

# TEXAPP Bangladesh 2014



## Introduction

Bangladesh has tremendous potential to be the world leader of textile and apparel export. The country is all set to achieve that goal. If proper reforms, strategies and planning are adopted the country will certainly set a new dimension in global textile and apparel market. The industry also needs state of the art machinery and technology to be at par with the global competition. Finally, we need robust discussion and combined effort of leaders and stakeholders of this industry.

CEMS -Bangladesh teamed up with The Daily Star to celebrate the 15th anniversary of Textech Bangladesh and to strengthen focus on the extremely important Textile & Apparel sector of Bangladesh. We organized the first ever Textile & Apparel Industry Forum. The event was held on September 3, 2014 on the sidelines of Bangladesh's oldest and biggest exhibition on Textile Apparel Machinery and Technology, 15th Textech Bangladesh 2014 International Expo. The forum has set the stage for the leaders in Bangladesh's textile and apparel industry to focus, discuss, decide and set goals for the future of the exports of textile and apparel products from Bangladesh to the world.

## TEXAPP BANGLADESH 2014 Forum Panelists:

- Zahid Hussain, Lead Economist, World Bank
- Atiqul Islam, President, BGMEA
- Mohammad Hatem, First Vice President, BKMEA
- Akhtaruzzaman Khan Kabir, CEO, Bangladesh Tourism Board
- Syed Md. Aminul Karim, Member Grade 1, Tax Policy, NBR
- S. M. Mahbubur Rahman, DG, Export Promotion Bureau, Ministry of Commerce
- Sohail Ahmed, Chief Operating Officer, Aamra Resource Ltd
- Dr. Salahuddin Ahmed, Managing Editor, The Daily Star
- Refayet Ullah Mridha, Sr. Reporter, The Daily Star

Here we present excerpt of important points raised in the TEXAPP Bangladesh 2014 Forum discussion:

### Dr. Salahuddin Ahmed

Recently I have met a researcher who has done her Ph.D on the changes the garment industry has brought about in the life of garment workers. Her study shows that what kind of positive changes have been happening in the lives of women in the last 30 years.

In our seminars people mostly talk about the problems and the seminar ends before going to the solution part. In today's seminar, there are four critical issues which we should discuss from the point of view of solution: export strategy, potential markets, investment especially foreign investment and government policies.

### Refayet Ullah Mridha, Moderator of the Session

First I want to present some insights into the RMG sector. RMG sector is the lifeline of Bangladesh economy. It contributes 81% of the national export. Around 4.4 million workers are employed in this sector and 80% of them are women. It contributes a lot to the empowerment of women.

Still there are many challenges in this sector. Low productivity, shortage of skilled manpower, safety and compliance, high tariff rates in foreign market especially in the USA are few of them. In today's discussion we will try to find out sustainable solutions to these challenges.

### Zahid Hussain

I want to make three key points. Apparel industry is the pioneer in industrialization all over the world and Bangladesh is no exception. We have gone through several chal-

lenges in the apparel sector. Between 2004 and 2005 there were a lot of dire predictions including IFC prediction that sky is falling on Bangladesh's apparel industry. But the reality went in the opposite direction. In fact, the industry boomed after MFA phase out. In the last year we have had some crisis and image problem but we have overcome those challenges.

My first point is that the destiny of Bangladesh's apparel industry is in our own hand. And by ours, I mean the entrepreneurs, workers, unions and the government. It is within our control. Because the way the dynamics of international market is working out currently with China becoming expensive on labour and energy cost. So lots of RMG and textile activities are moving out of China. They are looking for low cost sources particularly untapped markets. Bangladesh is one of the five potential countries that has prospect of doing a lot better than it is doing now. The \$25 billion garment industry can become \$40-\$45 billion industry in three to five years. So the potentials are there.

There is one perception that RMG is not sexy enough to attract high skilled professionals. That is where the industry is lagging behind. What do we need to know to turn the potentials into reality? We know there are several factors that matter like cost, capacity to deliver, quality, speed, reliability and so on. We are doing better in cost and capacity. The latest wage data shows that Bangladesh still, even after the increase of last year, has the lowest wage next only to Myanmar. Other close competitors of Bangladesh like India, Cambodia, Vietnam have far higher wages than us. In capacity, Bangladesh is considered to be the only country next to China which can deliver volumes. But on quality it is variable; on reliability we do not do so well because of various risk factors; on speed we have various problems because of various infrastructural issues.

We, World Bank, think four key areas that need to be addressed: 1) land, 2) infrastructure—road, electricity and gas issue, 3) long term finance issue and 4) rebuilding the image of Bangladesh abroad. If we can address these four problems we will be able to move to a higher stage.

On the land problems, we have to have SEZ for garments industry. It will solve problems like infrastructure, electricity and so on.

