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Textile sector preparing to keep pace with changing global fashion

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Mohammad Ali Khokon. Sketch: TBS

Bangladesh Textile Mills Association (BTMA) President Mohammad Ali Khokon appears optimistic about the future of Bangladesh's primary textile sector, but equally concerned about policies, rules and logistics which do not match with the present day needs of industries. In an interview with The Business Standard's Senior Staff Correspondent Reyad Hossain, he reveals the industry's growing focus on modernisation and man-made fibre.

How did the textile industry grow as the key backward linkage for export-oriented ready-made garments in Bangladesh?

The textile and clothing industry which is currently considered as the lifeline of Bangladesh's economy emanated mainly in the early 1980's as an alternative to Sri Lankan garment manufacturers when a civil war broke out in the island nation. Until then, Sri Lanka was one of the main garment exporters in the South Asian region. But the civil war from 1983 to 2009 changed the scenario and garment orders started to shift and several apparel firms ceased their operations in Sri Lanka. This came as an opportunity for Bangladesh to develop its clothing industry. From the beginning, different sources of inspiration such as favourable government policy supports and incentives motivated the entrepreneurs, who engaged their indomitable courage and spirit to develop the industry.

The primary textile sector emerged in the 1980s in parallel with ready-made garment industry as its backward linkage mainly to feed the export-oriented apparel factories as well as to cater to the local clothing demand. Under the 1982 industrial policy, majority of the state-owned textile mills were denationalized which boosted investment in this sector.

The textile and clothing industry of Bangladesh experienced a booming phase in 1996. The then government took some groundbreaking policies such as zero duty on raw cotton import and duty-free import of capital machinery which facilitated the growth of the sector. Also cash incentive facilities, back to back LC, bonded warehouse and duty drawback facilities gave a boost to the industry's development over the decades. Besides, with the WTO Agreement on Textiles and Clothing (ATC) effective from 1995 to 2005, Bangladesh's textile and clothing industry enjoyed the quota-free access to European markets and preferred quotas for the American and Canadian markets and the GSP facilities, which have certainly helped the textile and clothing sector of Bangladesh to reach a new height of growth.

The primary textile sector started with a few power looms but with the growing demand for Bangladeshi RMG worldwide, the sector created a strong footing for itself combating all the challenges and now emerged as a solid backward linkage industry.

Where does the industry stand now?

Bangladesh has come a long way since its inception and so has the textile and clothing industry which is the mainstay of the country's present economic success. About 84% of the country's total export earnings comes from the textile and clothing sector where the contribution of primary textile sector (PTS) is around 64%. Primary textiles are now considered as import-substitute industry which is helping the country retain foreign currency and enriching the foreign

exchange reserves. Thence, at present the primary textile sector is standing on an investment footing of USD 15 billion.

Bangladesh Textile Mills Association (BTMA) represents the primary textile sector which has the strength of 1700 mills including 500 spinning, 900 weaving (large and small) and 300 dyeing-finishing units with an employment of around one million people. Beyond that, there are many mills which are not members of BTMA.

The Covid-19 pandemic has taken a heavy toll on the sector's progress. But the timely initiatives by the government such as stimulus packages, ensuring the utility facilities for the sector, keeping the textile and clothing factories open during the lockdown helped the textile and clothing industry to combat the challenges. The RMG industry now has a good number of export orders which are expected to increase further.

BTMA member mills supply 95% of raw materials to export-oriented knitwear sector and 40% of raw materials to the woven sector. In financial year 2020-21, the country's total export earning was 38.35 billion USD of which textile and clothing export was 32.58 billion USD and PTS provided support of 21 billion USD through local input supply that means the contribution of PTS was 64%. I believe, Bangladesh's textile industry has a promising future and in the coming days will become the golden hub of RMG sourcing for the world.

The demand for man-made fibre is growing worldwide. Do you think local textile millers should focus more on MMF?

Currently, the textile manufacturers around the world are leaning towards man-made fibre (MMF) as the brands, retailers and consumers are preferring MMF to natural ones since they are durable and reusable. Also MMF grabbed the attention of the millennial generation as they prefer lighter weight fabrics and MMF are very much user convenient. Besides, sustainability has become an important issue for the international RMG buyers which have pushed up the demand for MMF. Moreover, cotton production is limited and the world population is increasing so is the demand for textile. The fashion trend is constantly changing which impelled the MMF demand.

