

# Garment of Man-Made Fibre: Ministry for 10% cash incentive on export

January 2, 2023

**The Daily Morning Voice Online Desk:** The commerce ministry will again write to the finance ministry to provide a 10 per cent cash incentive to garment exporters making goods out of man-made fibres to offset the pandemic's fallouts and challenges of Bangladesh's country status graduation. A previous letter did not result in any allocation for the purpose in the national budget, Senior Commerce Secretary Tapan Kanti Ghosh told The Daily Star over the phone. Garment exporters demanded the incentive citing the severe fallouts of the pandemic, the Russia-Ukraine war and possible challenges once Bangladesh graduates from an underdeveloped to a developing country in 2026, he said.

Development of a man-made fibre-based garment industry is important for three important reasons — tackling the graduation challenges, pandemic's fallouts and grabbing a bigger global market share. Because the price of garment items made from the man-made fibres is higher than those of made from cotton, he said. Currently there is no special cash incentive for the man-made fibre-based garment items but it is needed, said Faruque Hassan, president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA). This is why the BGMEA wrote to the government last year to provide a special allocation for the incentive because global demand for man-made fibre-based garments was higher than that for cotton-based ones, he said. Of garment items produced in the world, 78 per cent are made from man-made fibres and the rest from cotton. In Bangladesh, the picture is the opposite. Of garment items shipped from Bangladesh, 74 per cent is made from cotton fibres and the rest is manufactured from the non-cotton fibres.

The price gap between cotton and man-made fibre-made items is also large. For instance, if a garment item made of cotton is sold at \$5 apiece, the asking price of a man-made fibre apparel item is \$10. Moreover, China and Vietnam have been increasing their share of the global man-made fibre apparel markets. So, this is the time for Bangladesh to grab a bigger market share, Hassan also said. If the government pays more cash incentives, more investment will come to the sector and the country will be more competitive globally, he said. As a result, it will be easier to face the graduation challenges, Hassan also said. It is possible to pay the direct cash incentive to the garment exporters up to 2026 focusing the graduation. By that time, the sector will grow further and the incentive might not be needed after 2026, Hassan said. Increasing export of man-made fibre-based garment items will also help offset the dollar crisis as the sector will also help to bring in more foreign currency on export receipts, he added.

Monsoor Ahmed, additional director of Bangladesh Textile Mills Association (BTMA), said currently the government allows duty-free import of four kinds of raw materials like polyester staple fibre, viscose and tencel. Moreover, the government also reduced the value added tax (VAT) on the sale of yarn produced from man-made fibres to Tk 3 per kilogramme (kg) from Tk 6 per kg in the current fiscal year, Ahmed told The Daily Star over the phone. So far, 50 mills have been set up to produce the man-made fibre-made yarn and fabrics in the country, he said. Currently, the government pays a 4 per cent cash incentive to garment exporters for new markets and 1 per cent for all the markets. Bangladesh considers all export destinations as new markets except the UK, European Union, the US and Canada. Entrepreneurs have so far invested \$20 billion in the primary textile sector.