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THE BANGLADESH OBSERVER

SAARC Regional Cumulation

Not so long ago, a three-day International Conference on Regional Cooperation in South Asia ended with a suggestion to modify the SAARC charter to fit changing needs and to face the new challenges. Organised by BISS in collaboration with the German Embassy, 70 political leaders, scholars, diplomats and analysts from Asian and European countries participated. This event passed without much comment. Yet another of which we should take notice which involves SAARC, is that, in responding to Bangladesh's call for relaxing the rules of origin for apparel exports, the European Union (EU) offered Bangladesh SAARC Cumulation that frees the import of fabric from any SAARC country from the condition defined as "country of origin."

Although garment exporters welcomed the EU offer, they faced instant opposition from the local textile industry thus promoting the past government to postpone any decision about accepting this offer. The situation was made complicated by the fact that, whereas garments' manufacturers and exporters hailed it, local textile manufacturers felt it was an impediment to growth of the backward-linkage industry. But Bangladesh Garment Manufacturers and Exporters Association (BGMEA), the country's largest export earner, saw in the offer a way to reduce the cost and time it takes to import the materials. In addition this will increase export competitiveness of the finished products. They say that non-implementation of the SAARC Cumulation would be "self-contradictory and suicidal" and would render virtually useless the facility of duty-free market access to European Union countries.

But the matter was held in abeyance as the Bangladesh Textile Mills Association (BTMA) vehemently opposed any decision arguing that it would open a floodgate to cloth imports from neighbouring countries and hit the booming local industry in quality textiles hard. But according to the BGMEA the local textile industry can meet only 15-18 per cent of the demand of the industry and local garments manufacturers depend on imported cloth for more than 80 per cent of their needs.

If accepted the SAARC Cumulation could help increase Ready-made Garments exports, now worth roughly US\$ 500 million a year, and if a 50 per cent "Value added" is counted, the country's foreign exchange reserve could go up by US\$ 250 million every year. In addition it will help to re-open the thousand or so garment factories that have been forced to close down and also bring in about US\$ 100 million in export earnings from the industry's sub-sectors. As fabrics from SAARC countries are cheaper by 7 per cent from other countries, and less time-consuming, this will give the industry an edge by reducing the lead-time by at least 30 days.

When 72 Caribbean and Sub-Saharan countries have been given duty-free access to US market, and when Pakistan is going to benefit from EU's duty-free access and India is likely to get the same, we cannot afford to refuse this offer. Moreover Bangladesh will, under this scheme, qualify for only five out of the current 50 items exported, viz. shorts, pants, jackets and shirts for boys, and men's/ladies' shorts. BGMEA however, said we should not accept SAARC Cumulation in knit fabrics, because the country's knitwear manufacturers are able to meet 70-80 per cent of local demand.