

An Overview of the Ready-made Garment (RMG) Sector of Bangladesh: From Origin to the Current State of Pinnacle

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An Overview of the Ready-made Garment (RMG) Sector of Bangladesh: From Origin to the Current State of Pinnacle

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Abstract

The aim of this study is to portray an in-depth overview of the export oriented Ready-Made Garment (RMG) sector of Bangladesh, mentioning its history of origin, strength, weakness, current position and the path towards its development. RMG sector is the cornerstone of economy for Bangladesh, as automobile industry is for Japan. This is a desk-research that analyses related articles, newspapers and various databases to fulfill its objectives. This paper highlights the economic history of Bangladesh after its independence, history of origin of the export based RMG sector of Bangladesh, various steps of development till the current date, strengths and weaknesses of the industry, existing challenges that dwarfs its achievement and ways ahead. The texts of this study could be a great initial source for any academic or researcher who wishes to investigate the Bangladeshi RMG industry. However, this paper should not be considered as a comprehensive resource, because its scope is limited to the boundary of its aim.

Keywords: Overview of Bangladeshi RMG Sector, Development of Bangladeshi Garment Industry

1.0 Introduction

Bangladesh is a South Asian country holding approximately 170 million people. Geographically it is relatively a small country having one of the highest population density statistics of the world. It is also young as a nation, considering that it is yet to surpass the 50-year boundary of independence. Overall, as a country, Bangladesh does not have a flawless image in the global scenario and is still known as a poor country in most corners of the world; though, the real case is far from the known one. Bangladesh is used to be an agricultural country; lately, it is beyond the LDC region and in the process of becoming a middle-income country in the foreseeable future. For the last 20 years its industrial legs have been contributing heavily towards its economic development. To be specific, the export oriented RMG sector has been contributing around 12% in the total GDP of Bangladesh for the last 8

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years and it single-handedly earns almost 85% of the total export revenue of Bangladesh (BGMEA, 2019a; Textile Today, 2019).

The story of emergence and development of the export oriented Ready-Made Garment (RMG) sector of Bangladesh is not a straightforward one and is related with the political and economic development of the country. Bangladesh was originally a part of the Indian continent. In 1947, India and Pakistan were born from the Indian continent and Bangladesh (then East Pakistan) was a part of Pakistan. A history of oppression and economic deprivation forced Bangladeshi people towards a war with West Pakistan and it became independent in 1971. Beyond independence, political leaders of Bangladesh changed liked musical chair and was ruled (mostly) by armed forces' representatives until the early part of 1990's. In the midst of all of these, the RMG sector of Bangladesh received special consideration and administrative services from all the governments, regardless their philosophical standpoints, due to this sector's potential impact on the overall economy of the country. The development of the Bangladesh economy has a strong causal relationship with the emergence and rise of the RMG sector of Bangladesh.

The purpose of this paper is to depict a thorough picture of the export oriented RMG sector of Bangladesh mentioning its history of inception, strength, weakness, position and path towards the current rise. This is a desk-research; all the sources of information are secondary and ranges from articles, newspapers to various statistical databases. Anybody considering to research on the garments factory and/or the export oriented RMG sector of Bangladesh may draw detailed initial insights from this paper. The rest of the paper is structured as such: section 2 discusses Bangladesh's economic background and the emergence and development path of the RMG sector; section 3 enumerates the rationales of the current strong position of the Bangladeshi RMG sector; section 4 presents various related statistics of the sector; section 5 unearths the hindrances that this sector is yet to surpass; section 6 provides a SWOT analysis of this sector so that its position can be easily understood and lastly, section 7 concludes this paper revealing the ways ahead.

2.0 Origin-How Everything Started?

2.1 Economic Background Since Independence:

When Bangladesh (then East Pakistan) was a part of the Pakistan regime, it was under tremendous economic pressure. Together with economic deprivation, a cultural-language based oppression ignited a war between the two parts of Pakistan and East Pakistan got the name 'Bangladesh'. Since this independence Bangladesh has gone through several transformation from an 'economic' perspective, which can be portrayed in a three-layered idea (Kurpad, 2014).

In the early years (1971-1975) Bangladesh was under strict control and supervision, just after it was liberated, by the state. There was nationalization of industries and a strict trade control in almost all

the sectors. Highly monitored industrial entrepreneurship, excessive price control, close supervision of agricultural inputs and on marketing was the norm of the state. Since Bangladeshi government was experimenting with a socialist framework, the Readymade Garment Industry (RMG) was literally non-existent (Ahmed and Sattar, 2004a; Ahmad and Sattar, 2004b).

In the second era of de-nationalization and de-regulation (1976-1990) Bangladeshi government started to de-nationalize and de-regulate a lot of business sectors. There were trade-reforms and easing of price control; government relaxed various trade barriers and wanted to promote a 'free trade' environment for the RMG sector. Banking sector was also motivated to run on a private mode. Such economic relaxation lasted till 1990, on which major trade policy reforms were announced (Ahmed and Sattar, 2004a; Ahmad and Sattar, 2004b).

