

JAPAN: A New Era Dawns as a New Market Opens for Bangladesh's RMG Industry

Introduction:

Today, the USA, European Union and Canada account for 95% of RMG exports. Bangladesh's ready-made garment (RMG) export destinations have increased gradually over the years, but as these numbers show, the volume of exports outside the "top three" is low. To ensure a prosperous future for Bangladesh's RMG sector, diversification to new and emerging markets has become essential.

To meet this need, PROGRESS, as part of the project's RMG trade promotion component, is supporting the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) and the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) to diversify the markets to which Bangladesh exports ready-made garments.

Why Japan?

Based on country to country comparisons, Japan's apparel market is the second largest in the world, behind only the USA in terms of sales volume. With its knitwear imports standing at US\$ 11.96 billion in 2009¹, Japan has become the third largest importer of knitwear in the world.

In 2009, knitwear exports to Japan from Bangladesh were three times larger than knitwear exports in 2008, registering the highest growth among Bangladesh's trading partners. In the first seven months of 2010, these exports grew more than 61%. This growth is a result of the Generalized System of Preference (GSP), one of the most important facilities that Japan is providing to Bangladesh for the promotion of export and investment.

In a policy known as the "China Plus One" policy, Japanese buyers are intending to relocate about 30 percent of their orders from China to other locations. Possible destinations include Vietnam, Bangladesh and Cambodia with likely proportionate distribution set at 15 per cent outsourced to Vietnam, 10 per cent to Bangladesh and 5 per cent to Cambodia².

With Bangladesh knitwear exports heavily concentrated to three markets, the BKMEA has

acknowledged the need for more export diversification and is thus looking to diversify knitwear exports to Japan. With this goal in mind, BKMEA carried out an exploratory mission to Japan at the mid of 2009 and another scoping mission in September, 2009 in collaboration with GTZ to intensify the existing contacts and trade links.

Follow up mission to Japan: A follow up mission was also carried out in collaboration with GTZ from 10 to October 16, 2010 with a prime objective to gain improved market access to Japan for RMG products, in particular knitwear which is chiefly promoted by BKMEA. This mission followed up on the open issues and findings of BKMEA's 2009 exploratory missions.

Apart from gaining more market access to Japan, the main purpose of the visit was to propose that the Japanese Government relax the existing Rules of Origin (ROO) for knitwear so that the Japanese GSP could apply to this sector. Delegates also discussed the feasibility of organizing a single country/single product fair (Bangladesh knitwear) in Tokyo in mid-2011, an increase in technical assistance to improve the skills of people working or willing to work in Bangladesh's garment sector, and looked to recruit interested buyers to attend Bangladesh's annual knitwear expo to be held in January 2011 in Dhaka and to visit required knitwear factories in order to analyze the product range, quality, prices etc.

The exploratory mission team met the Ministry of Economy, Trade and Industry (METI), Japan Textile Federation (JTF), Japan Textile Importers Association (JTIA), Japan External Trade Organization (JETRO), UNIDO-JAPAN, Ministry of Foreign Affairs (MOFA), Shimamura Fashion Group, Japan-Bangladesh Committee for Economic and International Cooperation (JBEIC), Okamoto Corporation, journalists and other trade bodies.

Scoping mission team members: BKMEA: Mr. Al-Haj Habibur Rahman, 1st Vice President (Team Leader), Mr. Mohammad Hatem, 2nd Vice President, Mr. A.H Aslam Sunny, Vice-President (Finance), Mr. Khawja Azizul Hoque, Director, Mr. A.S.M. Quamrul Ahsan, Director, Mr. Md. Kamal Uddin, Senior Executive, Research and **GTZ:** Ms. Sarwat Ahmad, Senior Advisor, Trade Promotion.

¹ BKMEA report on Japan follow up exploratory mission

² Bangladesh Apparels Export to the Japanese Market *Opportunities and Challenges*, by Khondokar Golam Moazzem and Mustafizur Rahman, CPD

Power point presentation by BKMEA at Japan Textile Federation (JTF)



Bangladesh delegation with Representatives from Japan Textile Importers Association (JTIA)



Delegation with Chairman of Pegasus Sewing MFG Co., Mr. Daido Mima and Professor from Bunka Fashion Graduate University at Tokyo Big Sight during Japan Fashion week – Creation



Press Conference at Hotel Okura Tokyo by BKMEA

benefits of the GSP facility available to businesses exporting to Japan due to relaxation of ROO and to counter claims made by the Japanese knit industry.

Bangladesh knitwear fair in Japan

BKMEA informed the Japanese Government of their willingness to arrange a single country fair in Japan in mid-2011 to showcase Bangladesh to Japanese consumers, to further develop trade between the two nations. The fair would highlight the good quality and good value products available from Bangladesh. The Japanese Textile Foundation (JTF) has expressed its support for a single country BKMEA fair in Japan. They have agreed to inform all their members about the fair and distribute BKMEA's promotional materials prior to the fair.

The United Nations Industrial Development Organization (UNIDO) has also expressed their willingness to help invite and involve Japanese participants in the fair.

