



Study on
Expansion and Facilitation of the RMG Sector of
Bangladesh

May, 2018

Foreword

The Readymade Garments sector, acts at present, act as the lifeline of the economy of the Bangladesh. It accounted for 81.23% of total national export earning in FY 2016-17. It has a great contribution in employment generation, poverty alleviation, women empowerment as well as in the overall socio-economic development of the country. The RMG sector of Bangladesh currently provides employment opportunities for about 4.4 million people, out of which 60.80% are women, mostly less-educated, unskilled or semi-skilled and migrated from the agriculture labour force from the rural areas of the country.

Since its beginning, the RMG industry has been contributing greatly to restructuring of the economy from an agro-based to an export-led growth-based one. Bangladesh is now on her way to graduating from the Least Developed Country (LDC) status to a developing country. The national development goal of Bangladesh, the Perspective Plan (2010-2021), sets the vision to make the country a middle-income one by 2021. In line with that, the RMG sector of Bangladesh has set the target to raise export earning to US\$50 billion by the said period, and has been acting as the catalyst to attain the goal. Despite the fact that the industry has been registering tremendous growth in terms of export earnings, several challenges both at domestic and at international-level, are impeding this sector from attaining its full potential.

After the lamentable collapse of Rana Plaza and an infernal Blaz in Tazreen Fashion, the country faced severe image-crisis. In addition, international Brands, Consumers, Labour organisations, Human rights organisations put pressure to ensure safe-working environment in the factory premises. Since then, with the support from the government, international brands, buyers, suppliers, entrepreneurs, and workers, the country has been working tirelessly to ensure a safe and sustainable RMG industry. The national and international reform platforms – National Action Plan (NAP), Accord (agreement between global brands and retailers based in Europe and the trade unions) and Alliance (agreement among retail and branded company, a majority of where are from the north American region) – have, all together, made visible progress to ensure workplace safety, and made substantial progress in taking measures in the area of Environmental, Structural and Electrical measures. The industry is still facing several challenges, domestically, in terms of inadequate utility facilities, domestic supply of raw materials, absence of vertically-integrated backward and forward linkage industries, port inefficiencies, shortage of supply of skilled labour force, etc.

From that perspective, this particular study has the aim at identifying the challenges and barriers the RMG sector currently faces in domestically, in conducting business, as well as in getting market access, internationally, and in particular the tariff and non-tariff regimes of export markets. Based on the problems faced by the sector, the study suggested some key policy Recommendations and proposed an Action Plan to reach the target. This, we believe, is a very timely initiative.

I would like to extend my heartiest congratulations and gratitude to the Export Wing, Ministry of Commerce, and the Task-Force for the RMG sector of Bangladesh, for bringing up this issue to conduct a Time-bound Study for Expansion and Facilitation of the RMG Sector of Bangladesh and entrust the Bangladesh Foreign Trade Institute (BFTI) with the responsibility of conducting the study. I would like to express my sincere thanks and appreciation to the Textile Cell, Ministry of

Commerce, Directorate of Textiles, Export Promotion Bureau, BGMEA, BKMEA and BTMA for their valuable support provided to us, since the beginning of the study. It has been enriched by their expert opinions, comments and suggestions from time to time.

I would also like to express our deep sense of gratitude to the Honourable Commerce Minister, Mr. Tofail Ahmed, M.P., and the Secretary, Mr. Shubhashish Bose, for their encouragement, guidance and unstinted support throughout the entire period the study took to be completed.

The study is the outcome of extensive desk researches along with the detailed and extensive consultations with the relevant stakeholders of RMG sector of Bangladesh. I owe a debt of gratitude to the individuals who, on various occasions, have contributed to the study by giving us time for interviews and shared their valuable experiences with us, which definitely have enriched the findings of the study. On completion of the study, it was presented before the representatives of the stakeholders. They provided invaluable suggestions relating to different aspects of the study. We have incorporated all of them in this final version with a sincere note of thanks to all of them. They also greatly helped improve the quality of this final version. I would like, especially, to put on record my deep appreciation for the research team of the BFTI, for their untiring efforts to complete the study. Without their hard work, the report would not have been what it is now.

Finally, I, on behalf of the BFTI, would like to express my sincere gratitude to Mr. Abdur Rauf, former Additional Secretary, Mr. Tapan Kanti Ghosh, Additional Secretary, Export Wing and officials of the Textile Cell, Ministry of Commerce, and all other officials of the Ministry of Commerce, for entrusting BFTI with this very important assignment.

Dhaka, May, 2018.

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Executive Summary

The National Development Goal of Bangladesh (2010-2021), set the target to become a middle-income country by 2021. Bangladesh is also aiming to graduate from a Least-developed country to a Developing country by 2024. The Readymade Garments sector would be one of the major strategic partners for the development of the country and facilitate the graduation process with a Vision to export \$50 billion by 2021. According to the 7th Five Year Plan (2016-2021), total export of the country is expected to reach US\$58.5 billion by 2020, where contribution of RMG expected to be US\$ 46 billion. Historically, the RMG sector has huge contribution to transform the economy as an export-led one. In FY 2016-17, the RMG sector has accounted for 81.23% of the total export earnings of the country.

Although the sector has expanded and become the leader in the manufacturing sector in Bangladesh over the years, but the RMG sector, at present, is facing immense challenges both domestically and internationally. One major challenge although greatly overcome at a huge cost, to ensure compliance needs in factories, financing for remediation activities and long-term environmental sustainability of the sector. The sector is also facing difficulties in terms of market access facilities, specifically in USA, higher tariff and para-tariff barriers in different markets and stringent non-tariff barriers in major export destinations.

Besides these, the sector would soon face several challenges in market access due to preference erosion in major export destinations, hence increased competition and strict compliance and standard requirements once Bangladesh graduates out of the LDC status.

In this context, the sector requires special attention from the govt. in the form of policy support for the long-term sustainability of the sector. This study has identified some of the areas needing special attention from the govt. and has, therefore, sought to develop an action plan for it as well as for other development partners to formulate and implement some strategies to achieve higher competitiveness and long-term sustainability of the sector.

Global Scenario of RMG Trade:

In 2016, the global market for RMG was approximately US\$ 444 billion with a negative growth rate of (-) 5.89%. North American countries like the USA, Canada, and EU are the major importers of RMG, globally. Some other developed and developing economies like South Africa, Brazil, Chile, Russian Federation, UAE, Qatar, Egypt, Japan, and Australia are emerging as importers of RMG, with some potential over time.

China is the leading RMG exporter, globally, with a share of, approximately, 36% of the global export. Bangladesh, Vietnam, Cambodia, India, and Turkey are the other leading players in the RMG export market, globally.

Bangladesh: 2nd Largest Supplier of RMG, Globally:

Bangladesh, at present, is the 2nd largest exporter of RMG after China. In FY 2016-17, the volume of RMG export was US\$ 28.25 billion, comprising 81.23% share of the total export of the country. The export market of RMG products are concentrated, mainly on North America and the EU. The

USA is the single largest export destination of Bangladeshi RMG products. EU stands, at top region-wise, as the export destination of RMGs with a share of about 62% of the total.

Support Mechanism for RMG Sector:

From the very beginning, the govt. of Bangladesh has patronised and provides enormous support for the expansion and facilitation of RMG sector. It is providing both policy, fiscal and monetary support through of special bonded warehouse and cash incentives for the export- oriented RMG sector. High-value added RMG and Garments Accessories sectors are consider as some of the highest prioritised sectors in the Export Policy 2015-18. The sector has also been enjoying reduced tariff rate facilities for import of construction materials, technology and capital machinery. Back to Back L/C facilities against the master L/C for sourcing raw-materials has been cushioning as the solution for inadequate working capital and benefiting the industries, especially the SMEs.

Facilities for RMG Sector in Special Economic Zones and EPZs

The Govt. of Bangladesh has taken initiatives to set up 100 special economic zones for inspiring export-oriented sector and if attract more foreign investment. The government is providing incentives to the investors and economic zone users under the Bangladesh Economic Zones Authority (BEZA), such as tax holiday, duty-free import of raw materials, Special bonded warehouse facilities, exemption from dividend tax after the completion of tax holiday, full repatriation of capital and dividend etc. The sector also enjoys several types of benefit for investment in the Export Processing Zones.

Vision 2021 for RMG Sector of Bangladesh:

Achieving \$50 billion dollars from exports of RMG by 2021, will lead to significant growth of backward, forward and other allied industries - bank, insurance, freight, port/ICDs, tourism, hotel, etc. Achieving the target would definitely have as great an impact on employment generation, especially for female workers as it well have on poverty reduction. The Vision also aims to increase the global market share of RMG from 5% now to at least 8% by 2021.

Findings of the Study:

CIS Countries: Tariff Liberalisation has Created New Opportunities

Higher tariff rate was the major impediment to enter with our exports, especially RMG, into the CIS countries even a few months earlier. Russian Federation is the largest economy in the CIS region. The market of RMG import from Bangladesh to CIS region was dominated mainly by Russia. Although Russia is naturally the largest export destination among the CIS region Bangladesh couldn't explore the full potential in earlier, due to higher tariff rates. The recent initiative of Russia to liberalise her tariff rates has created new opportunities for Bangladesh to increase its RMG export in this market. In 2016, the country imposed 127.78% tariff on import of HS 610821

(Women's/girl's briefs and panties, of cotton, knitted), and 83.33% tariff on HS 610822 (Women's/girl's briefs and panties, of man-made fibres, knitted). But in 2017, the country has drastically reduced the tariff rates to only 4.58% for HS 610821 and 2.80% for HS 610822. **On the other hand, existence of several Non-tariff barriers, such as B211: Labelling requirements, B270: Other product characteristics requirements, B310: Certification requirement, F290: Additional charges, A830: Certification requirement may act as impediments to enter into this market. This, we think, should be taken of at political level, with probable help from the experts, with the Russian government so these barrier may be scaled down to facilitate the export of our RMG.**

Oceania Region: DFQF Schemes Facilitating the RMG Export:

Bangladeshi RMG export is increasing day by day in this region. Bangladesh has exported US\$ 660 million in 2014-15. DFQF schemes of Australia and New Zealand for LDC countries is acting as the catalyst for increasing RMG export from Bangladesh. However, high tariff rate in other countries like 32% by Fiji, 25% by Papua New Guinea and 20 % by Samoa on import of RMG are acting as the market entry barrier for RMG export of Bangladesh.

Middle East: A New Horizon of RMG Export

Bangladesh has potentials in Middle East for RMG export. But huge tariff rate on RMG import imposed by some competing countries of Bangladesh, namely Egypt (30%), Turkey (9.61 %) and existence of strict non-tariff barriers, such as B110: prohibition for TBT reasons , B210: Tolerance limit for contamination by certain substances , B220:restricted use of certain substances , B310: Labelling requirements, B320: Marking requirement, B330: packaging requirements, B600: product identity requirements, B700: Product quality requirements, B820: Testing requirements, B830:certification requirements, B840: Inspection requirements etc. are impeding the export RMG export from Bangladesh. BFTI strongly feels that in view of the challenges emerging at different fronts against RMG export from Bangladesh, the BGMEA and BKMEA, in cooperation with the govt., where necessary, should start exploring the markets, meeting the restrictions as the country's competitors do.

Latin America: Most Emerging Export Destination

Latin American countries, namely Brazil, Chile, Peru, Panama and Colombia are the most emerging export destinations for RMG export of Bangladesh. Countries like Ecuador, Argentina, Uruguay, and Paraguay etc. also have huge potential to enhance the RMG export share of Bangladesh. However, due to higher tariff rates imposed by Brazil (35 %), Ecuador (36.38%), Argentina (35.00%), and Colombia (15.00%) etc. the RMG export from Bangladesh to those countries are greatly hindered.

Strategies for Expansion and Facilitation of RMG Sector:

Market Expansion Approach: Product-wise Potential Export Destinations-

Targeting market based diversification strategies for export of RMG products, especially into the non-traditional markets (other than USA and EU), such as Australia, Japan, China, Russia, Turkey, Brazil, Mexico, South Korea, Malaysia, India, Argentina, South Africa, UAE, Belarus, Chile, Paraguay, Kyrgyzstan, Kenya, Nigeria, Qatar, Saudi Arabia etc, will bring fruitful results to enhance the RMG export of Bangladesh. Along with those, this study has identified some other potential markets that can be explored to enhance the RMG export of Bangladesh. Despite having huge potentials to enhance the export volume, high tariff and non-tariff barriers act as the major impediments for increasing RMG export from Bangladesh.

Product Diversification through High-value-added RMG products:

Besides the bulk production of basic garments, Bangladesh should concentrate on producing high value-added RMG products (suits/blazers, lingerie, jackets, swimwear, sportswear, uniform, raincoat, fishing wear), as the demand for such fashion items have been increasing, globally.

Branding and Effective Marketing Policy could Bring Higher Export Earnings:

Inefficient marketing policies, absence of own brand and poor negotiating capacity of the entrepreneurs caused lower price for the RMG products of Bangladesh compared to those other competing countries like China and India. The RMG sector of Bangladesh should go for retail product branding with progressive marketing strategy through ensuring quality-standard and analysing consumer preferences in selected markets across the globe. Retail branding will definitely widen the opportunity of price increases of the RMG products of Bangladesh.

Recommendations:

Compliant Factories will Increase the Confidence of Buyers-

To gain confidence of the international buyers and ensuring a good working environment through developing a specific and unified code of conduct to protect the basic human rights of the workforce is very much essential. Measures should be taken to ensure compliance facilities in the factory premises, such as ban of child and forced labour, ensuring fire, electrical and structural safety, compensation for injury, fixed working hours, right to formation of association and collective bargaining and management systems is a must. A lot has, no doubt, already been done in this regard, and RMG sector in Bangladesh can now rightly boast of one of the most compliant in the world. But the laggards should also be encourage to come forward.

Green Initiatives to Ensure the Environmental Sustainability

For a greener future, a more systematic approach must be taken by the knitwear industry towards environmental management that provides a plan to deal with indicators regarding environmental sustainability. The government, in collaboration with the private sector should develop a time-bound action plan for building Green RMG industry and provide some incentives both in fiscal and

monetary terms to encourage more factories to maintain environmental balance. But it must not be forgotten that seven out of top10 LEED certified green factories are now located in Bangladesh.

Reserving Separate plots for RMG Factories in Special Economic Zones

To attract more domestic and foreign investment in the RMG sector, Govt. should consider to reserve some plots, separately, at an affordable price, for RMG sectors, especially for the new entrepreneurs. Uninterrupted utility service facilities, easier access for long-term financing and ensuring other fiscal and monetary incentives will definitely facilitate the new investment in the RMG sector.

Attracting Foreign Direct investment in High-Value-Added Textiles:

To attain long-term sustainability, RMG sector of Bangladesh should shift its current cotton-based production pattern to man-made artificial fibers-based production process, as these fashion items have huge demand in the world market, which continues to expand in by days. However, Bangladesh has to fulfill this demand through importing from foreign markets. In this context, attracting FDI in man-made fiber production, especially production of viscose, rayon, spandex, polyester, etc., domestically, will work as the long-run and uninterrupted supply chain for RMG sector of the country.

Faster Completion of Remediation Activities of the Sector:

Faster completion of the ongoing remediation activities to ensure the workplace safety in matters of fire, electrical and structural safety, will enhance the trust and reliability of the Brands and individual buyers toward the RMG sector of Bangladesh. The govt. with the support of different donor and development partners should take initiative to provide financing facilities, especially to the SMEs to complete the remediation process as early as possible. Govt. also has to ensure and strengthen its monitoring mechanism for long-term sustainability of the sector. It should, however, be noted that a joint effort by the BGMEA, BKMEA and the govt., this remediation period has been given a deadline to complete their works. Only a few more months of that period now remains, as we write this summary.

Technological Up-Gradation Fund should have positive impact on Expansion and facilitation of the sector:

Initiation of Technological up-gradation fund to provide long-term credit facility at a lower interest rate, will encourage the entrepreneurs for technological renovation in the production process, which will, ultimately, increase the productivity as well as the competitiveness of the sector, globally. The govt. should consider to take such policy initiatives to ensure the long-run sustainability of the sector. While talking of technological innovation and up gradation to the globally more competitive, one must not lose sight of the probability of what is called “jobless growth” in such cases. In a country like Bangladesh, with a crying need for more job creation, technological up gradation, which necessary, should be brought about with proper caution and care.

Chapter One: Background of the Study

1.1 Background

Export-led growth of Bangladesh has been induced largely by increasing ready-made-garment (RMG) exports and remittances from overseas workers. These have been the driving force for the economic development of Bangladesh in the past decades. These have reduced the absolute poverty rate from 57% in 1990 to 27% in 2012 and further to 24% in 2015 and thus have helped to bring millions of people out of poverty. Bangladesh's involvement in international trade has been increasing significantly in the past decades. Its export values have increased by more than quadruple value during the period 2001-02 to 2011-12. And the ratio of total trade to GDP has accounted for about 50% of the GDP. However, comparing the trade to GDP ratio with other countries of the region, there is still room for improvement for Bangladesh. So for accelerating economic growth, Bangladesh needs to make strategy to ensure increased and diversified exports. The RMG comes first in this category which needs special nourishment.

According to the National Development Goal, Perspective Plan (2010-2021), Bangladesh is aimed to be transformed into a middle-income country by 2021 from the status of a lower middle-income country. The Bangladesh Ready-made Garments (RMG) sector has observed a massive expansion over the past 30 years. RMG export is a major source of the foreign exchange and the economy of Bangladesh is highly depended on the export earnings from this sector. So achievement of a positive goal for this sector is crucial. The Prime Minister Sheikh Hasina, Government of People's Republic of Bangladesh, has announced her precise vision for Bangladesh RMG sector to reach to a value of US\$ 50 billion exports by 2021. In FY 2016-17, the RMG sector of Bangladesh has contributes to 11.27% of the total Gross Domestic Product. The RMG sector has accounted for 80.78 % of the total country export in FY 2016-17, whereas the shares of Woven and knitwear export were about 41.30% and 39.48 % respectively. This is a positive sign in the goal of achieving the targeted export earnings.

1.2 Rationale of the study

The RMG industry has faced several international and domestic challenges over the last three decades. In the international market, implementation of the rules and regulations of the World Trade Organisation (WTO), possible trade diversion from various regional trade agreements, and preferential trade arrangements among different groups of countries are of special concern for Bangladesh. In the domestic market, woven garments is a strong sector in the knitwear industry. But this sector is facing the challenge of lack of backward-linkage industries (supplying inputs). Other challenges include, low labor productivity and technical deployment, and inadequate infrastructure development. Moreover, this sector has been facing serious problem with offering high-quality, low-cost products within a short period of time and with meeting health, social, and environmental compliances. Besides this, due to simple import to export management system, Bangladesh knitwear industry lacks in activity, innovational ability and capacity to compete in the international market.

Because of the increasing competition of the knitwear industry in both national and international market, special attention should be given to the long-term sustainability of this sector. The competitiveness of Bangladesh knitwear industry is also largely determined by the characteristics of its different sectors, the nature of the resources used, management capability and capacity of its planners as well as value chain relative to its competitors. Furthermore, its competitiveness also depends on regional differences, behavior of the buyers, size of factories and other political and ethical factors

Sustainability and environmental consciousness are buzzwords in today's world. Business is no longer confined to the traditional concepts. Our knitwear sector is going green and we have a considerable number of knitwear factories that are concerned about the environment, climate and social consideration. Additionally, these factories have been actively participating in activities for betterment of the environment to make business sustainable and eco-friendly. These activities include- running ETPs, using energy efficient technologies and installing renewable energy technology. However for the long term sustainability of the sector, a better understanding of how to respond to the challenges pertaining environmental, economic and social aspects is required. For this, dedication, awareness, and commitment are needed from numerous stakeholders, starting from the government to private the sector.

In this study, an attempt has been made to recognise the direct and indirect contribution of this sector to the economy of Bangladesh. This study will provide the government and development partners a blueprint to formulate and implement sustainable strategies and will help in achieving higher levels of competitiveness in the RMG sector of Bangladesh.

1.3 Objectives of the study

The specific objectives of the study are:

- a. To understand the current situation of the RMG sector of Bangladesh;
- b. Analysing the export destinations for RMG products both the existing and potential ones;
- c. Analysing the policy framework of the country critically to reveal the export potential of RMG;
- d. Identifying new but potential markets for RMG export and the market access barriers both in terms of tariff and non-tariff in those destinations;
- e. Identifying the challenges the RMG sector of Bangladesh is currently facing; and
- f. Suggesting some policy recommendations and development of an Action plan for the expansion and facilitation of the sector.

1.4 Methodology

The study uses secondary data from different sources. The sources include trade bodies, published books and magazines of government, private institutions and international organisations, working paper of research organisations etc. A desk review of secondary data and documents is conducted that presents an overall idea about the present situation. Literature review is used to describe various analytical practices that use pre-existing data either to investigate new research questions or to re-examine primary study questions for the purpose of corroboration. It involves the utilisation of

existing data, collected for the purpose of a prior study, in order to pursue a research interest which is distinct from that of the original work. Moreover, secondary analysis can involve the use of single or multiple qualitative data sets, as well as mixed qualitative and quantitative data sets-Government Documents.

Chapter Two: Global Scenario of the RMG Sector of Bangladesh

Ready Made Garment (RMG) industry has been occupying significant place in the volume of merchandise trade in the world. In 2016, the volume of global RMG trade was about US\$ 822.6 billion. The major players in RMG imports are North America and European Union (EU28). There has been some emerging importer of RMG such as, South Africa, Brazil, Chile, Russian Federation, UAE, Qatar, and Egypt as a result to the increase in population, GDP, per capita GDP and purchasing power of population of these countries.

China, Bangladesh, Vietnam, Cambodia and India are the major exporters of Global RMG and they constitute about 57 percent exports of RMG globally. China has remained cost competitive in RMG production in terms of textured yarn, knitted fabric and woven textured fabric, compared to other exporter countries.

In recent days, the cost of production, including the labour wage has been increased in China. The country has taken initiatives to shift its low-end production pattern to the higher-end technology based production technique of higher value-added products. In 2016, China's knit wear export was US\$ 74.41 billion which was 11.24 percent lower than the previous year. However, China's such shifting is expected to open a new window for some RMG exporters where labor costs are comparatively low including Bangladesh, Vietnam, Cambodia and India etc.

2.1 Current Scenario of Global RMG Industry

In 2016 the global export of RMG stood at US\$ 434.2 billion with a negative growth rate of 2.21%. The export was around US\$ 249.18 billion in 2004 and there had been around 50 percent increase in Global RMG export whereas the export of knitwear had been increased by around 52 percent and the woven had been around 41%. It is also seen from table 1 that from the year 2007, the export of knitwear share in the global RMG export had exceeded than that of woven export except the year 2008 when woven export was a bit more than knit, and that also was only 2.1 percent.

The Global RMG had been maintaining a growth rate of 4.74 percent per annum on average over the last 12 years (from 2004-2016) despite the growth falling in four time periods, in 2009 by 12.41 percent, in 2012 by 0.71 percent, in 2015 by 5.89 percent and in 2016 by 2.21 percent. However, the highest RMG export growth was experienced in 2011 (17.22 percent).

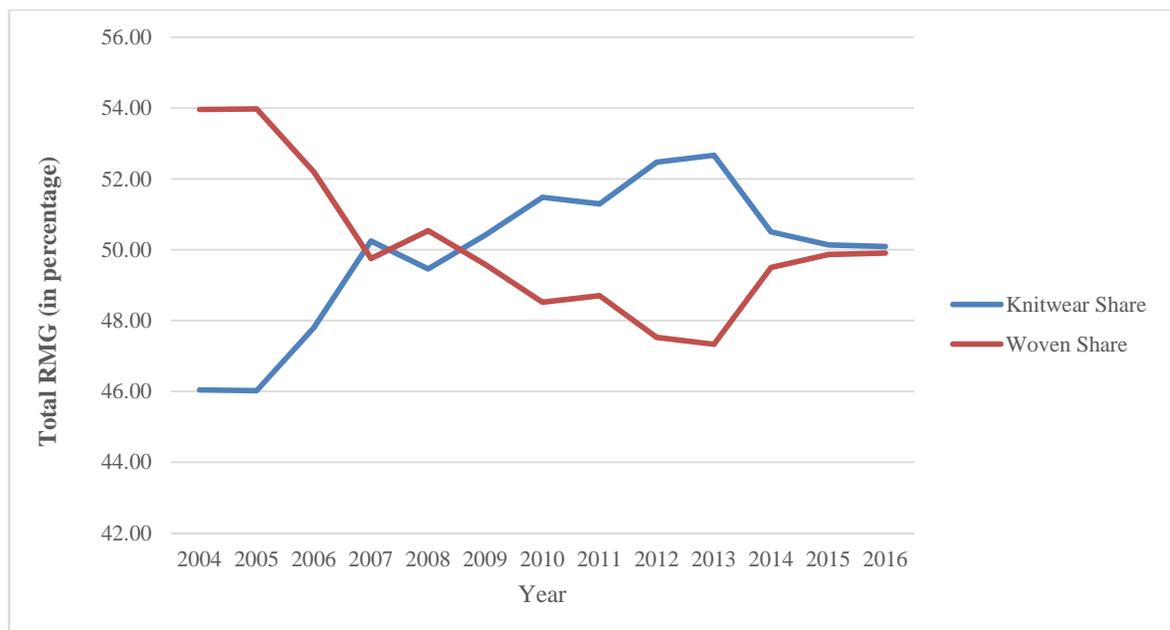
Table 1: Global RMG Export during 2004-2016

(Value in Billion US\$)

Year	Knit	Woven	RMG	Growth (%)
2004	114.72	134.46	249.18	5.43%
2005	124.01	145.47	269.48	8.15%
2006	145.00	158.36	303.36	12.57%
2007	171.84	170.15	341.99	12.73%
2008	178.34	182.23	360.57	5.43%
2009	159.22	156.62	315.84	-12.41%
2010	178.80	168.50	347.30	9.96%
2011	208.83	198.29	407.12	17.22%
2012	212.13	192.11	404.24	-0.71%
2013	233.08	209.44	442.53	9.47%
2014	238.26	233.50	471.75	6.60%
2015	222.6	221.4	444.0	-5.89%
2016	217.5	216.7	434.2	-2.21%

Source: Data calculated from ITC Trade Map, 2016.

Figure 1: Knitwear and Woven Share in Global RMG Export



Source: Table 1

2.2 Leading Players of Global Knitwear Export Market

The leading player of global knitwear is China with US\$ 74.41 billion in 2016 followed by Bangladesh, Vietnam, Turkey, Germany, India, Italy, Hong Kong (China), Cambodia, Belgium and Netherlands. From the table, it is also seen that though China has consistently been the largest exporter of global knitwear, it registered 1.5 percent negative compound annual growth rate (CAGR)

over the last 6 years whereas Vietnam achieved the highest CAGR of 14.9 percent followed by Bangladesh achieving second highest CAGR of 6.7 percent over the same time period although these two countries' volume of knitwear exports were much lower than that of China. In a similar fashion, Cambodia, India, Netherlands, Turkey, Belgium, achieved positive CAGR of 9.7, 6.4, 0.2, 1.1 and 2.3 percent respectively except for Germany and Hong Kong, China which witnessed negative CAGR of -2.2, -8.9% percent respectively in the last 6 years. In 2016, total global export of knitwear was US\$ 217467.77 million of which China had a share of 34.21 percent of total knitwear export globally followed by Bangladesh, Vietnam, Hong Kong (China), Turkey, Germany and India whose shares constitute 6.32 percent, 5.44 percent, 3.57 Percent, 4.06 percent, 3.78 percent and 3.64 percent respectively.