The economic reform era (1990-till date) is featured with rationalization of tariffs, removal of trade-related quantitative restrictions, relaxation of import licensing, unification of exchange rate, convertible current account and an overall outward orientation of trade policy regime (The World Bank, 2012). Additionally, there were large scale liberalization in trade and investment, market orientation and the economy shifted towards a moderately flexible exchange rate system from a fixed one (Ahmed and Sattar, 2004b). Such reforms fetched much required economic growth and development to the Bangladeshi economic scenario; consequently, GDP per capita increased in a rapid rate in the post-1997 era. In 2009, the GDP per-capita of Bangladesh was BDT 21,000; had there not been any reform, it would have been BDT 7,100 or even worse (Rahman and Yusuf, 2010). Again, the current GDP per-capita of Bangladesh— almost BDT 145,000—prove the ever-hiking trend of its economic development (The World Bank, 2020).

Globally, the history of economic growth started with agriculture only and then moved towards industrialization. Since the average productivity of industry is higher than agriculture, it can provide for high-wage employment for a vast number of workers and can raise social productivity by producing high-value goods on a mass-scale. The case is the same for the Bangladeshi economy; it started to push toward the peak, when it realized that the development of the agriculture sector—one of the pillars of the economy—hinges on its backward and forward linkages with the industrial sector. The large industry has played an increasingly important role in the industrial sector, in the recent years. It is reflected in the industrial GDP; however, the industrial base is still rather at the lower continuum. At present, the RMG sector is at the top of the industries that contributes to the sectoral growth of the country; other four are: pharmaceuticals, tobacco, publication and printing and re-rolling mills. Other notable industries are soap and detergent, fertilizer, silk and synthetics and so on. On the other hand, from an export-orientation view, RMG is cutting the best figure; while, leather and frozen-food industries are holding the next places (Yunus and Yamagata, 2012).

2.2 History and Development of the Garment Industry

In 2019, Bangladesh exported around 33 billion dollars to various countries of the world—making it the 2nd largest garments exporter of the world— from its 4,621 garments factories (BGMEA, 2019a). Naturally, the journey of the RMG sector of Bangladesh has not been a cakewalk. The interesting story of the RMG sector of Bangladesh, from its initiation to its current massiveness, is portrayed here in 4 different stages.

Outlandish Collaborations and Formation of an Association (late 70's-80's)

The landscape of the Bangladeshi garments industry was drawn during late 70's; there were only 9 export-oriented garment factories that generated hardly USD one million. Most of the factories were dwarf-sized and produced for both the home and away markets. One of those small stores was Reaz garments. This was established on 1960; it started as a tailoring outfit (Reaz store). After almost a decade, in 1973, it converted itself into Reaz Garments Ltd. and shipped 10,000 pieces of 'Made in Bangladesh' tagged men's t-shirts, worth 13 million Francs, to a Paris-based entity in 1978 (Yunus and Yamagata, 2012).

However, the actual initiation happened through a foreign tie-up with a domestic garment factory of Bangladesh, named as, Desh Garments Ltd. In the late 70's, the Asian Tiger countries were trying to go beyond the export quotas of western countries, and they considered Bangladesh as a potential extension point (Custers, 1997). Daewoo, a South Korean concern, was looking for a country that did not use their MFA quotas, and hence, they opted for a collaboration with a Bangladeshi garment—Desh Garments Ltd.—in 1978; this agreement was crucial for both the concerns, in terms of accessing the global apparel markets, following an import restructuring, led by the MFA signing in 1974. Bangladesh was depended on Daewoo for raw materials and Daewoo helped Bangladesh gaining access to the developed countries (Mahmood, 2002; Bhattacharya and Rahman, 2001). Finally, Daewoo signed a five-year collaboration agreement with Desh Garments Ltd. in 1980; the South Korean counterpart aided the Bangladeshi one with technical training, purchase of machineries and fabric, plant setup and marketing in exchange for a specific commission on all exports by Desh (Rock, 2001). Another South Korean firm—Youngones Corporation—formed the first equity joint-venture garment factory with a Bangladeshi counterpart, Trexim Ltd., in 1980. The ownership ratio was 49:51, respectively, and the name of the newly formed entity was 'Youngones Bangladesh'. Its first export was a lot of jackets to Sweden in December 1980 (Yunus and Yamagata, 2012).

The Desh-Daewoo partnership was a milestone for the initiation and expansion of the RMG sectors in Bangladesh. By borrowing Daewoo's brand value and marketing network Bangladesh received exposure in the world apparel market; consequently, the foreign buyers considered it as a befitting sourcing joint (Rahman, 2014). Many trainees (originally 130 workers and management trainees were sent to Daewoo's Pusan plant, in South Korea, in 1979 for a six-month long training) left their jobs

at Desh and started their own garment factories, utilizing the lessons they learned at Daewoo's sessions; this helped in spreading out the original Korean training in Bangladesh. Moreover, the collaboration of Desh-Daewoo influenced government policy. Before the success story of this collaboration, it was very difficult for anyone to get a government approval for a joint venture. Interestingly, the owner of Desh Garments Ltd. was a senior bureaucrat and played an important role in breaking this shackle (Mahmood, 2002).

