

EU brands cheerful about local denim



Clockwise from left, Stalls of different companies are seen at the two-day Bangladesh Denim Expo that started at International Convention City Bashundhara in Dhaka yesterday. Juergen Hannak, head of promotion of social and environment standards programme at GIZ, speaks at a plenary session on "Understanding sustainability and its importance", on the sidelines of the expo. A buyer checks a denim product at the showcase.

REFAYET ULLAH MIRDHA

EUROPEAN retailers and brands are upbeat on Bangladeshi value added denim garments due to the high quality of the apparel at competitive prices.

"I see a lot of potential of Bangladeshi denim in the European markets. Bangladesh needs marketing and communication with the European retailers and brands to grab this big denim market," said Tilmann Wrobel, founder of Monsieur-1, a French design studio.

"Please make the people of Europe understand that Bangladeshi manufacturers have been respecting the workers, Mother Earth, ecology and sustainability in the production of denim goods," said Wrobel on the sidelines of the sixth edition of the two-day Bangladesh Denim Expo at the International Convention Centre, Bashundhara in Dhaka.

Regarding prices, Wrobel suggested improving quality and design of the denim products for higher value.

Last year, Bangladesh became the largest denim supplier to the European markets, overtaking China. Although the overall economy in Europe is struggling to revive, there still is a massive market for value added garments, Wrobel said.

In the January-June period of 2016, Bangladesh exported denim products worth €567.97 million to the 28-nation bloc -- enough to secure the highest market share of 21.18 percent.

Currently, Bangladesh has 30 denim mills for which, investments to the tune of \$1 billion have been made.

"Considering the potential of the denim market, we have opened a leather patch or denim label factory at Savar. We will start production in the newly established factory from

August 15 this year," said Manfred Slowik, chief operating officer of Germany-based global company Landes. The company has a target to produce 500 million leather patches at the factory in a year for not only Bangladesh, but for other South Asian countries as well, he said.

Patches is an essential accessory for denim trousers. The company, set up on 1,500 square metres of land, has already employed 25 workers, Slowik added.

Bangladesh should have a strong backward linkage industry in denim as the country has been turning a global focal point for this specialised product, said Serge Leon, director of Fashion Production Solutions, an EU-based company.

The Bangladeshi manufacturers should also show that the production of garment items is eco-friendly, he said. Gustaf Asp, country director of Swedish retail giant H&M, said the

retailers are ready to pay for high value added garment items.

"Bangladesh is engaged in producing very low-cost items. You need to add value and only then the prices will go up," Asp said at a panel discussion.

"China has a 39 percent global share in apparel. Chinese wages are way higher than Bangladesh," Asp said. It is not possible to subsidise the industry for long term, he said adding that Bangladesh will have to go for value addition, innovation in technology, the best practices in renewable energy and renewable materials and non-cotton materials.

Faruque Hassan, vice president of Bangladesh Garment Manufacturers and Exporters Association, said exports are not growing at expected levels because of a decline in consumption of clothing items in the western world.

In 2015, the garment trade

declined by more than 7 percent to \$445 billion from \$483 billion earlier, he added.

"We need to improve the productivity level so that we can perform better in the global fashion markets. At the same time, retailers and brands should also increase the prices of garment items," Hassan said.

Bangladeshi entrepreneurs supply denim products to major global retailers including Levi's, Diesel, G-Star RAW, H&M, Uniqlo, Tesco, Wrangler, s.Oliver, Hugo Boss, Walmart, and Gap.

The denim sub-sector could play a significant role in achieving the \$50 billion export target by the end of 2021, said Mostafiz Uddin, who organises the denim expositions twice a year in Bangladesh.

Annually 2.1 billion pieces of denim are sold globally, according to Bangladesh Denim Expo.

In 2014, the size of the global

denim market stood at \$56.20 billion, Mostafiz said.

By 2020, the global denim market will reach \$64.1 billion, while Bangladesh's denim export is forecasted to reach \$7 billion by the end of 2021.

Over 10,000 pre-registered visitors, which have doubled since the last edition, are expected to visit the expo under the theme -- Denim Networks.

"The response from the participants, buyers and brand is huge. I had to expand the space for higher demand of booths and stalls," the organiser said.

Apart from local exhibitors, businessmen from China, Turkey, Spain, Italy, Pakistan, Japan, San Marino, Germany, Brazil, India and Hong Kong are also participating.

Local companies have occupied nine out of the show's 58 stalls while the rest are being used by the foreign firms and exhibitors.

Western banks eclipsed by China's along the new Silk Road

REUTERS, Beijing

FOR global banks, China's new "Silk Road" is a tantalising concept: billions of dollars in deals, loans and advisory fees, and a cosier relationship with Beijing for those who step up.

Dozens of senior international bankers turned up at the weekend for a Beijing summit to promote China's "Belt and Road" initiative, an ambitious plan to open new trade corridors across the globe using roads, power lines, ports and energy pipelines.

But commercial considerations, higher funding costs and compliance worries are holding Western lenders back, and some bankers say the situation is unlikely to change.

That leaves the bulk of the action with China's policy lenders and commercial banks, who are already bankrolling most key projects in some of Asia's most challenging environments.

"This is not something that will help you earn your bread and butter," said one Hong Kong-based banker, who said he turned down the opportunity to attend the Belt and Road Forum hosted by Chinese President Xi Jinping.

"Despite these hundreds of billions (of) dollars of investments being talked about, the fact of the matter is the share of business for foreign banks in China has actually gone down and this is not going to change that."

