

Concerted effort a must to double RMG exports

Analysts focus on McKinsey's projections on the country's apparel industry

STAR BUSINESS REPORT

A concentrated effort is needed to achieve McKinsey and Company's projection of doubling RMG exports of Bangladesh by 2015, experts said yesterday.

They said the country needs to develop infrastructure and products quality and improve productivity, supply of gas and power to industries, workers' skills and financing to the industrial sector to achieve the target.

The German-based McKinsey and Company released a survey report on Bangladesh's RMG industry in December last year and also predicted that RMG exports will triple in the next 10 years.

Bangladesh exported RMG products worth \$17.91 billion in last fiscal year and set the new target at \$20.36 billion for 2011-12.

Bangladesh Enterprise Institute (BEI) organised a seminar yesterday at its office in Dhaka to discuss different issues regarding the report.

At the programme, Mustafizur Rahman, executive director of Centre for Policy Dialogue (CPD), said the process of achieving the target depends on different factors. "First of all we have to do our homework to achieve the target."

Financing in the sector has become a problem, he said, adding that the country needs to reduce lead-time for gaining new markets and retaining the existing markets.

"Time has come to think whether we can set up a central bonded warehouse or not as the single stage GSP is introduced in the EU," he said. Rahman also suggested for increasing



Workers are pictured at a garment factory in Gazipur. Apparel orders are gradually shifting to Bangladesh from China.

south-south trade volume like grabbing the Japanese, Turkey and Indian markets.

He said the US did not meaningfully implement the given duty-free access of 97 percent products of least developed countries (LDCs). Hope for a duty-free access to the US market may not come true, as there is no bill in the US senate in 2012.

Commerce Secretary Ghulam Hussain asked garment makers not to expect too

much from the government side in this regard. "Rather, I suggest sensitising all stakeholders to work in partnership to achieve the target."

Bangladesh achieved more than 20 percent export growth over the last few years without any prediction from such survey report, he said. "I think it is possible to achieve the target through public private partnership, although it is an ambitious report," he said.

As a discussant, Shafiu

Islam Mohiuddin, president of Bangladesh Garment Manufacturers and Exporters Association, said lack of coordination from the government machinery is the biggest problem in the sector now. "The economic agenda is not in the priority list of the government machinery," he said.

He said Bangladesh cannot grab Chinese orders at the expected level as these are getting shifted to Latin American countries for the style in sales.

"Rather, we sell the best garment at a competitive price," he said. But, McKinsey and Company's report is fantastic, and some extraordinary things are also taking place in the country like supplying fabrics to China for making world cup jerseys, he said.

Saiful Islam, president of Bangladesh-German Chamber of Commerce and Industry (BGCCI), said the chamber worked for the last two years with McKinsey to prepare the

report.

In the report, the interviewed chief purchasing officers of globally renowned brands stressed the need for improved road, railway and energy infrastructure in the country to achieve the target, he said.

He said overcoming the problems of skills development of workers and infrastructures is possible through public private partnership. "It is a realistic figure to target

\$46 billion in the next 10 years," he said.

"We have never invested money in vocational training institutes for developing skilled workers," said Daniel Siedl, executive director of BGCCI.

Bangladeshi entrepreneurs should be allowed to set up textile mills in India with 100 percent ownership, said A Matin Chowdhury, managing director of Malek Spinning Mills.

"We want to establish cooperation in business between India and Bangladesh, not dependency on India," he said.

India set a ban on export of cotton and later on yarn last year when Bangladesh's textile sector was facing troubles, said Chowdhury.

Currently, the country's the backward linkage industry can meet 80 percent demand for knitwear and 40 percent for woven fabrics locally, said Feroz Ahmed, secretary general of Bangladesh Textile Mills Association (BTMA).

Citing India as a major factor to achieve the target, he said sometimes price volatility affects the sector seriously.

Bangladesh needs foreign direct investment in garment sector to boost export, said Ahsan H Mansur, executive director of Policy Research Institute of Bangladesh.

"We have to achieve the target on our own strength, as duty- and quota-free access to the US may not be possible," he said.

BEI President Farooq Sobhan moderated the function while former BTMA president Abdul Hai Sarker, senior research fellow of CPD Khondker Golam Moazzem and Asian Tiger Capital Managing Partner Ifty Islam also spoke.