Bangladesh Garments Manufacturers and Exporters Association (BGMEA) was formed in 1983, by the RMG entrepreneurs themselves, which is considered as a major milestone in the RMG sector's development process. BGMEA offers advocacy to the governments, services to the manufacturers and human resource related advices (labor rights, maternity leave, minimum wage, appointment cards and so on). Moreover, it arranges for international trade fair, manages international buyer network and explores new global markets. Notably, it also has collaboration with ILO and UNICEF with a mission to develop model garments and reduce child labor (Rahman, 2014).

Government Promotions (70's-90's)

Considering that Bangladesh has been an LDC for most part of its lifecycle (recently it is on the verge of graduating towards MIC), its government is quite active when it comes to providing administrative and logistic push for the RMG sector. The first export consignment of shirts from Bangladesh was initiated by the state-trading agency, the Trading Corporation of Bangladesh, in the mid-70's. After liberation Bangladeshi government had a socialist philosophy and wanted to exercise tight control over economic activities by nationalizing all large-scale industries. However, after the coup of 1975 the perception was changed, and the government started to shift towards a pro-market and laissez-faire regime. Consequently, the investment ceiling was raised to BDT 100 million in 1978 and giant MNCs like Daewoo and other south Korean firms started to enter in the Bangladeshi economy via joint ventures with local entrepreneurs (Yunus and Yamagata, 2012).

Bangladesh government offered 'bonded warehouse facilities' in 1980, to the RMG sectors. Pursuing this benefit, being a 100 percent export-oriented industry, entrepreneurs of the RMG sectors could import the inputs of the factories without any import duty, given that they would use all the inputs in their export-oriented manufacturing. A penalty was there, had anybody sold those inputs in the domestic market. This policy made the cost of production lower and Bangladeshi RMG products more competitive in the global market. Another notable policy, namely, 'back-to-back L/C'¹⁾ was served to the garments owners, in the same timeline. As an aftermath of this L/C the manufacturers could procure raw or intermediate materials from the suppliers without investing

1) It is used in international transaction; usually there are three parties, i.e., seller, supplier and buyer. The seller and the supplier are assured of their payments, initiated by a letter of credit (L/C) from the buyer's bank, which is again used by the seller's bank to back the supplier's payment.

working capital, due to the guarantee provided by the banks of both the buyers and sellers of the garments. In 1993, government again revised the back-to-back L/C policy mentioning that the foreign currency spent for procuring the raw or intermediate materials cannot be more than 70 percent of the value of the export earnings; ultimately, it ensured 30 percent net foreign exchange earnings of the total export volume. Additionally, in early 80's, Bangladeshi government offered duty-free importation of machineries to export-oriented garments producers (Rahman, 2014; Yunus and Yamagata, 2012).

Bangladeshi government continued to support the garments industry by rationalizing tariffs and taxes on the imports of raw materials, dyes and chemicals; it also reduced the interest on short and long-term loans. A great instance of the tariff reform is that the average tariff on all RMG products was reduced from 114 percent in 1989 to 22 percent in 1999 (Mujeri and Khondoker, 2002).

The MFA Impact (2000-2004)

In 1974, Multi-Fiber Agreement (MFA) was initiated to put brakes and quotas on the RMG exports of some countries of the world. Primarily, China was the target country for putting brakes and some other countries, such as Bangladesh was enjoying the quota. When the World Trade Organization came to the scene in 1995, it was assumed that the MFA system would not survive beyond 2005; however, since there were some twists in the global RMG markets the controlled trade scenario was stretched till 2008 (Bhattacharya and Rahman, 2001).

Researchers and other related stakeholders assume that success story of the Bangladeshi RMG sector can be attributed to two major variables, i.e., MFA-offered export quota and low wages. The base of the Bangladeshi RMG sector was cemented by some South Korea and Hong Kong based firms who wanted to channel their produces through the RMG sectors of Bangladesh due to the restrictions provide by MFA. Interestingly, in 2002, about 94% of the total RMG exports of Bangladesh was backed by MFA, which was among the highest of the world. Such large-scale dependency on quota made the RMG sector of Bangladesh vulnerable in a potentially quota-free garments-export regime. Consequently, by analyzing the quota restriction, export similarity and supply constraints researchers concluded that the macroeconomic balance of the country, i.e., balance of payment, employment, output and monetary flow was in a volatile intersection, due for a shock (Razzaq, 2005; Mlachila and Yang, 2004; Siddiqi, 2004). Various researchers studied the impact of MFA phase out and concluded from diversified angles. Spinanger (2001) predicted an 8 percent fall in exports, likely to push down the GDP of Bangladesh by 0.54 percent; Nordas (2004) postulated a decrease in the USA market share for Bangladesh, not an absolute drop-out in the total RMG export; again, Lips et al. (2003) forecasted a 20 percent decrease in the Bangladeshi RMG sector's production and a welfare loss of \$340 million (approx.).

