Garments industry in bangladesh economics essay

Economics

The ready-made garment (RMG) industry of Bangladesh has started in the late 1970s and became a well-known player in the market in a short period of time. The industry has made a payment to sell overseas income, foreign exchange income, employment conception, poverty mitigation and the empowerment of women. The export-share system and the convenience of not expensive labor are the two main causes at the back the achievement of the business. In the 1980s, the RMG commerce of Bangladesh was concerted mainly in manufacturing and exporting natural fiber products. Since the early 1990s, the join section of the industry has started to make bigger. Shirts, sweaters, trousers, T-shirts and jackets are the main products exported and manufactured by the industry. Bangladesh exports its ready-made garment products frequently to the European Union and the United States of America. These two destinations account for more than a 90 per cent share of the country's total income normally come from garment exports. The country has attained some product diversification in equally the United States and the European Union. Recently, the country has attained some stage of product promotion in the European Union, but not to a major amount in the United States. Bangladesh is less forceful evaluated with China or India in the United States and it is slightly spirited in the European Union. The time-out of the export-share system from the beginning of 2005 has elevated the competitiveness subject of the Bangladesh RMG industry as a top major concern topic. The most significant job for the industry is to decrease the guide time of garment manufacturing. The development of deep-level competitiveness during a declining in total " production and distribution" time will get better surface-level competitiveness by reducing lead time. Such a policy is important for long-term steady development of the industry, but its execution will take time. In contrast, the organization of a central or common bonded storehouse will improve surface-level competitiveness by reducing lead time, but deep-level competitiveness will not be enhanced and long-term industry development will be belated. Therefore, granting authorization to establish in the private sector such warehouses with particular incentives, such as the duty-free import of raw materials usable in the export-oriented garment industry for dropping the lead time in garment manufacturing is a serious matter for Bangladesh. What is countervailing duty? Countervailing duty is a supplementary import duty imposed to recompense the effect of concessions and subsidies decided by an exporting country to its exporters. Obligation ofcountervailing duty is an effort to transport imported prices to its accurate market price, and thus provides a level-playing ground to importing country's producers. A job placed on imported goods that are being subsidized by the importing government. This helps to even the playing field between the home producers and the overseas producers receiving subsidies. Subsidized goods permit a producer to sell at a lower price than it could without the funding compensation. If this producer sells into the international market, they can often challenge the pricing of producers in other countries who don't receive subsidies from their government. If the subsidized foreign producer goes unimpeded, the home producers could be run out of business, causing lost jobs and other financial losses.

Why countervailing duty is important?

Countervailing duty or supplementary duty of customs is levied to make up for the disadvantage to like Indian goods due to high expunge duty on their inputs. Obligation of a countervailing duty is an effort to bring the imported price to its factual market cost, and thus provides a height playing field to the importing country's producers. This supplementary duty will not be included in the measurable value for levy of education cuss on imported goods.

Users of CVD

Until the 1990s, the United States, followed, to a lesser extent, by Australia and Canada, were the main users of countervailing duty actions. However, since that time, the EC and some developing countries have also started to apply countervailing measures. According to WTO statistics, the current main users include the EC and Brazil in addition to the three traditional users.

Garment industry hails Countervailing Duty (CVD) on Bangladesh goods

The decision to oblige Countervailing Duty (CVD) on garments imported from Bangladesh is being professed as a game-changer for the industry. The union budget for 2013-14 has forced countervailing duty of 12. 36% and supplementary curse of 3% on garments imported from Bangladesh. This was one of the key stresses of the woolens and ready-made garment manufacturers here, who were complaining regularly that the duty-free import of garments from Bangladesh was excruciating the Indian industry badly. The decision to take out the central expunge duty on branded garments was also a cause to applaud for them. Now, the industry is certain that three factors, including extraction of 12. 36% of middle excise duty on branded garments, burden of CVD and instructive cuss would cooperatively bring about a change in their situation. Chairman of knitwear club, Vinod

Thapar said: " The imposing CVD and educational cuss on garments imported from Bangladesh will make sure a level-playing field to Indian manufacturers, whose prospects were being harm due to a tough rivalry from neighboring country." " Due to some technological reasons the industry came to know about the budgetary conclusion late," he added. The textile industry of Bangladesh was enjoying a duty free right of entry to the Indian market after Prime Minister Minoan Singh's visit to the neighboring country in September 2011. The decision had permitted as many as 46 textile items from Bangladesh to hit the Indian market without any duty. It was a long-pending authority of the Indian manufacturers to impose the duty on Bangladesh garments claiming that the decision was badly throbbing their happiness by depiction their products uncompetitive in the market in conditions of price. The choice would put a check on attack of Chinese industry in the Indian market throughout Bangladesh way as Bangladesh manufacturing industry has been using cheaper Chinese fabrics. " The subsidy to Bangladesh manufacturers in their country and middle excise duty on Indian branded garments here were making Indian products costlier, thereby hurting wellbeing of the industrialists here resulting in decrease in sale," Darshan Dawar, president of knitwear club said. President of Ludhiana Knitters Association Ajit Lakra said the decision would help the industry a lot as it was being overstated by cheap garments from Bangladesh. Lauding the decision he said: " This will stop dumping of goods or materials in the Indian market with neighbouring country's material and will push up sale of Indian manufacturers. It will also ensure growth of the industry, which was stopped for quite some time."