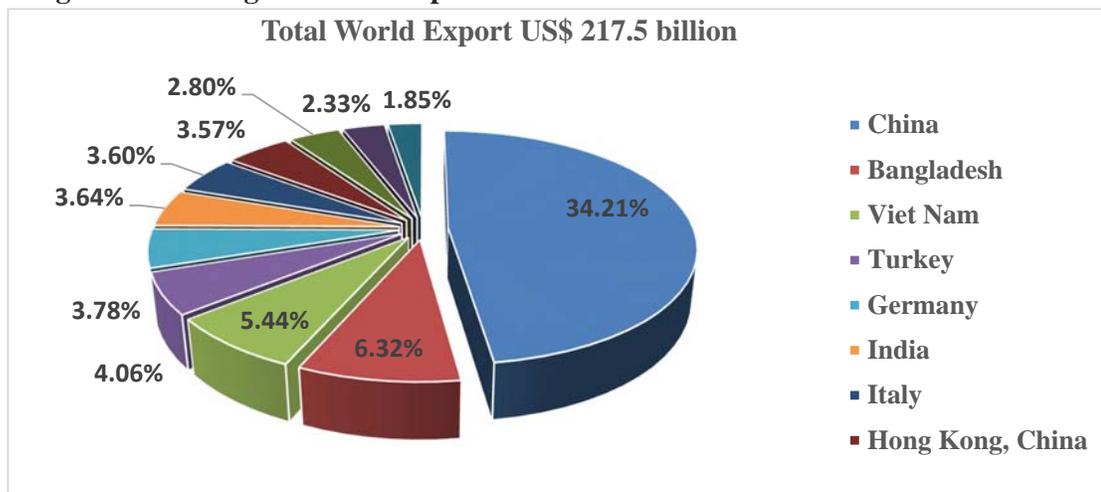
Table 2: World's Major of Knitwear Exporter Countries

(Value in Billion US\$)

Year	2011	2012	2013	2014	2015	2016	CAGR%
China	80.16	87.05	96.79	91.99	83.84	74.41	-1.5%
Bangladesh	9.94	11.58	13.15	14.55	15.16	13.75	6.7%
Viet Nam	5.91	6.64	7.92	9.18	10.11	11.84	14.9%
Turkey	8.39	8.43	9.24	10.03	8.93	8.84	1.1%
Germany	9.19	8.17	8.59	9.29	8.05	8.22	-2.2%
India	5.81	5.47	6.96	7.48	7.78	7.91	6.4%
Italy	8.22	7.82	8.27	8.76	7.44	7.84	-0.9%
Hong Kong, China	12.38	11.31	11.05	10.48	9.16	7.76	-8.9%
Cambodia	3.84	4.06	4.72	5.97	5.55	6.1	9.7%
Belgium	4.52	4.02	4.87	4.76	4.5	5.06	2.3%
Netherlands	3.99	3.63	4.13	4.65	3.59	4.03	0.2%

Source: Data Calculated from ITC Trade Map, 2016.

Figure 2: Leading Knitwear Exporter Countries Share in Global Knitwear Market.



Source: ITC Trade Map, 2016.

2.3 Leading Imports of Global Knitwear Import Market

The world's major five importers of Knitwear in terms of imported quantity over the last 6 years are USA, Germany, Japan, UK and France. USA is the largest knitwear importer globally with US\$ 45.43 billion in 2016 as the Americans have highest average household income and employee income in the world and therefore their purchasing power capacity for buying knitwear is higher. Germany comes 2nd, Japan comes 3rd, UK comes 4th and France comes 5th in terms of the size of import of knitwear. In a similar fashion, countries like Spain, Italy, Hong Kong (China), Netherlands, Canada and Belgium can be considered as major importing countries of Knitwear during the last 6 years. USA's import of knitwear increased sharply by 2 percent CAGR over the last 6 years followed by Canada (1 percent), Netherlands (0.2 percent), Spain (0.2 percent), Germany (-1 percent) and Japan (-3 percent). Italy and Hong Kong, China's import of knitwear fell by 3 percent CAGR and 6 percent CAGR respectively over the same period.

In 2016 the share of total knitwear import of the United States was 23.59 percent followed by Germany (9.13 percent), Japan (6.70 percent), UK (6.45 percent) and France (5.34 percent).

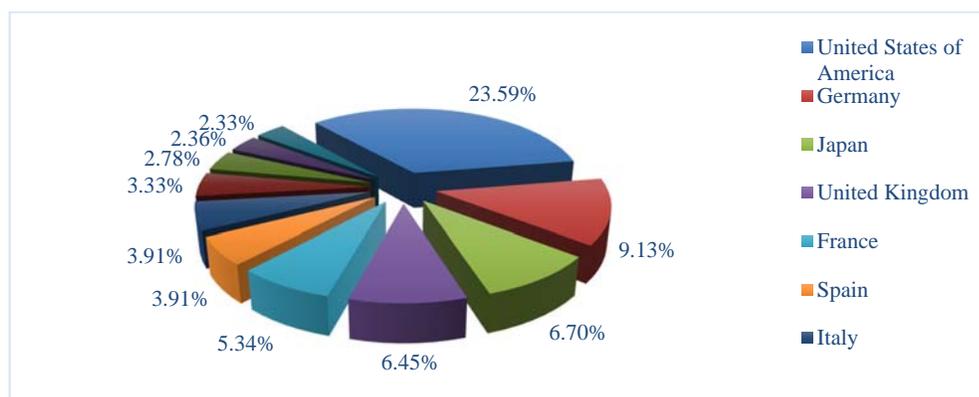
Table 3: Major Global Knitwear Importer Countries

(Value in Billion US\$)

Year	2011	2012	2013	2014	2015	2016	CAGR %
USA	41.84	41.14	42.96	46.62	48.51	45.43	2
Germany	18.53	16.21	17.64	19.01	17.13	17.59	-1
Japan	15.22	15.63	15.68	14.58	13.31	12.91	-3
United Kingdom	13.84	11.96	12.83	14.05	13.39	12.43	-2
France	11.21	9.99	10.79	11.42	10.30	10.28	-2
Spain	7.47	6.17	6.52	7.41	6.96	7.54	0.2
Italy	8.85	7.57	7.60	8.26	7.36	7.53	-3
Hong Kong, China	8.74	8.12	8.16	8.05	7.31	6.42	-6
Netherlands	5.29	4.76	5.11	5.66	5.02	5.35	0.2
Canada	4.41	4.28	4.66	4.76	4.67	4.55	1
Belgium	4.66	4.11	4.71	4.75	3.83	4.48	-1

Source: Data Calculated from ITC Trade Map, 2016.

Figure 3: Leading Knitwear Importer Countries' Share in Global Knitwear Market in 2016



Source: ITC Trade Map, 2016.

2.4 Leading Players of Woven Export Market

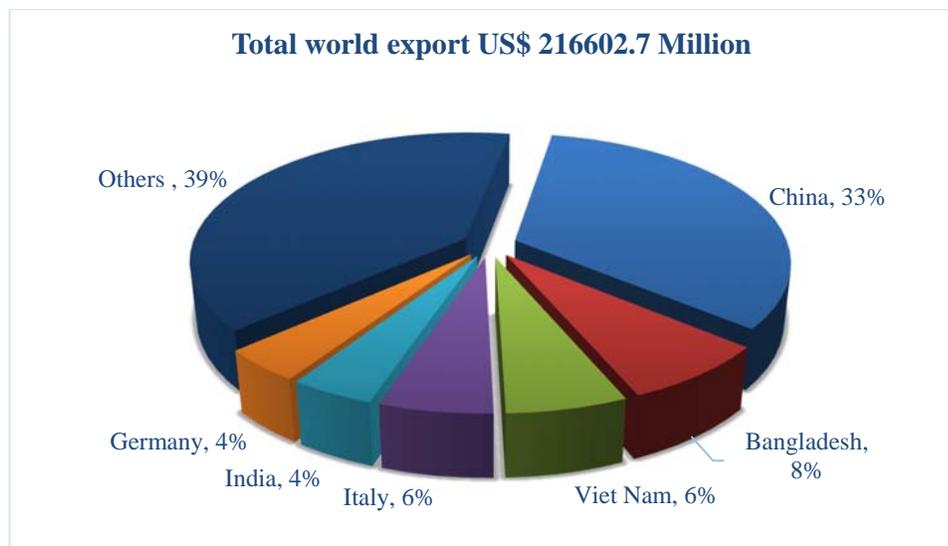
The total world export of woven in 2012 stood at US\$ 192.11 billion which was -3.2 percent less than that of previous year. After 2012, the global woven export increased to US\$ 232.71 billion in 2014. But, global woven export decreased to US\$ 219.18 billion in 2015 and US\$ 216.60 billion in 2016. In 2016, the major Global woven exporting countries were China with 33.27 percent share of global woven import followed by Bangladesh with 7.52 percent, Vietnam with 5.99 percent and Italy with 5.60 percent, India with 4.18 percent share and Germany with 4.11 percent. Apart from these countries, rest of the world constituted 39.33 percent of global woven export in the year 2016.

Table 4: Global Woven Export during 2010-2016

(Value in Billion US\$)		
Year	Woven Export	Growth (%)
2010	168.50	7.1 %
2011	198.29	15.0 %
2012	192.11	-3.2 %
2013	209.44	8.3 %
2014	232.71	10.3 %
2015	219.18	-5.81 %
2016	216.60	-1.18 %

Source: Data Calculated from ITC Trade Map, 2016.

Figure 4: Leading woven exporter countries' share in global woven market in 2016



Source: ITC Trade Map, 2016.

2.5 Leading Global Importers of Woven

The total global import of woven in 2010 reached at US\$ 171.34 billion where growth rate was 6.0 percent more than the previous year. The global woven import experienced the highest growth rate of 13.8% percent in 2011 but after 2011, the global woven import was decreased by 5.5% percent in

2012 and subsequently global woven import recovered from the negative growth rate and posted a growth of 4.6 percent in 2013 and 4.8 percent in 2014. But in 2015 and 2016 the global woven import was decreased by 3.6 percent and 1.7 percent respectively.

Table 5: Global Woven Import during 2010-2016

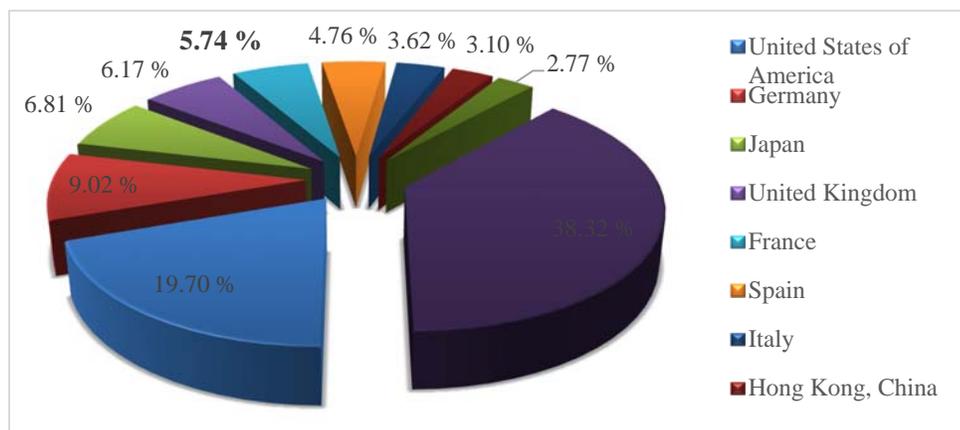
(Value in US\$ Billion)

Year	Woven Import	Growth (%)
2010	171.34	6.0
2011	198.76	13.8
2012	188.40	-5.5
2013	197.42	4.6
2014	206.67	4.8
2015	199.23	-3.6
2016	195.83	-1.7

Source: Data Calculated from ITC Trade Map, 2016.

In 2016, leading Global importers of woven garments were United States with percentage share of 19.70 percent followed by Germany with 9.02 percent, Japan with 6.81 percent, United kingdom with 6.17 percent and France with 5.74 percent respectively. Other countries mentioned in the pie graph such as Spain, Italy, Hong Kong China, Netherlands also had a good share of woven import globally but lesser than United States, Japan, United Kingdom and France. 61.68 percent of total global import was covered by these countries while the remaining (38.32) was covered by the rest of the world.

Figure 5: Global Leading Importers Share (%) in Woven Import Market in 2016



Source: ITC Trade Map, 2016.

Chapter Three: Current scenario of the RMG product in Bangladesh

3.1 Bangladesh Export of RMG products

In the FY 2016-2017, the RMG sector of Bangladesh has witnessed the highest ever export earnings of US\$ 28149.80 million of which Knitwear export earnings are 13757.30, accounting for 39.70 % of total export and 48.87 % of RMG products export of Bangladesh. Woven export earnings are 14392.60 accounting for 41.53 % of total export of Bangladesh. Within the RMG sector, Woven export has gradually increased from 47.07% to 51.13 % during the period between 2010-11 and 2016-17.

Table 6: Total RMG Export by Bangladesh and Its Share in World RMG Export

(Value in Million US\$)

Fiscal Year	Knitwear Export				Woven Export				Total			
	Value	Growth Rate	% Share in Apparel Export	% Share in BD Export	Value	Growth Rate	% Share in Apparel Export	% Share in BD Export	Total Apparel	Total BD Export	% Share in BD Export	% Share in GDP
94-95	393.26		17.65	11.32	1835.09		82.35	52.85	2228.35	3472.56	64.17	5.87
95-96	598.32	52.14	23.49	15.41	1948.81	6.20	76.51	50.20	2547.13	3882.42	65.61	6.25
96-97	763.30	27.57	25.43	17.28	2237.95	14.84	74.57	50.65	3001.25	4418.28	67.93	7.09
97-98	940.31	23.19	24.85	18.22	2843.33	27.05	75.15	55.09	3783.64	5161.2	73.31	8.59
98-99	1035.36	10.11	25.75	19.49	2984.81	4.98	74.25	56.18	4020.17	5312.86	75.67	8.79
99-00	1269.83	22.65	29.18	22.08	3082.56	3.27	70.82	53.59	4352.39	5752.2	75.67	9.24
00-01	1459.24	14.92	30.78	23.14	3364.20	9.14	69.22	52.02	4823.44	6467.3	75.16	11.06
01-02	1459.24	0.00	31.83	24.38	3124.56	-7.12	68.17	52.20	4583.80	5986.09	76.58	9.64
02-03	1653.83	13.34	33.67	25.26	3258.27	4.28	66.33	49.76	4912.10	6548.44	75.02	9.46
03-04	2148.02	29.88	37.78	28.25	3538.07	8.59	62.22	46.54	5686.09	7602.99	74.79	10.07
04-05	2819.47	31.26	43.93	32.58	3598.20	1.70	56.07	41.58	6417.67	8654.52	74.16	10.63
05-06	3816.98	35.38	48.31	36.26	4083.82	13.50	51.69	38.80	7900.80	10526.2	75.06	12.74
06-07	4553.60	19.30	49.44	37.39	4657.63	14.05	50.56	38.25	9211.23	12177.9	75.64	13.45
07-08	5532.52	21.50	51.71	39.21	5167.28	10.94	48.29	36.62	10699.80	14110.8	75.83	13.44
08-09	6429.00	16.20	52.07	41.30	5918.51	14.54	47.93	38.02	12347.51	15565.19	79.32	13.81
09-10	6483.29	0.84	51.88	40.01	6013.43	1.60	48.12	37.11	12496.72	16204.65	77.12	12.45
10-11	9482.06	46.25	52.93	41.36	8432.40	40.23	47.07	36.78	17914.46	22924.38	78.14	16.00
11-12	9486.39	0.05	49.69	39.06	9603.34	13.89	50.31	39.54	19089.73	24287.66	78.60	16.31
12-13	10475.87	10.43	48.69	38.76	11039.85	14.96	51.31	40.85	21515.72	27027.36	79.61	16.57
13-14	12049.81	15.02	49.20	39.93	12442.07	12.70	50.80	41.22	24491.88	30176.80	81.16	14.07
14-15	12426.79	3.13	49.13	39.81	13064.61	5.00	50.87	41.21	25491.40	31198.45	81.70	13.10
15-16	13355.42	7.47	47.54	38.99	14738.74	12.81	52.46	43.02	28094.16	34257.18	82.01	12.71
16-17	13757.30	3.01	48.87	39.70	14392.60	-2.35	51.13	41.53	28149.80	34655.92	81.23	11.44

Source: Calculated from data of EPB.

3.2 Production of RMG Products in Bangladesh

Nowadays, Bangladesh is the world's second largest exporter of RMG just after China. In the fiscal year 2014-15, Bangladesh's RMG products production was 950.57 million Dozen PCS (whereas Knitwear was 550 million dozen PCS and Woven 400.17 million dozen PCS) while Knit share was 58% and Woven 42% respectively. The annual compound growth rate for Knitwear production was 14 % and for Woven products, it was 19. Total RMG production has experienced 13% compound growth during the time period between FY 2009-10 to FY 2014-15. Both knitwear and oven sector's CAGR of production have been impressive in the last five fiscal years. The growth is likely to continue at the same pace if the political stability of the Bangladesh, labor stability and international market stability in Garment industry are sustained as well as world financial meltdown does not occur.

Table 7: Production of RMG products (Quantity in Million Dozen PCs)

Fiscal Year	Total RMG	Knitwear		Woven		Compound annual Growth rate (CAGR %)		
		Quantity	%Share RMG	Quantity	%Share of RMG	RMG	Knitwear	Woven
09-10	465.5	292.7	63	172.8	37			
10-11	688.31	441.03	64	247.28	36	13	14	19
11-12	722.85	444.23	61	281.62	39			
12-13	784.81	478.19	61	306.27	39			
13-14	852.88	512.23	60	340.65	40			
14-15	950.57	550.40	58	400.17	42			

Source: Calculated from data of EPB.

Apart from the EU and US market, Bangladesh's RMG is exported to other international markets. However, exports remain comparatively small to those markets despite receiving significant tariff preferences.

Australia, Japan, China, Russia, Turkey, Brazil, Mexico, South Korea, Malaysia, India, Argentina, South Africa and UAE are considered to be the next promising markets for Bangladesh's RMG export.

Having experienced the recent economic trend in the EU and USA and some developed countries, BKMEA is aiming to grasp new markets in countries like Belarus, Chile, Paraguay, Kyrgyzstan, Kenya, Nigeria, Qatar, Saudi Arabia etc.

It is expected that stakeholders of Bangladesh will step ahead for these markets and will establish a good marketing link there.

Table 8: Annual RMG Export of Bangladesh (destination wise)**(Value in Million US\$)**

	FY 2014-15 (EU 28)				FY 2015-16				FY 2016-17			
	Knit	Woven	RMG	RMG Growth Rate	Knit	Woven	RMG	RMG growth rate	Knit	Woven	RMG	RMG growth rate
EU 27	8847.28	6519.33	15367	4.11	9421.4	7731.96	17153.36	11.63	8224.63	6219.47	14444.10	-15.79
USA	1317.14	3970.98	5288.1	2.85	1,396.30	4228.62	5624.92	6.37	1302.06	3901.94	5204.01	-7.48
Germany	2530.29	1808.47	4338.8	-0.89	2,639.99	2013.14	4653.13	7.25	2814.77	2320.25	5135.01	10.36
U.K	1466.41	1437.16	2903.6	11.76	1,684.09	1839.69	3523.78	21.36	1637.55	1668.95	3306.50	-6.17
Spain	895.13	730.67	1625.8	7.84	1,032.40	831.64	1864.04	14.65	1050.65	828.09	1878.74	0.79
France	990.05	627.46	1617.5	4.78	1,012.68	701.63	1714.31	5.98	1050.30	714.34	1764.64	2.94
Italy	762.34	480.99	1243.3	5.44	799.48	478.59	1278.07	2.79	870.61	477.97	1348.58	5.52
Canada	383.77	544.99	928.76	-7.31	422.73	575.71	998.44	7.5	404.81	541.49	946.30	-5.22
Japan	279.78	372.77	652.55	14.03	383.04	229.31	612.35	-6.16	399.04	345.43	744.48	21.58
Netherlands	350.33	276.25	626.58	-7.86	346.13	313.42	659.55	5.26	432.53	381.81	814.34	23.47
Australia	346.13	187.5	533.63	23.88	406.97	229.31	636.27	19.24	371.55	210.47	582.02	-8.53
Turkey	127.45	360.63	488.08	-21.58	117.45	342.85	460.29	-5.69	92.32	289.05	381.37	-17.15
Russia	129.68	84.71	214.39	3.2	139.2	109.96	249.16	16.22	207.38	172.03	379.41	52.27
Brazil	104.23	82.21	186.44	9.52	61.81	58.39	120.2	-35.53	51.43	48.38	99.81	-16.96
South Africa	29.27	37.27	66.54	37.06	30.18	36.69	66.87	0.5	28.86	29.13	57.98	-13.29

Source: Calculated from EPB database.

Bangladesh has already increased its exports of RMG products to the EU between the period 2001 and 2016, and now more than 55% of Bangladesh's RMG products goes to the EU market and that has been facilitated by relaxed rules of origin (RoO) provided by EU for woven and knit products (i.e. two-stage transformation to a single transformation requirement in 2011). As a result, Bangladesh is availing the opportunity of sourcing fabric from global market.

At the same time, the USA is the second largest export market of Bangladesh accounting for 18.48% of total RMG exports in FY 2016-17, which is equivalent to US\$ 5.20 billion. And also Bangladesh's export both to the EU and to the USA is heavily concentrated on RMG products which is 81.23% of total exports. The top 10 product lines (HS6) account for almost 73 % of total RMG exports (ITC, 2017). Bangladesh exports largely the same products to both the US and the EU (product groups 61 and 62).

3.3 Country-wise RMG Export

Bangladesh is now enjoying Duty-Free Quota-Free (DFQF) and preferential market access in 49 countries. The USA is the largest exporter of Bangladeshi RMG products as an individual country which accounted for US\$ 5288.1 million with Annual Compound rate of 3 percent in FY- 2014-15. Among the European Unions' RMG products importer countries, Germany has been the largest importer of Bangladeshi RMG products holding for US\$ 4338.1 million followed by U.K, Spain, and France. Bangladesh's share in world RMG exports was 5.92% in FY 2014-2015. However, Russia has posted highest CAGR of 43% over 4 years followed by Japan, Australia, Brazil and South Africa and these countries are emerging as new market destinations for Bangladeshi RMG exports.

Table 9: Country-Wise Export of Bangladesh RMG Product (FY-2010-11 to FY-2016-17)

(Value in Million US\$)

Country	2012-13	2013-14	2014-15	2015-16	2016-17	CAGR (%)
USA	4996.56	5141.38	5288.10	5624.92	5204.01	1.02
Germany	3678.26	4377.55	4338.80	4653.13	5135.01	8.70
U.K	2448.91	2598.04	2903.60	3523.78	3306.50	7.80
Spain	1218.21	1507.56	1625.80	1864.04	1878.74	11.44
France	1390.44	1543.79	1617.50	1714.31	1764.64	6.14
Italy	913.19	1179.14	1243.30	1278.07	1348.58	10.24
Canada	980.25	1001.97	928.76	998.44	946.30	-0.88
Japan	478.49	572.27	652.55	612.35	744.48	11.69
Netherlands	499.76	680.00	626.58	659.55	814.34	12.98
Australia	428.44	430.76	533.63	636.27	582.02	7.96
Turkey	415.30	622.37	488.08	460.29	381.37	-2.11
Russia	139.55	207.74	214.39	249.16	379.41	28.41
Brazil	168.28	170.24	186.44	120.2	99.81	-12.24
South Africa	57.66	48.55	66.54	66.87	57.98	0.14

Source: Calculated from data of EPB.

The following table shows that HS Code 610910 is the top knitwear exported to the world and HS Code 620342 is the top woven exported to the world.

Table 10: Top Bangladesh Apparel Items Exported to the World
(Value in Million US\$)

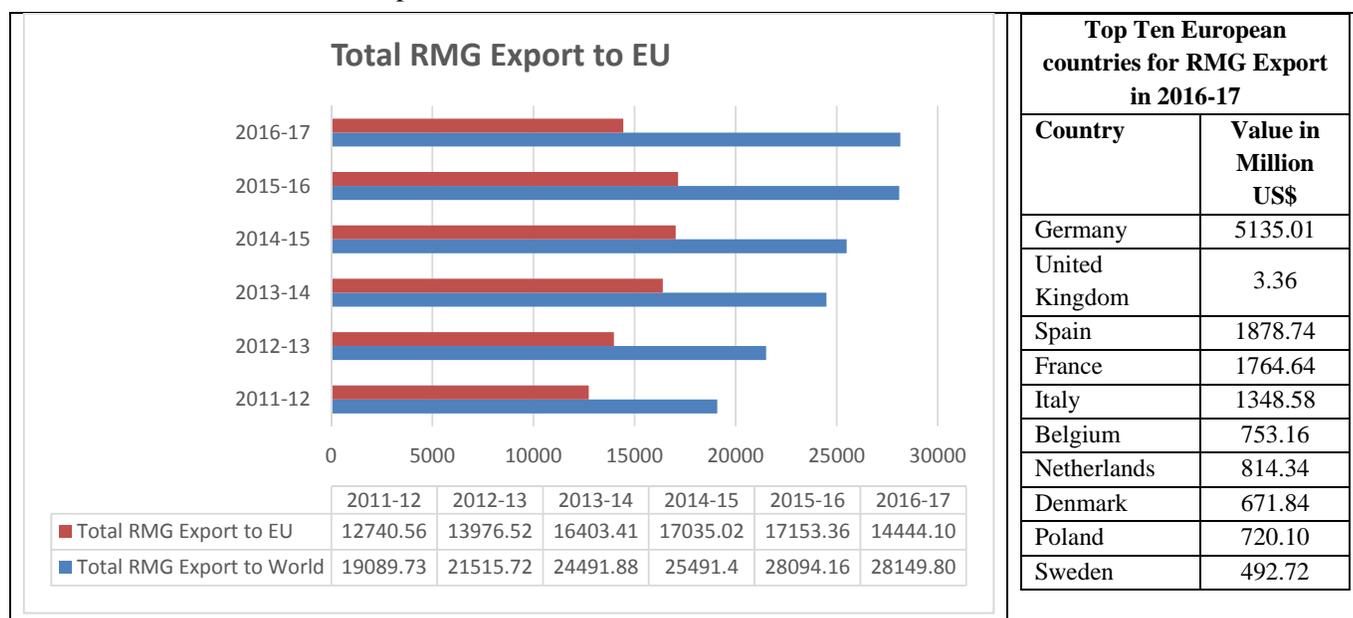
	HS Code	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	Growth Rate (%)
Knitwear	610910	4490.12	4905.63	5594.62	5,766.50	5850.51	5486.67	-6.22
	611090	1494.20	1565.91	1523.24	1,311.62	1200.78	726.57	-39.49
	611020	665.96	826.91	1032.87	1,140.17	1362.82	1677.22	23.07
	610510	624.23	645.58	780.29	742.38	714.42	707.76	-0.93
	610462	191.63	260.32	331.88	410.95	548.26	698.74	27.45
	611030	140.25	198.02	315.93	315.43	538.85	860.22	59.64
	610990	222.99	237.58	269.18	297.62	268.03	375.31	40.03
	610342	142.27	163.90	202.52	256.72	290.72	258.04	-11.24
	610821	188.22	207.15	210.76	244.49	302.11	344.93	14.17
610711	132.21	172.86	207.55	214.23	289.15	334.14	15.56	
Woven	620342	3,664.08	4,300.07	4782.19	4866.81	5192.18	4797.43	-7.60
	620462	1,433.02	1,784.34	1986.47	2065.87	2492.22	2506.94	0.59
	620520	1,109.86	1,326.19	1509.43	1648.87	1671.83	1664.41	-0.44
	620590	598.85	601.21	615.23	568.30	576.22	348.78	-39.47
	620469	288.86	323.48	320.03	398.60	463.13	357.32	-22.85
	620630	195.20	230.22	284.35	303.90	346.80	344.00	-0.81
	620349	312.54	289.47	288.22	293.45	396.93	257.14	-35.22
	621210	132.44	164.30	165.15	235.83	312.37	365.02	16.86
	620463	46.37	64.56	144.65	199.91	186.72	150.86	-19.21
620193	26.87	105.90	200.58	194.94	224.28	261.43	16.56	

Source: Calculated from data of EPB.

3.4 Region-wise Export Destinations of RMG

The European Union:

Bangladesh has exported about 28149.80 million US\$ in 2016-17. European countries constitute 51.31 % of total RMG export in world.