Interestingly, the reality didn't align with the predictions of the researchers who imagined a demise

of the industry; RMG exports has been growing at a steady rate since the MFA-phase out period. From 1990, it grew (on an average) at an annual rate of 19 percent till 2005. The growth rate for FY 05-06 was even higher than the average, hitting a 23.5 percent line. Again, between July 2004 and June 2007, RMG exporters bagged additional 4 billion dollars, which is 75 percent higher of the RMG export of the financial year 03-04 (EPB, 2020). Such positive hike just after the MFA-phase out offers hard evidence that Bangladesh proved all the researchers and related stakeholders off beam and stood strong in the global RMG exporting market.

Labor Unrest, Conflicts of Interests and Settlement (2005-till date)

For the Bangladeshi RMG sector cheap labor is one of the strongest sources of competitive advantage. However, this important factor of production—human resource—is not always been dealt with carefully in this sector. To be specific, the success story of the Bangladeshi export-oriented garment does not always tell the true tales of the toil and moil of the related labor force; they are the unsung heroes and to some extent the oppressed ones. According to Yunus and Yamagata (2012) garment workers of Chicago, in 1886, fought against working 12 hours a day and 7 days a week. After almost 134 years, the scenario in Bangladesh is not a far-fetched one; at 21st century most of the garment factories of Bangladesh can be compared with the condition of the working class in England during the period of industrial revolution.

Even if there is a constant graph of development for the Bangladeshi RMG industry, labor unrest has been a part and parcel of it, all the way. Such phenomenon dwarfs the economic ambition and investment environment of the country; therefore, it loses competitive edge and attractiveness to the foreign buyers (Ahmed, et al., 2013). Nonetheless, labor unrest is, to a great extent, a logical output of illogical treatment to the labors; because, their salary does not align with the minimum requirement for living a life, they do not receive their salary and bonuses timely and are often mistreated by their managers or supervisors. According to Shahiduzzaman (2010), most of the garment factories in Bangladesh do not comply with the labor law and ILO conventions. As per Labor Act, 2006 the wages of labors should be cleared within seven working days of the completion of the stipulated wage period; this is not followed in Bangladesh. Additionally, Alamgir (2010) noted that only 30 percent of the net profit was being spent for the labors, whereas, globally it was 50 percent. Hossain et al. (2010) concludes that the RMG labor force of Bangladesh has been a long-lasting subject of deprivation and inhuman treatments, which forced them to take the path of violence. Again, on the same note, Absar (2001) argued that low wages and sub-standard living condition are major factors for labor unrest in the Bangladeshi garment factories. In terms of wage and living standard Bangladeshi RMG sectors lies far behind than those of China, Sri Lanka and Vietnam. He also pressed that since most the labors do not hold a feeling of ownership, they do not think twice before creating a chaos. However, there remain opposite scenarios, too. AJI group in Bangladesh regularly pays the labor wages in a

timely fashion and in the latest COVID-19 scenario, it not only paid the wages but also looked after the health and safety issues of the worker diligently. Therefore, the workers of this group hold a sense of ownership and during the unrest in stead of joining the mob they protect their factories from them (The Daily Star, 2015; Textile Today, 2020). On the flip side, managers and factory owners claim that since most of them are semi-skilled or unskilled a lot of resource-wastages leads towards such poor wage.

The first major labor unrest in the Bangladeshi RMG industry occurred during 2006; it started in May and lasted till June of the same year. Approximately 1.8 million works participated in that unrest and more than 4000 factories were put to a halt. They blocked major highways and urban roads; government deployed police and other forces to control the unrest. As an aftermath, 3 were shot to death, more than 3000 were injured and several thousands were forced to prison cells. They demanded higher minimum wage, weekly time-off, overtime, public holidays and a stop to the repression that was haunting them 24/7 (Libcom, 2010). Following their demand, the government sat together with BGMEA and related unions and agreed to all the legitimate demands of the labors, i. e., a minimum pay of BDT 3,000, weekly time-off, public holidays, 8 hours working day and overtime pay (Tahmina, 2006). However, some of the workers did not agree to all the conclusion drawn by the state-committee and continued to riot till the first week of June 2006; ultimately, the garments opened from 8th June with the deployment of a bigger parliamentary force. Another one of a smaller kind happened in January 2008 claiming a raise in the minimum wage. The second major wave of labor unrest in 2010, which also began with the issue of reluctancy from the part of some of the garments' owners, regarding the implementation of the new wage structure. Despite there were several request and warnings some garments were reluctant to increase the minimum wage; such reluctancy was a product of a fact that some of the entrepreneurs and major stakeholders had influence in the political administrative scenario; these connected parties argued that low wage was a reflection of the low productivity of the RMG sector labors (Yunus and Yamagata, 2012).