Technical assistance

BKMEA also proposed that the Government of Japan increase technical assistance to improving the skills of people working or willing to work in Bangladesh's garments sector. The assistance may be channelled in the form of technology transfer, knowledge transfer or networking, and training in various aspects of quality, design and brand development.

Promotional campaign:

As a part of the promotional activities to increase the trade links with Japanese buyers and investors, the following issues were taken into consideration for discussion:

i) Seminar

JETRO emphasised the importance of arranging a BKMEA seminar in Tokyo to disseminate information about Bangladesh's RMG sector. All the key Japanese buyers could be invited along with other people involved in Japan's knitwear sector.

ii) TV programme on Japanese TV

JETRO assured BKMEA of its support to arrange for a TV programme to be broadcast on Japanese TV. Through this programme, BKMEA can highlight the positive aspects of Bangladesh's knitwear industry. This TV programme can be a good vehicle to disseminate a true picture of Bangladesh's knitwear industry.

iii) NHK World; Bangla section, Japanese radio

NHK world interviewed BKMEA management during the exploratory visit to Japan and broadcast it on the radio.

Progression

Relaxation of Rules of Origin (ROO)

Currently knitwear has to undergo a three stage transformation (that is yarn must be produced locally) to be eligible for Japanese GSP. The relaxation of the ROO for knitwear to two stage transformation from three stage is necessary to take advantage of the Japanese GSP.

All the leading Japanese stakeholders agreed on the importance of two stage transformation of ROO.

METI intends to review the possible impact of this transformation on Japanese industries and communicate with the Custom and Tariff Bureau of the Ministry of Finance.

To gain the confidence of Japanese buyers, BKMEA should: i) prepare a paper with exact facts and figures about the effect of ROO relaxation from three stage to two stage for the Japanese economy, ii) send some Bangladeshi knitwear samples to Shimamura iii) improve the current export of Bangladeshi RMG to Japan by ensuring quality control standards and speeding up the shipment process, iv) improve the commercial documentation and administrative process for product sampling v) provide more numbers-based evidence to convince the Japanese Government of the risks and

iv) Trade tie up website

JETRO intends to support BKMEA in the registration of an online trade tie up website which will broaden the link with Japanese buyers as well as other foreign sources by promoting knitwear products and the industry as whole.

Strategies for business development

To develop a strong trade relationship with Japan and to take advantage of Japanese buyers' "China plus one" policy, the following strategies should be adopted:

1) Pursue the Rules of Origin issue at the highest level of Bangladesh's Government and participate in a single country fair or international fashion fair (IFF) in Tokyo. These will serve as product showcases and can also improve the current status of ROO transformation. An established Economic Partnership Agreement (EPA) between Bangladesh and Japan can also play an important role in moving this issue forward.

2) JETRO, JTIA and local quality control Japanese companies in Bangladesh can assist in inspecting product quality. These Japanese partners can also help seek technical assistance from the Japanese Government for technical transfer that can monitor product quality and adherence to standards set by the Japanese Government.

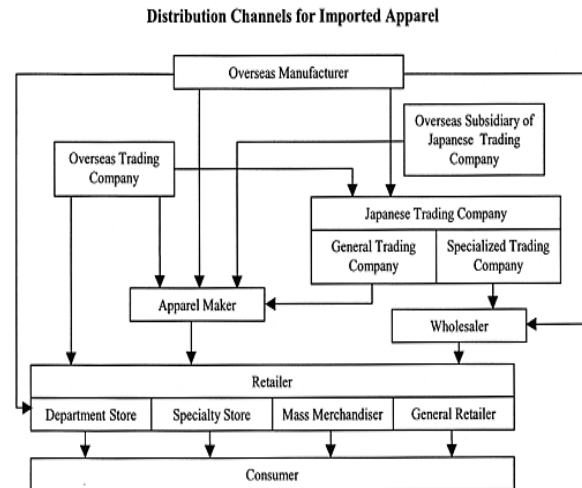
3) As part of promotional activities, JETRO can help provide access to Japanese TV programmes and radio channels, and will organise a seminar and use its website to promote knit products and the industry. BKMEA needs to produce promotional materials and translate the BKMEA website into Japanese.

4) Japanese buyers and investors should be invited to Bangladesh; their visits should be closely monitored to ensure that their recommendations are taken on board by Bangladesh's knitwear industry.

Challenges

1. There are too few buyer and supplier relationships;
2. Japanese market information and communication skills are needed;
3. Policy development by Bangladesh Government to supply gas and electricity to RMG units will encourage foreign investment in specialised textiles
4. Proper knowledge about Japanese retail marketing systems, and distribution channels for imported

apparel products is missing. This gap should be addressed.



Source: www.pic.or.jp/en

Conclusion:

Though the follow up mission was very successful, more ground work needs to be done to improve trade relations with Japan in the area of knitwear. This needs to focus on the strategies and challenges outlined above and address potential areas of cooperation. In addition, the Bangladeshi and Japanese governments should be encouraged to work within existing bi-lateral agreements to build the necessary technical capacities so that Bangladeshi knitwear will comply with Japanese standards.