

RMG sector towards a thriving future

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Before you start some work, always ask yourself three questions—why am I doing it, what the results might be and will I be successful? Only when you think deeply and find satisfactory answers to these questions, go ahead.”

— Chanakya, ancient Indian teacher, philosopher, economist, jurist and royal advisor (350 BCE - 275 BCE)

When Bangladesh won its long awaited independence in 1971, most of the economic and physical assets of the newborn nation had been ravaged. According to Saud A. Choudhry and Syed Abul Basher (2002), even the most modest assumptions place the direct and indirect cost estimates of the war at USD 9.53 billion and USD 14.08 billion respectively. But the objective of an independent Bangladesh was very clear—to achieve sustainable development by ensuring improved living standards of all its people, irrespective of ethnicity, race and religion. With the passage of time, Bangladesh came to be recognised as a miraculous country, a model for least developed countries globally.

Whereas in 1972, the World Bank approximated the gross domestic product (GDP) of Bangladesh at USD 6.29 billion, in 2014, the GDP stood at USD 173.82 billion, growing by almost 27 times in a matter of four decades. Bangladesh's exports industry alone comprised USD 31.2 billion in FY 2014-15, 81.69% of which was made



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up by ready-made garments. On its own, the knitwear sector encompasses 39.83% of total exports—a staggering USD 12.43 billion. Owing to the emergence of strong backward linkages within the country, the knitwear industry is adding up to 75% value, which opens up enormous potential for foreign and domestic investors to spend in the areas of spinning, weaving, sewing, packaging, and accessories manufacturing. In the last five consecutive fiscal years, knitwear constituted 7.2% of the national GDP on average, demonstrating that RMG continues to serve as a strategic and commercially beneficial sector to the country, which has had to overcome hurdles to compete in the changing international climate time and time again.

Doing business and earning foreign revenue through export is becoming harder for Bangladeshi RMG entrepreneurs not only due to disruptive internal factors that are more than enough to render the trade uncompetitive, for example, the recent price hike of gas by 15% price rise for industrial units and 100% for captive power producers. External factors are also in play, such as getting lower prices from buyers of major RMG importing countries even after meeting social compliance standards. During January-July 2015, the price of RMG products imported by USA fell by 2.45% and the price of RMG products imported by the EU fell by 1.41%, in spite of the fact that every factory has to spend BDT 50 million-200 million to upgrade

infrastructural, fire safety, and electrical safety facilities to meet international standards. Such a large investment is risky if these internal and external issues are not sorted out as soon as possible.

In addition, the Regional Trade Agreements, originally perceived as favourable for countries like Bangladesh, have turned out to be quite the opposite. According to the World Trade Organisation (WTO), as of 7th April 2015, 612 RTA notifications have been received by WTO and GATT in total, of which 406 are currently in force. However, Bangladesh has not been able to form RTAs with its major RMG trade partners, and thus, the sector is losing its edge due to artificially created matters.

It is of the utmost importance to possess timely and reliable information about international buyers and tariff/non-tariff barriers imposed by different countries or customs unions in order to conduct RMG business both nationally and internationally, and to adopt with the current market scenario. If we cannot accomplish this, RMG export earnings may not grow to USD 50 billion by 2021, as expected by the present government under Vision 2021.

First of all, different policies must be in place for the knitwear and woven sectors of the RMG industry as their characteristics are completely different. Whereas the former is adding up to 75% value within the country, the

CONTINUED ON PAGE 29



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