

Clothing brands still see Bangladesh as a major supplier



China, Bangladesh, Sri Lanka and Vietnam are major players in the global supply chain of the apparel business.
Photo: Star/file

Star Business Report

Despite the uncertainty caused by the coronavirus pandemic, international clothing brands are confident that Bangladesh will remain a major source of apparels in the coming months, according to a new study.

The Centre for Policy Dialogue (CPD), a think-tank based in Dhaka, and the Institute of Policy Studies (IPS) of Sri Lanka, carried out the study.

China, Bangladesh, Sri Lanka and Vietnam are major players in the global supply chain of the apparel business.

Medium-term challenges will closely correlate with the extent to which the coronavirus is contained. The second wave has significantly reduced demand in prominent markets such as the US, the UK, and the EU, the study said.

The findings of the study were presented at a webinar on 'Recovery of the apparel sectors of Bangladesh and Sri Lanka: is a value-chain-based solution possible?' on Tuesday. Khondaker Golam Moazzem, research director of the CPD, and Kithmina Hewage, a research economist at the IPS, made a joint presentation.

The study found that major sourcing countries have either re-shored or over-concentrated to a limited number of sourcing countries during the pandemic period.

"There is a limited level of initiatives of major market players to keep the suppliers of major sourcing countries and the world of work in uncertainty to address the medium-term challenges."

A significant shift in the distribution of export orders by buyers during the Covid-19 period (January–June 2020) has deprived several major supplying countries, including Bangladesh and Sri Lanka.

Bangladesh's share in global knitwear markets fell from 8 per cent in the pre-pandemic level to 6 per cent in June last year. Similarly, the country's share in the woven segment declined from 7 per cent to 6 per cent during the period.

Analysis shows that an additional \$2 billion worth of orders could be redistributed to supplying countries if the pre-COVID period's market share of export orders is maintained in the case of the largest supplying country – China.

"Both Bangladesh and Sri Lanka have the capacity to supply products that are supplied by China," the study said.

It proposed that in case of a major global crisis, a redistributive approach should be maintained to ensure export orders at least at the pre-crisis level, particularly for countries that have financial constraints and weak social support programmes to support their suppliers and workers.

According to the study, 76 per cent of suppliers had to reduce export orders. The highest proportion of order reductions was seen in case of Bangladesh at 93 per cent, followed by Vietnam at 80 per cent, China at 74 per cent, and India at 61 per cent.

Fiscal constraints of Bangladesh and Sri Lanka squeezed domestic capacity to support the apparels sector during the crisis, it said.

In Bangladesh, \$1.2 billion subsidised credit to garment enterprises was disbursed in the form of workers' wages, an extension of letters of credit usance, waiver interest of loans, increase in the export development fund, and temporarily deferment of loan payment.

The subsidised credit support has not been received by all factories, the study said.

As of October 2020, more than 360,000 workers lost jobs. Only 14 per cent of the laid-off or retrenched workers received dues. Fifty-eight per cent of workers were in financial difficulties, and 82 per cent saw a deterioration in their food intake in Bangladesh.

In Sri Lanka, a debt moratorium of six months for interest and capital was offered, and short-term working capital loans at 4 per cent interest were extended. Most factories availed the working capital loans made available in Sri Lanka.

There have been substantial impacts on workers' incomes and livelihoods as debt increased, assets sold, and savings spent, the study said.

Rehman Sobhan, chairman of the CPD, said that the International Labour Organisation (ILO) could consider playing an entrepreneurial role in bringing together international buying countries with supplying countries to restructure the global demand management.

"A tripartite exercise should be carried out, including government, employers, and workers to produce a mutually accommodating system of unemployment insurance to address not just the immediate impact of the coronavirus crisis but a longer-term crisis."

Mostafiz Uddin, managing director of Denim Expert Ltd, said during the crisis, his buyers even did not respond to emails, although they were saying that they were long-term business partners.

He is not hopeful about getting back all of his arrears from the buyers as lead-time, contracts, and prices changed due to the fallouts of Covid-19.

"Brands and retailers should consider us as their business partners meaningfully," the entrepreneur said.

Husni Salieh, director for strategic transformation at MAS Holdings in Sri Lanka, said the value of a value chain was truly optimised when its stakeholders work collaboratively, particularly during the crisis.

He added that building resilience within a relatively diversified but existing value chain could face the current and future crisis successfully.

Pierre Börjesson, head of sustainability for global production of H&M Group, called for speeding up digital marketing so that the supply chain was not affected during any disaster.

The Swedish retail giant, which purchases more than \$3.5 billion worth of garment items from Bangladesh every year, did not cancel any work order during the pandemic, Borjesson said, calling for social protection for workers.

Binu Wickramasinghe, co-founder and managing director of Design Collective Store in Sri Lanka, said small and medium enterprises in the Island nation suffered a lot in availing loans.

Dan Rees, director of Better Work, a flagship programme of the ILO, said only sector-specific measure might not address the existing challenges.

In order to build strong resilience and protect the workers, trust and cooperation among the stakeholders and a long-term plan were required, he said.

Fahmida Khatun, executive director of the CPD, and Mustafizur Rahman, a distinguished fellow, also spoke.