The Belt and Road initiative - into which China's policy banks have already pumped \$200 billion - encompasses Asia, the Middle East and Africa, and is aimed at bolstering Beijing's global ambitions.

Asia's infrastructure needs do not stop at Belt and Road - the Asian Development Bank puts potential infrastructure investment needs in emerging Asia and the Pacific at over \$26 trillion by 2030.

Among the banks sending top-ranking staff to Beijing this weekend to court that business were HSBC, represented by Chief Executive Stuart Gulliver, Standard Chartered, with Chairman Jose Vinals, and executives from Bank of America Merrill Lynch, Credit Suisse and more.

Industrial and Commercial Bank of China, China's largest bank, hosted a round table attended by executives and bankers from Silk Road states.

The global banks, trying to crack mainland China in the face of cut-throat local competi-



Guests listen while Chinese President Xi delivers a speech during a welcome banquet for the Belt and Road Forum in Beijing on May 14.

tion, see an opportunity. HSBC and others have used the Silk Road in advertising, and speak enthusiastically of leveraging their capital markets expertise.

HSBC, which has an edge over other foreign banks in China due to its Hong Kong heritage and which makes more than half of its profits in Asia, sees the Belt and Road initiative as a key business opportunity.

At the summit, Gulliver said on the bank's Twitter account that without extensive cooperation between governments, banks and investors, the benefits of the Belt and Road initiative could not be realised.

Standard Chartered said it would use its presence in Southeast Asia, South Asia and Africa to capitalise on Belt and Road countries, which account for a third of the global economy and 60 percent of the world's population.

"With our market leading global investment banking franchise, Credit Suisse can support the OBOR initiative," said Neil Harvey, chairman of Greater China at Credit Suisse, referring to the acronym for One Belt, One Road, another name given to the new Silk Road.

Credit Suisse, he said, had undertaken financing deals with Belt and Road countries, and was

involved in some of the larger ones, including the sale of a controlling stake in Pakistan's K-Electric to Shanghai Electric Power for \$1.8 billion.

But even those who attended the summit from reality were careful afterwards to separate rhetoric from reality.

Societe Generale's chief country officer in China, Anne Marion-Bouchacourt, says foreign banks are keen to support Chinese corporates and Belt and Road projects, but need clarity around issues like tax, financial planning and risk management.

"OBOR means a lot of opportunities for commercial banks, but the context in which all of these happen has still to be further defined and clarified," she said.

Keith Pogson, a senior partner, Asia Pacific financial services at EY, said foreign banks were trying to find their way at a time when regulatory initiatives like Basel IV make many moves too costly.

"They are unlikely to want to originate and hold long-dated and complex exposure without some form of credit enhancement and/or insurance, and even then there would be severe limitations as to scale and counterparty risk," Pogson said.

Investment on infrastructure now critical: analysts

STAR BUSINESS REPORT

BANGLADESH needs to invest more on infrastructure development to continue with its 7 percent economic growth and beyond, said experts and businesspersons yesterday.

"Today, our GDP growth remains trapped primarily due to lack of modern and efficient infrastructure," said Abul Kasem Khan, president of the Dhaka Chamber of Commerce and Industry, at a roundtable discussion.

The event was organised by the DCCI in partnership with the Bangladesh Investment Development Authority, the World Bank Group and UK Aid at the capital's Pan Pacific Sonargaon hotel.

Some \$300-\$320 billion is needed to be put into the country's infrastructure sector until 2030, he said.

As per the World Economic Forum's Global Competitiveness Report 2016-2017, the country's infrastructure competitiveness was ranked 114 out of 138 countries.

The discussants said there has been a transformation in the country's economic fundamentals over the last few years as most of the major economic indicators are showing positive trends.

They said it is now time to build on this robust economic fundamental.

The main reason for the lack of modern infrastructure is low investment, which is currently 2.87 percent of GDP, Khan said, adding that solid infrastructure is a pre-condition for attaining 8 percent and beyond GDP growth.

As per DCCI estimation, Bangladesh has trebled its infrastructure spending since fiscal 2011-12. And yet, the amount of spending is low compared to the investment made by peer countries, he said.

For instance, Vietnam invested 10

percent of its GDP in the last 12 years, Taiwan 9.5 percent from 1970-1990, and South Korea almost 8.7 percent from 1960-1990.

For private sector players to come forward and invest in infrastructure projects, there must be attractive returns on investments, said Wendy Jo Werner, country manager for Bangladesh, Bhutan and Nepal of the International Finance Corporation.

Transport networks, road and port access are critical for almost any investment, she said, adding that Bangladesh needs improvement in these areas.

"You need to focus on locations that will create revenue flow," she added.

Bangladesh's existing infrastructure can support 7 percent economic growth at most, which the country has already achieved, said Kazi M Aminul Islam, executive chairman of BIDA.

"The only way we can go beyond is to have a thrust. And that thrust has to come from infrastructure," he added.

Bangladesh has proved its capability and strength. Now, the country needs to march forward instead of dwelling on its past achievements, said Hossain Zillur Rahman, executive chairman of the Power and Participation Research Centre, while moderating a plenary session.

Speaking as chief guest, Planning Minister AHM Mustafa Kamal said the government has been working on achieving its targeted growth rate and infrastructure development.

"We will move forward from where we are now," he added.

Md Abul Kalam Azad, principal coordinator of SDG Affairs of the Prime Minister's Office; Ma Mingqiang, ambassador of China to Bangladesh; and Alamgir Morshed, managing director and head of financial market of Standard Chartered Bank, also spoke, among others.