

Bangladesh Market : Zero To Hero Journey..!!

“Zero” the status comes as a shocker, when associated with the textile industry of Bangladesh. Looking at the current pace and magnitude of textile business handled by this country, I would say Bangladesh was never a zero, it was in fact all this while an undercover hero, until recently it has been unmasked to rightfully gain the term “Hero” for Textile Garmenting.

On the wider scale such huge growth of Bangladesh is not less than a miracle. This number one position is a very unique achievement for the country which was starving for food once upon a time. Going back in the 18th century, Bangladesh was once part of United India, and after partition from Pakistan it has gone through a very bad phase and its poverty level just declined from bad to worst. It had highest poverty level as compared to any other Asian countries back then. So looking at the transformation that has taken place with this country we can directly relate it with the phrase “The performance is best, When there is fire in the belly”. The starvation of Bangladesh people have pushed them beyond their limits and converted their country into best garmenting nation in the world.

Bangladesh’s economy was the second fastest growing major economy of 2016 with 7.11% Gross Domestic Product (GDP). Contribution of textile industry to the GDP was 28.1%, where RMG sector donated the biggest part. Since 2004, Bangladesh averaged a GDP growth of 6.5%, which has been importantly driven by its exports of readymade garments. Their apparel export has grown with CAGR of 12.43% in last 10 years. There are around 7,000 textile factories of which 3,200 are direct sourcing and 3,800 are indirect sourcing factories producing clothing for more than 200 foreign brands. Textile employment -5.1 million workers capturing a 5.1% market share after China’s 38.6%. The country exported \$25.5 billion worth of clothing in 2015 with a 49:51 combination of knit and woven clothing.

So when we speak about the term “zero” for Bangladesh industry is it just a relevant term used to simmer the phrase “Zero to Hero” or something much deeper. Yes! Bangladesh is been referred to be a “Zero”. From the

very prospective of having the essentials needed for textile industry like availability of raw material, forget about the availability Bangladesh is not having any raw material neither for cotton or any other man made fibre nor they have complete value addition which would have helped them to become the number one garment exporting nation. Moreover they also lacked supportive infrastructure and the favourable climatic conditions. But just as a Hero overcomes all difficulties and rises, Bangladesh too has become number one in garmenting by using its strength i.e. efficiency, skills of people, pure dedication & sincerity. This sincerity & dedication to work by the workforce was possible as there was no other industry to work in & gain their daily bread. So the necessity to feed themselves and their families has helped them outperform and gain excellent garmenting skills thereby leading to better living. Even today More than 75% of Bangladesh employment is generated by textile industry alone showing its importance.

A recap to Bangladesh journey will show us that initially Bangladesh entered the textile industry by simply doing fabric stitching on job work basis. These fabrics were imported from various countries. Later on they started catering to the international market needs. So because of their skills, their potential & mainly due to their efficiency global brands started looking at them as their garment sourcing partner. At the same time China despite having complete integrated plant from fibre to garmenting started outsourcing garments from Bangladesh as a strategic move looking at their cost effectiveness, higher productivity & better efficiency. Hence today Bangladesh is a garmenting hub for sewing inhouse & exporting to other countries. Brands have established their offices or export houses in Bangladesh for gaining competitive advantages. The other major reason that has helped Bangladesh is that it was a favoured nation by Europe & US thereby giving it advantage of selling at cheaper duties in these markets.

Speaking on the relationship of Bangladesh with India-the second largest textile industry & a neighboring country rich with raw materials an excellent synergy is possible that can help both the countries soar greater heights. But I recollect my visits to Bangladesh, on interactions with most of the textile industry leaders & associations, they have given me a common feedback that they prefer imports from India & look to our nation as their big brother, but the major issue lies in the price that India is offering to Bangladesh. As they feel this cost is bit higher. So I feel we need to assess the reason behind this high cost whether it is because of export duty or some other reason. In fact India ITME Society in order to boost the economies of India & Bangladesh had organized India Bangladesh



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round table joint venture conference with us- Suvin Advisors as knowledge partner. It was observed during the conference that there were positive vibes from both the countries and it was concluded that the policy framework will be restructured to overcome the hurdles. Feedback on similar line was also seen in India South Asia Summit organized by TAI in Mumbai.

All said in the road to glory there are many challenges, some conquered, few still to be tackled. For Bangladesh currently the major challenges are in infrastructure, roads & power generation. The Industry is running on gas based operations so it has not gone to the extent that it could have. This power issue is limiting the setup of integrated plants. There are only few big textile plants. So they are dependent on fabric imports from India, China & other neighbouring countries. The other issue is of education level though they are having excellent skill sets & artistic personalities.

Conclusion:

Still I feel that as Sky is the limit, Bangladesh can conquer new heights so it must concentrate on complete value addition. Manufacturing their own yarn & fabric will help them to compete at much cheaper level in the international market. The value addition of garment cell will not

help them much so they must start their own brands and cater to the global needs. For all this they must focus on attracting investment for infrastructure development, state of art technologies. The other hurdle of raw material sourcing can be easily managed as cotton, polyester and viscose are all available at international prices.

So a country zero because of its backwardness in poverty, education, raw materials and supportive infrastructure but what matters are the end results which makes them a Hero. Just as coal becomes a diamond when polished. Bangladesh with the dedication, efficiency & sincerity of Bangladeshi have polished themselves with their skills & has slowly & steadily reached the zeal and become number one. Also a hero, role model to look up on by other underdeveloped countries & an inspiration to developed nations.



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Bangladesh A Major Textile Trading Partner

Bangladesh has been a major trading partner for India's textile industry with a share of more than 5% in exports and over 7% in imports. While annual textile exports to Bangladesh averaged US\$ 2,000 million, imports are worth US\$ 400.

The major items of exports fibre and yarn of cotton, man-made staple fibres and man-made filaments while major import items include apparel and clothing, fabric and other made up textile articles.

Exports to Bangladesh has been sluggish over the past 15 years, with some year seeing dramatic jumps but has slowed down in the past two-three years. Meanwhile imports have been seen rising in the corresponding period.

From the product-mix trade between India and Bangladesh, the latter import raw material from the former and export value added goods like fabric and apparel clothing to the world. The textile industry in Bangladesh has been structurally developed to manufacture value added textile products, due to lack of raw material, which it relies on imports from surplus countries like India and USA. India is the second largest supplier (16%) of textiles to Bangladesh, preceded only by China (35%) and followed by Hongkong (14%). For exports US, Germany and United Kingdom are the top destinations. India ranks 17th in terms of exports.

Textile Trade with Bangladesh				
	US\$ Mln		YoY % change	
	Export	Import	Export	Import
2002	190.7	32.5		
2003	226.0	28.4	18.5	-12.6
2004	314.5	21.9	39.2	-22.9
2005	338.6	33.5	7.7	53.1
2006	368.5	72.6	8.8	116.6
2007	355.7	75.6	-3.5	4.2
2008	837.6	99.6	135.5	31.6
2009	493.5	122.7	-41.1	23.2
2010	1100.0	162.8	122.9	32.7
2011	1138.5	267.3	3.5	64.2
2012	1652.1	277.1	45.1	3.7
2013	2000.3	278.9	21.1	0.6
2014	2085.4	268.1	4.3	-3.9
2015	2084.3	361.6	-0.1	34.9
2016	1919.2	438.2	-7.9	21.2

Includes all of HS code 50 to 63