



**Workshop on Man-Made Fiber for Moving up the Value Chain of RMG in the Context of LDC Graduation**

**Jointly organized by the Support to Sustainable Graduation Project (SSGP), ERD and BGMEA**

**Tuesday 04 October 2022**

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# Man-Made Fiber for Moving up the Value Chain of RMG in the Context of LDC Graduation

## Outcome Document

A workshop on 'Man-Made Fiber for Moving up the Value Chain of RMG in the Context of LDC Graduation' was jointly organized by the Support to Sustainable Graduation Project (SSGP) of Economic Relations Division (ERD) and Bangladesh Garment Manufacturers and Exporters Association (BGMEA) at the NEC Conference Room, Planning Commission, Sher-e-Bangla Nagar, Dhaka on 04 October 2022.

Hon'ble Planning Minister Mr. M. A. Mannan, MP graced the event as the chief guest. Additional Secretary of the Ministry of Commerce Mr. Noor Md. Mahbubul Haq and the President of BGMEA Mr. Faruque Hassan attended the workshop as special guests. ERD Secretary Ms. Sharifa Khan chaired the workshop.

Bangladesh's ready-made apparel has made a strong footprint in the global market and emerged as the second largest exporter in the world after China. However, the country would lose all the LDC-specific ISMs, including preferential Rules of Origin (RoO) and Duty-Free and Quota-Free (DFQF) market access soon after the graduation from the LDC category in 2026-- except the Everything But Arms (EBA) scheme of the EU-GSP, which will end in 2029.

Since Bangladesh could make maximum utilization of the DFQF facilities, the loss of such facilities after graduation may create some challenges for our exports, particularly the RMG as the sector alone contributes around 83 percent of our total exports.

Meanwhile, the rapid shift in the global apparel market from cotton to non-cotton based Man-Made Fibre (MMF) may thwart the potential growth of the Bangladesh RMG sector as currently, the overwhelming portion of our RMG exports are still cotton-based. In this context, expanding the production base of non-cotton yarn and fabric, and manufacturing garment items with it has enormous potential for Bangladesh to grab a larger share of the global apparel market. It will also give an extra edge in qualifying for the stringent RoO after graduation.

In this context, the SSGP Project of ERD and the BGMEA jointly organized this workshop to analyze the current situation of MMF usage in the RMG sector of Bangladesh and to discuss how increased use of MMF could help the RMG sector diversify as well as produce high-value-added products.

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Chairman of Research and Policy Integration for Development (RAPID) Dr. M A Razzaque delivered the keynote presentation of the event while Director of BGMEA Mr. Asif Ashraf delivered a presentation on 'Challenges in Production and Use of MMF in RMG and Expectations of the Private Sector.

Executive Director of Bangladesh Bank Mr. Kazi Rafiqul Hassan, Executive President of Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) Mr. Mohammad Hatem and Director of Bangladesh Textile Mills Association (BTMA) Mr. Syed Nurul Islam spoke during the event as panelists.

Mr. Farid Aziz, Additional Secretary of ERD and Project Director of SSGP delivered the welcome address of the event. Representatives from the public and private sectors as well as research organizations participated in the workshop.

### **Tapping the potentials of Man-made Fibre (MMF)**

- Bangladesh needs to grab the potential of MMF by expanding its market in the global MMF-based RMG segment while maintaining the current growth in cotton-based apparel to increase our global market share;
- Special policy incentives should be provided to attract more investments in non-cotton textiles and RMG industries;
- Given the burgeoning demand for non-cotton apparel, MMF should be considered the most important thrust sector in all relevant policies of the Government of Bangladesh;
- Providing 10 percent incentives for the initial 5 years on fabrics manufactured from imported MMF yarn and for the next five years on manufactured fabrics from MMF yarn may be considered;
- Bangladesh should pursue to attract foreign investment in MMF textile and apparel sectors;
- Bangladesh should try to turn itself into a regional MMF supply hub;
- Special scheme to promote FDI or Joint Venture, particularly in non-cotton textiles and fabric which will help the country in meeting Double transformation criteria for Rules of Origin in the post-LDC era;
- Improved infrastructure and logistic services (customs, bond, port, etc.) for import of raw materials needed for non-cotton production;
- Tax benefits or incentives should be provided to set up non-cotton yarn and fabric textile plants in economic zones;
- Special budget allocation should be provided for research, development and innovation to explore the potentials of fiber made from indigenous materials like bamboo, jute, cane, and other vegetable fiber, etc.; and
- All sorts of duties on the import of MMF or relevant raw materials may be waived to promote the use of man-made fiber in local RMG industries.