### Mohammad Hatem

Bangladesh is not a cheap labour country. In Bangladesh, we need an operator and at least one helper for running a machine whereas in our competitor countries only the operator is enough for running the same machine. In total we are spending no less than our competitor countries. In the last fiscal year, Vietnam exported \$17.7 billion with 1.5 million workers whereas we did export \$ 24.5 billion employing 4.4 million workers. Our workers are not that much efficient like workers in our competitor countries. But it is our potential that we have available manpower who are easily trainable. We have initiated several training programmes for our workers. By 2017, we will train 48000 workers.

### Syed Md. Aminul Karim

This year NBR has made the biggest sacrifice for garment sector by deducting source tax from .8% to .3%. It means more than 200% reduction in tax rate. Over the last 40 years this sector has been paying only 10% tax which is much lower than all other industrial sectors. We do it because it is not that NBR just look for revenue, it also considers equity, employment, empowerment, efficiency, contribution to economy like factors in designing the tax structure. We will continue this support for further development of this sector. The sector should think of value

We have written so many times to the government to reduce duty on import of spare parts, particularly for export oriented industries.

### Syed Md. Aminul Karim

In capital machinery import, there is

addition and backward industrialization issues. If that happens the government can recover its revenue loss and create more opportunities for this sector.

Some people divert their taxable income to non-taxable areas like garment industry. They are misusing government facilities. RMG entrepreneurs should be careful about it.

**Akhtaruzzaman Khan Kabir**  
A significant portion of our foreign tourists is buyers of garment industries. So the garments industry can play a crucial role in promoting the tourism sector. When buyers visit Bangladesh we can provide them professional tour services. Good recreational facilities will create good impression about the country and its products. When our garment industries participate in an international trade fair they can also use the country logo of Beautiful Bangladesh at their pavilions. It will be a great promotion for the tourism sector.

We have successfully handled the child labour issue. We have introduced earning and learning system which is a unique model around the world. We are providing compliance facilities to our workers. We have day

zero duty. Regarding the spare parts, you can approach the NBR Chairman as a body.

### Atiqul Islam

We have graduated from garments factory to garments industry. Now we are employing high level professionals and state of the art technologies. Our product quality and commitment have improved a lot. Our non-traditional market has increased from \$ 850 million to \$ 3.6 billion within five years. Now, we get most of accessories from our local markets. We have prevailed over MFA phase out consequences. Although our economy suffered from political turmoil during 2013 the RMG sector achieved 13% growth in that fiscal year.

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adding to this long list of challenges.

We badly suffer from infrastructural backwardness. 10 years ago it used to take 6-7 hours to reach Chittagong from Dhaka but now it takes 10-12 hours. We do not have SEZ for garment sector. We also could not develop forward linkages. We have recently established a Fashion Technology University. But it is not adequate. We need to introduce fashion technology in universities.

Another issue is negative propaganda. It was often told from various quarters, particularly after Rana Plaza

collapse incident, that 80% of our garment factories are vulnerable. I want to give thanks to Accord and Alliance for their survey that shows only 2% of our garment factories are vulnerable. Similarly, our media often publish negative news on garments sector. We have many success stories in this sector. We have top class industries some of which have achieved global recognitions. We should highlight those success stories.

### Zahid Hussain

I have two questions to the RMG leaders. First, both Accord and Alliance are doing inspection in our garment industries. As far as I know, there are some disputes over the standards between these two groups. Has it been resolved?

Another question is that shared buildings are required to move to purpose made buildings. When they will move the factory will be closed. If it is an alliance factory then there is an arrangement of compensating workers and if that is an accord factory there is an agreement to look after the workers. But there are some factories which are not members either of these two groups. What will happen to those workers when the factory will be closed?

### Atiqul Islam

There is a lot of confusion about standards between these two bodies. But both of them are looking after three things: building safety, fire safety and electricity safety. We have requested Accord to avoid those industries which are already checked by Alliance. But they do not agree with us. I am involved with Alliance but not with Accord.

Another inspection is going on under National Action Plan with ILO support. Still there are industries which are not members of BGMEA or any of these inspection bodies. They should be immediately taken under inspection.

There are three types of buildings: converted building, shared building and purpose made building. In the RMG sector, the share of purpose made building is 60% and left 40% are converted and shared buildings. It is a matter of concern that both Accord and Alliance are planning to withdraw their investment from shared building factories. The number of workers in shared building is 1.5 m. Another important matter is that many of the purpose made buildings had been built before 2006 when Bangladesh National Building Code (BNBC) came into action. Those buildings should be rectified according to new building guideline.

Now comes to the challenges.

Everyday cost of apparel sector is

going down but cost of manufacturing is going up. It is a great challenge.

Buyers do not look for minimum wages but total cost of production.

Our machine suppliers want to

supply machineries under the

arrangement of deferred payment

because we have very good record in

repayment. But a recent circular from

Bangladesh Bank put some unnecessary

restrictions over this facility.

Suppliers are happy to give 3 to 5

years deferred payment facility but

the government circular asks for

quarterly payment which is ridiculous.

If one pays quarterly then he

should opt for deferred payment.

This circular will badly affect our

industry particularly new entrepreneurs.

Inadequate gas and electricity supply

are other major hindrances.

We have written so many times to

the government to reduce duty on

import of spare parts, particularly for

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