Bangladesh's textile and clothing industry is also keeping up with changing trend and Demand, and focusing on diversified products including MMF. Even 5 years ago, the PSF (**Polyester Staple Fibre**) import volume was 10,000 tons which increased to 1.35 lakh tons in 2021. As per our data, our local spinners have imported 99,345 tons of polyester staple fibre (PSF) in 2020, up 3.4% from 96,077 tons a year ago. Meanwhile, the import of viscose staple fibre (VSF) also

rose last year as the spinners imported 72,504 tons of VSF, marking a 36% year-on-year increase.

As part of moving towards the plan, we hope that the new investments worth USD 2.5 billion will add 2.5 million spindles to the existing capacity of spindles by 2023 which in turn will create employment opportunities for about 1 lakh people. These investments are expected to meet the growing MMF demand of the international market. More so, our spinning mills are constantly developing in line with the changing technology and buyers' demand. Our spinning mills need to do some minor changes to the existing technology for MMF production.

What are the impediments, you feel, holding the sector back from further growth?

'Ease of doing business' and 'cost of doing business' still remain the stumbling block

for textile and clothing industry. As far as I am informed, Bangladesh ranked 168th out of 190 countries in 2020 in the ease of doing business index whereas our neighboring country topped the list in South Asia as 63rd. I think the cumbersome process of VAT, bond, customs, taxes, the snail's pace of file approval, lack of corporate ethics in the regulatory offices are some of the main reasons for Bangladesh scoring low. Also, the VAT policy is quite incomprehensible I feel. Moreover, the uncongenial approach of the VAT personnel at the field level is discouraging for business. More so, the congestion at port, increased port and container charges, inadequate ships are only increasing the woes of the businesspeople.

However, we have approached the concerned authorities regarding these issues several times but no major change was seen in improving the system.

We also have given some proposals such as duty-free import of all kinds of fibre which will be used to make yarns for the export-oriented RMG sector, 1% duty on spare parts import etc. in the latest budget proposals which will facilitate the industrial growth and ease the hurdles of our businessmen. As you know, we can import cotton at zero duty but we have to pay high duties if we import fibre. Since the world is moving from the cotton-based production and the fashion is changing constantly, any types of fibre which are imported by the export-oriented mills should be exempted from duty for Bangladesh to uphold its current position in the world apparel market. It's impossible for us to know what buyers will demand before the order is placed. International orders are now demanding products that require the use of different kinds of fibre. If duties are not exempted from all kinds of fibre then I am afraid that Bangladesh

will not be able to remain competitive in the world apparel market. Immediate attention should be given to this matter.

We all are aware that the fashion technology is changing fast and in order to remain in the race, Bangladesh's apparel industry has to keep up with the changing pace of technology. For this, they need to import many spare parts of the machinery very frequently as such the duty for importing spare parts should be uniformly set at 1%. This will also reduce the tendency of tax evasion.

Bangladeshi businessmen are suffering due to logistics shortcoming which can also be seen if we look at the logistics performance index. It also has the worst customs clearance performance among the competitive countries. There is no single authority to monitor all the logistics. Also, Covid-19 has devastated the logistics and freight forwarding system of the country.

How are you coping with the recent hike in global cotton price?

The recent cotton price surge in the world market has definitely caused a cascading effect on the yarn price as cotton is the main raw material for yarn production and yarn manufacturing cost is comprised of 60% of cotton price. Also coupling with the high demand of yarn there was a teetering situation in the market. I think, the situation will soon be stabilized and yarn price will reach to moderate level.

How can the textile mills benefit from 4th Industrial Revolution (4IR) to stay competitive?

The fourth industrial revolution is one of the most discussed issues worldwide as well as in Bangladesh. The 4IR is paving the way for transformation in the way we live and radically changing almost every business sector in a spectacular manner. Bangladesh's textile and clothing sector is also cognizant of that and ready to embrace it. As mentioned earlier, 2.5 million spindles which are to be added by 2023 will be the state-of-art technology. 4IR is bound to modify the clothing manufacturing process making a fast, flexible and efficient system and will lead to a supply-side miracle increasing productivity. Also, cost of production will decrease. Our textile sector has always been up-to-date with the latest technology and machinery and will keep it up in order to remain competitive in the market.

Technology and business go hand in hand. In any industry, technology is always at work. So if you and your business do not adapt to the developments of technology you are bound to lag behind. Technological development and others such as infrastructure development, logistic and policy support should progress or move side by side in order to ensure the development and growth of the industry as well as the economy.