There is an absence of formal channel to communicate the grievances of the RMG workers. There are no Collective Bargaining Agent (CBA), formal trade union and hence, workers find street protesting, picketing and factory shackling as their primary options to protest. Since, there are no collective unit to represent the workers, sometimes, a mindless rumor may transmit into a large-scale unrest (Shahiduzzaman, 2010). On this note, Khan (2011) postulated that the most effective way to tackle labor unrest would be to configure a tri-party committee consisting representatives from the factory owners, workers and government. Additionally, CPD (2003), recommended for a continuous dialogue between the workers and the management for adjusting with ever-changing employment composition and new types of labor demands. Minimum wage, historically, has been the vital-most factor for leading the workers towards unrest; Khatun and Moazzem (2007) advocated several variables that should be considered while fixing the minimum wage of the labors. These are:

minimum requirements for a decent living, firms' capacity to cope up with the additional cost arising from the wage hike, wage structure of the same sort prevailing in similar types of industries and an adjustment of the wage structure aligning with a country's economic development.

As a concluding note to this section, the policies that have influenced the Bangladeshi RMG sector are mention-worthy. The latest policy that has influenced the industrial sector is the Industrial Policy-2016; previous one was the Industrial Policy-2010. Such policies are formulated considering the goals related to investment, employment, GDP growth and various other macroeconomic indicators. The 2016-policy was formed keeping the government's statement of vision 2021 that aspired to transform Bangladesh into a middle-income country. Other mention worthy policies till the independence of Bangladesh are: Industrial Policy-1973, Industrial Policy-1982, Revised Industrial Policy-1986 and Industrial Policy-1999 (Hossain and Shah, 2016).

3.0 Why Bangladeshi RMG Sector is So Competitive in the Global Market?

Labor Cost and Affluent Labor Force

Bangladesh has a large population, where labors are abundant and available at a low cost. Perhaps, it has one of the cheapest labor forces in the world that has lured most of the apparel MNCs to channel their apparel sourcing to Bangladesh. According to Ahmed (2009) and Yang and Mlachila (2007), labor cost is one of the major competitive factors for the Bangladeshi RMG sectors in both the MFA and post-MFA period. Figure 1 in the next page offers a crisp perspective of the low wage setup in Bangladesh (to show a real wage, it is converted to PPP), which is only second to Sri Lanka. To put a simple yet sparkling comparison between the highest wage offering country (USA) and Bangladesh, it can be mentioned here that the latter one is almost one tenth of the earlier one. Additionally, every year approximately 200 thousand youth are entering in the job market and 70% of the Bangladeshi population is under 40; most of these possess primary education. Additionally, there are around 37 universities and institutions in Bangladesh that are producing textile graduates every year adding to the skilled manpower for the ever growing RMG sectors of Bangladesh (Textile Today, 2017). This abundance of labor aids the factory owners to have an upper hand in maintaining such a low wage.

GSP and Duty Related Advantage in Various Countries

Until the collapse of Rana Plaza in 2013, that killed more than 1127 workers (Chowdhury and Tanim, 2016), Bangladesh had been enjoying GSP (Generalized System of Preferences) facilities for both the EU and USA region. However, after the 'Rana Plaza' incident USA withheld GSP facilities and till date it is in the same status. Currently, Bangladesh enjoys GSP facilities in 38 countries around the

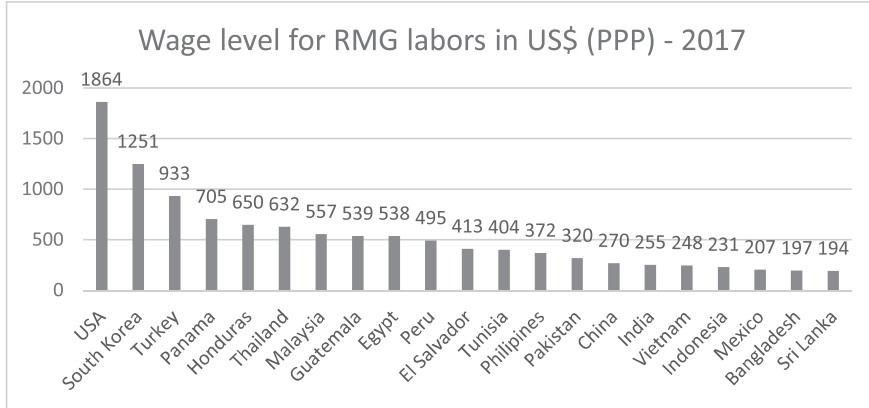


Figure 1: Wage level for RMG workers in US\$ (PPP)-2017 (Lu, 2018)

world; of which, 28 are from European Union (EU) and the others are Australia, New Zealand, Norway, Switzerland, Japan, Turkey, Russia, South Korea, Canada and Chile. EU, nonetheless, has kept the Bangladeshi RMG sector on its toes, mentioning the lowly status of its working condition and labor rights; whereas, USA is on the verge of rescheduling its GSP facilities for Bangladesh soon, since it believes that it has made tremendous improvement in its human rights related properties in the RMG sector (Financial Express, 2020; New Age, 2020).