Chittagong: the next spot for investment

Pacific Jeans chairman recommends efforts to develop industrial zones to spur investment



M Nasir Uddin

STAFF CORRESPONDENT, Chittagong

THE targeted economic growth of the country is not achievable ignoring the infrastructural development of Chittagong, said M Nasir Uddin, chairman and managing director of Pacific Jeans Ltd, a leader in the readymade garment (RMG) sector.

Long- and short-term plans are needed to develop industrial zones in the sub-urban and rural areas of the port city to make the city business friendly, he said.

China's coastal provinces made full use of their geographical advantages and they became the country's new

poles of economic growth, Nasir said. Chinese coastal provinces such as Jiangsu, Shandong, Shanghai, Guangdong, Zhejiang and Tianjin generated more economic growth compared to the internal provinces over the last 10 years.

"This aggressive economic growth of the coastal areas was possible due to better roads and highways and other logistic supports," he said.

If the development strategies are properly implemented, 40-50 percent of Bangladesh's total exports can be generated alone from Chittagong, Nasir said.

"We are yet to utilise the full capacity of our international airport," he

said, adding that Chittagong can be a hub for air cargo business.

"Chittagong has unique geographical importance to become the gateway to Far East Asia," he said. Business activities of the port city will increase manifold if it can be linked with the Asian highway, he added.

"We need a robust short-, mid- and long-term plan instead of two-year or three-year development projects to build a vibrant commercial capital."

Higher economic growth is not possible neglecting Chittagong as most of the leading business houses of Bangladesh are from the port city, Nasir said.

But businesses have to concentrate

on Dhaka due to a lack of infrastructural development in Chittagong, he added.

Chittagong Port handles nearly 90 percent of all sea-borne trade, but low productivity and efficiency, higher number of trade unions and poor onward connection are the well-known and long-standing problems of the port.

However, operational efficiency has improved substantially due to the introduction of automation in Chittagong customs house and port operation.

If upgraded properly, Chittagong port is capable of handling \$50 billion of exports compared to \$27 billion now, he said.

This port holds much potential as a highly promising regional seaport, Nasir added.

Chittagong and its neighbouring districts have immense industrial potential yet to be explored. Also, there are a number of emerging industries such as ship building, oil refinery, light engineering, furniture industries and home appliance for which Chittagong can be the most prospective manufacturing destination.

After seven to ten years from now, automobile industry will also be a potential sector in Bangladesh as well as in Chittagong, he said.

"We have good opportunities in Chittagong Hill Tracks for agricultural products," Nasir said, adding that Thailand is one of the biggest fruit exporting countries and the fruits come mainly from its hilly regions such as Chiang Mai.

Nasir said there was a time when Chittagong used to contribute almost 40 percent of the total garment exports of the country. But now the volume has come down to 20 percent, he said.

This is because the government has not been able to support the factories with new gas and electricity connections. "We need more well planned industrial areas in Chittagong for higher growth in the manufacturing sector," he said.

Talking about alternative energy, Nasir said energy can be produced in many ways. In China, almost 60 percent of its energy is coal based. Import of coal is much cheaper than mining, he said, adding, "Our reserve of gas should be preserved for the next generation. We can import gas from Myanmar and other countries preserving our present reserve."

Chittagong could be the most expected destination for tourists but the government could not brand Chittagong.

"We branded Bangladesh as a poor country; we branded Chittagong as a neglected city. We will have to brand our country focusing on all its potential."

Good governance is also necessary to attract businesspersons and tourists, he added.

Standard hotels and motels will have to be built in Chittagong to attract tourists, he said, adding that entrepreneurs can invest in this sector as it is the right time to invest in Chittagong.

Sustainable policies should be developed to address environmental issues, he said, adding that businessmen are now more conscious than before.

Chittagong can take a lead in building environmentally sustainable and eco friendly manufacturing units such as Colombo in Sri Lanka, Nasir said.

"This will enhance our image as an eco friendly city and we'll build a cleaner, healthier and pollution-free Chittagong for our future generation."

"Chittagong has unique geographical importance to become the gateway to Far East Asia. Business activities of the port city will increase manifold if it can be linked with the Asian highway," said M Nasir Uddin, chairman and managing director of Pacific Jeans