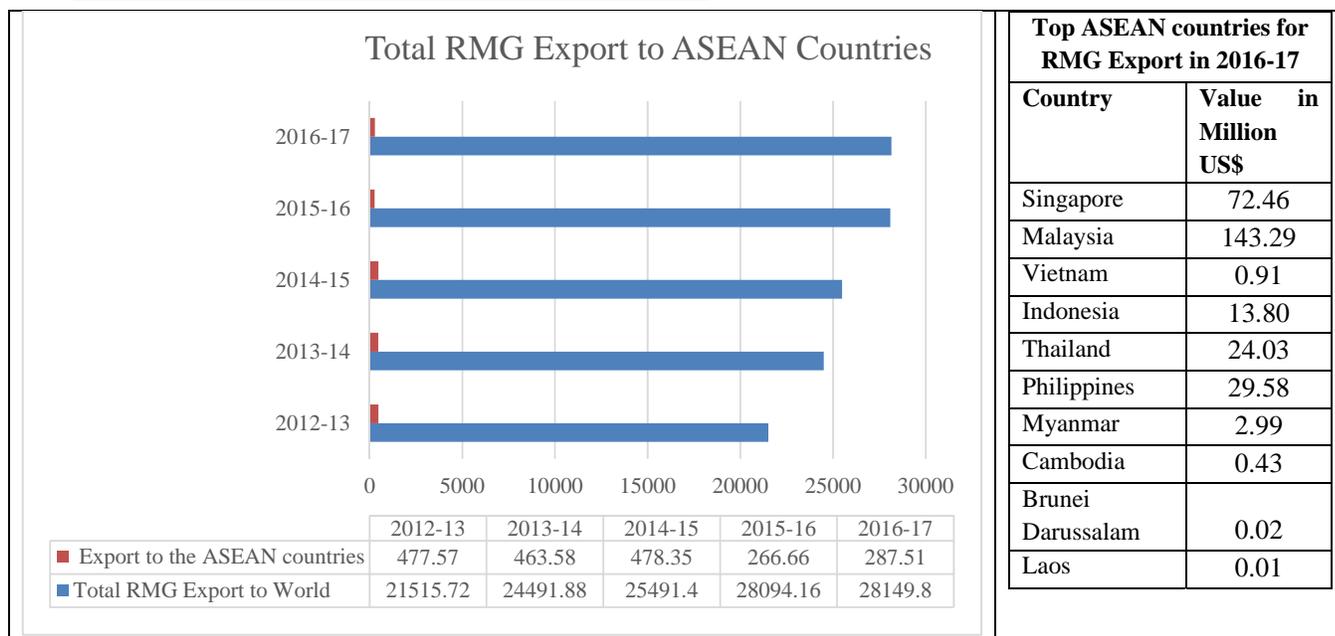


Top Ten European countries for RMG Export in 2016-17	
Country	Value in Million US\$
Germany	5135.01
United Kingdom	3.36
Spain	1878.74
France	1764.64
Italy	1348.58
Belgium	753.16
Netherlands	814.34
Denmark	671.84
Poland	720.10
Sweden	492.72

Source: Calculated from data of EPB.

Within European countries the top ten European countries contributes 96.42 % The top European countries for RMG export in 2016-17 were respectively Germany (5135.01), United Kingdom (3.36), Spain (1878.74), France (1764.64), Italy (1348.58), Belgium (753.16), Netherlands (814.34), Denmark (671.84), Poland (720.10), and Sweden (492.72) million US\$. Bangladesh faces zero tariff in European countries except Russian Federation. Top potential markets in EU region are Ireland, Czech Republic, Slovakia, Portugal, Austria, Finland, Slovenia, Greece, Croatia and Romania.

Association of Southeast Asian Nations, ASEAN:



Top ASEAN countries for RMG Export in 2016-17	
Country	Value in Million US\$
Singapore	72.46
Malaysia	143.29
Vietnam	0.91
Indonesia	13.80
Thailand	24.03
Philippines	29.58
Myanmar	2.99
Cambodia	0.43
Brunei Darussalam	0.02
Laos	0.01

Source: Calculated from data of EPB.

Bangladesh’s export to ASEAN countries increased during FY 2010-11 to FY 2014-15 from US\$ 303.60 million to US\$ 478.35 million and again fall to US\$ 287.51 million in 2016-17. But the export performance is not satisfactory. Bangladesh’s export of RMG to ASEAN region is about US\$ 287.51 million which constitutes 1.02% of total RMG export to world.

Export Comparison within ASEAN Markets for 2016-17

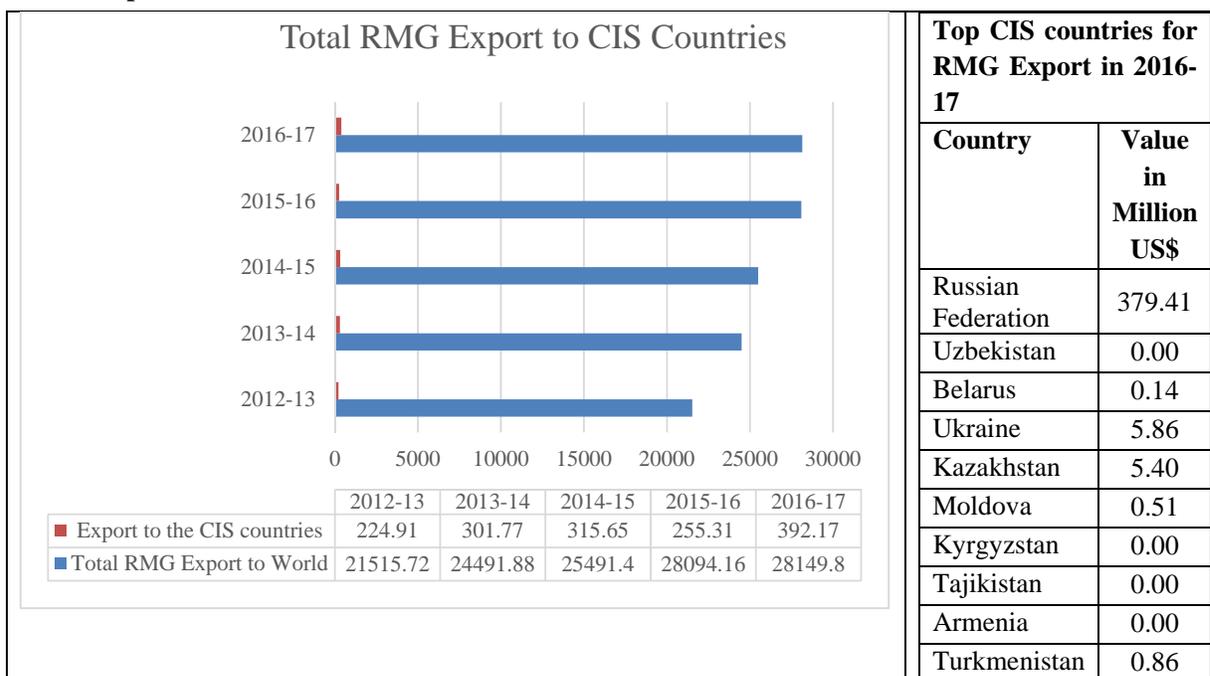
Subject	Total (Value in Million US\$)	
Bangladesh RMG Export to World	28149.80	
Bangladesh RMG export to ASEAN	287.51	1.02% of total Bangladeshi export

The top five RMG importing countries in ASEAN region in 2016-17 are Malaysia (US\$ 143.29 million), Singapore (US\$ 72.46 million), Philippines (US\$ 29.58 million), Thailand (US\$ 24.03 million) and Indonesia (US\$ 13.80 million). Potential countries for Bangladesh in ASEAN market are Philippines, Myanmar, Cambodia, Brunei Darussalam and Laos.

The Commonwealth of Independent States (CIS):

The CIS countries are turning out to be the emerging destinations for Bangladesh in RMG sector. Bangladesh is exporting RMG in CIS countries but in minimum level. In 2016-17, total export to CIS countries was US\$ 392.17 million which was only 1.39% of total RMG export of Bangladesh.

RMG Export Scenario to CIS Countries:



Top CIS countries for RMG Export in 2016-17	
Country	Value in Million US\$
Russian Federation	379.41
Uzbekistan	0.00
Belarus	0.14
Ukraine	5.86
Kazakhstan	5.40
Moldova	0.51
Kyrgyzstan	0.00
Tajikistan	0.00
Armenia	0.00
Turkmenistan	0.86

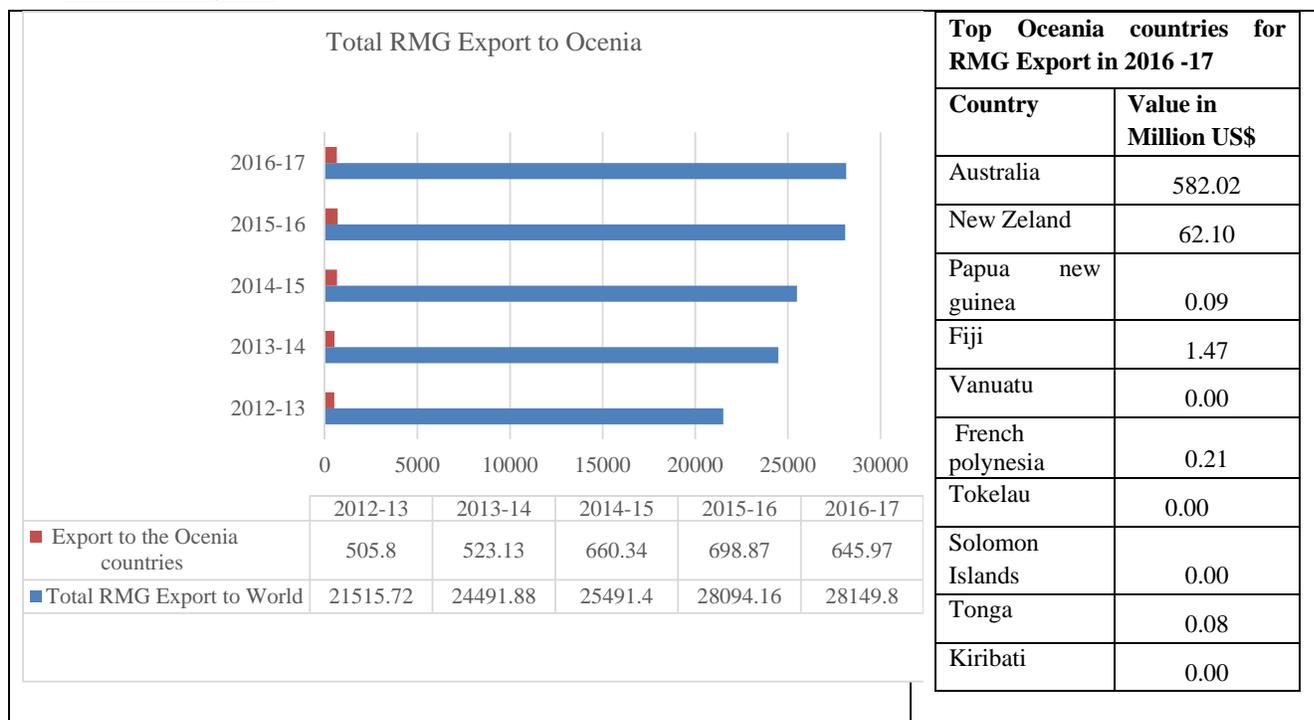
Source: Calculated from data of EPB.

In CIS region, Russia is the major destination. Russia contributes about 96.75% of total export to CIS region. So we are heavily dependent to Russia in CIS region. Other potential countries are Uzbekistan, Belarus, Ukraine, Kazakhstan, Moldova, Kyrgyzstan, Tajikistan, Armenia and Turkmenistan.

Export Comparison within CIS Markets in 2016-17

Subject	Total (Value in Million US\$)	
Bangladesh RMG Export to World in 2016-17	28149.80	
Bangladesh RMG export to CIS Countries	392.17	1.39% Of total Bangladesh Export.
Export to Russia	379.41	96.75 % export to CIS countries goes to Russia

Oceania Region:



Top Oceania countries for RMG Export in 2016 -17	
Country	Value in Million US\$
Australia	582.02
New Zealand	62.10
Papua new guinea	0.09
Fiji	1.47
Vanuatu	0.00
French polynesia	0.21
Tokelau	0.00
Solomon Islands	0.00
Tonga	0.08
Kiribati	0.00

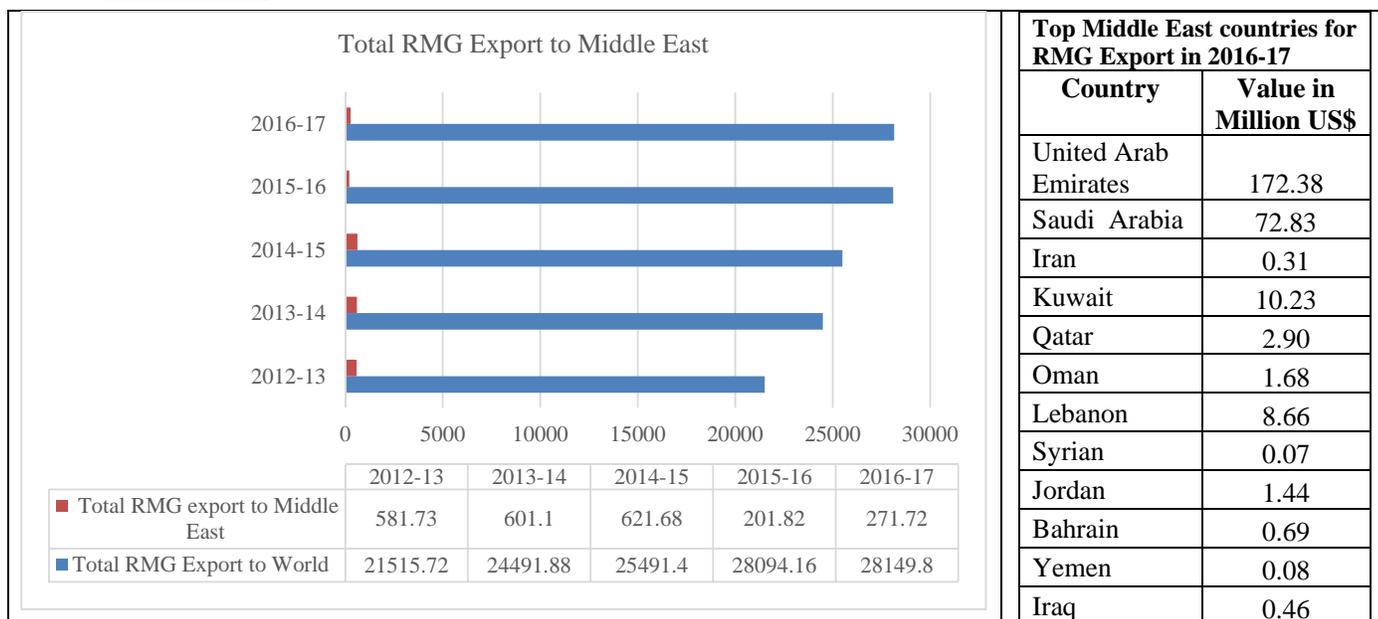
Source: Calculated from data of EPB.

Export Comparison within Oceania Markets in 2016-17

Subject	Total (Value in Million US\$)	
Bangladesh RMG Export to World	28149.80	
Bangladesh RMG export to Oceania	645.97	2.59 % of Total world export
Export to Australia	582.02	90.10 % of total export to Oceania region goes to Australia

Bangladesh can look forward to Oceania region. Over the years, Bangladesh export to Oceania region has increased from US\$ 279 million to US\$ 645.97 million during FY 2010-11 to FY 2016-17. Bangladesh's export to Oceania region in 2016-17 was about US\$ 645.97 million which constituted 2.29 percent of its total RMG export in the world. Australia is the major destination in this region. Bangladesh exported to Australia about US\$ 582.02 million out of US\$ 645.97 million which about 90.10 % of total export to Oceania region. Other countries those have huge potential for RMG export from Bangladesh are New Zealand, Papua New Guinea, Fiji etc.

Middle East:



Top Middle East countries for RMG Export in 2016-17

Country	Value in Million US\$
United Arab Emirates	172.38
Saudi Arabia	72.83
Iran	0.31
Kuwait	10.23
Qatar	2.90
Oman	1.68
Lebanon	8.66
Syrian	0.07
Jordan	1.44
Bahrain	0.69
Yemen	0.08
Iraq	0.46

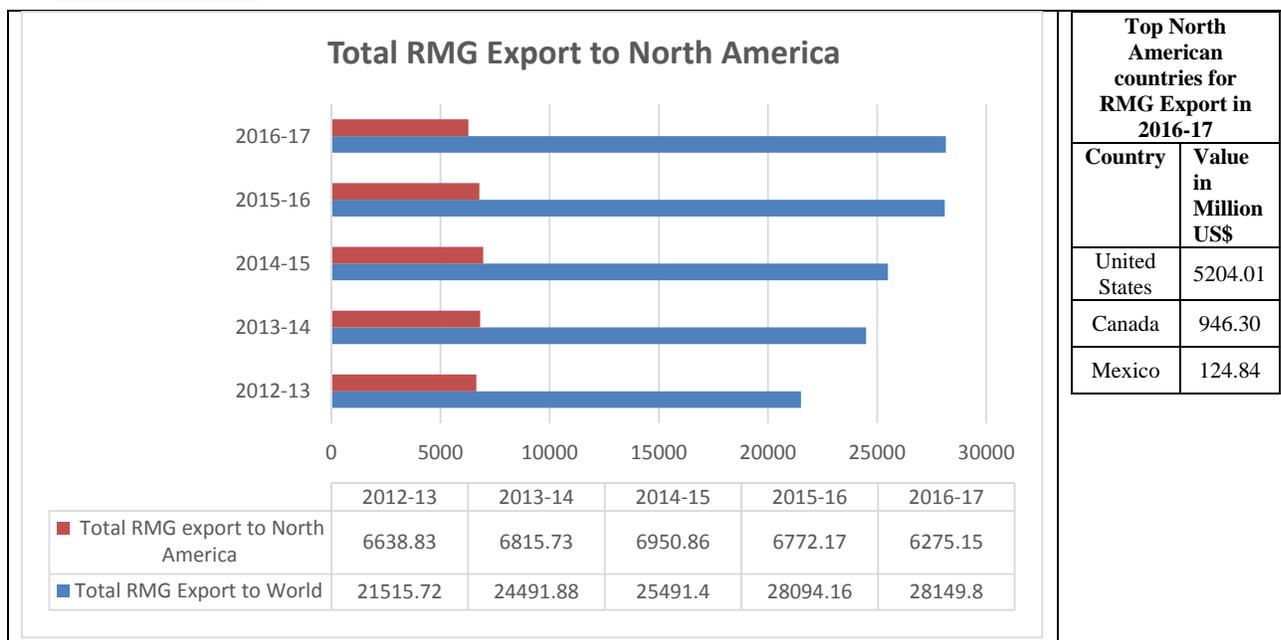
Source: Calculated from data of EPB.

Export Comparison within Middle East Markets in 2016-17

Subject	Total (Value in Million US\$)	
Bangladesh's RMG Export to World	28149.8	
Bangladesh's RMG export to the Middle East	271.72	0.97% of Total RMG export to world
Top Five countries contribute	267.00	98.26 % of total export to Middle East

Bangladesh should give attention to Middle East especially to the countries which are stable. Our export trend to Middle East from 2010-11 to 2014-15 was positive but in 2016-17 it has fallen to US\$ 271.72 million. The top five destinations in Middle East are United Arab Emirates (US\$ 172.38 million), Saudi Arabia (US\$ 72.83 million), Lebanon (US\$ 8.66 million), Kuwait (US\$ 10.23 million), Qatar (US\$ 2.90million) respectively. According to the statistics, in 2016-17, Bangladesh exported 0.97% of its total export of RMG to Middle East. Bangladesh can export RMG to other Middle Eastern countries like Oman, Jordan, Bahrain etc.

North America:



Top North American countries for RMG Export in 2016-17	
Country	Value in Million US\$
United States	5204.01
Canada	946.30
Mexico	124.84

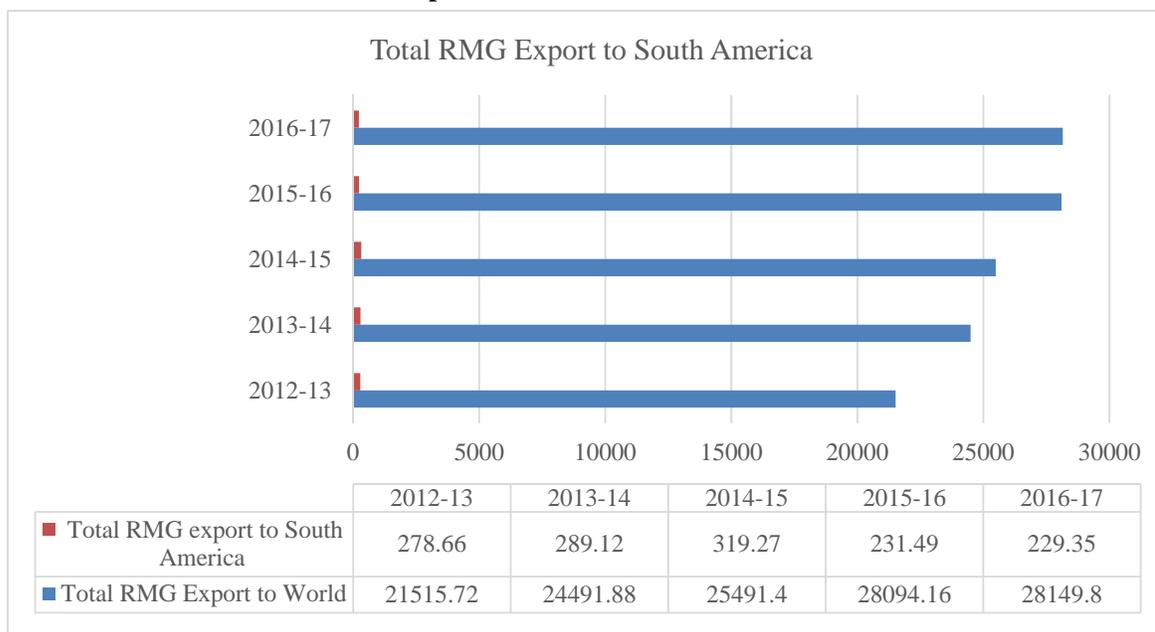
Source: Calculated from data of EPB.

Export Comparison within North American Markets in 2016-17:

Subject	Value in Million US\$	
Bangladesh's RMG Export to the World	28149.8	
Bangladesh's RMG export to North America	6275.15	22.29 % of total world Export
Only United States Contribute	5204.01	83.93% of total North American Region

North America is the second largest RMG export destination for Bangladesh. This region contributes to about 22.29 percent of total Bangladesh export in the world. According 2016-17 top export destinations from North America are- USA (US\$ 5204.01 million), Canada (US\$ 946.30 million) and Mexico (US\$ 124.84 million).

RMG Export Scenario to the South America:



Source: Calculated from data of EPB.

Top South American countries for RMG Export in 2016-17:

Country	Value in Million US\$
Brazil	99.81
Chile	58.87
Peru	31.65
Panama	9.13
Colombia	14.44
Ecuador	0.14
Argentina	7.65
Uruguay	5.00

Source: Calculated from data of EPB.

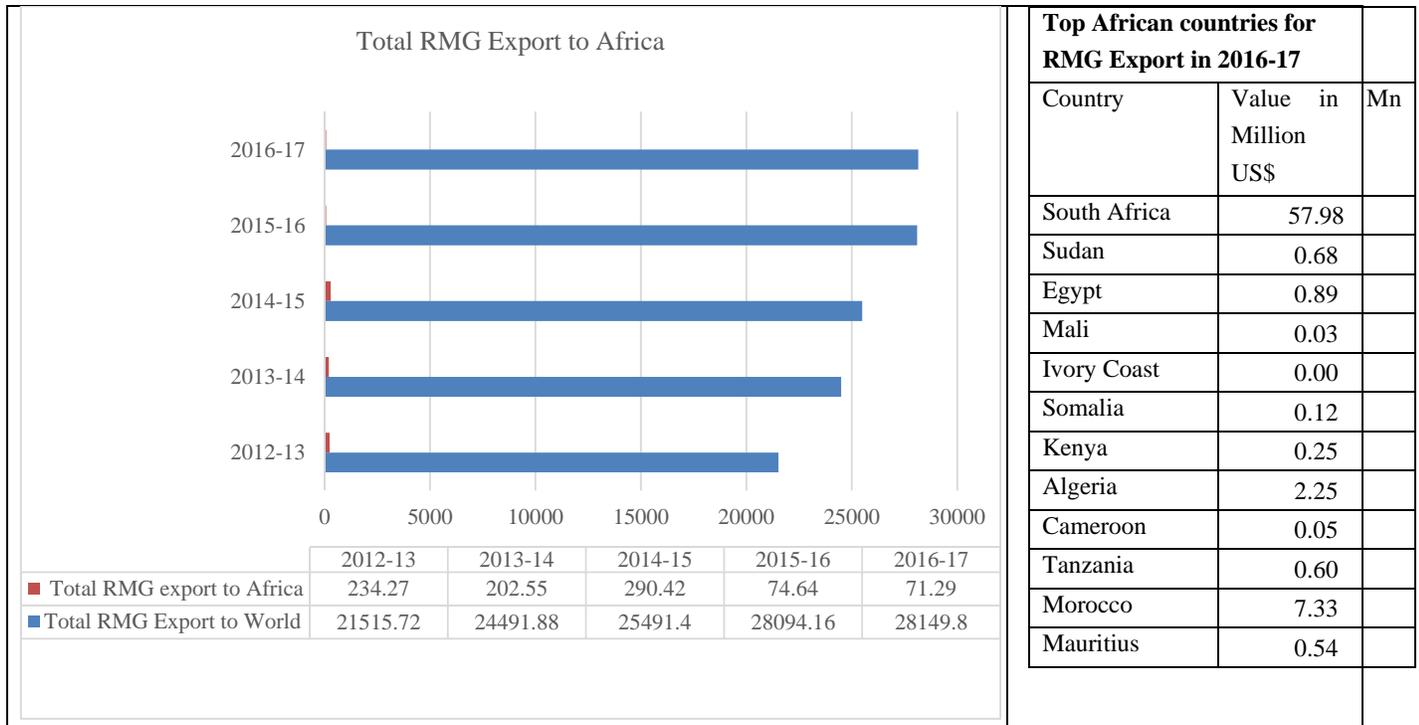
Export Comparison within South American Markets in 2016-17

Subject	Value in Million US\$	
Bangladesh RMG Export to the World	28149.8	
Bangladesh RMG export to South American Countries	229.35	0.81 % of the total world export
Only Brazil contributes	99.81	63.59% of the total export to south America

South American countries are emerging to be the export destinations for Bangladesh. This region constitutes only 0.81 % of total RMG export from Bangladesh. The top five South American countries in 2016-17 in terms of export figure in million US\$ are Brazil (99.81), Chile (58.87), Peru (31.65), Colombia (14.44) and Panama (9.13) respectively. In this region Brazil is the main

destination. Other potential countries are Ecuador, Argentina, Uruguay, Costa Rica, Paraguay, Salvador, Cuba, Venezuela, and Bolivia etc.

Africa:



Top African countries for RMG Export in 2016-17		
Country	Value in Million US\$	Mn
South Africa	57.98	
Sudan	0.68	
Egypt	0.89	
Mali	0.03	
Ivory Coast	0.00	
Somalia	0.12	
Kenya	0.25	
Algeria	2.25	
Cameroon	0.05	
Tanzania	0.60	
Morocco	7.33	
Mauritius	0.54	

Source: Calculated from data of EPB.

Export Comparison within Africa Markets in 2016-17

Subject	Value in Million US\$	
Bangladesh RMG Export to the World	28149.8	
Bangladesh RMG export to the African Countries	71.29	0.25% of the total world Export
Only south Africa contributes	57.98	81.33% export to Africa

African countries should get more attention as RMG export destinations for Bangladesh. Currently Bangladesh export to African region is very minimum but there are huge potentials to increase export there. Bangladesh had export earnings of about US\$ 71.29 million to the African countries in 2016-17. It constituted only 0.25% of total export of Bangladesh in the world. The top three African countries in terms of export figure in million US\$ are respectively South Africa (57.98), Sudan (0.68), and Egypt (0.89) respectively. Ethiopia, Kenya, Algeria, Cameroon, Morocco, Mauritius etc. can also be the other export destinations.

3.5 Backward Linkage Scenario of the RMG Sector of Bangladesh

In the early years, RMG sector was reliant on import, which was about 80% of the export value. Though Bangladesh has become self-sufficient in accessories in recent days, it is still dependent on imported fabric for manufacturing (ITC, 2002).