Favorable Supply Chain Management

Bangladeshi RMG sector has been relishing a flexible (or minimum) tariff while importing raw materials and capital machineries; to add, it is also enjoying the facilities of bonded warehouse (importing without import duty subject to export oriented manufacturing) and back-to-back L/C (importing without investing working capital, with bank guarantee) while procuring raw or intermediate materials (Yunus and Yamagata, 2012).

These days, Bangladesh has come a long way in producing cotton based yarn and fabrics. Around 1430 textile mills are active and capacity of yarn production is 2100 million kg per year. Volume of fabric production is 2800 million meters and 85% of knitted fabrics demand is met locally. Interestingly, Chinese and other countries are likely to invest in fiber, fabric and related industries in Bangladesh (Textile Today, 2017).

Internal Dynamism of the RMG Industry

Despite there existed a vulnerable infrastructure for the development of the RMG industry of Bangladesh, it has been sustaining the second position in the global apparel market for the last few years, thanks to its internal dynamism—the role of BGMEA and technology related adoption and adaption—within the industry.

Bangladesh Garment Manufacturers and Exporters Association (BGMEA) was formed in 1983 to promote the interests of the domestic manufacturers and exporters of the RMG sector of Bangladesh. In some countries e.g., Philippines and so on the model of an industry association in the RMG scenario gave birth to monopoly; nonetheless, in Bangladesh this association-based model has worked well and brought benefits for both the factory owners and overall economy of Bangladesh. BGMEA has been working diligently from its initiation to improve the working condition and human rights-based properties of the factories. Additionally, it serves as a liaison channel between the owners and the government, fosters fresh orders, contributes in the foreign negotiation, manages quota and foreign orders. Moreover, BGMEA established a specialized university—National Institute of Fashion Technology (NIFT)—that is focused on supplying a skilled labor force in the RMG factories of Bangladesh. Ultimately, BGMEA serves as the major catalyst of the Bangladeshi RMG sector to promote and market its export-oriented produces (Yunus and Yamagata, 2012).

Apparel makers are always on toes to keep up with the current ‘quick-fashion’ trend; for which they are adopting new technologies in a quicker manner. Recent technological changes are robotics for assembly line automation, high-speed sewing machines, new pressing and fusing technologies, computer aided-design, computer-aided manufacturing and computer-aided marketing (Yunus and Yamagata, 2012). Small firms have certain advantages over the large ones in terms of flexibility, informality and operational speed (Fiegenbaun and Karnani, 1991) and most of the garment factories in Bangladesh are small that can grab these adoption advantages. Small garment factories cannot afford to spare for a separate R&D section and therefore technology adoption for them remains incremental or imitative. Again, firms’ adoption of advanced manufacturing technology is found to be positively correlated with the export orientation of the firm (Mottaleb and Sonobe, 2011), and reciprocally, export orientation is assumed to be positively connected to the level of technology adoption in a firm. Hence, the technology adoption is very high in Bangladesh considering the association of the garment factories of Bangladesh to the global apparel export landscape. Interestingly, the foreign buyers—Adidas, H&M, Wal-Mart, Nike, GAP, Zara, Puma, US Polo and so on—also assist the small firms in Bangladesh with technology transfer, training and guidelines since they want their apparel to be produced in a specific fashion.

4.0 Current Statistics

Though the first lot of Bangladeshi garments export was recorded in the year 1973 by Desh Garments Ltd. (Yunus and Yamagata, 2012), it started to flourish from the early eighties. There were around 400 factories in the early 80’s, it crossed 1000 mark in the early 90’s, 2000 in mid-90’s, 3000 in the late 90’s and 4000 mark in the mid-2000’s (figure 2). There was a surge in the garment factories—almost 6000—due to the popularity of sub-contracts in the financial year 2012-13.

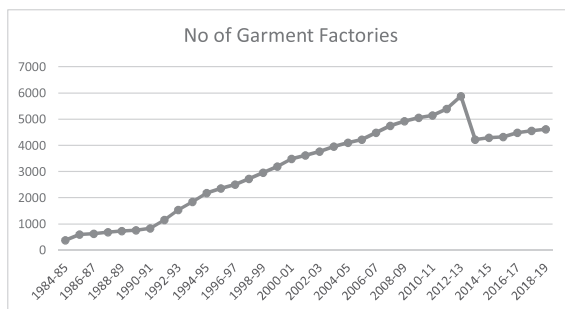


Figure 2: Number of garment factories in Bangladesh (BGMEA, 2019a)

However, additional requirements from the international buyers trimmed down some of the sub-contracting small garments and the number of garments has been hovering around the 4000 mark since the financial year 2013-14 to till now (BGMEA, 2019a). Interestingly, most of the garments-pundits believe that there are lots of sub-contracting garments in Bangladesh, currently, and the total number of (ideal and big) garments should not be more than 1500.

