

TOWARDS BUILDING A MODERN ECONOMY

A glance at two success stories

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BICYCLE INDUSTRY

Bangladesh is the second largest non-European Union exporter of bicycles to the EU and the eighth largest exporter overall. Bicycles are the largest export item of Bangladesh's engineering sector, making up about 12 percent of the country's total engineering exports. According to a recent World Bank blog post, Bangladesh has an opportunity to diversify its exports beyond readymade garments.

High anti-dumping duty (48.5 percent) imposed by the EU against China and duty-free export benefits have been helping Bangladesh export to European countries.

The global bicycle market is expected to grow to USD 35 billion by 2022, up from nearly USD 30 billion now. Yet, the country's export is not that high in terms of value. Rather, bicycle exports from Bangladesh have been declining for the last several years, mainly due to the rise of electric bikes (e-bike).

"The bicycle market has seen a squeeze worldwide in recent years due to the growing use of e-bikes,"

said Lutful Bari, director, operations of Meghna Group which has three bicycle and parts factories.

Bari said Bangladesh is still in a good position in the European market because of trade benefits and anti-dumping duty on Chinese bicycles.

The EU trade rules allow Bangladesh and Cambodia to export bicycles, parts and accessories to the EU's 28 member states without the regular 14 percent duty on complete bicycles and 4.7 percent duty on imported parts and accessories.

Bangladeshi bicycle exporters estimate that without anti-dumping duties, Chinese bicycles could cost at least 10-20 percent less than Bangladeshi bicycles in European markets. And Chinese exporters can ship bicycles to the EU market with a lead time that's 35-50 percent shorter.

According to government data, Bangladesh exported bicycles worth USD 111 million in 2009-10, which came down to USD 82.46 million in 2016-17. The government has set an export target for the current fiscal year at USD 85 million and the first seven months' export receipts show



Pran's bicycle factory in Habiganj.

BICYCLE EXPORTS

In million \$



that the target may be achieved.

Meghna Group is the market leader in bicycle exports with its three factories. Alita Bangladesh in Chittagong Export Processing Zone and Fire Fox in the port city have also been exporting bicycles for over a decade. Rangpur Metal Industries, a concern of Pran-RFL Group, entered the market in 2014 and began exporting bicycles in 2015.

Industry insiders said Bangladesh exports lower and middle-end bicycles that cost USD 120-150 per piece.

"We are exporting our bicycles to 10 countries, all European nations,"

said Kamruzzaman Kamal, director, marketing of Pran-RFL Group.

In addition to export, both Meghna and Pran have been selling bicycles in the local market to cater to the growing demand of the younger population. But dumping of Chinese bicycles has become a threat for local manufacturers.

Meghna has built up a strong backward linkage industry for making finished bicycles for the local market. But indiscriminate duty structure has made the situation very difficult for local makers, they said.

"We need protection to survive,"

said Bari of Meghna.

Some unscrupulous businessmen import bicycles from China in the name of parts to avoid taxes.

Kamal said they have to import a few items, such as brakes, to make finished bicycles, but the average duty on this item is a whopping 55 percent that pushes up the cost.

The price of Pran's bicycles is somewhere between Tk 3,000 and Tk 70,000 a piece.

Sajjadur Rahman is Business Editor at The Daily Star.

RMG

Lifeline to Bangladesh Economy

- Accounts for **81%** of total export earnings
- Directly employs **4.4** million
- Contributes **16%** to GDP
- Indirectly supports livelihoods of **40** million
- Helped increase female literacy rate
- Reduced poverty rate

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