Bangladesh is self-sufficient in knit yarn manufacturing. The spinners can meet around 95% of local yarn demand. About 40% of raw materials for the woven come from domestic production and remaining raw materials come from abroad. The cost of local spinning mills is higher due to cotton importation. According to a study, 400 spinning mills are operating in Bangladesh to reduce lead-time of local fabric and investment is about 20 billion in this sub sector.¹

As per the researcher, it is possible to reach the value of \$52 billion if the RMG sector increase the share to 8% by 2020 (of \$ 650 billion). Bangladesh can create a \$28 billion (\$16 billion in woven and \$12 Billion in knitted fabrics) market for fabric by 2021. The demand for accessories will be \$7+/- billion by 2021. Besides, we would need \$13 billion worth of fabric to be imported. This can be manufactured locally if we can draw investment, especially FDI (Islam, 2015).

Habib (2009) mentioned that the success of RMG sector depends on effective backward and forward linkage of the sector. Backward linkage sub sector for RMG industry includes cotton production, spinning (cotton and synthetic yarn), weaving and knitting, dyeing and painting, producing accessories. Bangladesh is skilled in knitwear sectors - knitting and finishing. The sector is still lagging behind in producing yarn and fabrics. Backward linkage adds value and creates employment. RMG manufacturers usually import fabrics from abroad as the price of locally produced raw materials are high. As per the research paper, only 25-30% value addition occurs in RMG products.

The production of cotton in Bangladesh is very limited due to scarcity of land, huge production cost and low profit margin. Again, Bangladesh cannot move into synthetic fiber production, as its production is capital intensive. Bangladesh is in a disadvantageous position comparing to India and Pakistan as they can buy raw cotton in a cheaper rate than Bangladesh. Bangladesh government can introduce no tariff or no quota on cotton import for importers. According to the statistics of BTMA (2000), there were 148 spinning units (private 107 and public 41 units) in Bangladesh with installed capacity of 3.6 million and an annual production of 443 million kg. Bangladesh is only 10 to 20% self-sufficient in spinning in the backward linkage. This spinning sector needs huge investment for modernisation. To attract investment in this sector government can introduce no barriers on import mechanism on back-to-back letter of credit, not to import yarn through port, to ask for cash receipts for cash subsidy. Fabric is the main ingredient for making garment, which accounts for 75% of the Garment cost. To fulfill demand in the long run, Bangladesh weaving mills need a high volume of yarn production. According to the researcher. Fabric demand was 830mn meters in 2000, which increased to 1600 million meters in 2005. To fill the capacity gap, weaving industry needs to increase the production capacity by developing a number of new weaving industries. Dying, finishing and painting unit is capable to process all the locally produced grey. Building modern unit of dying, printing and finishing subsector and setting up bonded warehouses will help to improve the quality

¹ City Bank Capital - Company Insight, 2015

of fabric as well as reduce the lead-time. Bangladesh possesses a good reputation in the accessories unit. This sector can meet about 80% of local demand.

3.5.1 Cotton

Bangladesh imports cotton mostly from Uzbekistan, India and Africa. Bangladesh has diversified its import from two largest producer of cotton of the world. But not in a sufficient scale. At present there is a geopolitical risk associated with this. India, the second largest producer of cotton has been an important source of cotton for Bangladesh. But Government ban on import of cotton from India has affected Bangladesh's value chain leaving no other option but to search for new other strategic options.

Import from China is also declining. And the import of cotton from Uzbekistan has been hampered because of the route Bander Abbas through Iran as there is geopolitical unrest in Middle East. The Black Sea Port of Illichivs'k, Ukraine, Turkish Port of Mersin, and other Ports in China could be to Bander Abbas. Also the African countries (both West and East Africa) may also serve as potential strategic sources of cotton for Bangladesh. African countries are less likely to allow governmental interference on cotton export to Bangladesh. (Source: financial express 2012)

Pakistan is struggling to catch up open end market due to contamination problem. Australia is suffering from drought. Meanwhile USA and Brazilian cotton are contamination free. But high price keeps Bangladeshi spinners away from using USA and Brazilian cotton. The use of cotton from the USA in Bangladesh is limited to open end spinning of shorter staple and lower grade cotton. But cotton from US and Brazil is considered as viable alternatives to Uzbek cotton. As they export good quality and have consistency in characteristics of cotton they can be an alternative source for Bangladesh.

Table 11: Raw material Requirement:

Raw cotton	10.50 million Bales, if 100 percent capacity is utilised. (480 lbs. each bales)
Raw cotton source	Uzbekistan, India, Pakistan, Turkmenistan, Turkey, USA, East and West Africa.
Type of raw cotton import	1-1/8", 1-1/16", 1-1/32", 1-5/32" etc.

Source: BTMA

Table 12: Bangladesh import of cotton from the world:

(Value in US\$ Thousand)

	Imported value in 2012	Imported value in 2013	Imported value in 2014	Imported value in 2015	Imported value in 2017
Cotton	4,600,702	5,251,919	5,271,183	7,150,498	5,335,154

Source: ITC trade map

Table 13: Commodity-wise import statistics recorded by customs [Monthly]:

(Value in Million US\$)

Item	2014-15R July-Dec	2015-16RP July-Nov	2015-16P July-Dec	% Changes 4 over 2
Raw cotton	1117.1	840.9	1006.6	-9.89
Yarn	868.0	736.8	886.4	2.12

Source: Statistics Department, Bangladesh Bank, P: Provisional, R: Revised, RP: Revised but still Provisional.

3.5.2 Knitwear Sector Contribution to the Creation of Backward Linkage Factories

The improvement of knitwear sector has greatly contributed to the creation of backward linkage factories including dyeing, printing, finishing and so on. The number of registered dyeing, printing, finishing units in Bangladesh, at present, has reached to 236, at the same time, yarn-processing units and fabric processing units are 407 and 788 respectively (BTMEA2, 2015). Knit sector has also contributed significantly to the establishment of garment accessories and packaging units which are 1300 in number and this units are employing currently 0.3 million workforces (BGAPMEA3, 2015). According to the statistics of BTMEA, the total export volume of yarn-processing mills and fabric processing mills from June 2014 to May 2015 was US\$ 28.21 and \$105 million respectively. On the other side, according to the estimation of BGAPMEA4, total revenue generated by garments accessories and packaging factories was US\$ 61.19 million in FY-2013-14. In addition, this amount would exceed to US\$ 231.87 million by the year 2018.

Table 14: The number of Bangladesh Knitwear industry and its backward linkage factories

Factories	No. of Factory
Spinning mill(govt. owned)	18
Spinning mill(private owned)	407
Fabrics Manufacturing	788
Dyeing-Finishing	236
Terry Towel	87
Knit Factory	1953
BGAPMEA	1300

Source: BKMEA, BTMLMEA⁵, BTMEA, BGAPMEA Website.

Knitwear sector of Bangladesh is playing the key role in installing and generating revenue for these factories who are registered members of BTMEA6 and BGAPMEA. Besides this, backward linkage

²BTMEA stands for Bangladesh Textile Mills Association

³BGAPMEA stands for Bangladesh Garments Accessories & Packaging Manufacturers & Exporters Association

⁵BTMLMEA stands for Bangladesh Terry Towel and Linen Manufacturers and Exporters Association.

factories of Bangladesh knitwear sector have been playing a crucial role in increasing domestic value addition for this sector.

Table 15: Domestic Value addition of Bangladesh RMG sector

Year	2000	2008	2012	2013	2014	2015
Knitwear	70%	75%	72%	75%	75%	70%
Woven(Average)	30%	30%	30%	30%	30%	30%

Source: Based on Apparel Export Statistics of BKMEA.

The domestic value addition in this sector is about 70%, which is much higher than that in woven sector. The Knitwear sector’s value addition contribution in the GDP is about 10%. In the export field, the knitwear industry of Bangladesh has managed to make a big name across the world. BKMEA has taken different initiatives to promote the export growth of knitwear products. BKMEA is working to incorporate the latest technology, which in turn will increase the domestic value addition.

RMG sector of Bangladesh is basically segregated in the two following sectors:

Figure 6: Value chain performed by knitwear sector of Bangladesh.

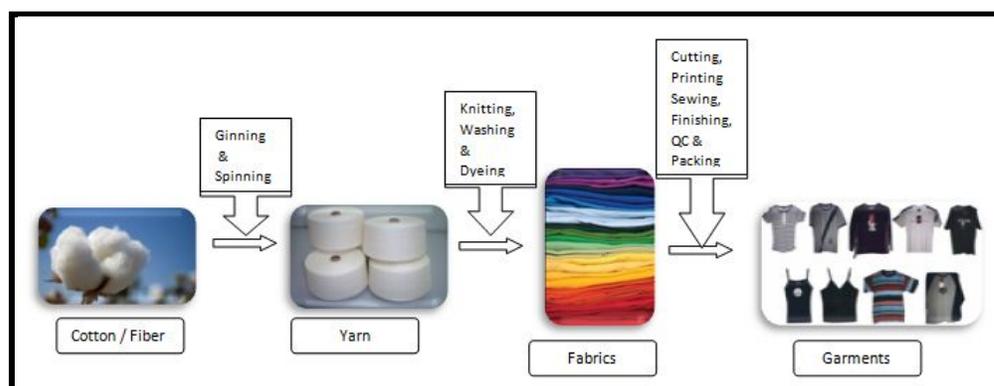


Figure 7: Value chain performed by woven garments sector of Bangladesh.



Varying on the above value chains, knitwear sector adds 70%-80% value (see Figure 1) to its manufactured knitted items and woven sector adds 30%-35% value (see Figure 2) to its manufactured woven garments. There is a common feature among the two is that both sectors play roles in backward linkages but do not have any role in forward linkage. Whereas reputed brands, logistics and consultancy providers, financial and trading partners play roles at forward linkage.

Chapter Four: Policy Framework and Support Mechanism for the RMG sector

The government has launched new export policy for the period of 2015-18 prioritising 12 sectors as “extremely potential and significant”. High value added RMG accessories sector is one of these 12 highest priority sectors in the new export policy.

4.1 Product-Specific Export Facilities in Readymade Garments Industry

- In order to reduce the “lead time”, measures will be taken for export of readymade garments by the improvement of port management, simplification of procedures for releasing all goods including LCL products and shipment, resolving/clearing up electricity and gas problems etc.
- Steps will be taken for setting up “garments villages” at various places with efficient infrastructural and utility facilities.
- Initiatives will be taken to establish/open up/set up waste water treatment plant in garments villages.
- Assistance will be given/provided in improving the working environment in the readymade garments factories, reducing risks of accident and fulfilling the compliance requirements at the factory level. Efforts will be made to form an integrated reasonable/relevant compliance regulation with the help of all stakeholders.
- In order to increase the productivity of the laborers and staff in readymade garments and facilitate product diversification, efforts will be given to provide trainings of different tenures.
- Uttermost attention/importance will be given on diversification of products by improving skills of workers and staff and circulating information and technology to the entrepreneurs.
- Steps will be taken to send marketing missions abroad including Brazil, Mexico, South Africa, Turkey, and Russia, to arrange single country textiles and readymade garments fairs abroad, and organise and participate in international trade fairs at home and abroad with a view to expanding and strengthening/consolidating/conjoining the markets for readymade garments.
- Establishment of backward and forward linkage industries will be encouraged.
- The amount of duty for imported raw materials equivalent to the submission of bank guarantee, the enterprises without bond license will be allowed to produce exportable hand-woven sweaters from natural and artificial wool outside the bond areas.
- For uninterrupted/continued and ensured supply of cotton, an advisory Board consisting members from public and private sector will be formed.
- Ministry of Commerce will take effective measures to coordinate financial and technical assistance related to export development of different development partners.
- Government will take effective measures in order to develop a standard unified code of compliance for the export-oriented garment industries of the country by coordinating/combining the wants/desideratum of the different countries and buyers.

4.2 In case of delivery from port and re-exportation of readymade garments that are returned due to defects

- Under the bonded warehouse system for the readymade garments that have been exported and have been returned due to defects or for any other reason, the Chief Controller of Import and Export will issue the clearance permit for the delivery of such products from the port and re-export on the basis of no objection from the relevant lien banks and the customs authorities.
- For the readymade garments that have been exported without the bonded warehouse license or using locally produced inputs in their production and have been returned, the relevant enterprises can take delivery of such products from the port after obtaining clearance from the office of the Chief Controller of Import and Export by submitting an undertaking that such products will be re-exported within one year. However, in case of failure to re-export as per the undertaking, such products can be sold in the local market after paying VAT payable at the local stage as per the existing VAT Act and after repaying, only in the case of domestic inputs /fabrics, the amount of VAT equivalent to the amount drawback received as per Mushak-11 chalan.(Source: Ministry of Commerce)

4.3 Return of rejected fabrics

- For the defective fabrics which the exporter wants to take back and for which no foreign currency has been remitted from Bangladesh, the Chief Controller of Import and Export will issue the clearance permit for the re-export on the basis of no-objection from the relevant lien banks and the customs authorities. However, this clearance will only be given after the determination of volume of defective fabrics through preparation of inventory as per mutual consent of the Buyer and Seller, and after inward of remittance of foreign currency through TT or At Sight L/C or after replacement of an equal volume of products.(Source: Ministry of Commerce)

4.4 Import by Export-oriented RMG

- Under the bonded warehouse system according to the formulated policy by the National Board of Revenue on the basis of approved and irrevocable letter of credit for expanding readymade garments against back to back letter of credit, readymade garment industries will be allowed to import raw and packing materials (including banned and restricted items), the approved quantity as per Utilisation Declaration (U.D) issued by the Bangladesh Garments Manufacturers and Exporters Association (BGMEA). They will have to import fabrics, excepting gray fabrics, in regular and continuous length of 18.29 metre or above in “thaan”.
- These industrial units noted in clause (a) will not be allowed to import cloth in pieces or cloth at into prices. Staple pins will also not be importable against back to back L/C.
- The provisions of clause (d) of sub-para 29 of this order will apply in importing grey fabrics. By means of entry, the passbook duplex board of four hundred gram (gray back) will be importable under back to back L/C.
- Under readymade garments such units (noted in clause a) will be allowed to import raw materials on “No Cost Basis” for implementing of export orders on following conditions, as:
 - On the basis of consignment against U.D issued by the BGMEA each case will be delivered and no foreign currency will be remitted from Bangladesh for this.

- Pre-shipment Inspection (PSI) certificate regarding finished products, if required, will have to be produced at buyer's expense during execution of export and readymade garments made for export will not be rejected.
- In respect of readymade garments the entire value added amount will be allowed in Bangladesh. The lowest percentage of value addition will be as follows:

Sectors	Minimum rate of value addition
Export of knit garments	Twenty percent (20%)
Export of non-quota category woven garments	Twenty percent (20%)
Export of quota category woven garments up to US\$ 40 (F.O.B) per dozen	Twenty percent (20%)
Export of quota category woven garments above US\$40 (F.O.B) per dozen	Twenty percent (20%), however, in no case the value addition per dozen will be less than US\$12
In case of export of higher price garments	Value addition of quota category and non-quota category will be 15% and 10% respectively, however, in this case the value of per dozen will be US\$60 (F.O.B) or more
Export of all types of sweater	Twenty percent (20%)
Export of all types of ready garments	Fifteen percent (15%)

Source: Ministry of Commerce

- On the basis of consignment quantity, price and description of the imported materials must be stated in the invoice but imported raw and packing materials may be transferred by dint of inter-bond transfer and imported gray fabrics. Knit fabrics and white fabrics, may be transferred to various dyeing and printing or processing plant.
- Recognised/esteemed units under specialised textile industry performing under the bonded warehouse system will be allowed to import raw and packing materials (including banned and restricted items) as determined by customs authority on the basis of confirmed irrevocable letter of credit for export of the items of specialised textile against back to back L/C. For this purpose no prior permission from the Chief Controller will be required.
- Under bonded warehouse system recognised/respected export-oriented companies will be permitted in importing raw and packing materials (including banned and restricted items) to a fixed amount by the customs authority against back-to-back L/C by establishing ensured/confirmed and irrevocable/irretrievable letter of credit. For this, prior permission from the Chief Controller will not be essential. But recognised garment industries will be permitted in order to import yarn and knitted fabrics in “thaan” or roll form for production of hosiery and knitted garments.
- Import of fabrics in cut pieces and import of knitted fabrics except “thaan” or roll form will not be allowed. In sweater sector recognised/estimable garments industries will not be allowed to import sweater, jumper, pullover, scarf, hand gloves and gloves in form of piece, panel or roll or in “thaan” or in the form of cut pieces, only import of all yarn of all sorts will be permitted as raw materials for these items.

- All other export-oriented industries except export-oriented readymade garment/hosiery and specialised textile industries are permitted to import any banned and restricted raw and packing materials and spared needed for the execution of specific export order with prior permission from the Chief Controller on the basis of reference/approval of the sponsoring authority. In such condition, the concerned industrial units will submit bank guarantee covering hundred percent of the value of the banned or restricted imported items. However, such bank guarantee will not be needed in case of export-oriented industries performing under bonded warehouse license.
- If few separate cut pieces are found in the container of imported fabrics for readymade garments industry, customs authority will detain/straiten only the cut pieces in lieu of the total container.
- The restriction/limitation of 18.29 meters will not be applicable in case of imported embroidered fabrics, badges, labels, stickers and patches for carrying into the action/execution of specific export order by readymade garments industry.
- If any buyer/ supplier makes shipment of raw and packing materials before establishment of back-to-back L/C export-oriented readymade garments/textile industry, the back-to-back L/C is opened before submission of challan manifest then it will not be considered as the contravention of import policy.
- In case of import of raw materials and capital machineries for garment industries these are allowed to import without any value limit and opening of L/C.

4.5 RMG in Special Zones

Under the Bangladesh Economic Zones Act, 2010, the Bangladesh Economic Zones Authority (BEZA) was officially formulated by the government on 9 November 2010. However, special economic zones that have been set up and in queue to be set up are regulated by BEZA which aims to establish economic zones in all potential areas in Bangladesh including backward and underdeveloped regions with a view to encouraging investors to invest in business friendly environment⁷. Earlier, Bangladesh Export Processing Zones Authority (BEPZA) was established following the Bangladesh Export Processing Zones Authority Act, 1980 which is currently supervising 8 EPZs. Basic difference between BEZA and BEPZA is, the former one monitors businesses established in economic zones which may not be fully export oriented but latter one monitors the businesses established in export processing zones which are completely export oriented.

For inspiring export oriented businesses and especially facilitating foreign investors Bangladesh has planned to set up 100 special economic zones gradually. There are already 21 special economic zones working efficiently and government is functioning to raise the figure to 100 for creating greater opportunities for industrialisation, investment and employment with the expectation that those special economic zones will enhance the country's economic growth further. However, primary works like selecting the locations and revealing potentialities, advantages and adversities of such locations for setting up and continuing business that had been identified. For ensuring smooth and sustainable development of the businesses uninterrupted communication system, resource

⁷<http://www.beza.gov.bd/>

availability, provision of water reservoir and rainwater preservation system were being taken into account⁸.

Moreover, there are commercially beneficial factors that are provided by govt. initiated by BEZA and BEPZA which are as followings respectively:

Table 16: Incentives and Benefits for Investors/Economic Zone users under BEZA

SL	Incentive	Approved Incentives by Governing Board
1	Tax Holiday	For all Economic Zones Income Tax Holiday (ITH)- 1 st and 2 nd year 100%, 3 rd year 80%, 4 th 70%, 5 th 60%, 6 th 50%, 7 th 40%, 8 th 30%, 9 th 20% and 10 th year 10%.
2	Custom Duty (CD)	Duty free import of raw materials, construction materials, capital machineries, finished goods.
3	Income Tax others	Exemption from dividend tax (After tax holiday over)
4	Repatriation	Full repatriation of capital and dividend.
5	Free Flow FDI	No ceiling of FDI.
6	Backward Linkage	100% backward linkage raw-materials and accessories to sell for export oriented industries (EOI) in Domestic Tariff Area (DTA).
7	Local Sale	20% sale of finished products to DTA (From Export Processing Area – EPA).
8	Subcontracting	Sub-contracting with DTA allowed.
9	Stamp Duty	50% exemption of stamp duty and registration fees for registration of leasehold land/ factory space.
10	VAT	80% exemption of VAT on all utility services consumed inside the zone.
11	Custom Duty	Duty exemption on Export.
12	CD On Vehicle	Exemption of CD for import of 2 vehicles within 1st 5 years for foreign investors (for one time).
13	Double Taxation	Exemption of double taxation subject to Double taxation agreement.
14	It Individual	50% Rebate of income tax on salary income of expatriates for 5 years
15	Custom Bond	Consider EZ as custom bonded area.
16	Foreign Exchange	FC loan availability (To ease business activity).
17	Foreign Exchange	FC Account for Non-Resident.
18	Foreign Exchange	FC Account for both local and joint venture industry.
19	Joint Venture	Joint venture allowed
20	Royalties	Royalty, technical fees will be exempted from income tax.
21	Capital Gains	Tax exemption on capital gain
22	Share Transfer	Share transfer allowed.
23	Work Permits	Work permits – No restrictions on issuance of work permits on project related foreign nationals and employees but limited up to 5% of total employees.
24	Reinvestment	Re-investment of remittable dividend to be treated as new foreign investment
25	Resident	Resident visa for investment of US\$ 75000 or more

⁸<http://www.theindependentbd.com/arcprint/details/20267/2015-10-22>

4.6 Incentives and Facilities for Investors under BEPZA⁹

1. Fiscal Incentives

10 years tax holiday for the Industries to be established before 1st January, 2012 and Duration and rate of tax exemption for Mongla, Ishwardi and Uttara EPZ for the industries set up after January 01, 2012:

Table 17: Fiscal Incentives Time Span

Duration of Tax Exemption	Rate of Tax Exemption
First 03 years (1 st , 2 nd and 3 rd year)	100%
Next 03 years (4 th , 5 th and 6 th year)	50%
Next 01 year (7 th year)	25%

Duration and rate of tax exemption for Chittagong, Dhaka, Comilla, Adamjee, and Karnaphuli EPZ for the industries set up after January 01, 2012:

Table 18: Fiscal Incentives Time Span

Duration of Tax Exemption	Rate of Tax Exemption
First 02 years (1 st and 2 nd year)	100%
Next 02 years (3 rd and 4 th year)	50%
Next 01 year (5 th year)	25%

Along with the above mentioned facilities, the Govt. of Bangladesh also providing some other support, including fiscal incentives for the expansion and facilitation of the RMG sector. The supportive means are as follows:

- ❖ Duty free import of construction materials
- ❖ Duty free import of machineries, office equipment and spare parts etc.
- ❖ Duty free import and export of raw materials and finished goods
- ❖ Relief from double taxation
- ❖ Exemption from dividend tax
- ❖ Availability of GSP facility
- ❖ Accelerated depreciation on machinery or plant allowed
- ❖ Remittance of royalty, technical and consultancy fees allowed. Moreover, duty and quota free access to EU, Canada, Norway, Australia etc

2. Non – Fiscal Incentives

- a. 100% foreign ownership permissible
- b. MFN (most favored nation) status given

⁹http://www.epzbangladesh.org.bd/investor_details/incentives-facilities

- c. No ceiling on foreign and local investment
- d. Full repatriation of capital and dividend
- e. Foreign Currency loan from abroad under direct automatic route
- f. Non-resident Foreign Currency Deposit (NFCD) Account permitted
- g. Operation of FC account by 'B' and 'C' type Industries allowed.

3. Facilities

- a. No UD, IRC, ERC and renewal of Bond license
- b. Work permits issued by BEPZA
- c. Secured and protected bonded area
- d. Off-Shore banking available
- e. Import on Documentary Acceptance (DA) basic allowed
- f. Back to Back L/C
- g. Import and Export on CM basis allowed
- h. Import from DTA (Domestic Tariff Area)
- i. 10% sale to DTA (Domestic Tariff Area)
- j. Customs clearance at factory site
- k. Simplified sanction procedure
- l. Sub-contracting with export oriented Industries inside and outside EPZ allowed
- m. Relocation of foreign industries allowed
- n. Resident-ship and Citizenship Accorded
- o. One Window same day service and simplified procedure given.
- p. Buyers' Credit: The Government is providing buyers' credit at a 12 months deferred payment at a maximum of 6% interest rate for importing capital machinery. From 2016, with the assistance of the World Bank, a long term financing facility is also being provided at a rate of LIBOR +2.5% for importing capital machinery.

4.7 Areas of Opportunity

Bangladesh Knitwear Industry pursues very strong backward linkage here in Bangladesh, Table 23 depicts it all.

Table 19: Value Addition and Net Retention Rate of Bangladesh Knitwear Sector¹⁰

Year	1994	2000	2008	2012	2013	2014
Value Addition	50%	70%	75%	72%	75%	75%
Net Retention	40%	55%	61%	53%	50%	48%

However in course of making a knitwear, only cotton is sourced from outside Bangladesh and all the next steps i.e., making yarn from cotton, knitting the yarn, dyeing, weaving, cutting, sewing, tagging with accessories and lastly packaging- are handled within the country. This gives a signal to the domestic and foreign investors to invest not only in knitwear finishing related factories but also to invest in backwardly linked factories to this sector. For instance, 90% of the domestic fabrics and 100% yarn requirements of Knit Garments Handloom are met by Primary Textile Sector (PTS);

¹⁰<http://www.bkmea.com/Strength-of-Knitwear-Sector-of-Bangladesh.html>

factories of such sector in Bangladesh are members of Bangladesh Textile Mills Association (BTMA)¹¹. Meanwhile, Bangladesh Garments Accessories and Packaging Manufacturers and Exporters Association (BGAPMEA) reports¹² that 1335 members comprising garment accessories and packaging manufacturing factories are closely facilitating garments industries of Bangladesh. This means that these sectors are also commercially viable for domestic and foreign investors to invest in further.

4.8 RMG Remediation

RMG remediation financing (updated 08 December 2015) are shown below:

- JICA, Japan : (1 billion taka) 12.5 million US dollar (working with Bangladesh bank, Public Works Department/GoB, BGMEA and BKMEA)
- IFC : 50 million US dollar, working with 5 Bangladeshi commercial bank
- Accord : 250 thousand US dollar - contributing the IFC program
- US AID : 22 million US dollar, working with 2 Bangladeshi commercial bank
- Alliance: 1.5 million US dollar supporting US AID program
- EU package (AFD, France, Asia-Invest, EU, GIZ and KfW): 63 million euro, modalities being negotiated
- ADB: 30 million US dollar, modalities being negotiated

4.9 PEST Analysis of Bangladesh RMG sector

Political:

- Bangladesh is passing through completely stable political situation.
- Bangladesh government has taken positive initiative in favour of foreign investors. There are no distinctions between foreign and domestic private investors regarding investment incentives or export and import policies in Bangladesh.
- Incentives for investors include: 100% ownership in most sectors, tax holidays, reduced import duties on capital machinery and spares, 100% duty-free imports and tax exemptions
- Lack of strong civil society.
- Confrontational politics

Economic:

- Between 2007 and 2014, Bangladesh had an average real GDP growth rate of 6.05% and by 2020, it is projected to be 6.7% (World Economic Outlook 2015, IMF).
- The economy is increasingly led by export-oriented industrialisation. The Bangladesh textile industry is the second largest in the world after China. The inflation rate in Bangladesh was reported to be 5.61 percent in April 2016.
- The economy has grown at the rate of 6-7% over the past few years.
- Total Export: 34.26 billion US dollar.
- Total RMG Export: 28.09 billion US dollar (82.01% of Total Export)
- Knitwear Export: 13.36 billion US dollar
- Woven Export: 14.74 billion US dollar

¹¹<http://www.btmadhaka.com/data/frontImages/contribution.pdf>

¹²<http://www.bgapmea.org/index.php/about/statistics>

Social:

- The urban garments industry has created more than one million formal sector jobs for women. This has contributed to the high female labour force participation (80 percent) in RMG sector in Bangladesh and has helped in improving standard of living.
- Substantially decreasing social cost in terms of crime, violence, moral decadents, wastage of potential labor force.
- Gradual movement from lower income to lower middle income country by 2021 and is expected to be a developed economy by 2041.
- In Bangladesh, the Companies are facing the challenges of adapting to the changing environment in the context of globalisation particularly in the export sector.
- In the corporate world in Bangladesh the social responsibilities are not yet so widespread but companies are emphasising on the social responsibilities in the local market as well. Companies are realising that social responsibilities are an investment, not a cost, much like quality management.
- Business organisations are trying to have an inclusive financial, commercial and social approach to minimise the risks linked to uncertainty.
- Green financing by central Bank of Bangladesh (Bangladesh Bank).