On the other spectrum, the export figure of the Bangladeshi RMG sector started with a mere 14 million USD, in 1973 (Yunus and Yamagata, 2012); reached around 100 million USD in the early 80's and 1 billion USD in the early 90's (figure 3). Recently, in 2018-19 financial year, the apparel industry has bagged a massive 34 billion USD export and is ranked second in the global apparel export scenario (BGMEA, 2019a). To add, Bangladesh has been holding the 2nd position (currently holding around 6.4 %) in the apparel-export market share, is only superseded by the Chinese counterpart (31.2%) and closely followed by the Vietnamese (6.2%) one (Statista, 2020). However, it is very likely that if the Bangladeshi RMG sector is not up to the task, the Indian and Vietnamese will override it, soon.

When the RMG sector of Bangladesh started to bloom around the mid-80's, it had around 16% of the total Bangladeshi export (figure 4); it hit 50% of the total export in a fast pace in the early 90's, reached to 75% in the late-90's and 80% around 2013. Presently, it is the heaviest export channel by far for Bangladesh, holding almost an 85% of the total chunk (BGMEA, 2019a). However, being so much dependent on a single sector is never a good signal for a country and historically, a special care and

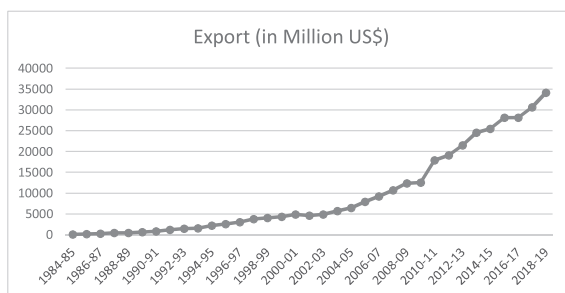


Figure 3: Bangladeshi RMG export (in Million US\$) (BGMEA, 2019a)

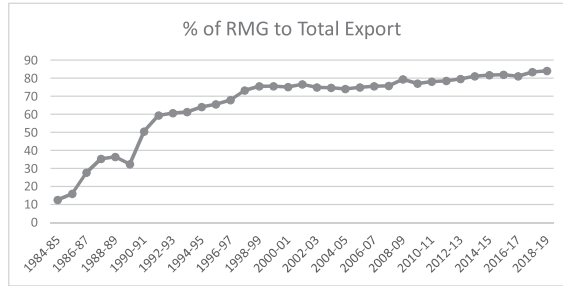


Figure 4: Percentage of RMG export to total export of Bangladesh (BGMEA, 2019a)

privilege have been offered to this sector since its flourishing period.

5.0 Prevailing Challenges

One may notice the upward graph of the Bangladeshi RMG industry from the perception of international export orientation. However, this industry has been fighting with several challenges since its inception; among those, low wage rate, poor working condition, sub-par transport, seaport and airport infrastructure and administration are mention-worthy.

Historically, Bangladesh is a country with one of the lowest minimum wage in the world. In 2016 it was around USD 63, which is assumed to be escalated to USD 95 within 2020 (Trading Economics, 2020). Additionally, average inflation rate for Bangladesh hovers around 6.5% per year and it almost hit 12% in the year 2011 (World Data, 2020); for which, such escalation is not good enough to push the living of the RMG labor force towards an acceptable level since the cost of living in Bangladesh is rising steeply. An acceptable level of escalation in the wage means added cost of production; with same pricing it boils down to less profit. This will be the greatest challenge for the RMG entrepreneurs, because, the global media and big corporations are pressurizing the Bangladeshi garment factory owners to provide the workers with a humanly wage.

Bangladesh is a part of the ILO's Decent Work Agenda, still, it is criticized by several human rights and labor rights organization around the globe. Broadly, Bangladesh has failed historically to provide safe and healthy working environments for the labor, and, hence it is known as a 'sweatshop'. Workers are pushed to work long hours in a poorly lit area with cramped space and minimum ventilation; these also lack in safety measures, such as dearth of fire extinguisher (Kurpad, 2014). Such inadequate safety measures lead to several fires and building collapses is not uncommon in the garment factories (Chartier, 2008). There are multiple instances of such type of accidents: in February 2010 a deadly blaze occurred at the Garib & Garib Sweater factory that claimed 21 lives and injured 50 people; in November 2012 there was a huge fire in the Tazreen Fashions Ltd. that caused deaths to around 120 people and injury to around 300 people. The deadliest of these all was the Rana

Plaza accident in April 2013. The factory collapsed like a house of card; the death toll and injury count were 1,127 (approx.) and 2,512 respectively. It remains as one of the garment factory holocausts of the history (see Chowdhury and Tanim, 2016; BBC World News, 2010; Hossain and Alam, 2013). Lately, however, Bangladeshi RMG industry is toiling hard to remove these working condition-based negatives and has marched a long way towards it.

