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Hopes ride high on textile

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The textiles sector tells a story of resilience and immense potential. Growing strong through adversities, millers are now eyeing a contribution of 15 percent to the national economy by 2021 to make Bangladesh a middle income nation. With a huge local market, millers hope to grow output, given that sufficient gas and power, pro-sector policies, favourable interest rates, infrastructure and skilled manpower are available.

Millers plan to increase the contribution of the primary textiles sector to gross domestic product to 15 percent by 2021 to help the country become a middle-income nation.

Currently, primary textile units account for 12 percent of GDP with an investment of over \$3.5 billion, generating employment for more than one million people directly and another two million indirectly, said industry insiders.

Maintaining commendable growth over the years, the primary textiles sector now can supply 90 percent raw materials to the knitting and 40 percent to the woven garment makers from 385 spinning mills, 721 fabrics manufacturing units and 233 dyeing, printing and finishing units, they said.

“We will be happy if we can contribute 15 percent to GDP by 2021 to help Bangladesh become a middle-income country,” said Jahangir Alamin, president of Bangladesh Textile Mills Association (BTMA), at a discussion in The Daily Star Centre recently.

“We will be able to make our industry grow bigger if the government facilitates us. Of the \$18 billion export of garment items last year, our contribution was significant,” he said.

He said the sector could have contributed much more if the millers had utilised their full capacity. But inadequate gas and power supplies, high bank interest rates, lack of skilled manpower and wobbly infrastructure have hindered growth.

The business leader said the sector has the capacity to supply the raw materials needed to achieve the McKinsey and Company projection about the country's potential in garment exports.

McKinsey & Company, a global management consulting firm and trusted adviser to the world's leading businesses, governments and institutions, said Bangladesh's apparel exports could triple by 2020 as European and US buyers plan to strengthen their presence in the country and new players see the market as the 'next China'.

"But the government will have to ensure an adequate supply of gas and power to the mills. We are ready to re-invest more money in the sector, but we are not getting gas and power connections."

"We have huge demand in the local market, which is a ready market for us," Alamin said.

He said another major challenge the country's textile sector faces today is changes in the Rules of Origin (RoO) in the European Union and serious liquidity problems in the member-mills.

Alamin said the biggest advantage of the local primary sector is that Bangladesh does not need to explore markets in other parts of the world. "We have our own market in Bangladesh."

A Matin Chowdhury, a former BTMA president and managing director of Malek Spinning Mills Ltd, said some other international and internal problems, including trade policy changes globally, would also surface in the near future that could scuttle the potential growth of the sector.

He said Bangladesh might not get duty-free and quota-free access for its garment and textile items to the US market, as there are no signs of changes to the trade regime for Bangladesh by the present administration.

Competing countries, such as India, China, Pakistan, Vietnam and Indonesia, are also coming up with diversified products to grab greater market share globally, he added.

"The biggest advantage for them is that a majority of them have their own cotton and machinery, while Bangladesh is a net importer of those basic components."

The former BTMA president said India is a major factor for the country's primary textiles sector, as Bangladesh imports 30 percent of its total requirements from its close neighbour.

"As in the past, any ban on exports of cotton and yarn by India for Bangladesh is definitely hampering the smooth growth of the textiles sector," he said.

Chowdhury called for timely and appropriate policy support from the government so that the sector can grow and contribute more to the economy.

He said the government should engage in negotiations with potential export destinations for Bangladeshi products. Besides, steps should be taken to bolster the country's presence in the existing markets.

The businessman said the export of Bangladesh's garments to Turkey is being hampered for the 17 percent safeguard duty imposed by Ankara last year, which was zero percent previously.

The government should negotiate with the Turkish government to remove such a trade barrier, he added.

Alamin said they would not say that the government is not supportive. "The government has always supported us. But policies should address the rapidly changing global scenario that has direct impacts on the local situation."

He said Bangladesh can learn a lot from India in developing the sector. "India always brings policy changes for the sake of its sector. They give technological upgrade support to factories at low interest rates. They have also set up industrial parks."

"The country also provides funds for seed development. They give much-needed incentives so that their produce can be price competitive."

Alamin said the government should rethink its policies for the primary textiles sector. "If we import yarn, we get loans at 2 percent interest rate from a government fund. But if we buy the raw material from local sources, we do not get the facility."

"Through this type of a policy, we are discriminating against the local backward linkage industries," he said.

He urged the government to allow primary textile millers to set up factories in India so that a smooth supply of yarn can be ensured.

BTMA Director AKM Azizur Rahman Khan said the government should extend more facilities to the industrialists to set up factories outside Dhaka. "Otherwise, their initiatives will not sustain."

Chowdhury said the primary textiles sector used to enjoy 25 percent cash incentives a few years ago, which has been reduced to 5 percent. "The sector is still growing and competing with other countries. The government subsidy has not gone to waste."

"This is one of the greatest successes of the sector. Unlike many other developed sectors in Bangladesh, we received no support from donors. We have established ourselves on our own."

"We are now capable of supplying fabrics as soon as possible, thus cutting lead-time by 20 to 22 days."

Around 70 percent retention of foreign currency is ensured through the use of local fabrics, while for imported fabrics, retention varies between 25 to 30 percent.

"The sector faces a number of challenges but we are still hopeful that we will be able to increase our contribution to GDP to 15 percent by 2021," he added.

Ahmed Ali, vice-president of BTMA, said the primary textile is affected by relaxation of the generalised system of preferences. He suggested that the government should support the troubled sector.