Technological:

- Technological development is highly required in Bangladesh. Science and technological research is needed to develop technologies.
- As the country depends on imported technologies, proper planning is required for its effective transfer.
- The government of Bangladesh has formulated National Science and Technology Policy which has laid down the directions for Science and Technology research, institutional and manpower development.
- Facilities are being disseminated and documented by the government of Bangladesh. Lean production mechanism is prevailing.
- Green production technique is being adapted.
- Global competitiveness index has been improved.

Chapter Five: Vision 2021 for RMG Sector of Bangladesh

Since 2004, defying all odds, Bangladesh's garment exports have nearly quadrupled attaining 14.79% Compound Growth Rate annually during 2004-2015. As the MFA quota was at its end, the entrepreneurs switched to a 'volume driven growth strategy' focusing more on scaling-up capacity and producing basic garments satisfying customers with quality, price, lead time and commitment, which eventually led Bangladesh to become the second largest apparel exporting country.

As per WTO statistics in 2015, world exports of clothing stood at US \$445 billion, which was US \$351 billion in 2010. The global apparel export is expected to reach up to US \$600 billion by 2020. The strong foothold Bangladesh has in this market will enhance its growth over the coming decade. Our vision is to increase the global market share from 5% now to 8% by 2021 i.e. US \$50+ billion for Bangladesh and this is not over optimistic.

The Vision in brief:

- Achieving \$50 billion dollar from exports of RMG by 2021 which will lead to significant growth of backward, forward and other allied industries - bank, insurance, freight, port/IDCs, tourism, hotel, etc.
- Increasing the global market share of RMG from **5% now to at least 8% by 2021** – the Roadmap
- Promoting “**Sustainability**” along the supply chain

Chapter Six: Strengths, Weaknesses, Opportunities and Threats of the RMG Sector of Bangladesh

6.1 Strength

- Low labor cost.
- Energy at comparatively lower price.
- Easily accessible infrastructure like sea road, railroad, river and air communication.
- Availability of wide range of port facilities.
- Accessibility of fundamental infrastructure, which is about 3 decade old, mainly established by the Korean, Taiwanese and Hong Kong Chinese industrialists.
- FDI is legally permitted.
- Moderately open Economy, particularly in the Export Promotion Zones.
- GSP under EBA (Everything but Arms) for Least Developed Country applicable (Duty free to EU).
- Improved GSP advantages under Regional Cumulative.
- Duty Free Access to US is being expected. For this meetings and discussions are going on and is hoped to bring in fruitful results.
- Investment assured under Foreign Private Investment (Promotion and Protection) Act, 1980 secures all foreign investments in Bangladesh.
- OPIC's (Overseas Private Investment Corporation, USA) insurance and finance agendas are operable.
- Bangladesh is a member of Multilateral Investment Guarantee Agency (MIGA) under which protection and safety measures are available.
- Adjudication service of the International Center for the Settlement of Investment Dispute (ICSID) has been offered.
- Excellent Tele-communications network.
- Depreciation of exchange rate of dollar/euro is helping the exporters.
- Bank interest rate of 7% is present for financing exports.
- Convenience of duty free custom bonded warehouse.
- Improvements in workplace safety, inspected by National Initiative, Accord and Alliance.
- Revolution in environmentally sustainable industrialisation (36 factories are LEED certified and 253 more factories are registered for LEED).
- Increasing trend of direct sourcing through local liaison offices at Dhaka.

6.2 Weakness

- Long lead-time.
- Lack of marketing tactics.
- Deficiency of creativity in producing design.
- Absence of easily on-hand middle management.
- A small number of manufacturing methods.
- Low acquiescence: there is an international pressure group to compel the local producers and the government to implement social acquiescence. In many cases, per unit production cost is increased significantly.
- The machinery required to assess value added on a garment or increased competence are missing in most industries.
- Lack of training organisations for industrial workers, supervisors and managers.
- Autocratic approach of nearly all the investors.
- Fewer process units for textiles.
- Sluggish backward or forward blending procedure.
- Incompetency of ports, complicated entry/exit system and time consuming loading/unloading system.
- Speed money culture.
- Time-consuming custom clearance.
- Unreliable authority regarding Delivery/QA/Product knowledge.
- Communication gap created by due to lack of proper knowledge of English.
- Frequent natural calamities.
- Regulatory and administrative barriers like taxation policies, VAT, customs procedures, banking, port and other trade logistics issues.
- Scarcity of gas and other form of fuel and energy. Especially the bar in new gas connection, transfer of existing line and increasing gas pressure are among the major impediments. Lack of maintenance and increasing capacity of distribution.
- The quality of electricity supply is not up to the mark. This has resulted into interruption in production and losses in terms of quality, productivity and damages of machineries and equipment.
- Absence of a clear energy policy is an obstacle to investments.
- Increasing price of utilities (gas and electricity).
- Dependence on L/C as mode of payment.
- Country competitiveness in terms of cost of doing business.
- Lack of R&D both on product and market.
- Lack of enough facility for internationally accredited testing.
- Perception and image crisis and the role of media.
- New health and safety rules leading to higher production costs.

6.3 Opportunity

- EU is willing to establish industries in Bangladesh as an alternative to those established in China particularly for knits, including sweaters.
- Bangladesh is included in the list of Least Developed Countries with which US is committed to enhance export trade.
- Ensuring availability of skilled technicians will lower the labor and energy costs. This will pave the way for introduction of prearranged garment.
- Trade with Japan can be made better by focusing on sectors from which products can be exported in that country e.g. handloom textiles, home furniture and garments. Continuous progress in quality will ensure it.
- Chittagong port is going to be handed over to the foreign operator, which will make the port better in terms of quality service, it will also reduce lead-time as well as total cost will be decreased.
- If Bangladesh can ensure political stability in the long run, foreign trade will become smoother and this will convince the foreign buyers to invest more.

6.4 Threats

- RMG sectors of Vietnam and India have emerged to be strong competitors for Bangladesh. Vietnam attracted huge FDI in their RMG sector and their productivity is much higher than that of Bangladesh. India has the vertical integration in their production process.
- Myanmar is growing fast in its RMG industry with the support from abundant natural resources and big importers of RMG products.
- China is still considered as one of the strong competitor in the world RMG market.
- China has also relatively better infrastructural facilities like energy supply, transportation and communication system.
- Some African and Caribbean countries are enjoying zero-tariff facility under AGOA act (Agreement on Agriculture) that has helped them to be more competitive relative to Bangladesh
- Concentration on EU and US market.
- Impact of BREXIT on GSP facility to UK.
- Graduating out from LDC and fulfilling conditions for EU GSP Plus.
- Suspension of US GSP and compliance to Sustainability Compact.
- With increasing number of RTAs and FTAs among other countries, Bangladesh's trade preference is being marginalised (e.g. India's FTA negotiation with EU).
- Due to slow progress of WTO Doha round, LDCs market access remains uncertain. We need to strengthen ourselves in the area of commercial diplomacy through bilateral FTA

Chapter Seven: Analysis of market access situations in the existing and potential destinations of RMG products

Bangladesh has remained a competitive apparel exporter following the end of the WTO Multi-fiber Agreement and expanded its exports to its major markets, having become the 3rd and the 4th largest apparel exporter to the EU and the US respectively. However, exports remain highly concentrated in both, products and markets and depend heavily on preferential market access.

Like other LDCs, Bangladesh faces difficulties to take full advantage of the preferences granted. This is due to (a) restrictive rules of origin (in particular in India, China, US); (b) limited product coverage (exports to China); (c) a lack of predictability and security of the schemes; (d) remaining NTBs of various types (in particular in regional markets); and (e) domestic supply-side constraints to expand and diversify exports.

The 97% DFQF decision in the WTO might restrict most important tariff lines for Bangladesh. Moreover, restrictive rules of origin might continue posing a problem in certain markets. To secure and enhance its market access, Bangladesh therefore follows multiple approaches:

- **WTO:** Continuing work with the LDC group on expanded and secured market access and more generous RoR in all markets and, in particular, in the US market. However, it needs to be borne in mind that WTO members' 97%+ market access to LDCs is a 'best endeavor commitment' and not a legal binding;
- **USA:** Working on abolition of suspension of GSP preferences and on expanding GSP market access while at the same time securing the interests of US and African apparel producers;
- **Other bilateral trading partner:** Exploring options to enter into PTAs or FTAs. However, entering into a WTO-compliant FTA with partners, such as India or China would be very difficult to come to a mutual agreement due to Bangladesh's heavy trade deficit in these markets. Moreover, Bangladesh's RMG exports are regarded as sensitive in many markets, which makes negotiations for enhanced concessions difficult.
- Bangladesh's trade relations with Turkey differ in this respect since the trade balance is positive and it hardly sources from Turkey, which would facilitate FTA negotiations. However, it needs to be considered that Bangladesh's average duty paid in the Turkish market has been shrinking (to currently about 8.5%), which implies eroding preferences, not only faced by Bangladesh but also other LDCs. Thus, Bangladesh's 'free market access' to Turkey would not be worth much if major competitors have the same access due to a continuing shrinking preference margin.

Bangladesh's heavy export concentration on apparel makes it not only very difficult to access new markets but also to initiate a sustainable export-led growth process: Bangladesh faces the problem of preference erosion for its apparel exports through

1. Ongoing multilateral trade liberalisation,
2. Existing and future bilateral trade agreements (e.g. forthcoming EU-India, EU-ASEAN or the US Trans-Pacific Partnership Agreement), and
3. The inclusion of new trading partners into bilateral trade agreements (e.g. Pakistan under GSP+, Myanmar/Burma under EBA).

These result in increased competition and price declines; which further aggravates the ongoing trend of falling RMG prices. As a result of increased global supply (mainly from China), Bangladesh has already been facing price losses of up to 25% in the past decade. Bangladesh responded to this trend by expanding its export volumes; however, this contributed to the global supply overhang and has put further strains on global apparel prices.

Moreover, Bangladesh's high dependence on two export markets – and on the non-contractual preferences of freedom in these export markets–puts the country's development strategy at serious risk. The suspension of US preferences confirms the volatility of Bangladesh's market access, which is at the discretion of the importing countries. Also the EU GSP authorises the removal of benefits in case of 'serious and systematic violations' of labour conventions or 'unfair trading practices including the supply of raw materials'. It is therefore of imperative importance for Bangladesh to fully comply with international conventions for labour, fire and building standards as well as with the RoO requirements of the EU in form of GSP automation. The Government is aware of the need to reform and has welcomed according international initiatives to assist the RMG sector to ensure its full compliance with the requirements of EU and US importers.

To diversify beyond RMG and into other markets is the only option for Bangladesh to overcome the current dependency and negative trend of terms of trade for its exports. The neighbouring and regional markets are the best destinations for Bangladesh's non-apparel exports since the product requirements (and quantities) are usually lower than in international markets.

To date, Bangladesh is only little engaged in intra-regional trade though it enjoys preferential treatments in both, APTA and SAFTA. However, trade is still biased towards regional imports, mainly sourced from India. A major reason for this appears to be that apparels are sensitive items throughout the region and so their access to regional markets remains restricted. Insufficient tariff reductions, main fold NTBs, poor infrastructure and political quarrels are further barriers of intra-regional trade.

However, neighbouring and regional markets are not only relevant for Bangladesh's imports (cotton, chemicals, vehicles, machinery, and cereals) but also for its non-apparel exports. Though these regional exports (textile fibres, pharmaceuticals, fish, edible fruits, mineral fuels, leather products, salt, copper, chemicals, plastic products and electronic products) are still very small in total, their share in total regional exports has been growing, which indicates regional competitiveness and demand. Moreover, Bangladesh's trading patterns with the two regional hubs, India and China, suggests a certain level of intra-industrial trade for textile and apparel products. This might also offer options for increased FDI in the Bangladeshi apparel sector. China, for instance, faces increasing labour costs and does, like India, not enjoy the same preferred market access conditions as Bangladesh. This offers the chance for Bangladesh to attract Chinese and Indian FDI in its RMG sector, which in turn is likely to increase Bangladesh's productivity and might stimulate horizontal diversification attempts towards more sophisticated apparel products.

Given that regional markets offer both investment and diversification options, Bangladesh needs to monitor barriers to trade and investments with neighbouring countries closely and decide on a case-by-case basis how these can be removed best and how intra-regional cooperation could be enhanced.

Table 20: Apparel Import Scenario of Emerging Countries

(Value in Million US\$)

Country	Year	Knit		Woven	
		Import from Bangladesh	Import from World	Import from Bangladesh	Import from World
Australia	2014-15	346.13	2952.84	187.5	3054.84
	2015-16	384.82	3065.78	220.94	3022.01
	2016-17	371.54	2956.58	210.46	2958.68
Japan	2014-15	279.78	13899.43	372.77	14167.75
	2015-16	417.31	13260.35	443.77	13552.32
	2016-17	399.04	12914.75	345.43	13334.6
China	2014-15	141.8	744.5	163.14	1392.34
	2015-16	178.73	2343.73	264.45	3678.73
	2016-17	169.82	2380.45	221.77	3567.77
Russia	2014-15	129.68	3369.34	84.71	4574.4
	2015-16	281.76	2406.14	243.79	2591.73
	2016-17	207.37	2560.67	172.02	2700.4
Turkey	2014-15	127.45	932.9	360.63	1833.46
	2015-16	173.96	815.98	509.49	1716.08
	2016-17	92.32	789.74	289.04	1693.93
Brazil	2014-15	104.23	1166.12	82.21	1450.44
	2015-16	74.32	739.17	58.45	999.08
	2016-17	51.42	552.84	48.38	687.71
Mexico	2014-15	76.01	1614.56	52.88	1306.86
	2015-16	132.53	1888.47	117.25	1660.28
	2016-17	69.46	1825.97	55.38	1598.72
South Korea	2014-15	63.14	2547.39	93.22	5593.22
	2015-16	32.35	2684.57	43.19	5370.84
	2016-17	78.13	2.895.80	86.7	5272.56
Malaysia	2014-15	56.52	822.83	39.5	494.07
	2015-16	78.27	1106.7	44.93	725.9
	2016-17	86.11	1097.99	57.17	796.96
India	2014-15	22.32	305.53	81.93	362.01
	2015-16	35.62	259.73	116.68	314.53
	2016-17	37.45	262.44	92.36	338.62
Argentina	2014-15	1.22	181.372	21.29	168.85
	2015-16	2.29	113.19	5.96	211.55
	2016-17	3.14	131.2	4.51	232.43
Total	2014-15	1348.28	28536.81	1539.78	34398.22
	2015-16	1791.96	28683.81	2068.90	33843.05
	2016-17	1565.8	25472.63	1583.22	33182.38

Source: Calculated from data of EPB and ITC.

7.1 Potential destinations of RMG products and their Market Access Conditions

Table 21: RMG Export Performances in the Emerging Countries

(Value in million US\$)

Importing countries	2015-16	2016-17	Actual Increase	
			Value	Growth (%)
Australia	636.27	582.02	-54.26	-8.53
Japan	774.47	744.48	-29.99	-3.87
China	341.22	391.60	50.38	14.76
Russia	249.16	379.41	130.24	52.27
Mexico	148.82	124.84	-23.98	-16.11
Malaysia	123.20	143.29	20.09	16.31
South Korea	186.16	164.83	-21.33	-11.46
Saudi Arabia	75.85	72.83	-3.02	-3.98
India	136.42	129.81	-6.62	-4.85
Kuwait	8.52	10.23	1.72	20.17
Total	2680.09	2743.32	63.23	2.36

Source: Calculated from data of EPB.

In the EU market, total RMG export has increased from US\$ 11375.56 million to US\$ 17750.6 million over fiscal years between 2011-12 and 2016-17. Whereas, in USA market, it increased from US\$ 4529.4 million to US\$ 5204 million during this period.

In case of comparison of RMG products export growth rate in both region, it is seen that EU market growth rate is much higher than that of the USA with exception to FY-2012-13 (when the USA growth rate was 10.31%, and The EU was 9.94%) due to the EUs' largest volume of RMG import since EU market is made up of 28 countries.

Bangladesh's knitwear export is mainly centered on two markets namely European market (EU) and the USA. In 2016-17, it was about 81.54 % of total.

CIS Countries:

CIS Countries are the potential export destinations for Bangladesh in RMG Sector. Earlier the country was exporting RMG at a very minimum level to the CIS countries due to high tariff rate. But recently CIS countries have drastically reduced tariff rates which has opened up a new era of opportunities for Bangladesh to capture these markets.

Table 22: Tariff faced By Bangladesh in CIS Market

Importing Country	Total ad valorem equivalent tariff	National Tariff lines
Armenia	10.00%	2
Azerbaijan	15.00%	2
Belarus	10.00%	2
Georgia	0%	2
Kazakhstan	10.00%	2
Kyrgyzstan	10.00%	2

Moldova, Republic of	12.00%	2
Russian Federation	10.00%	2
Tajikistan	10.00%	2
Ukraine	12.00%	3
Uzbekistan	30.00%	3

Source: ITC

Kyrgyzstan impose 10% overall Total ad valorem equivalent tariff on Bangladesh. But tariff varies from product to product. For example, Kyrgyzstan impose 10.00% on HS 610310 (Men's or boys' suits of textile materials, knitted or crocheted (excl. tracksuits, ski suits and swimwear), 10.00% on HS 610413 (Womens/girls suits, of synthetic fibres, knitted), 15.00% on HS 611420 (Special garments for professional, sporting or other purposes, n.e.s., of cotton, knitted or crocheted). These are popular exportable items of Bangladesh to Kyrgyzstan. There are some other potential items of which Bangladesh has export potential to Kyrgyzstan. But earlier Bangladesh faced huge tariff rates. For example: 35.85% on HS 610220 (Women's/girls overcoats, anoraks etc., of cotton, knitted), 52.39% on HS 610290 (Women's/girls overcoats, anoraksetc ,of other textile materials, knitted) , 156.64% on HS 610341 (Men's/boys trousers and shorts, of wool or fine animal hair, knitted) , 171.03% on HS 610721 (Men's/boys nightshirts and pyjamas, of cotton, knitted).

But currently the country has liberalised the tariff which has created huge scopes for Bangladesh to increase its export volume in Kyrgyzstan. For example: 8.74% on HS 610220 (Womens/girls overcoats, anoraks etc, of cotton, knitted), 10.00% on HS 610290 (Womens/girls overcoats, anoraks etc., of other textile materials, knitted), 10.00% on HS 610341 (Mens/boys trousers and shorts, of wool or fine animal hair, knitted), 6.92% on HS 610721 (Mens/boys nightshirts and pyjamas, of cotton, knitted).

In the CIS region, Russia is the main export destination for Bangladesh. We are heavily depended on Russia in this region. Earlier Bangladesh faced high tariff for exporting RMG to Russia. For example, the country imposed 39.58% on HS 610712 (Mens/boys underpants and briefs, of man-made fibres, knitted), 76.83% on HS 610711 (Mens/boys underpants and briefs, of cotton, knitted), 127.78% on HS 610821 (Womens/girls briefs and panties, of cotton, knitted), 83.33% on HS 610822 (Womens/girls briefs and panties, of man-made fibres, knitted).

But the country has reduced its tariff radically which has ultimately created new possibilities and opportunities ushering in a new era for enhancing export volume. For example: 3.93% on HS 610712 (Mens/boys underpants and briefs, of man-made fibres, knitted), 5.67% on HS 610711 (Mens/boys underpants and briefs, of cotton, knitted), 4.58% on HS 610821 (Womens/girls briefs and panties, of cotton, knitted), 2.80% on HS 610822 (Womens/girls briefs and panties, of man-made fibres, knitted).

These are very popular export items to Russia. Other than these, there are some other items in Russian market which have high potential but Bangladesh face Non-tariff barriers in those markets. Tariff schedule of Kyrgyzstan and Russia are given here to realise the overall tariff scenario of the CIS region.

Bangladesh face nontariff like: B211: Labelling requirements, B270 : Other product characteristics requirements, B310: Certification requirement, F290: Additional charges, A830: Certification requirement, A840: Inspection requirement, C300: Requirement to port of customs.

Table 23: Kyrgyzstan Tariff schedule on different products:

Product Code	Product Description	Total ad valorem tariff
610120	Overcoats, car-coats, capes, cloaks, anoraks, incl. ski-jackets, wind-cheaters, wind-jackets and similar articles of cotton, for men or boys, knitted or crocheted (excl. suits, ensembles, jackets, blazers, bib and brace overalls and trousers)	10.00%
610130	Overcoats, car-coats, capes, cloaks, anoraks, incl. ski-jackets, wind-cheaters, wind-jackets and similar articles of man-made fibres, for men or boys, knitted or crocheted (excl. suits, ensembles, jackets, blazers, bib and brace overalls and trousers)	10.00%
610190	Overcoats, car-coats, capes, cloaks, anoraks, incl. ski-jackets, wind-cheaters, wind-jackets and similar articles of textile materials, for men or boys, knitted or crocheted (excl. of wool, fine animal hair, cotton and man-made fibres, suits, ensembles, jackets, blazers, bib and brace overalls and trousers)	10.00%
610210	Womens/girls overcoats, anoraks etc., of wool or fine animal hair, knitted	6.47%
610220	Womens/girls overcoats, anoraks etc, of cotton, knitted	8.74%
610230	Womens/girls overcoats, anoraks etc, of man-made fibres, knitted	10.00%
610290	Womens/girls overcoats, anoraks etc., of other textile materials, knitted	10.00%
610310	Men's or boys' suits of textile materials, knitted or crocheted (excl. tracksuits, ski suits and swimwear)	10.00%
610322	Mens/boys ensembles, of cotton, knitted	10.00%
610323	Mens/boys ensembles, of synthetic fibres, knitted	9.36%
610329	Mens/boys ensembles, of other textile materials, knitted	6.48%
610331	Mens/boys jackets and blazers, of wool or fine animal hair, knitted	1.69%
610332	Mens/boys jackets and blazers, of cotton, knitted	10.00%
610333	Mens/boys jackets and blazers, of synthetic fibres, knitted	10.00%
610339	Mens/boys jackets and blazers, of other textile materials, knitted	10.00%
610341	Mens/boys trousers and shorts, of wool or fine animal hair, knitted	10.00%
610342	Mens/boys trousers and shorts, of cotton, knitted	8.78%
610343	Mens/boys trousers and shorts, of synthetic fibres, knitted	7.95%
610349	Mens/boys trousers and shorts, of other textile materials, knitted	7.93%
610413	Womens/girls suits, of synthetic fibres, knitted	10.00%
610419	Womens/girls suits, of other textile materials, knitted	7.40%
610422	Womens/girls ensembles, of cotton, knitted	10.00%
610423	Womens/girls ensembles, of synthetic fibres, knitted	10.00%
610429	Womens/girls ensembles, of other textile materials, knitted	1.78%
610431	Womens/girls jackets, of wool or fine animal hair, knitted	1.47%
610432	Womens/girls jackets, of cotton, knitted	3.98%
610433	Womens/girls jackets, of synthetic fibres, knitted	10.00%
610439	Womens/girls jackets, of other textile materials, knitted	2.97%

610441	Womens/girls dresses, of wool or fine animal hair, knitted	1.25%
610442	Womens/girls dresses, of cotton, knitted	10.00%
610443	Womens/girls dresses, of synthetic fibres, knitted	10.00%
610444	Womens/girls dresses, of artificial fibres, knitted	3.82%
610449	Womens/girls dresses, of other textile materials, knitted	1.65%
610451	Womens/girls skirts, of wool or fine animal hair, knitted	1.51%
610452	Womens/girls skirts, of cotton, knitted	6.83%
610453	Womens/girls skirts, of synthetic fibres, knitted	5.48%
610459	Womens/girls skirts, of other textile materials, knitted	5.07%
610461	Womens/girls trousers and shorts, of wool or fine animal hair, knitted	5.83%
610462	Womens/girls trousers and shorts, of cotton, knitted	7.36%
610463	Womens/girls trousers and shorts, of synthetic fibres, knitted	5.46%
610712	Mens/boys underpants and briefs, of man-made fibres, knitted	4.38%
610719	Mens/boys underpants and briefs, of other textile materials, knitted	3.96%
610721	Mens/boys nightshirts and pyjamas, of cotton, knitted	6.92%
610821	Womens/girls briefs and panties, of cotton, knitted	5.37%
610822	Womens/girls briefs and panties, of man-made fibres, knitted	3.58%
610829	Womens/girls briefs and panties, of other textile materials, knitted	3.65%
610831	Womens/girls nightdresses and pyjamas, of cotton, knitted	6.53%
610832	Womens/girls nightdresses and pyjamas, of man-made fibres, knitted	6.21%
610839	Womens/girls nightdresses & pyjamas of other textile materials, knitted	3.16%
610891	Womens/girls bathrobes, dressing gowns, etc., of cotton, knitted	7.22%
610910	T-shirts, singlets and other vests, of cotton, knitted	6.09%
610990	T-shirts, singlets and other vests, of other textile materials, knitted	3.61%
611011	Jerseys, pullovers, cardigans, waistcoats and similar articles, of wool, knitted or crocheted (excl. wadded waistcoats)	4.96%
611012	Jerseys, pullovers, cardigans, waistcoats and similar articles, of hair of Kashmir cashmere" goats, knitted or crocheted (excl. quilted articles)"	5.37%
611019	Jerseys, pullovers, cardigans, waistcoats and similar articles, of fine animal hair, knitted or crocheted (excl. from hair of Kashmir cashmere" goats and quilted articles)"	5.87%
611020	Pullovers, cardigans and similar articles of cotton, knitted	5.51%
611219	Track-suits of textile materials, knitted or crocheted (excl. cotton or synthetic fibres)	4.59%
611300	Garments, knitted or crocheted, rubberized or impregnated, coated or covered with plastics or other materials (excl. babies' garments and clothing accessories)	15.00%
611420	Special garments for professional, sporting or other purposes, n.e.s., of cotton, knitted or crocheted	15.00%
611430	Special garments for professional, sporting or other purposes, n.e.s., of man-made fibres, knitted or crocheted	15.00%
611490	Special garments for professional, sporting or other purposes, n.e.s., of textile materials, knitted or crocheted (excl. of wool, fine animal hair, cotton and man-made fibres)	15.00%
611510	Graduated compression hosiery [e.g., stockings for varicose veins], of textile materials, knitted or crocheted (excl. hosiery for babies)	5.00%

611521	Pantyhose and tights of synthetic fibres, knitted or crocheted, measuring per single yarn < 67 decitex (excl. graduated compression hosiery)	12.00%
611522	Pantyhose and tights of synthetic fibres, knitted or crocheted, measuring per single yarn >= 67 decitex (excl. graduated compression hosiery)	12.00%
611529	Pantyhose and tights of textile materials, knitted or crocheted (excl. graduated compression hosiery, those of synthetic fibres and hosiery for babies)	12.00%
611530	Women's full-length or knee-length hosiery, knitted or crocheted, measuring per single yarn < 67 decitex (excl. graduated compression hosiery, pantyhose and tights)	12.00%
611594	Full-length or knee-length stockings, socks and other hosiery, incl. footwear without applied soles, of wool or fine animal hair, knitted or crocheted (excl. graduated compression hosiery, pantyhose and tights, women's full-length or knee-length stockings, measuring per single yarn < 67 decitex, and hosiery for babies)	12.00%

Source: ITC Market Access Map.

