**FDI in RMG—a boon or bane?**

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While the government is trying to attract foreign investment, both within and outside the Export Processing Zones (EPZs), it does not apparently want to exclude any specific manufacturing sector from the prospect of such investment. In fact, the government is particularly interested to lure relocation of factories from countries like China, Japan and Korea in the wake of the increasing wages in those countries on the one hand and on the other, their search for suitable locations for both relocation and setting up of export-oriented industries.

Given the wage scenario and abundant workforce (with its easily trainable credentials), Bangladesh, despite many of its perennial odds, is a location of choice for them. And of all the sectors of manufacturing, apparel making, Bangladesh's key area of expertise, has reasons to attract overseas investors. The gains, observers believe, will be multiplier across a range of business activities for the investors. The obvious question now is: will this badly hit the local industry?

Media reports say there is a move to facilitate foreign investment in readymade garment (RMG) industry outside the export processing zones (EPZs). The initiative, which is still under process, has already been opposed by the local apparel manufacturers and exporters. Understandably, the government will have to settle the matter, first, with the local manufacturers and find a way out to reassure them about their future prospects.

It can well be guessed that much of the concerns of the local manufacturers stems from the fear that if the government allows unconditional approval to foreign investment in the RMG sector, there might be serious competition in the low-end segment products -- the key strength of Bangladesh's apparel industry. This fear is further heightened by the fact that China has already made it known that producing low-end apparels is no longer viable in that country because of soaring wages. So, if  adequate opportunities are provided, chances of relocation of Chinese factories for low-end products are high.

In view of this, local stakeholders are more inclined to confine foreign investment in the garment sector to the EPZs only. However, they are said to have agreed a couple of months back to accept foreign investment outside the EPZs on condition that those factories will produce fashion items for non-traditional and new markets like Russia, Brazil, China, South Africa, India, Australia and Mexico.

      The country's RMG sector is now in a state of disarray. Besides the lingering issues of workplace safety and labour rights, the ongoing blockade is causing all kinds of perceivable damages.  RMG exports have registered a noticeable negative growth last year. The note of alarm lies in the persisting trend of this negative growth for past successive months. Given the structure and composition of Bangladesh's narrow export basket, performance of the country's export is determined by a single parameter, the performance of the garment sector.

It does not, however, necessarily mean that foreign investment would pose genuine threats to the garment sector.  Looking at the scenario too simplistically may not help. There are counter-arguments that the fear of the local manufacturers stems more from the prospects of better wage for workers in the foreign factories, which, in turn, will have its effect on the local factories. It need not be reiterated that the local manufacturers at the moment are rigid in their stand on wages. So, according to them, inviting foreign investment in the basic and low-end segment of apparels would call for undesirable chaos. In this context, critics ask the all-important question: if foreign investors can afford to pay higher wages and still make profits, why cannot the locals?

Last year, a good number of high-level business delegations visited Bangladesh, primarily with the objective of exploring prospects of investment, especially in relocating some of their burdensome leather and garment factories in Bangladesh. The government has apparently received some favourable signals, which might translate into pressure also. It is, however, not yet clear whether interested investors are eying the basic and low-end segment alone.

On an altogether different note, there are quarters which believe that allowing foreign investment in the RMG sector might bring a change for the better in the overall work culture of the industry. Besides, it might bolster backward and forward linkage industries by way of increased production as well as technological improvements.

There is thus the need to consider the pros and cons of the issue before arriving at a decision. Taking the Bangladeshi stakeholders - mainly the local manufacturers - on board would be a prudent step in that direction. Besides, views of the think tanks may also be taken into consideration.

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