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## Augmenting the Growth and Diversification of RMG

- Bangladesh should look to take advantage of the falling share of China in the global apparel market;
- Bangladesh should make the most of the LDC privileges for the remaining few years;
- EU is currently working on a new GSP regime. As per the draft proposition of this new GSP regime-- Bangladesh may not get GSP-plus facilities for its RMG exports beyond 2029. Meanwhile, the Rules of Origin (RoO) related flexibilities may not be available under the new Developing Countries Trading Scheme (DCTS) of the United Kingdom. Bangladesh should closely monitor such development in the major markets of Bangladesh's RMG export while negotiating the continuation of International Support Measures (ISMs) beyond graduation;
- Compliance and ESG (Environmental, Social and Governance) factors will influence the future export performance of the country. Issues of environmental protection, decent working conditions as well as sustainable production and consumption should be addressed for negotiating the continuation of international support measures with the importing countries;
- Spinning mills should be provided with adequate incentives including access to low-interest-rate loans;
- BTMA, as the mother organization, should be involved in policy consultations concerning the textile and apparel industry;
- Productivity of the RMG sector should be increased to enhance the competitiveness of the local apparel industries;
- The increased focus should be given to trade facilitation and other measures for cost reduction to increase the competitiveness of RMG in the global market;
- The loss of efficiency due to trade-related logistics should receive increased focus to enhance the competitiveness of the RMG sector from the domestic front;
- RMG sector should explore the untapped markets of the Middle East as part of its market diversification efforts;
- Lead certified RMGs of Bangladesh should take measures to qualify for the Carbon Border Adjustment Mechanism (CBAM) to be introduced by the EU in 2023;
- Measures should be taken to diversify the products within the RMG sector as only five types of products comprise 69 percent of Bangladesh's total RMG export;
- Capacity building, awareness creation and appropriate branding should be taken into account for furthering the growth of the local RMG export;
- The competitiveness of local spinning industries should be increased to augment the growth of the local RMG sector. Increased investment is also required in yarn and fabric manufacturing.



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## Policy Support and Coordination

- There should be a level playing field in providing incentives to ensure fairness among various sectors and sub-sectors;
- Rationalization and repackaging of incentives are required to make sure that the areas which are lagging receive the required support;
- Recommendations coming from the workshop could be incorporated into the national tariff policy currently being formulated by Bangladesh Trade and Tariff Commission;
- NBR should work to simplify the customs procedure and accelerate the process of consignment clearance;
- Necessary measures should be taken to accelerate the process of installing scanner machines at the Chittagong port for the fast release of the goods;
- Subsidies should be provided on incremental exports to augment the export growth and accelerate competitiveness within the RMG sector;
- Bangladesh needs to invest more in backward linkage industries related to RMG to compete with other major players like Vietnam in the coming years;
- Necessary analysis should be carried out to chalk out ways and means for the continuation of various incentives beyond the country's LDC graduation;
- Policy support including easier access to finance would be required for necessary technological upgradation for the required transformation in the textile and apparel sector;
- Bangladesh Bank would work closely with the Ministry of Commerce to facilitate the continued growth of the textile and RMG sector.

## Outcome of the workshop

- The workshop has resulted in an increased understanding of the current situation and the potential for enhanced use of MMF in the RMG sector of Bangladesh. The event was successful in getting stakeholders on the same page to undertake a holistic approach to addressing MMF-related issues.
- Both the private sector and the government committed to working together to tap the potential market of the non-cotton-based garment along with continuing the current growth of nature-based production. A strong backward linkage has to be developed soon to exploit the opportunity of the fast-growing MMF market and all stakeholders offered to support and work collaboratively to this end.