Table 24: Russia Federation Tariff schedule on different products:

Product Code	Product Description	Total ad valorem tariff
610120	Overcoats, car-coats, capes, cloaks, anoraks, incl. ski-jackets, wind-cheaters, wind-jackets and similar articles of cotton, for men or boys, knitted or crocheted (excl. suits, ensembles, jackets, blazers, bib and brace overalls and trousers)	10.00%
610130	Overcoats, car-coats, capes, cloaks, anoraks, incl. ski-jackets, wind-cheaters, wind-jackets and similar articles of man-made fibres, for men or boys, knitted or crocheted (excl. suits, ensembles, jackets, blazers, bib and brace overalls and trousers)	10.00%
610190	Overcoats, car-coats, capes, cloaks, anoraks, incl. ski-jackets, wind-cheaters, wind-jackets and similar articles of textile materials, for men or boys, knitted or crocheted (excl. of wool, fine animal hair, cotton and man-made fibres, suits, ensembles, jackets, blazers, bib and brace overalls and trousers)	10.00%
610210	Womens/girls overcoats, anoraks etc. ,of wool or fine animal hair, knitted	6.48%
610220	Womens/girls overcoats, anoraks etc., of cotton, knitted	9.69%
610230	Womens/girls overcoats, anoraks etc., of man-made fibres, knitted	10.00%
610290	Womens/girls overcoats, anoraks etc. of other textile materials, knitted	10.00%
610310	Men's or boys' suits of textile materials, knitted or crocheted (excl. tracksuits, ski suits and swimwear)	10.00%
610322	Mens/boys ensembles, of cotton, knitted	10.00%
610323	Mens/boys ensembles, of synthetic fibres, knitted	7.77%
610329	Mens/boys ensembles, of other textile materials, knitted	6.48%
610331	Mens/boys jackets and blazers, of wool or fine animal hair, knitted	2.42%
610332	Mens/boys jackets and blazers, of cotton, knitted	10.00%
610333	Mens/boys jackets and blazers, of synthetic fibres, knitted	10.00%
610339	Mens/boys jackets and blazers, of other textile materials, knitted	10.00%

610341	Mens/boys trousers and shorts, of wool or fine animal hair, knitted	10.00%
610342	Mens/boys trousers and shorts, of cotton, knitted	9.55%
610343	Mens/boys trousers and shorts, of synthetic fibres, knitted	7.60%
610349	Mens/boys trousers and shorts, of other textile materials, knitted	8.00%
610413	Womens/girls suits, of synthetic fibres, knitted	10.00%
610419	Womens/girls suits, of other textile materials, knitted	8.77%
610422	Womens/girls ensembles, of cotton, knitted	10.00%
610423	Womens/girls ensembles, of synthetic fibres, knitted	10.00%
610429	Womens/girls ensembles, of other textile materials, knitted	2.59%
610431	Womens/girls jackets, of wool or fine animal hair, knitted	2.16%
610432	Womens/girls jackets, of cotton, knitted	5.28%
610433	Womens/girls jackets, of synthetic fibres, knitted	10.00%
610439	Womens/girls jackets, of other textile materials, knitted	2.70%
610441	Womens/girls dresses, of wool or fine animal hair, knitted	1.25%
610442	Womens/girls dresses, of cotton, knitted	10.00%
610443	Womens/girls dresses, of synthetic fibres, knitted	10.00%
610444	Womens/girls dresses, of artificial fibres, knitted	4.47%
610449	Womens/girls dresses, of other textile materials, knitted	1.63%
610451	Womens/girls skirts, of wool or fine animal hair, knitted	1.65%
610452	Womens/girls skirts, of cotton, knitted	7.41%
610453	Womens/girls skirts, of synthetic fibres, knitted	5.42%
610459	Womens/girls skirts, of other textile materials, knitted	5.56%
610461	Womens/girls trousers and shorts, of wool or fine animal hair, knitted	5.93%
610462	Womens/girls trousers and shorts, of cotton, knitted	7.46%
610463	Womens/girls trousers and shorts, of synthetic fibres, knitted	5.42%
610469	Womens/girls trousers and shorts, of other textile materials, knitted	7.22%
610510	Mens/boys shirts, of cotton, knitted	4.47%
610520	Mens/boys shirts, of man-made fibres, knitted	3.11%
610590	Mens/boys shirts, of other textile materials, knitted	6.00%
610610	Womens/girls blouses and shirts, of cotton, knitted	5.02%
610620	Womens/girls blouses and shirts, of man-made fibres, knitted	3.78%
610690	Womens/girls blouses and shirts, of other materials, knitted	1.76%
610711	Mens/boys underpants and briefs, of cotton, knitted	5.67%
610712	Mens/boys underpants and briefs, of man-made fibres, knitted	3.93%
610719	Mens/boys underpants and briefs, of other textile materials, knitted	3.66%
610721	Mens/boys nightshirts and pyjamas, of cotton, knitted	6.88%
610722	Mens/boys nightshirts and pyjamas, of man-made fibres, knitted	5.25%
610729	Mens/boys nightshirts and pyjamas, of other textile materials, knitted	5.64%
610791	Mens/boys bathrobes, dressing gowns etc of cotton, knitted	6.32%
610799	Mens/boys bathrobes, dressing gowns, etc. of other textile materials, knitted	4.92%
610811	Womens/girls slips and petticoats, of man-made fibres, knitted	2.45%
610819	Womens/girls slips and petticoats, of other textile materials, knitted	2.29%
610821	Womens/girls briefs and panties, of cotton, knitted	4.58%
610822	Womens/girls briefs and panties, of man-made fibres, knitted	2.80%
610829	Womens/girls briefs and panties, of other textile materials, knitted	2.57%
610831	Womens/girls nightdresses and pyjamas, of cotton, knitted	6.56%

610832	Womens/girls nightdresses and pyjamas, of man-made fibres, knitted	4.49%
610839	Womens/girls nightdresses & pyjamas of other textile materials, knitted	2.04%
610891	Womens/girls bathrobes, dressing gowns, etc, of cotton, knitted	6.18%
610892	Womens/girls bathrobes, dressing gowns, etc,of man-made fibres,knitted	4.32%
610899	Women's or girls' négligés, bathrobes, dressing gowns, house jackets and similar articles of textile materials, knitted or crocheted (excl. of cotton or man-made fibres, vests, slips, petticoats, briefs and panties, nightdresses, pyjamas, brassieres, girdles, corsets and similar articles)	1.08%

Source: ITC Market Access Map.

Table 25: Top RMG Products Export to CIS Market

Product Code	Product Description
610910	T-shirts, singlet and other vests, of cotton, knitted
611020	Pullovers, cardigans and similar articles of cotton, knitted
611030	Pullovers, cardigans and similar articles of man-made fibres, knitted
610510	Mens/boys shirts, of cotton, knitted
610462	Womens/girls trousers and shorts, of cotton, knitted
611120	Babies garments and clothing accessories of cotton, knitted
610990	T-shirts, singlet and other vests, of other textile materials, knitted
610610	Womens/girls blouses and shirts, of cotton, knitted
610711	Mens/boys underpants and briefs, of cotton, knitted
610442	Womens/girls dresses, of cotton, knitted
620342	Mens/boys trousers and shorts, of cotton, not knitted
620462	Womens/girls trousers and shorts, of cotton, not knitted
620520	Mens/boys shirts, of cotton, not knitted
620630	Womens/girls blouses and shirts, of cotton, not knitted
620530	Mens/boys shirts, of man-made fibres, not knitted
620920	Babies garments and clothing accessories of cotton, not knitted
621210	Brassieres and parts thereof, of textile materials
620343	Mens/boys trousers and shorts, of synthetic fibres, not knitted
620193	Mens/boys anoraks and similar articles,of man-made fibres,not knitted
620640	Womens/girls blouses and shirts, of man-made fibres, not knitted

Table 26: Non-Tariff measures in CIS Market faced by Bangladesh

Product Code	Product Description	Non-Tariff Measures
610910	T-shirts, singlets and other vests, of cotton, knitted	NTM Code Measures applied ➤ B211: Labelling requirements ➤ B270 : Other product characteristics requirements ➤ B310 : Certification requirement ➤ F290: Additional charges
611020	Pullovers, cardigans and similar articles of cotton, knitted	
611030	Pullovers, cardigans and similar articles of man-made fibres, knitted	
610510	Mens/boys shirts, of cotton, knitted	
610462	Womens/girls trousers and shorts, of cotton, knitted	
611120	Babies garments and clothing accessories of cotton, knitted	

610990	T-shirts,singlets and other vests,of other textile materials,knitted	➤ A830: Certification requirement ➤ A840: Inspection requirement ➤ C300: Requirement to port of customs
610610	Womens/girls blouses and shirts, of cotton, knitted	
610711	Mens/boys underpants and briefs, of cotton, knitted	
610442	Womens/girls dresses, of cotton, knitted	
620342	Mens/boys trousers and shorts, of cotton, not knitted	
620462	Womens/girls trousers and shorts, of cotton, not knitted	
620520	Mens/boys shirts, of cotton, not knitted	
620630	Womens/girls blouses and shirts, of cotton, not knitted	
620530	Mens/boys shirts, of man-made fibres, not knitted	
620920	Babies garments and clothing accessories of cotton, not knitted	
621210	Brassieres and parts thereof, of textile materials	
620343	Mens/boys trousers and shorts, of synthetic fibres, not knitted	
620193	Mens/boys anoraks and similar articles,of man-made fibres,not knitted	
620640	Womens/girls blouses and shirts, of man-made fibres, not knitted	

Source: ITC

Oceania Region:

Bangladesh has huge potentials to Oceania region. Bangladeshi export is increasing day by day in this region. In this region Australia is the main destination. Bangladesh enjoys duty free market access in Australia and New Zealand in this region. Other countries export tariff like: 32% by Fiji, 25% by Papua New Guinea, 20 % by Samoa. A tariff schedule is given here to realise the tariff structure of this region. In the following a list of products are also given. These products are most popular export items in this region. Bangladesh faces on average 12.44 % tariff on these products.

Table 27: Tariff faced by Bangladesh in Oceania Market

Importing Country	Total ad valorem equivalent tariff	National Tariff lines
Australia	0%	1
Cook Islands	0%	1
Fiji	32.00%	1
French Polynesia	15.00%	1
Kiribati	60.00%	1
Micronesia (Federated States of)	4.00%	1
New Zealand	0%	1
Palau	3.00%	1
Papua New Guinea	25.00%	1
Samoa	20.00%	1
Solomon Islands	10.00%	1
Tonga	15.00%	1
Tuvalu	23.00%	1
Vanuatu	15.00%	1
Wallis and Futuna	6.00%	1

Source: ITC Macmap.

Middle East:

Bangladesh has potentials in Middle East for RMG export. But Bangladesh faces huge tariff and strict non-tariff barriers. At present, a number of countries are in unstable situation both in politically and economically. Main export destinations for Bangladesh are Bahrain, Egypt, Iran, Jordan, Kuwait, Turkey etc. Different countries impose different rates of tariff. Among the most familiar destinations of Bangladesh, Egypt and Turkey are our world competitors in the world apparel market. Egypt impose 40 %, Jordan 20 % and Turkey 12 %. Beside high tariff Bangladesh faces non-tariff barriers like: B110: prohibition for TBT reasons , B210: Tolerance limit for contamination by certain substances , B220:restricted use of certain substances , B310: Labelling requirements, B320: Marking requirement, B330: packaging requirements, B600: product identity requirements, B700: Product quality requirements, B820: Testing requirements, B830:certification requirements, B840: Inspection requirements, C900: her formalities, E321: Prohibition for religious, moral or cultural reasons, E322:Prohibition for political reasons(embargo), F610: or Customs Inspections, processing and servicing fees. A list of familiar exportable items to Middle East is given below.

Table 28: Tariff faced By Bangladesh in Middle East Market

Importing Country	Total ad valorem equivalent tariff	National Tariff lines
Bahrain	5.00%	1
Egypt	40.00%	1
Iran (Islamic Republic of)	100.00%	1
Jordan	20.00%	1
Kuwait	5.00%	1
Lebanon	10.16%	1
Oman	5.00%	1
Qatar	5.00%	1
Saudi Arabia	5.00%	1
Turkey	12.00%	2
United Arab Emirates	5.00%	1

Source: ITC Market Access Map.

Table 29: Non-Tariff measures in Middle East Market for Bangladesh

Product Code	Product Description	Non-Tariff Measures
610910	T-shirts, singlets and other vests, of cotton, knitted	NTM Code Measures applied <ul style="list-style-type: none"> ➤ B110: prohibition for TBT reasons. ➤ B210: Tolerance limit for contamination by certain substances ➤ B220:restricted use of certain substances ➤ B310: Labelling requirements. ➤ B320: Marking requirement ➤ B330: packaging requirements
611020	Pullovers, cardigans and similar articles of cotton, knitted	
611030	Pullovers, cardigans and similar articles of man-made fibres, knitted	
610510	Mens/boys shirts, of cotton, knitted	
610462	Womens/girls trousers and shorts, of cotton, knitted	

611120	Babies garments and clothing accessories of cotton, knitted	<ul style="list-style-type: none"> ➤ B600: product identity requirements ➤ B700: Product quality requirements. ➤ B820: Testing requirements ➤ B830:certification requirements ➤ B840: Inspection requirements ➤ C900: other formalities ➤ E321: Prohibition for religious, moral or cultural reasons. ➤ E322:Prohibition for political reasons(embargo) ➤ F610: or Customs Inspections, processing and servicing fees. ➤ F620: merchandise handling fees. ➤ G320:Bank Authorization ➤ G390:foren exchange regulation ➤ H290: Compulsory national services
610990	T-shirts,singlets and other vests,of other textile materials,knitted	
610610	Womens/girls blouses and shirts, of cotton, knitted	
610711	Mens/boys underpants and briefs, of cotton, knitted	
610442	Womens/girls dresses, of cotton, knitted	
620342	Mens/boys trousers and shorts, of cotton, not knitted	
620462	Womens/girls trousers and shorts, of cotton, not knitted	
620520	Mens/boys shirts, of cotton, not knitted	
620630	Womens/girls blouses and shirts, of cotton, not knitted	
620530	Mens/boys shirts, of man-made fibres, not knitted	
620920	Babies garments and clothing accessories of cotton, not knitted	
621210	Mens/boys trousers and shorts, of synthetic fibres, not knitted	
620343	Mens/boys trousers and shorts, of synthetic fibres, not knitted	
620193	Mens/boys anoraks and similar articles,of man-made fibres,not knitted	

Source: ITC Standard Map.

South America:

Latin America is the most emerging export destination for Bangladesh. The main countries in this region are Brazil, Chile, Peru, Panama and Colombia. Other potential countries are: Ecuador, Argentina, Uruguay, Paraguay etc. But Bangladesh faces huge tariff in this region. Brazil is the main country which impose 35 % on Bangladesh. Other countries like: Argentina: 35.00%, Ecuador: 26.39%, Colombia: 15.00%. Bangladesh can explore more and more bilateral trade agreement within this region for tariff minimisation. Beside Tariff, Bangladesh faces strict nontariff barriers like: B310: Labelling requirements, B150: Registration requirement for importers for TBT reasons B830: Certification requirement.

Table 30: Tariff faced By Bangladesh in South American Market

Importing Country	Total ad valorem equivalent tariff	National Tariff lines
Anguilla	15.00%	1
Antigua and Barbuda	20.00%	1
Argentina	35.00%	2
Aruba	6.00%	1
Bahamas	20.00%	1
Barbados	20.00%	1
Belize	20.00%	1
Bermuda	6.50%	1
Bolivia	40.00%	2
Brazil	35.00%	2
Chile	6.00%	1
Colombia	15.00%	2
Costa Rica	14.00%	2
Cuba	15.00%	1
Dominica	20.00%	1
Dominican Republic	20.00%	2
Ecuador	26.39%	2
El Salvador	15.00%	2
Grenada	20.00%	1
Guatemala	15.00%	2

Source: ITC Market Access Map.

Table 31: Non-tariff faced By Bangladesh in South America Market

NTM code	Measures
B310	Labelling requirements
B150	Registration requirement for importers for TBT reasons
B830	Certification requirement

Source: ITC Standard Map.

Chapter Eight: Strategies to Achieve the Goal of \$50 Billion Export

8.1 Market diversification:

This is also an area of opportunity for us. Bangladesh's apparel exports are mostly concentrated to two major destinations – which are EU and North America. However, this is quite encouraging to notice that over the last five years a remarkable progress has been achieved in diversifying our exports to non-traditional markets. The share of our apparel export to markets other than EU and North America was 2% in 2005-06 fiscal year which has increased to 15% in the 2015-16 fiscal year and 26% in 2016-2017 fiscal year.

Table 32: Major Export Markets for Bangladesh's RMG				
(Value in Million US\$)				
	2005-06	2010-11	2015-16	2016-17
EU	4708.76	10522.52	17153.36	17750.60
USA	2631.28	4625.16	5624.92	5204.01
Canada	368.22	894.67	998.44	946.30
Others	192.54	1872.11	4317.46	4248.92
Total	7900.80	17914.46	28094.17	28149.84
Major Export Markets for Bangladesh's RMG				
(Share of RMG Export in %)				
EU	60%	59%	61%	63%
USA	33%	26%	20%	18%
Canada	5%	5%	4%	3%
Others	2%	10%	15%	15%

Source: Calculated from Data of EPB.

Over the last 6 years significant improvement has taken place in export to Japan, China, India, South Korea, South Africa, Russia, Brazil, Mexico and Chile.

Table 33: Bangladesh's RMG Exports to Selected Non-Traditional Markets						
(Value in Million US\$)						
	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Australia	307.54	428.44	430.76	533.63	636.27	582.02
Brazil	127.78	171.84	170.24	186.44	120.20	99.81
Chile	16.93	28.31	33.01	33.24	45.89	58.87
China	104.52	139.14	241.37	304.94	341.22	391.60
India	55.02	75.21	96.25	104.25	136.42	129.81
Japan	403.65	478.48	572.27	652.55	774.47	744.48
Korea Rep.	80.01	114.39	135.60	156.36	186.16	164.83
Mexico	98.65	110.21	124.63	128.89	148.82	124.84
Russia	76.49	139.55	207.74	214.39	249.16	379.41
South Africa	55.76	57.66	48.55	164.72	66.87	57.98
Turkey	355.93	415.31	622.37	389.90	460.29	381.37
Other Non-Traditional Countries	292.06	491.57	627.60	1038.60	1151.69	1133.91

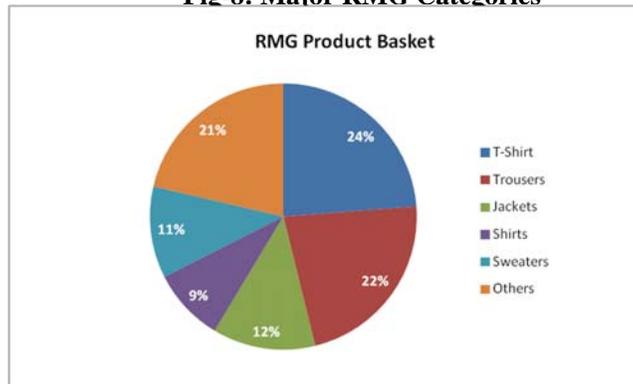
Source: Calculated from Data of EPB.

The European Union (EU) is the largest destination for Bangladesh knitwear products, worth of value \$9.4 billion with share of 70.52% exported in the year 2015-16 followed by the USA with \$1.4 billion and a share of 10.45%. It is encouraging to note that over the last five years, remarkable progress has been achieved in diversifying our exports to non-traditional markets. The share of our apparel export to markets, other than EU and USA, was 6.88 percent (2008-09) fiscal year which has increased to around 18.04 percent in (2016-17). Overall, in the last five years, a significant amount of export has risen to Australia, Japan, China, Russia, Turkey, Brazil, Mexico, South Korea, Malaysia, India and Argentina, South Africa, UAE. BKMEA is eyeing to grasp new markets in the countries like Belarus, Chile, Paraguay, Kyrgyzstan, Kenya, Nigeria, Qatar, Saudi Arabia etc.

8.2 Product Diversification and Value Addition:

Besides the capability of producing basic items in bulk volume, Bangladesh is gearing up to cater to the need of high-end and branded fashion segments. Important to note that the majority (around 79%) of our export items are concentrated in five basic products – trouser, t-shirt, sweater, shirts, and jackets mostly made of cotton. In recent years export is being expanded to other items like - suits/blazers, lingerie, jackets, swimwear, sportswear, uniform, raincoat, fishing wear, etc.

Fig-8: Maior RMG Categories



Product diversification is an essential part of the market expansion. Bangladesh should focus more on high-end products while the country produces 30 percent high-end products of the total RMG exportable garment annually. As the rate of high-end production is increasing some internationally renowned buyers are also coming to the country with higher volume. Hugo Boss, Adidas, Puma, Tommy Hilfiger, G-Star, Diesel, Ralph Lauren, Calvin Klein, DKNY, Nike, Benetton and Mango have firm footing in Bangladesh now. A few non-traditional products also have great potentials of export globally as having higher demand. Some sectors are given below-

An analysis of the last 14 years knit product export data has shown that Bangladesh exports only no fancy products (t-shirts, polo shirts and sweaters) in bulk amount. But a change in taste and fashion of the consumers worldwide has increased the demand of the fancy products (fashion products).

Especially in the African and Latin American countries, Caribbean Islands and the new developing economic countries have showcased sharp rise in the demand for fashion products. To cope with the changing demand of the global market, the member factories of BKMEA have introduced fashion items in their production line side by side the traditional products. We are assuming that Bangladesh will be able to diversify its knit fashion products vastly by 2020 and by 2050 Bangladesh will occupy the leading spot for production and export of knit fashion items.

8.3 Marketing and Branding

RMG sector of Bangladesh is ahead in marketing its ‘country branding’ but does lack in ‘product branding’. Brands serve several valuable functions. At their most basic level, brands serve as markers for the offerings of a firm. For customers, brands can simplify choice, promise a particular quality level, reduce risk, and/or engender trust. Brands are built on the product itself, the accompanying marketing activity, and the use by customers as well as others. Brands thus reflect the complete experience that customers have with products. Brands also play an important role in determining the effectiveness of marketing efforts such as advertising and channel placement¹³ (Keller and Lehmann, 2005). Finally, brands are an asset in the financial sense. Thus, brands manifest their impact at three primary levels- customer-market, product-market, and financial-market. The value accrued by these various benefits is often called brand equity.

- In line with the definition given by Keller and Lehmann (2005), RMG sector of Bangladesh should go for retail product branding with progressive marketing strategy by maintaining present quality standard and analysing consumer preferences that do change and differ over times. Retail branding would benefit this sector inlaying more currency if RMG items made in Bangladesh are sold at foreign retail stores at 5- 7 times higher prices under world renowned brands,

Table: Price difference of same RMG products at different levels

Men’s Polo Shirt		
	Average Selling Price to Buyer’s	US\$ 02.50-05.50
	Actual Price in foreign Retail Shop	US\$ 12.00-20.00
Men’s T-Shirt		
	Average Selling Price to Buyer’s	US\$ 02.00-03.00
	Actual Price in foreign Retail Shop	US\$ 10.00-15.00

Source: Akash, 2016.

In marketing, Bangladesh is far behind in negotiating with international buyers than India and China that is why still, it could not capture significant market share in Latin America, Eurasia and Gulf countries.

¹³ <http://bear.warrington.ufl.edu/CENTERS/MKS/invited/BRANDS%20AND%20BRANDING.pdf>

8.4 Efficiency of customs administration:

A transparent and efficient customs administration is ideal for export success. Again, it is not enough to provide green channel clearance for RMG cargo while leaving the remaining exports at the mercy of an archaic and incompetent customs administration.

8.5 Efficiency of import-export procedures:

It would be foolish to think that improving trade infrastructure means focusing on rapid clearance of export cargo. Export and imports are intricately linked so that export performance depends critically on simplification of import procedures as well. Modernisation of import clearance by installing the latest machinery and equipment along with IT software's is absolutely critical to achieve the various forms of export diversification that have been discussed in this report.

8.6 Transparency and efficiency of behind-the-border services:

Besides providing the support of modern banking and financial institutions to trade, industrial and investment policies need to be brought in line with those of trading partners and comparators so that a dynamic export sector can be sustained for the long-term. Also critical is the need to make a real friendly investment atmosphere that will foster FDI into GVCs linking Bangladesh with transnational companies elsewhere.

8.7 Availability and quality of transport infrastructure and services:

Improving trade logistics will definitely enhance competitiveness of exports. First, land and sea ports must be equipped with state of the art facilities – container depots, gantry cranes, IT-enabled port clearance services, etc. -- for rapid clearance of import-export cargo. Road, rail, river, and air transports linking the hinterland to the ports must be developed to the highest level of sophistication so that transaction time and costs are minimal, to ensure export competitiveness.

8.8 Availability and use of IT:

Export success along with export diversification calls for rapidly installing state of the art IT equipment and software for handling activities at the ports but also inland for as much of the behind-the-border activities as are related to trade. Export competitiveness in the 21st century is as much a matter of producing at the lowest cost as it is about producing with the support of the best and latest technology. In this regard, it is critical to run and stay with the latest versions of hardware and software, or else export success could be short-lived.

8.9 Regulatory environment:

Export success begins with setting up and conducting a business in an atmosphere of certainty. It is not helpful to exports that Bangladesh continues to fall behind its comparators in terms of governance and ease of doing business indicators. Repeated surveys have shown that businesses find

the regulatory environment both oppressive and non-transparent, while administration is riddled with corruption. Export diversification requires moving into new markets with new products and unless this is facilitated with a friendly regulatory environment and ease with which to start and run a business, that objective might remain a distant dream.

8.10 Research and development:

Bangladesh ranks poorly amongst its competitors when it comes to spending on R&D in the manufacturing sector – with a miniscule share of GDP going into R&D. This is one area where public-private collaboration is essential in building institutions that can encourage market oriented research to create new marketable products or improve existing products in order to move up the value chain, both of which will advance export diversification.

Chapter Nine: Capacity Building of Workers

Abundant supply of Labour is the main driver of the growth and development of Readymade Garments sector in Bangladesh. But the sector has greatly suffered due to the skill gap of not only at the worker level but also at the managerial level. Experts say readymade garments (RMG) sector of Bangladesh is facing serious shortage of skilled labor, which can be seen as a constraint in enjoying the full potential of the sector and in achieving the **50 billion US\$** target.

At present the country's apparel sector is facing the shortage of about 0.11 million skilled manpower, from floor to executive level, as per the Directorate of Textile (DoT).

The labor productivity of Bangladesh in RMG sector is poor compared to the major competitor countries e.g. China, Vietnam, Sri Lanka, South Korea and Hong Kong. Competitiveness and wage level of RMG are held back due to shortage of skilled labor.

According to Woodruff (2014), mid-level management skills are under-developed in the sector of RMG. Survey shows that only 20% of the supervisors received any formal training for their jobs where only 5% have received that training outside of the factory. Moreover, it is seen that though while 80% of machine operators are women, only around 10% are working at managerial level.

The government has undertaken a plan to meet the shortage of textile engineers and technologists by setting up at least two dozen textile engineering colleges and vocational institutes. According to sources, there is a 25 per cent shortage of skilled workers in Bangladesh's RMG industry. (BTT, October, 2015)

Realising the need for skilled human resource, the Government of Bangladesh has allocated Tk. 100 Crore for the National Human Resource Development Fund (NHRDF) for FY 2015-16. Presently 22 ministries and divisions are involved in implementing labor skill development activities. Besides, Finance Division has undertaken a project titled "Skills for Employment Investment Programme" to enhance skills of 15 lakh people in three phases. 32 government training institutions under three ministries, SME division of the Bangladesh Bank, PKSF and nine industry associations would provide the training and at least 70% of the participants would be employed in relevant industries.¹⁴

9.1 Programmes and initiatives taken by different organisations:

9.1.1 Bangladesh Knitwear Manufacturers and Export Association (BKMEA):

✚ **Social Compliance Up-gradation:** BKMEA has formed a Social Compliance Cell to monitor compliance status of member factories on a regular basis since 2006.

BKMEA developed a unified checklist, which contains 100 marks on the successful implementation of compliance issues based on 'National Labor Law 2006', Code of Conducts (COC) and others applicable national & international rules & regulation and graded the factories on four grades according to marks they obtained.

¹⁴ http://r4d.dfid.gov.uk/pdf/outputs/ESRC_DFID/60970_Bangladesh_garment_sector_essays.pdf

- ✚ Compliance Cell has been providing both Mid-level Management and workers training on key compliance issues like Employment Condition, Working Hours, Leaves and Holidays, Maternity benefits, Wage Benefits, Welfare Issues, Occupational Health, Fire Safety, Chemical Safety, Industrial Relation, Environment Safety etc.

Table 34: BKMEA’s Social Compliance Trainings

Name	Year	Number of Training /workshop	Number of Participants Per Batch	Total Participant
Mid-Level Training	2007 - 2014	140	25	3500
Workers 'Awareness Training about Employment & Safety Issues	2008-2014	595	25	14875
Owner Discussion Session	2007-2014	60	50	3000

Source: Compliance Cell, BKMEA.

- ✚ In order to prevent a fire-related accident, BKMEA Fire Safety Cell regularly conducts training activities and fire drills at its member factories.

Table 35: Activities Report on Fire Safety Duration-November 2009 – July 2015

(Factory Based Training)

Years	Qualified	Fire Drill
2009 (Nov-Dec)	732	20
2010	1812	155
2011	2831	97
2012	3342	92
2013	6556	215
2014	6669	152
2015 (July)	1563	35
Grand Total	23505	766

Source: Fire Safety Cell, BKMEA.