Indian CVD and Bangladesh RMG exports

The issue of the countervailing duty (CVD), which is a necessary appendage to the Indian duty arrangement, has been a cause for argument for quite some time. The Union budget of India has levied new CVD on import of apparels that are supposed to sternly harm Bangladesh's exports to India. Important to note, this is going to cancel the duty-free action of Bangladesh attire exports that India had earlier permitted. The CVD is a much discussed subject in trade-related two-sided and local level talks. Ever since the operationalisation of SAPTA (South Asian Preferential Trading Arrangement) followed by SAFTA (South Asian Free Trade Agreement), exports from Bangladesh has suffered on account of the CVD that prevailed on most imported products as well as those which got full or incomplete duty payment under these agreements. Excess duties on account of CVD and other taxes borne by Indian importers of Bangladeshi products approximately amount to the decay of duty concessions. The matter has caused serious anxiety this time as the largest export division of the country, garments, is overstated. Controversy over the Indian CVD is not a new one for the easy reason that it is by its very meaning 'Indian', and most observers while trying to tell it to the WTO explanation of the term tend to puzzle it in total. Ideally, under the WTO rule-based trading system, CVD can be applied to imports to aggravate the effects of undeserved pricing, resulting from subsidies that the imported product may have received at one or more stages of production in its country of source. The quantum of CVD should be equivalent to the extent of financial support received to ensure a consistently balanced ground for domestic product by way of suspicious it from unfair competition of the imported product. Imposition of CVD is a systematic process involving a careful investigation by the importing country into the practices of financial support in the exporting country. The CVD that India imposes from time to time on imported products, as formerly mentioned, is not WTO-driven. Hence from the Indian viewpoint, trying to figure out the lacuna in the context of WTO disciplines is not suitable. The Indian authorities have been resorting to this stand as and when CVD featured as an issue of talk about with their trading associates. The Indian CVD is defined as a means of ensuring national action by way of balancing home taxes, explicitly excise duty -- which limited producers pay for the products. But the question that one needs to find out is: can India as a member of the WTO plan its own tool in the name of suspicious home products and ensuring national treatment? A reply in the apathetic is what most experts will not waver to utter. The crux of the matter is still a little deeper. What had been resorted to as a balancing of excise duties applicable to the home industry, has, of late, taken an accidental stance. India, according to a report, has lifted the excise duty payable by Indian garment manufacturers, but has kept the 12 per cent CVD on imported garments. Bangladesh Garments Manufacturers and Exporters Association sources have reportedly intended the total amount of payable duties which comes to 13. 24 per cent on Bangladeshi garments, including 3. 0 per cent education cuss on the CVD and a further 4. 0 per cent particular CVD. The extraction of the cut out duty has been hailed by the Indian home apparel industry, as it would make their products far more spirited as beside the imported products, particularly those from Bangladesh. The ministry of finance in India, issued a letter to the establishment worried about the Finance Bill, 2013 that brought changes in civilization and middle excise law and rates of duty. The letter said zero excise duty, as existed previous to Budget 2011-12, is being restored on readymade garments and made-ups. The zero excise duty will now be accessible to producers of garments, in addition to the central VAT under which manufacturers can pay excise duty on the final product and advantage of credit of duty paid on inputs. It is believed that this, as well making the domestic products spirited, will also provide protection to the home industry from cheap imports. The Indian media also speculates that the zero excise duty will encourage foreign retailers to set up shops in India to manufacture their supplies in India, rather than import from other countries. Now the essential issue is erosion of duty profit allowed to Bangladesh. The FBCCI (Federation of Bangladesh Chambers of Commerce and Industry) has in the temporary taken up the matter with the government of Bangladesh in order that the issue is discussed at extent with the government of India. The issues that need to be decorated in the joint talk at the government level are: a) the duty-free status is nullified due to the CVD and removal of excise duty, and b) it is equal to denial of market access -- an apparent gesture of 'yes', meaning 'no'

Conclusion

The expunge duty on documented readymade garments was removed in the budget in the wake of industry witnessing about zero per cent growth in 2011-13. The industry will also be benefited by annoyance of 12 per cent countervailing duty on import of garments from Bangladesh. Preceding, import of garments from Bangladesh did not sketch import duty nor there was any quota and Bangladesh was used to elimination cheap garments made of Chinese fabrics in India. Now, budget has compulsory 12 per cent

Countervailing Duty (CVD) plus Education Cass on garment exports to India from Bangladesh which will afford buffer to domestic industry. This will also give confidence foreign retailers setting up shop in India to manufacture their requirements in India, rather than import ended garments from other countries. The industry is expected to be value around Rs 2 lakh crore with exports accounting for another Rs 60, 000 to Rs 70, 000 crore.