Lanka $478 million.

Along with weak infrastructures and an inadequate supply of gas and power, problems of communications, law and order and judicial systems are also responsible for the poor inflow of foreign investment in the country, said Amjad Khan Chowdhury, president of Metropolitan Chamber of Commerce and Industry (MCCI).

"We have to create an environment that attracts the local investors. If the local investors can do well, the FDI will follow automatically."

He said the availability of land for industrial purposes is also a major concern for the country.

Khandaker Golam Moazzem, senior research fellow of Centre for Policy Dialogue (CPD), said FDI is coming in telecoms, energy and power and in textiles currently.

In the telecoms and energy and power sectors, many are reinvesting money in Bangladesh. These are sectors where infrastructures are not vital, but formulating business friendly policies and the right environment are important.

"We need dynamic industrial policies so that the investors feel encouraged to invest in Bangladesh," he said.

The government should resolve the disputes regarding gas exploration from offshore blocs with the neighbouring countries so that the foreign investors can drill gas easily, he said.

The government should set priorities in the distribution of gas and power to the industrial units, he added.

The government should also speed up long-term plans, along with short-term ones, to improve gas and power supplies, he said.

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