Along with this, the Social Compliance cell has been involved in creating awareness both on worker and factory owner through publishing handbooks on labor laws, compliance guidelines and different kinds of awareness raising posters & stickers on health and safety issues, service book, minimum wage requirement, grievance procedure, environment, basic rights of workers etc.

✚ Environmental Sustainability Programme:

BKMEA has started providing consultancy services to its member factories on chemical management system, ETP and cleaner production management (CPM). The mission is to make the Bangladesh Knitwear industry a chemically and environmentally sustainable sector through the passage of time, which must be green, sound, eco-friendly at the same time. BKMEA has initiated the green industry development cell (GID) in early 2015. One of the major objectives of the cell is to reduce the overall negative impact on the environment with regards to the knitwear sector by

providing the sound support it needs.

Productivity Improvement Programme:

Bangladesh RMG sector is currently passing through very hard times as well as facing a lot of adjustment problems for several reasons including the increment in the wages of workers and prices of essential raw materials, the cost of production is mounting day by day. So the only way to cope with the situation is to reduce manufacturing wastage and to increase the productivity by implementing Industrial Engineering and Lean Manufacturing Systems.

In this regard, BKMEA has initiated the Productivity Improvement Program since 2006 under Institute of Apparel Research and Technology (iART) facilitating the member factories.

BKMEA PIC has already provided Industrial Engineering and Lean Manufacturing consultancy services on Productivity improvement program for at least 70 factories from 2007 to till now.

PIC is currently providing the following Consultancy services, Operational Manuals and Training Programs in Garment Sector:

Factory Based Training & Consultancy Services

- Lean Manufacturing system
- Industrial Engineering
- Garments Quality assurance system
- Floor layout design
- Fabric optimisation & cutting technology

Management Certificate Course

- Apparel Merchandising
- Industrial Engineering & Lean Manufacturing system
- Production planning & supply chain management
- Textile testing & lab management

Total numbers of 1867 trainees (Management Certificate Course) have successfully completed Management Training Program and Total numbers of 1850 trainees (Factory Based Training) have received certificate and thus Garment industries have been benefited a lot after implementation of Industrial Engineering and lean manufacturing system.

Table 36: Key Performance Indicator

KPI Factory Name	Before Implementation of Industrial Engineering & Lean Manufacturing			After Implementation of Industrial Engineering & Lean Manufacturing		
	Line Efficiency (%)	Line Balancing (%)	Alter (%)	Line Efficiency (%)	Line Balancing (%)	Alter (%)
A	65%	60%	9%	75%	70%	4%

B	52%	59%	-	65%	80%	-
C	55%	58%	12%	70%	75%	5%
D	50%	55%	15	70%	70%	5%
E	57%	59%	14%	72%	80%	6%

Source: PIC Cell, BKMEA.

✚ Skills for Employment Investment Program (SEIP):

The overall objective of the Skills for Employment Investment Program (SEIP) project is to qualitatively and quantitatively expand the skilling capacity of identified public and private training providers by establishing and operationalising a responsive skill eco system and delivery mechanism through a combination of well-defined set of funding triggers and targeted capacity support. This project has been helping in reducing existing glaring skills-gap, which in turn is crucial for Bangladesh to move away from the current “low-skill, low-wage equilibrium” to a higher skill, higher wage equilibrium necessary for the transition to a middle income country.

BKMEA offer modular based training program such as:

i. Lean Manufacturing System (2 months)	vii. Apparel Merchandising (6 months)	xii. Fire Safety Management & Risk Assessment (1 month)
ii. Industrial Engineering (2 months)	viii. Social Compliance & CSR Issues (6 months)	xiii. Market Analysis & Export Promotion (MAEP) (1.5 months)
iii. Garments Quality Assurance System (2 months)	ix. Industrial Engineering & Lean Manufacturing (4 months)	xiv. Tactics of Commercial Activities (1 month)
iv. Fabric Optimisation & Cutting Technology (2 months)	x. Textile Testing & Lab Management (2 months)	xv. Skill Training Program - Operator Training
v. Fire Safety Management & Risk Assessment (2 months)	xi. Production Planning & Supply Chain Management (3 months)	
vi. Social Compliance Norms (1 month)		

✚ Top & Mid-Level and Others Activities Management Training Course

1. Day Long Training (Top and Mid-Level Management Training)
2. 2 Weeks Training on Fire Safety Mechanism (Short Course)
3. 2 Weeks Training on ACCORD, ALLIANCE, Bangladesh National Building Code (BNBC) Standard
4. Advocacy Service based on Local & International Law

9.1.2 Alliance:

The Alliance for Bangladesh Worker Safety committed to provide training for workers and management in 100% of Bangladeshi RMG factories producing for Alliance members. They focused on the areas of

- Specialised training for key groups (e.g. guards, contractors, worker safety committee members); and
- Integration of fire and building safety training and practices into factory management systems.

Before the starting of the training programme, alliance conducted study on workers knowledge, awareness, perception, and integration related to fire safety and used that to develop the trainings.

This fire safety training program included

- ✓ Focused on fire prevention, protection, and evacuation (not fire-fighting);
- ✓ Was designed for a lower-literacy audience (relying on participatory exercises and use of pictures);
- ✓ Was implemented through a Train-the-Trainer model that relied on 40+ third party trainers to train factory ambassadors, who in turn trained workers in their factories; and
- ✓ Reached over 1.2 million workers in all Alliance factories.

Alliance Accomplishments at a Glance

Training

- 597 Number of factories with worker training completed;
- 47 Number of factories with worker training in progress;
- 1,115,170 (93%) Workers trained in fire safety (based on estimated worker total);
- 287 Number of factories randomly spot-checked for compliance with training program;
- 133 Number of factories that have received assistance from a third party trainer to complete training;
- 650 Number of factories with security guard training completed; and
- 13,800 (82%) Number of security guards trained.

9.1.3 Ahsania Mission:

Ahsania Mission has also conducted several programs regarding skill development and capacity building of workers of RMG sectors of Bangladesh.

DAM has successfully completed the program in January 2011 and provided skills training of 630 people and 625 out of them were placed in job directly as RMG Machine operators. The project offered training courses designed for different types;

- (1) Knitwear Garment (Sweater Knitting)
- (2) Knitwear Garment (Sweater Linking) and
- (3) Garment Machine Operation (Woven and knit Garment)

Under another programme named “Skills Development training for Garment Workers” from September 2010 which accommodated 300 workers.

9.1.4 Skill Development Programmes of BGMEA

- BGMEA and Department of Youth Development (DYD) started youth training in the Northern Part of Bangladesh through 2 centers at Gaibandha & Kurigram. Till date, this project has accommodated 15 thousand people for RMG factories and generated employment for poor marginal people.
- BGMEA runs two centers one in Tungipara and another one is Kotalipara with co-operation of BGMEA University of Fashion & Technology (BUFT). Participants who successfully accomplish the training are privileged with 100% guaranteed job placement through SDP cell BGMEA under this program. This programme has produced 2000 skilled operator for the sector since 2010 and still continuing its effort.
- BGMEA in collaboration with Manusher Jonno Foundation (MJF), a reputed NGO, started a training program funded by DFID in Sripur District. It is a short term program where around 500 workers would be trained and employed as machine operators in BGMEA's member factories.
- Considering the demand of garment based job and the desire of Local Government, BGMEA & BUFT jointly contributed machine, materials & job placement to set up 3 individual centers in Bagerhat, Faridpur & Bogura by infrastructural support of Local Government.
- Bangladesh Ansar & BGMEA started two different centers (sweater machine & plain sewing machine operator) in Ansar Academy shafipur. A huge number of skilled workers are getting trained there and receiving appointments in the factories after completion.
- BGMEA signed a MoU with UPPR, which is a project under UNDP namely "Urban Partnership for Poverty Reduction" to lessen the significant shortage of skilled workers and for meeting the growing demand for skilled labor. The program was financed by UKAID.
- Since 2010 a training programs financed by Ministry of Commerce for Skill Development of existing workers and midlevel management are in operation. BGMEA is playing a vital role as an implementing partner while Export Promotion Bureau (EPB) is acting as the monitoring and controlling authority.
- BGMEA has set-up a training center of 6328 sq/ft at Tongi area. The capacity of this center is 3200 trainees per year. The institution has a setup of- seven class rooms, administrative room, instructor's room, instructor's dormitory, 5 toilettes and a conference room with the capacity of 45 persons. BGMEA is conducting training program with Ministry of Commerce and UPPR over there.
- BGMEA has signed a Memorandum of Understanding (MoU) with Directorate of Technical Education under Ministry of Education to create skilled workforce for the RMG sector. World Bank is financing the project through the Implementation Grant by International Development Association (IDA). The project aims to produce 10,000 skilled workers at the initial stage annually.
- International Buyers like TESCO and DFID have started a training center for mid management to improve the production efficiency at factory level. Beside H & M and development partner SIDA are supporting BGMEA in starting 12 more centers.
- In collaboration with STEP (Skills and Training Enhancement Project), BMGMEA has implemented 5940 training programmes in 6 training institutes.
- 2790 labourers and 480 officials have successfully participated in training programs jointly organised by EPB and BGMEA under the Ministry of Commerce.

- Based on a Memorandum of Understanding (MoU) signed for 1 year between EPB and BGMEA on 08/12/2016, training has been provided to 100 batches in workers level and 60 batches in official level in enhancing skills of the workers and officials of the RMG sector.
- In the first stage of the BGMEA-SEIP project, 43800 workers will be trained among which 27600 are operators and upskill training will be given to 16200 people. Already we have given training to 20000 people among which 15000 are operators and upskill training has been given to 5000 people. Among them including 8000 operators and 2000 upskill people, total 10000 workers are working with efficiency in the RMG sector.
- This institute, CEBAI was established in December, 2014 by the BGMEA. CEBAI started its journey with the help of funds from SIDA and H&M and with the support of ILO. CEBAI undertakes various activities like research, consultancy, policy dialogue, training for human resource development etc. It has also undertaken training programs like National Technical & Vocational Quality Framework (NTVQF) to train 720 people (217 male and 503 female).
- Job fair for the handicaps titled “Inclusion of Handicaps in the Economy” was organised by BGMEA on 28th November, 2016. It ensures job for 41 handicaps through spot assessment (Interview).

9.1.5 Bangladesh Textile Mills Association (BTMA):

Skill for Employment & Investment Project (SEIP)

BTMA has taken a 3 years Project to implement Skill for Employment & Investment project for the employment seeking Textile Workers with the Financial Assistance of Asian Development Bank (ADB). Total 30960 persons will be trained under this project in 32 different disciplines of Spinning, Weaving & Processing to the different level Management staffs of Member Mills.

9.1.6 Programmes by Ministry of Labor Employment:

Ministry of Labor Employment have taken various skill development programmes in the RMG Sector:

- H&M and Swedish Government supported skills programme: This has aided the establishment of Center of Excellence (CoE) for Skills in RMG sector that was soft launched during the Apparel Summit.
- Enterprise Based Training on up-gradation of skills.

Chapter Ten: Major Challenges to Attain the Goal

For achieving \$50 billion target by 2021, Bangladeshi RMG sector needs concentration in the areas of infrastructure, productivity, financing and pricing. Other challenges include bureaucracy, corruption, slow backward or forward lending procedures, which raise the cost of doing business. McKinsey (2011) report cited Bangladesh as the next 'sourcing hotspot'.

10.1 Raw Materials

In Bangladesh, the scenario of backward linkage is not favourable at present. Too much dependence on imported raw materials might cause sourcing challenges. This dependency not only raises the lead time, but also can create volatility in the industry during any crisis in the global market. Quality of raw materials might also hamper the quality of the products.

Bangladesh is the second largest cotton importing country. It mainly imports cotton from India and China. India is now thinking about exporting yarn instead of cotton. This would create problem for Bangladesh in terms of value addition.

There are three steps for producing a finished garments; first step for converting fibers/cotton to yarns, second step for converting yarns to gray fabrics to dyed, printed or other finished fabrics. Out of these three, Bangladeshi industries only do knitting, finishing in knitwear sectors.

Bangladesh has some capacities in producing some of the threads and fabrics but is still far behind. For the raw materials, the country is fully dependent on imports, mainly cotton and other man-made fiber e.g. polyester, viscose and staple fibre. In the FY 2012-13, about US\$ 5.27 billion of the country's foreign currency was spent only for importing cotton, cotton yarn and fabrics as well as knit fabrics. The import growth was highest for the case of manmade fibres which grew by 54.6% from 2010 to 2014¹⁵.

Lack of textile industries is another challenge. Investment in these industry is needed. Technical workforce is also necessary for prosperity of this sector.

10.2 Utilities and Infrastructure/ Lack of Physical Infrastructure

The physical infrastructure of a country is essential for industrial development, especially for the SME sector development. It is obvious that in countries with poor infrastructure, business must devote more resources to such tasks as acquiring information, procuring inputs, and getting their products to market (World Bank and BEI, 2013). Physical infrastructure like roads and highways, electricity, gas, water, telephone etc. facilities in Bangladesh are not sufficient enough to provide congenial environment for SME development.

According to a study on Bangladesh RMG Sector, 80% of the managers of the Garments mentioned diesel and power crisis as one of the major challenges in order to achieve the target.

¹⁵<http://www.worldstopexports.com/bangladeshs-top-10-imports/>

While presenting a paper on the way forward of RMG sector, Islam¹⁶ (2014) mentioned that diesel run generator costs Tk 16.7 per kilo-watt, whereas for the government run power plants, the cost is only Tk 6.

Planned Economic Zones with adequate supply of utilities and transparent pricing policy for those are firstly required. Unsatisfactory conditions of roads and highways can be regarded as another challenge faced by the RMG sector. This major drawback increases the lead time, as it hampers smooth transportation process. On a presentation, Shafiul (2015) expressed the urgency of Dhaka-CTG, Dhaka- Mymensingh and Dhaka-Tangail highways. He also mentioned the needs of Dhaka-Chittagong dual gauge rail track and automation of port services.

Constrained availability of quality electricity is another challenge faced by the RMG sector of Bangladesh. The voltage fluctuations create problem for the automated machineries.

The Global Competitiveness report 2017-18 shows that the overall position of Bangladesh is 99th which is seven position better than last year.

Mckinsey report (2011) states that the lead time for sea consignments has increased by at-least 10 days due to lack of a deep sea port. Efficiency of the Chittagong sea port has also been hampered due to insufficient crane capacity and manual

10.3 Access to finance/Finance Gap

The RMG sector has significant contribution in the GDP of Bangladesh. This sector should get wide attention from the policy makers and mainstream financial institutions. After few inevitable incidences in RMG sector, buyer community of Bangladesh RMG product has launched a correction action plan for the RMG factory. Most of the factories are working on this. They have been developing their compliance and structural infrastructure following buyers' demand. Moreover, Green industry has become most attractive in entrepreneur community. To do this, they feel the lack of financing from the national and international sources.

In a discussion on RMG Sector of Bangladesh, businessmen expressed the needs of competitive interest rates for having smooth financing opportunities. Borrowing money with high interest rate is also considered to be a limitation for the businessmen. Huge investment is needed for meeting the compliance regulations. Government can encourage investors in setting backward and forward linkages of RMG industries for becoming self- dependent.

It is seen that, policies and government institutions are somehow reluctant in the case of financing for RMG sector. Financing is also needed for automation of the industry. Automation would not only increase the productivity, but also would attract the foreign buyers.

In classification, most of the RMG industries have been formed in SME criterion. Financing is needed at low cost for the SME RMG industries to survive. Though many donor agencies are ready to provide loan in lowest interest rate, the concerned factories are not being able to avail the loans finally.

It has been observed that banks usually do not pay attention towards SME financing. The reason behind this conservativeness is higher operational cost, but less return and high risk associated with the SME financing. Due to small loan size, the operational cost is higher and they require intensive

¹⁶<http://www.thedailystar.net/rmg-makers-list-hurdles-to-50b-exports-by-2021-50514>

monitoring and supervision. The main reason of higher risk is that small and medium entrepreneurs are highly unlikely to comply with the collateral requirements as typically they do not have immovable properties. With the excuse of collateral sometimes banks and Non-Bank Financial Institutions (NBFIs) are reluctant to finance SMEs. But when steps taken by the Government and International Agencies have identified SMEs as a priority sector, the government, in cooperation with Bangladesh Bank and different development partners, has initiated a number of measures with a view to making financial services easily available to this sector.

The SME sector in Bangladesh is facing several constraints on broad aspects like policy issues, legal, administrative and regulatory constraints, and financial constraints. Each of the broad aspect consists of several constraints issues. Another important issue is enabling business environment or market environment.

10.4 Price

After the Tazreen garments and Rana Plaza incidents, Bangladeshi RMG sector has gone through tremendous reforms in terms of safety of workers as part of needs of the buyers. This has increased the overall cost of production. However, prices have not increased.

10.5 Productivity of Workers

Lack of skilled workers can also be considered as a challenge in achieving the \$50 Billion export target. The level of productivity of Bangladeshi workers is noticeably low compared to the workers of the competitor countries. Mid-level managers are not trained as per requirements. Education level of workers is also an issue here.

10.6 Concentrated Export Destinations

Export destinations of the RMG of Bangladesh are not diversified and mainly depend on USA and EU markets. Therefore, any discrepancy in these market would seriously hamper the overall export of the sector. In order to achieve a large target, diversification of markets is a must. Markets like Middle-East, Russia and other CIS countries, Latin American countries can be potential markets for Bangladeshi RMG. Over the last five years, there has been a noteworthy upsurge in exports to Japan, China, India, South Korea, South Africa, Russia, Brazil, Mexico, and Chile¹⁷.

At present, the sector is not being able to export much in the middle-eastern countries due to lack of necessary steps for lobbying and advocacy. Government diplomacy can play a role here. According to a report, Bangladesh has the possibility of exporting RMG worth \$20 billion in this region.

10.7 Post-LDC Graduation Challenges:

One of the major advantages that help the Bangladeshi RMG industry grow is the Duty-Free-Quota Free Market Access that the country has been enjoying in most of the developed and some developing countries. This makes the RMG products of Bangladesh more cost competitive than its competitor countries like Vietnam.

¹⁷<http://www.dhakatribune.com/op-ed/2015/apr/09/where-can-rmg-go-next>

Bangladesh will, upon graduation from the LDC status in 2024, face tariffs in the major export destinations. Additional 6.7% tariff will be applied to Bangladeshi exports. Probable new tariffs for EU, non-EU, and Canada will be 8.7%, 3.9%, and 7.3%, respectively. Since more than 64% of the RMG products are destined to EU, it is likely that export would be hampered after graduation. The situation may aggravate as the main competitor country of Bangladesh in RMG, Vietnam has several bi-lateral and regional arrangements with importing countries and they would be having a comparative advantage over Bangladesh. Moreover, the Rules of Origin preference that the country is enjoying as being an LDC nation would also be eroded after graduation. These circumstances combined is expected to adversely affect the export of RMG from Bangladesh. As per a study by the United Nations Conference on Trade and Development (UNCTAD), Bangladesh may have 5.5% to 7.5%.decline in its export, once tariffs are imposed.

In this context, negotiation for bilateral and regional arrangements and preparation for obtaining GSP Plus (+) from the EU would be crucial.

10.8 Safety Standards

Social and safety compliance has emerged as a major issue for the RMG sector of Bangladesh. Bangladesh is under close scrutiny by international buyers and organisations regarding safety standards of labour. Most of the factories have vastly improved from their previous conditions, yet many need upgrading in order to retain international buyers. Inability in implementing international labour standards would result in losing global market. In addition to this, challenges exist in terms of law enforcement, child labour issues, cleaner production environment etc. Monitoring is needed to check that all code of conducts are maintained.

10.9 Government Development Expenditures

Small, medium and cottage enterprises have been identified as priority areas in 7th Five Year plan and Vision 2021. But the government's development expenditures do not focus on RMG SME development policy.

10.9.1 Trade Policy

During the last few years substantial reforms have been carried out in the external trade regime of Bangladesh due to Globalisation and trade liberalisation policy. The import procedure has been greatly eased and deregulated. Import tariffs have been lowered and quantitative restrictions have been virtually eliminated. All these have facilitated greater access of domestic producers to imported raw materials. However, import liberalisation has also exposed domestic producers to competition from foreign goods. Liberalisation of industrial and trade regimes along with globalisation are likely to have had significant effects on Bangladesh's SMEs.

10.9.2 Tariff rationalisation and proper valuation

The tariff policy on raw materials and finished goods is still irrational. There is no rational tariff policy that encourages domestic production in importing raw materials rather than importing finished goods. As there is no adequate gap between duty on raw materials and duty on finished products, under-invoicing and dumping is very common.

10.9.3 Tax incentive

Although the cottage industries are exempted from Value Added Tax (VAT), the manufacturers and those who render service are required to pay tax. Similarly, there are no differentiated treatments of SMEs either with respect to duty on capital machinery or direct taxes.

10.9.4 Transportations cost

Higher transportation cost has been hindering the growth of RMG sector. The World Bank-BEI enterprise level survey finds transport to be a bigger problem in Bangladesh than in some other countries. It is proven that road transportation cost is higher than water and railway transportation. Although we have the opportunity to use our rivers for water transportation, still this transportation does not get wide attention.

10.9.5 Lack of Entrepreneurship and Managerial Skills

Entrepreneurship skill lies at the heart of business activities of the modern world. Today's entrepreneurs must have management skills, should have access to up-to-date information, and must be capable enough to analyse events related to market opportunities, risks, and trends. Most owner, managers and entrepreneurs often lack wider managerial skills that hinder their long-term success. Strategic planning, medium to long-term vision, marketing, commitment to quality, knowledge of quality systems, communicating in foreign languages, cash-flow management, information technology are a few critical elements of management required to meet challenges of the market economy, especially in the international market environment.

10.9.6 Domestic Political and Business Environment

The domestic political and business environment is essential for vibrant private sector development. Due to political unrest and inconvenient business environment both the large industry and RMG SMEs are affected. But the RMG SMEs are affected so badly that sometimes they become sick industries heading to liquidation. Stable and predictable political environment is one of the most important preconditions for SMEs development in the RMG sector.

10.9.7 Backward and Forward Linkage

Backward linkage for knitwear sector developed significantly in the last couple of years. Domestic value addition of knitwear products increased up to 80 percent. But recently the percentage value addition decreased due to inappropriate marketing strategy and low standard of products from backward linkage factories/companies. Moreover, in terms of forward linkage, RMG SMEs in Bangladesh, especially the small enterprises, do not have enough marketing capability and network. An overwhelming majority of small firms do not have resources to be invested in marketing. Advertisement is an important determinant of demand but SMEs in Bangladesh in most cases are not in a position to use this as a marketing tool.

10.9.8 Problems about accord and alliance

We have to celebrate the progress that has been made, Accord and Alliance have completed visiting of 1649 and 681 garments factories respectively. According to the Accord's report (April, 2018), 767 factories have completed more than 90% of safety remediation and 142 factories completed all safety remediation from initial inspection. And more than 600 factories have completed 90% remediation for the Alliance. ILO has completed visiting of 1549 garments factories under the National Action Plan (NAP) and reform works are going on in those factories as well.

But despite these there are still some challenges. Problems are existent regarding the process of remediation after inspections of Accord, Alliance and National Action Plan (NAP), provision of relocation financing for small and medium factories which are in sheared buildings, smooth electricity supply and infrastructure development. The factories need easy and affordable financing to complete the remaining remediation works.

Unified Code of Conduct for Factory audits is one of the crucial requirements for overall sustainability of the RMG industry in Bangladesh. Huge cost and time can be reduced if we have a unified code of conduct for factory audit.

10.10 Doing Business Scenario of Bangladesh

Doing Business sheds light on how easy or difficult it is for a local entrepreneur to open and run a small to medium-sized business when complying with relevant regulations. It measures and tracks changes in regulations affecting 11 areas in the life cycle of a business: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency and labor market regulation.

10.11 Port and Other Managerial Inefficiencies

The volume of trade through Chittagong Port is growing at about 13-14% per year. However, its capacity has not improved much over the past thirty years. New equipment are not being bought. Dredging is not being done. Lack of capacity and inefficiency of the port is causing delays and mother vessels have to wait at the outer anchor which is too much costly. Also, there exists container jam because many seasonal importers do not release their goods from the port when they see the price at the local market is not in their favour. The overall infrastructure of the port needs to be highly developed in order to achieve the US\$ 50 billion target. The present situation of the port reflects that it is not ready for such huge trade handling.

For the case of Bangladesh Biman, the situation is also quite bad. There is shortage of manpower and a huge level of corruption is involved. All these issues must be addressed in order to get the RMG business growing.

10.12 Starting a Business

Globally, Bangladesh stands at 131 in the ranking of 190 economies on the ease of starting a business. The rankings for comparator economies and the regional average ranking provide other useful information for assessing how easy it is for an entrepreneur in Bangladesh to start a business.

	DB 2018 Rank	DB 2017 Rank	Change in Rank	DB 2018 DTF	DB 2017 DTF	Change in DTF (% points)
Overall	177	176	1 ↓	40.99	40.84	0.15 ↑
Starting a Business	131	122	9 ↓	80.67	81.74	1.07 ↓
Dealing with Construction Permits	130	138	8 ↑	61.97	61.60	0.37 ↓
Getting Electricity	185	187	2 ↑	16.97	16.17	0.80 ↓
Registering Property	185	185	-	27.67	27.58	0.09 ↓
Getting Credit	159	157	2 ↓	25.00	25.00	-
Protecting Minority Investors	76	70	6 ↓	56.67	56.67	-
Paying Taxes	152	151	1 ↓	56.13	55.56	1.11 ↓
Trading across Borders	173	173	-	34.86	34.86	-
Enforcing Contracts	189	189	-	22.21	22.21	-
Resolving Insolvency	152	151	1 ↓	27.71	27.02	0.69 ↓

Source: Doing Business Indicator, WBG.

10.13 Where does the economy stand today?

What does it take to comply with the formalities to build a warehouse in Bangladesh? According to data collected by Doing Business, dealing with construction permits requires 14.2 procedures, takes 269 days and costs 2.4 % of the warehouse values.

Chapter Eleven: Policy Suggestions and Proposed Action Plan

11.1 Development of Compliance in the Factories:

In today's fast changing global market, it is not only the quality of garments which cherished the retailers and manufacturers but also the working environments of the organisation wherein the products were produced. Those are equally important to gain and strengthen consumer confidence and to build-up more reliable relationships with vendors. In other words, specific code of conduct that protects the basic human rights of the workforce engaged in the trade is to be respected to satisfy consumers and to add social value to the products. Basic awareness of the social accountability helps to understand and monitor the compliance part of it in protecting the image of a particular brand of product. The compliance can:

- ❖ Enhance differentiation in a fiercely competitive global industry;
- ❖ Increase worker satisfaction, loyalty, retention, motivation, and productivity;
- ❖ Provide a framework for systematic integration of social compliance in business operations; and
- ❖ Add visibility and credibility to corporate responsibility.

Major provisions of the labor rules should be included in the business

The core/major indicators of compliance for Bangladesh RMG sector (Bangladesh labour law 2006 and amendment 2013) are as follows:

	Child labour; Forced labour; Health and safety; Compensation; Working hours; Discrimination; Discipline; Free association and collective bargaining; Management systems.
Appointment Letter; Identity Card; Worker's classification; Service rule submission & Approval procedure; Personal File; Service book	
	Minimum Wages; Overtime Calculation; Daily working hours; Interval for rest or meal; Weekly working hours; Spreading over working time; Limited working hours for the female workers; Leave & its classification
Ventilation and Temperature; Disposal of wastes and effluents; Overcrowding; Sufficient lighting; Noise Measurement; Latrines and Urinals; Dustbin & Spittoon; Personal protective equipment (PPE's)	
	Firefighting apparatus; Precaution of fire accident; Using for firefighting equipments ; Fire drill & Training; Electrical Safety and its measures

11.2 Recommendation on Environmental issues:

For a greener future, a more systematic approach must be taken by the knitwear industry towards environmental management that provides a plan to deal with indicators regarding environmental sustainability. A yearly plan would be allowed a company to assess its environmental factors, while mitigating and providing a benchmark to provide better results in consecutive years. Additionally, incentives provided by the government for greener factories could provide a drive to achieve a greener industry.

11.3 Implementation of national tripartite plan of action on fire safety and structural integrity

The collective efforts of National Action Plan (NAP), Accord, Alliance, BKMEA and BGMEA have made it possible to successfully complete inspection of 3,660 active factories which are now carrying out remediation works in accordance with Corrective Action Plans (CAP). It is necessary for the RMG factories under CAPs to have an easy access to low cost financing.

11.4 Recommendation for Special Economic Zone:

With a great intention, Present Government has taken most effective measures to boost up the Bangladesh Economy by establishing Special Economic Zones (SEZs). We recommend for providing required utility services, affordable financing, establishing a handsome technology up-gradation fund so that the factories located in the SEZs can set up the latest and more efficient machineries. A rewarding system can be initiated for those factories which are practicing environmental and social compliance.

11.4.1 Finance:

Pursuing 50 billion dollar vision by 2021 requires a ‘transition package’ that includes penetrating higher end products and market, modernise our factories, upgrade technologies, and going environment friendly. Any step to address these would primarily require medium to long term financing support. Therefore drawing a roadmap for this industry toward sustainability requires special attention on finance.

High bank interest rate is a major impediment to investment and trade financing in Bangladesh. Our Government, international development organisations, private sector partners and banks should work together to ensure that adequate long, medium and short term low cost financing is available to the industry.

The issue of financing for remediation is a major concern especially for the SMEs. Our government has recently reduced interest rates on donor lent remediation funds to 6%. This is a tremendous support to our factories, especially for small and medium factories. BKMEA and BGMEA are now working with the government to fix this rate at 5% maximum.

Policy tools may be adopted by the central bank to protect exporters and importers from sudden currency fluctuations. At the same time, the Government may simplify the regulatory process in financial matters, especially the procedure of obtaining foreign currency loan. The Bangladesh Bank in consultation with finance ministry can come up with special programs to liberalise the banking norms in this regard.

11.4.2 Sustainability:

- a) Workplace safety: Since the tragic accident in Rana Plaza, a massive “factory-by-factory” reform task has been launched and the combined safety initiatives led by Bangladesh Government & ILO through National Action Plan, and buyers led initiatives ACCORD and ALLIANCE completed inspection in 3780¹⁸ factories. Now is the time to build our own capacity at national level considering the long-term safety and sustainability of industrialisation in Bangladesh.
- b) Environment: Bangladesh is one of the most vulnerable countries to climate change, the country emits as few as 0.17% carbon of the world and is one of the lowest carbon emitter in the world. Bangladesh has already taken a leading position in sustainable green industrialisation. We have now 36 green factories certified by the United States Green Building Council (USGBC), of which 12 are platinum and 16 are Gold rated. Among them 4 are world’s highest ranked factories. Moreover, 253 factories are in the pipeline for getting USGBC certification and many other factories are preparing for it. These factories mostly are state-of-the-art, socially compliant, highly equipped to water conservation, energy and resource efficient, maintain comfortable indoor environment, emit minimal CO2 and greenhouse gases, maintain sophisticated waste management system, daylight saving technologies, rain water harvesting and so on.

11.4.3 Market access: The priorities are -

- a) Reinstatement of US GSP;
- b) Internal preparedness to be eligible for EU GSP Plus when Bangladesh will graduate out from LDC status;
- c) Pursue duty free access in Russia, South Africa and the Latin American countries;
- d) Feasibility study on FTAs with potential trade partners; and
- e) Create a live database on country specific NTBs.

11.4.4 Foreign investment in high value added items and textiles:

The RMG industry needs local capacity in high value added textile items as our product portfolio is being diversified in to items that require functional fabrics and other man-made fibre based fabrics. Important to note that most of our RMG products are cotton based and we have opportunities in man-made fibre based apparel, especially fabrics made of man-made fibre like viscose, rayon, spandex, polyester, etc where Bangladesh has a huge market, but almost no production capacity. If we can bring more investments – local or foreign - in these items more, we will be benefitted tremendously.

11.5 Technological Up-gradation Fund:

Technology up-gradation, modernisation of factories and productivity improvement are keys to sustain competitiveness through value addition and efficiency enhancement. Though factories are increasingly moving from semi-automatic to more automatic industry this is not adequate. The Government of India and Government of Pakistan are already providing special incentives to their

¹⁸ <http://www.newagebd.net/article/42234/bangladesh-to-set-up-industrial-safety-unit>

textile and apparel industries through ‘Technology Up-Gradation Fund Scheme’ to support modernisation and up-gradation of factories by providing credit at reduced rates and capital subsidies. The Government of Bangladesh may consider to adopt such policy initiative which will help the country to gain in the long run.

11.6 Sustainability Compact:

The sustainability compact brings together the Government of Bangladesh, International Labor Organisation (ILO), the European Union, workers and related stakeholders in order to improve the overall labour rights and safety situation and provide better scopes for enforcing effective implementation.

According to the joint statement, the compact covers the following areas:

1. Respect for labour rights (freedom of association and the right to collective bargaining);
2. Structural integrity of the buildings and occupational safety and health; and
3. Responsible business practices by all stakeholders engaged in the RMG and knitwear industry in Bangladesh.

Some of the achievements of the compact mentioned in the technical status report (2015) by the EU¹⁹ are,

- 300 new Garment Industry Trade Unions;
- Appointment of 318 new inspectors;
- Inspection of 2500 export oriented factories out of 3500 and 32 identified for remedial measures; and
- Transparency through a database of inspection reports.

Capacity building and training of labour inspectors has been carried out for all inspectors, including the newly recruited ones. Trainings were conducted on varieties of issues, including inspection of working conditions, fundamental principles and rights, occupational safety and health (OSH), hazard identification and risk assessment, and investigations of work accidents.

Table 37: Training for Trainers (Labor Inspectors)

Training	2014 (m/f)	Feb 2015 (m/f)	Year to Date (m/f)	Total (m/f)
LI Training of Trainees (TOT) ILO	20 (m:16, f:4)	0	0	20 (m:16, f:4)
LI Foundational Training ILO	152 (m:137, f:15)	0	0	152 (m:137, f:15)
LI Basic Training (ILO&GIZ)	41 (m:34, f:7)	35 (m:24, f: 11)	35 (m:24, f: 11)	76 (m:58, f: 18)

Source: Technical Report on Sustainability Compact.

ILO is also providing support to enrich the DIFE to establish internal management processes to effectively follow up on the findings of fire and structural inspections. The Fire Service and Civil Defence Department as well as the Capital Development Authority (RAJUK) have also been given priority in order to achieve better results.

¹⁹ http://trade.ec.europa.eu/doclib/docs/2015/april/tradoc_153390.pdf

With ILO's support, Ministry of Labour and Employment, has provided support to establish The Rana Plaza Coordination Cell in Savar for providing support and has communicated with more than 4,200 victims to help them with their specific needs and link them to various rehabilitation services. Following activities were conducted for them:

Rehabilitation related actions	Men	Women	Total
Training for reemployment	68	231	299
Employed/self employed	48	85	133
Victims/relatives received information and counselling from Rana Plaza Coordination Cell	1,626	2,605	4,231
Received career, financial and family counselling as part of vulnerability assessment (Nov 2014)			

Source: Technical Report on Sustainability Compact.

Significant progress has been made in inspecting the RMG factories for structural integrity, fire and electrical safety.

Overall Assessment Status*			
		National Initiative	All Initiatives
Assessments done		Total	Accord 1291
Structural Integrity (buildings)	665		Alliance 613
Fire Safety (factories)	652		NI 652**
Electrical Safety (factories)	652		Sub-total 2556
			Remaining 952
			Total 3508

* Numbers based on reports from the ILO

** The 665 buildings house 826 factories

At the second follow-up meeting of the sustainability compact, Bangladesh presented a report titled "Update by Bangladesh Progress in implementation on Outcome of the Review Meeting of the Sustainability Compact²⁰". Some of the major implementation updates noted in the paper were;

- Formation of 341 labour unions;
- Right to Strike in the EPZs;
- Registration of 220 Workers Welfare Associations (WWAs);

²⁰

[http://mincom.portal.gov.bd/sites/default/files/files/mincom.portal.gov.bd/notices/1ed4d015_0cc2_4969_8649_9c7ba7ec2e69/Review%20Meeting%20of%20the%20Sustainability%20Compact%20002%20\(1\).pdf](http://mincom.portal.gov.bd/sites/default/files/files/mincom.portal.gov.bd/notices/1ed4d015_0cc2_4969_8649_9c7ba7ec2e69/Review%20Meeting%20of%20the%20Sustainability%20Compact%20002%20(1).pdf)

- Formation of Eight labour courts (for eight EPZs and one Appellate Tribunal) are entrusted to settle labour-related disputes in EPZs;
- Till June 2015, 1,990 workers' representatives (1,086 male and 904 female), 100 managers (84 male and 16 female) and 264 officials from MoLE, IRI and BEPZA (including 33 female officials) have received training on issues relevant to their work;
- 3734 export-oriented RMG factories have been primarily assessed (1549 by ILO; 1,356 by ACCORD and 829 by Alliance). From these, 37 factories have been completely closed and 42 have been partially closed subject to the approval of the Review Panel;
- 218 new posts of warehouse inspectors in the Directorate of Fire Service & Civil Defense (FSCD) have been created;
- In collaboration with ILO, BGMEA is implementing a training program on Occupational Safety & Health (OSH) where 114 senior Master Trainers have already been trained, who are now training 8,000 mid-level managers/supervisors. Around 8000 workers would be given training from March/April 2016, by the managers/supervisors; and
- BGMEA, ITC-ILO have jointly initiated a training programme titled "Essentials of Occupational Safety and Health" for the garments industry. 70 officials of BGMEA and other garments factories have taken this training as senior master trainer in the first stage (among the 3 stages) of the training programme. In the second stage, those officials have given training to 4500 mid-level officials/ supervisors of 376 factories. In the third stage, providing training activities to 450,000 workers has been going on in full swing. This is expected to end by May, 2017.

In the second follow-up meeting, The Compact Partners expressed the need of consultation on further amendments to Bangladesh's labour related legal framework towards ensuring full compliance with core ILO Conventions. They also recognised 1,500 safety assessments commenced by the National Initiative (Bangladesh).

11.7 Overall Recommendation to have a sustainable RMG industry

Market and Product Diversification:

Product and market concentrations are the major challenges for the overall trade of Bangladesh. RMG is also concentrated on a handful of items and in a few markets. Bangladeshi RMG is heavily dependent on the market of EU, USA and Canada. 63%, 18% and 3% of the total RMG export of the country go to these countries, respectively. It is observed that 74% of total RMG export comprise only five items. A strategic diversification would require dedicated approach from government agencies, private sector and all others concerned.

- New and potential markets must be explored for diversification and sustainability of the sector. The potential regions like Oceania, CIS and Latin American countries etc., identified by the study, should be seriously considered for diversification. Other than these, export of RMG in the South Asian region should also be increased as it now stands at quite a low level;
- Bangladesh should concentrate on upgradation and move towards high-end (suits/blazers, lingerie, jackets, swimwear, sportswear, uniform, raincoat, fishing wear) products. FMCG products could also be targeted for overall product diversification;
- Demand-based targeted exports should also be given focus on for diversification. The strategies should be tailor-made for each country, and government can fund these sort of analyses and can also incentivise the targeted diversification; and
- Co-ordinated approach by and among the commercial missions of Bangladesh in different countries, and all other relevant stakeholders, can play a key role in expanding businesses in non-traditional markets.

Development of Productive and Professional Capacity:

Lower productivity of workers poses another challenge for the RMG sector of Bangladesh. The country is lagging far behind its international competitors like India, Vietnam, and Sri Lanka etc. in terms of efficient production. Efficiency is necessary in each level of value chain, from production to marketing, for making the industry more competitive and sustainable in the global market.

- Increasing the number of technical manpower in this sector through training programmes is crucial. Job-oriented training programmes are needed to be arranged for the existing as well as prospective workers. It is also true that increased use of technology would reduce the requirement of labour resulting in jobless growth. Operation of the sophisticated machines would, however, require technically sound manpower;

- Formal education on merchandising, cost management, international marketing, product design etc. should be introduced and promoted with a long-term vision of employing local talents in these positions instead of hiring international experts;
- There should be provisions for area-wise dormitory facilities for the workers as this will lead to increased job satisfaction and will thereby improve their productivity;
- There is a serious gap in the area of qualified mid-level managers in Bangladesh. A long-term strategy is required along with commitment from the private sector to employ qualified local managers; and
- Young professionals could be tagged-in with senior managers to build their capacity and, after a certain training period, government could encourage these firms through some incentives as part of the strategy, to absorb them in the industry.

Establishment and Development of Institutions:

For creation of qualified managers and professionals, Bangladesh would first need to have quality institutions. More technical and vocational Institutions should be set up to increase the skills of employees as it has been estimated that RMG industry requires another 4 million skilled workers to reach the target of US\$ 50 billion export by 2021.

- A huge investment is necessary from both the public and the private sector for establishing quality fashion designing and technology institutes with global recognition. Capacities of the existing institutes are needed to be increased; and
- The education system should be re-visited and made more demand-oriented. Promotion of education in this sector and assurance of job placement with higher compensation packages could work as an incentive for gifted students. Investment and development assistance could be sought from countries with expertise in the industry to develop necessary curricula.

Scopes for Research:

Research and development help an industry stay ahead in competition. The sector associations and other stakeholders related to RMG have already come forward in investing in research activities. There are, however, scopes for improvement. The areas of research should also be more focused targeting specific problems or areas leading, ultimately, to benefit effective policy-making.

- Research should be encouraged in the macro-factors of the sector. For instance, a target has been set to export USD 50 billion RMG by 2021. However, no analysis has been made quantifying the demand for raw materials, other production factors or specific policy support from the government to attain the target.
- Research activities should be encouraged to develop new designs for product diversification as per current demand of global buyers and consumers. Diversifying to high-end products would also require extensive research.

- Research should also be conducted in the area of business process analysis and cost of doing business to identify the time and cost associated with the overall procedures.
- There should be collaboration and co-ordination among stakeholders while conducting research in this sector in terms of information and experience sharing, data collection, etc.
- Research for developing policies to reduce Tariff and Non-Tariff Barriers through negotiation and find out the potentials for signing FTA or bilateral agreements with the countries having the most of these barriers.
- Research in these area should be, primarily, a responsibility of BGMEA/BKMEA. These should, of course, be assisted by the government not only in terms of information and data, but also some financial grants.

Financial Services:

Easy financing is the key to develop any sector, and RMG is no exception. The government and the development partners have joined hands for facilitating remediation financing for RMG. It should be kept in mind that the financing is required not only for expansion of the particular firms, but also for remediation, bringing in more environment-friendly and technologically-advanced production process, for ensuring safety, security etc., ultimately required for increasing competitiveness.

- Cost of capital (bank interest rate), collateral requirements and procedures for providing finance should be reduced and urgently re-visited.
- Separate desks for RMG may be introduced in banks and other relevant agencies to facilitate the sector. The facilities of EDF fund should be increased for the RMG export of Bangladesh.

Development of Infrastructure:

As a manufacturing sector, the growth of RMG heavily depend on the quality of available infrastructure. Infrastructure would not only mean roads and highways or supply of electricity, ports and procedures etc. but would also include providing quality ancillary services along the value chain of the RMG sector.

- Adequate and quality roads and highways need to be established. If possible, separate lanes for cargo transport can be thought of for reducing road congestions. Railway freight system should also be developed in order to use this medium, where applicable.
- Electricity, gas supply & other utilities should be improved in order to ensure smooth production and thus ensure higher productivity.
- Inefficient port management is a major handicap for the growth of our trade as well as of the RMG sector. The ports must be well-equipped ensuring installation of

necessary cargo-handling equipments, construction of modern dry-dock, new jetties, lighter age vessels, most modern vessel traffic system and, most importantly, skilled manpower for efficient handling of cargo.

- Regional connectivity agreements should be prioritised for smooth transportation of products, giving the business a cost competitiveness.
- Construction of Deep-Sea Ports are also essential to facilitate and expand the export of RMG and our trade, in general.

Standards and Compliance:

Now-a-days, compliance and standards play an important role for any export-oriented industry. After the incident of Rana Plaza, Bangladesh has made remarkable progress to maintain the safety standards and compliance issue, and restored the confidence of the buyers.

- A uniform standard and overall compliance system/compliance model- Common Standard & Code of Conduct for Compliance should be made and followed. A G2G level negotiation and co-ordination is required for developing the unified code of conduct for compliance and for acceptance of such guidelines, globally;
- The issue of labour standards and their rights related to freedom of association inside and outside the EPZs should be seriously addressed;
- Manufacturers should take more initiatives to initiate energy-efficient and sustainable technology of production to optimise uses of natural resources. The Government should also prioritise these by providing other incentives along with the green financing scheme;
- Around 67 companies of Bangladesh have so far received USGBC 'LEED certificates' and 200 more are in pipeline. Government could fix time-bound targets of creating green and compliant factories of international standards and facilitation must be extended to achieve the target;
- Some people working in the compliance, administration, human resource division often have little knowledge of the compliance management issue. More trainings on different techniques and methods of compliance and international norms on safety should be provided to the mid-level management for efficient monitoring; and
- Low wages still remain a problem for Bangladeshi labour, despite several attempts of the government and factory owners. The minimum wage set by the government should be revised regularly considering the inflation and other macro-economic conditions. While deciding on wages, interests of both workers and owners should be given consideration. The government has formed a new wage-board for RMG, which is expected to look into the matter.

Marketing Strategy:

A well-crafted marketing strategy helps an organisation utilise its resources efficiently. Improving the marketing strategy to expand export bundles and market areas is another aspect Bangladesh should focus on.

- The factories should develop their own marketing departments and move to Forward Marketing to reduce dependence on buying houses;
- Specialised trainings should be given to officials who are directly involved in international marketing and price negotiations; and
- Price variation among manufacturers creates pressure on the overall pricing strategy of the sector. This needs to be reduced by creation of a sector-harmonised pricing strategy.

As per BGMEA, prices of apparels dropped by 6%, whereas the cost of production increased by 17% to 18%. There should be some sort of harmony in pricing strategies among firms of the industry to avoid significant price cut by buyers. The associations can play a role here in creating a similar pricing strategy.

Backward and Forward Linkages:

It is obvious that for any industrial development both backward and forward linkages are essential. In Bangladesh, the backward and forward linkage facilities have not developed substantially.

- Initiatives should be taken to mitigate dependence on external sources of raw materials.
Bangladesh has the capacity to produce cotton and meet the demand through domestic production. Bangladeshi investors can also be incentivised to invest in cotton farming at home and abroad. Increasing the production of man-made staple fibers like synthetic polyester fiber, viscose should be given utmost importance;
- Government should incentivise the support industries –garment accessories to take a full vertical approach in the development of the sector. SME producers should be incentivised more and should be provided with easier financing schemes for achieving adequate growth in support industries;
- Global brands are moving towards tech-driven manufacturing system. Consumers are looking for digital designs and tech-driven products. RMG factories need to embrace new technology to remain competitive;
- Production of Textile/fabric should also be given priority to increase and improve the value addition in RMG; and
- Investment should be sought for production of light textile machinery, production of sophisticated technology, man-made fiber within the country for increasing

competitiveness. Handloom, silk and other handmade products should also be considered for expansion and facilitation of export. Foreign investors must be given equal investment facilities.

Branding:

Branding plays an important role in expansion and facilitation of the sector. The branding process should have a harmonised approach and should be targeted to both traditional and non-traditional markets.

- Improvement of social compliance and labour issues will have a huge positive impact on the overall ‘Made in Bangladesh’ brand. A proper branding strategy is required for initiating and effectively implementing the brands;
- Brands should be attempted at with trade names;
- The creation of ‘Made in Bangladesh’ brand should be supported and endorsed by the Government in order to have maximum results. Commercial missions, Export Promotion Bureau with support from the manufacturers and business associations have to play the main role here;
- The manufacturers who already have established businesses and have good global network should come forward with their products for branding as it would be easier for them to enter the global market than completely new players. Branding of a particular product can be the first step;
- Improving business conditions would help the country rank up in various international rankings: Ease of Doing Business Ranking of the World Bank, Global Competitiveness Index of the World Economic Forum etc. which will create a positive image for the country;
- Strong networking with international organisations will help promote branding. Manufacturers should be encouraged to participate in the international fairs and seminars. In the same way, stakeholders can arrange international seminars, fairs, summit in Bangladesh; and
- Joint collaboration with some medium-sized and renowned buyers can be thought of for creation of brands on the basis of cost and profit-sharing.

Government Policy and Support:

For facilitation of any industry, policy support is essential. The government has been provided a strong policy support, which has contributed to the rapid development of the sector and Bangladesh has become the second largest exporter of RMG.

Separate RMG Zones:

- Separate zones or clusters for RMG in the SEZs may be established with adequate infrastructural and utility facilities;
- The government can provide financial co-operation in establishing Central Effluent Treatment Plant (CETP);
- As per the conditions of the Accord and Alliance, the garments which are still operating in shared buildings, must be shifted or shut down by 2018. The government can facilitate the re-allocation process by providing priority-based allocation to those factories in the proposed clusters or SEZs of the country.

Coherence in Policy Measures:

- Facilities rendered in the export policy must also be endorsed in the import policy or investment policy through complementary facilities. Comprehensive trade policy can play a key role in this regard;
- Policies must be regularly adjusted and reformed based on local and global scenario and utilisation of incentives and implementation of the policies must be monitored;

Bi-lateral Negotiations:

- High tariff in some regions and non-tariff barriers of different markets affect the export growth of RMG sector. Government should seriously think of going for bi-lateral negotiation and, if possible, some agreements with potential export destinations in order to expand export of RMG; and
- This is also important for retaining the existing export. This is because Bangladesh will not be enjoying preferential treatments it is at present getting from most of the markets, once it graduates out of the LDC status in 2024. Therefore, for an increasing export and for efficient sourcing of raw materials, these bilateral negotiations are important.

Bureaucratic Barriers:

Bureaucratic barrier is a major bottleneck in Bangladesh, and is considered to be a major hidden cost in the way of business and trading process. Hence removing bureaucratic barrier to make trading process easy and stimulating, steps should be taken. Reducing the procedural obstacles, corruption in trading procedures, service delay etc. would significantly improve the overall competitiveness of the sector.

Attracting Investment:

Investment should be attracted both from local and international sources for reestablishing institutions, branding, going green, technology etc.

Role of Committee on RMG:

The Committee on RMG should play a more effective role and must take all the stakeholders on board. The committee can hold meetings at least once every two months for regular review and consultation for development of the sector.

Chapter Twelve: Policy Matrix and Action Plan

Head of the Activity	Description of Activity	Expected Outcome	Implementing Agency
Market and Product Diversification			
Product Diversification	Development of High Valued RMG products, Critical and Fashion items	Diversified and enlarged product bundle	EPB, MoC, Individual Farm, BGMEA, BKMEA, BTMA etc.
	Innovation of creative Design and development of fashion items in line with global demand		
Market Diversification	Co-ordinated approach among the commercial missions, business associations and all other relevant stakeholders	Diversified markets	MoC, MoFA, EPB, BB, NBR, Individual Farm, BGMEA, BKMEA, BTMA etc.
	Signing FTA, PTA or Regional Trade Agreement with major and potential importing countries	Increased market share of RMG sector	
	Develop Focus Market Scheme to explore the new markets; providing fiscal and monetary benefit for exporting to those markets	Reduction in the risk of economic volatility on few concentrated export destination	
Branding	Developing different brands of products and market them globally	Improved confidence of buyers	MoFA, MoC, EPB, BB, BGMEA, BKMEA etc.
Human Resource Development			
Training	Providing Job oriented training facilities for Fresher and On-Job training facilities for worker		BGMEA, BKMEA, BTMA

	Trainings for Different level of officials (specifically higher & mid-level managers)	Skilled and Productive workforce, Higher level of output/worker	and other related association, MoFA, BB, MoC
Development of Institutions	Establishment of new Technical & Vocational Training Institutes to improve the quality of existing ones	Skilled manpower supply for the Industry	MoE, MoI, MoC, Development Partner
	Establishment of Designing Centre and Fashion Institutes		
	Increase in the number of Training providing institutions both for the workers and trainers	Strong domestic pool of managers and reduced dependence on foreign officials	UGC, Universities, MoE, MoI, MoC etc.
	Introducing Formal education programme (Bachelors, Masters) on merchandising, cost management, international marketing and negotiation		
Research and development	Promotion of Research and Development activities for policy formulation; Expansion and Facilitation of the RMG sector	Assessment of prior need of the sector; Accurate policy formulation	BGMEA, BKMEA, BTMA, MoTJ, MoC, Development partners etc.
Financial Services			
Loan Facilities	Provide loan facilities to the entrepreneurs at a lower interest rate	Increased Entrepreneurship	BB, MoC, MoF
Establishment of Technology based Production Procedure	Development of Technological Up-gradation Fund; providing fiscal and monetary incentives on technology based production technique	Modern technological production base; high valued product	MoF, MoC, BB, NBR
Increase EDF Fund scheme	Increase both the volume of EDF fund and the time of repayment; reduction of cost of financing	Better financing opportunities	MoF, MoC, BB

Incentivising Investment	Providing financing facilities at a lower interest rate for expansion and up-gradation of environment friendly factories	Lower interest rate and higher flow of Investment	MoFA, BB,
Infrastructure			
Utility Facilities	Easy access to quality electricity supply, gas and other utilities	Improved production facilities	BEZA, BEPZA, MPEMR, Power Cell etc.
Development of Center Effluent Treatment Plant	Establishment of Central Effluent Treatment Plant on Special Economic Zones for RMG sector	Less Pollution and Environment friendly Production of RMG	MoEF, MoC, MoF, BB, BGMEA, BKMEA, BTMA
Modernisation of Port and Cargo handling system	Increase the Efficiency of Port and Cargo handling system through implementation of modern technology and capacity building of both port and customs officials	Increased efficiency of Port; Reduced Lead Time	Port Authority, NBR
Separate cluster for RMG sector in SEZs	Development of dedicated cluster for RMG factories with utility facilities in SEZs and providing those to the interested association/entrepreneurs at lower fee	Increased flow of investment; Employment Generation	BEZA, BEPZA, Prime Minister Office, MoI etc.
Special Railway Container service	Dedicated Railway service for transportation of exportable final product and imported raw materials of RMG sector	Reduced lead time for import and export; Decreased cost of transportation of goods	MoR, MoF, MoC and relevant development partner
Social Compliance			
National Compliance Guideline	Developing a harmonised National Compliance Guideline in line with the international standards as well as the requirements of buyers	Reduce the GAP between several compliance requirement; better monitoring mechanism	MoI, MoC, ACCORD, Alliance, NTAP, Sustainability Compact,

			BGMEA, BKMEA etc.
Dormitory Facilities	Establishment of Area-wise dormitories for the workers	Better Accommodation facility, Improved Standard of Living	MoI, BEZA, BEPZA, MoC, MoJT etc.
Rationing Facilities	Provide necessary food, grocery and other nutritious items in minimal price to the RMG worker	Healthier Life, Capable workforce	MoFood, MoI etc.
Backward and Forward Linkages			
Backward Linkage	Monetary and Fiscal benefit for development of Man-made filament & yarn	Uninterrupted supply Chain for the RMG Industry; Reduced Lead time	MoF, BB, NBR, Private sector investor, BGMEA, BKMEA, BTMA etc.
	Bi-lateral or Preferential agreement with the cotton producing countries		MoFA; WTO Cell, FTA Wing, MoC
	Subsidies and monetary benefit for domestic production of Cotton		DEA, MoF, BB, NBR etc.
	Both Fiscal and Monetary benefit for supporting industries like accessories, labels, stickers, hangers on establishment and production level	Growth of other industries; Vertical integration of the sector	MoF, MoC, BB, NBR etc.
Policy Regime			
Comprehensive Trade Policy Regime	Making all the relevant policies (e.g. Export Policy, Import Policy, Industry Policy, Foreign Exchange Policy, Investment Policy etc.) coherent in line with the 7th Five Year Plan also the Vision 2021: US\$ 50 billion export of RMG	Better coordination of the trade policy; Harmonisation of the policies; utilization of incentives	MoC, MoF, MoI, BB, BIDA, BEZA, BEPZA etc.
Effective Task Force	Making the committee more active and industry oriented, holding committee meetings in every two months	Improved review and monitoring mechanism	MoC, MoJT, EPB, MoI, BGMEA, BKMEA, BTMA etc.