Bangladesh lacks enormously in transporting infrastructure. A usual 30 minutes road sometimes take 3-4 hours to reach; from Dhaka (capital) to the seaport of Chittogram, it may take up to one day to dispatch merchandise. Again, Chittogram seaport's lead time in releasing shipment is one of the slowest in the world; raw materials reach to Chittogram seaport from China within 12-14 days, but it takes another 10-15 days just to be released from the port. Same lethargic scenario is noticed in the airport context; goods are arriving within 2-3 days but requires additional 8-10 days for the releasing steps (Textile Today, 2017).

6.0 SWOT Analysis

The previous sections have put forth a comprehensive list of the positives and negatives of the Bangladeshi RMG sectors; still, a SWOT analysis can further beef-up the insights of the previous sections by pasting all the strengths, weaknesses aligned with related opportunities and threats.

SWOT analysis was originally used by Albert Humphrey of Stanford University, who used this tool in the 1960's to understand why some corporations failed in the same timeline (Friesner, 2011). A SWOT analyses of the Bangladesh export oriented RMG industry is presented at the next page. Nonetheless, it is limited to the fact that there are no mention of strategies combining the related SWOT variables.

7.0 Conclusion and Road Ahead

Bangladesh's economy can be termed as a single-legged one, since lately RMG sector is contributing almost 85% of the total export of Bangladesh, and, over 4 million people work in this sector, of which, more than 80% is women (BGMEA, 2019a). RMG sector has successfully evaded the last global economic crisis and it is imperative for Bangladesh that this sector keep reaping such figures for the coming days.

Activists, consumers, human rights organizations, media and related global institutions press buyers to become strict while ensuring the compliance of the RMG manufacturers, consequently, the buyers pass this pressure to the manufactures; in response, the manufacturers demand ethical pricing from the buyers, which is hard to come by. The entrepreneurs argue that compliance will push the costing up and it will be impossible for them to compete in the global market without an escalated

Table 1: SWOT analysis of the Bangladeshi RMG sector (BGMEA, 2019b; Habib et al., 2019; Mia and Akter, 2019; Alam and Natsuda, 2016; The Daily Star, 2013; The World Bank, 2005)

<p style="text-align: center;">● Strength (S)</p> <ul style="list-style-type: none"> ● Cheap labor and abundant labor force ● Preferential energy sourcing ● Duty and quota free access; GSP in EU ● USA’s OPIC’s (Overseas Private Investment Corporation) insurance and finance support ● FDI is legally permitted for the RMG sector ● Bangladesh is a Member of MIGA (Multilateral Investment Guarantee Agency) that provides protection and safety measure ● Integrated supply chain in knitwear ● Back-to-back L/C and bonded warehouse facilities ● Impressive global image of a reliable supplier 	<p style="text-align: center;">● Weakness (W)</p> <ul style="list-style-type: none"> ● Lacks in product development, marketing, customer service and technical know-how ● Mostly produce basic products only ● Dependency on imported woven fabrics ● Poor global image as regards to adapting human rights and corporate social responsibility aspects ● Political, social and labor unrest ● Order lead time is longer than competition ● Custom clearance is sluggish ● Shortage of skilled labor and middle management ● Lacks innovation in methodology and technology ● Speed money culture
<p style="text-align: center;">● Opportunity (O)</p> <ul style="list-style-type: none"> ● Value addition can be improved by developing backward linkage ● Lead time can be reduced by upgrading transportation infrastructure and custom clearance ● Alignment with the international CSR and human rights properties will lead to image renovation ● Diversification in the product line ● Resuming GSP in USA and Canadian markets 	<p style="text-align: center;">● Threat (T)</p> <ul style="list-style-type: none"> ● Poor political and investment scenario may lead towards declined investors’ interests ● In the risk of losing ‘know-how’ or technology transfer in the future ● Dependency of raw materials may increase the costing of products ● Incremental international competition ● Dependency on a concentrated export market

offer from the buyers. Hence, it is vital that the buyers pay for the safety and compliance that they ask for. Even if the buyers are (mostly) reluctant to pay an ethical price, they sometime come up with direct aid for upgrading the workplace safety. In the near past, 40 companies—Sweden’s H&M, Britain’s Primark, Spain’s Inditex and so on—contributed \$2.5 million each over a five-year period for upgrading the health and safety of the factories; unfortunately only two USA based firms signed it, PVH and Abercrombie & Fitch. (Rahman, 2014).

International investors want to invest more in the Bangladeshi RMG sector, given that the government provides them with a better infrastructure, cheap energy supply, model industrial zone, an administration and custom office without red tapes, quicker transport and related communications. Additionally, government must improve its diplomatic efficiency if it wants to attract more FDI. Again, there is an incremental stress between the workers and the owners of the factories; a structured trade union can loosen it up and create a bridge between the two parties. A proactive government can play a major role in the bridging process; it can press for instruments of fair trade, i.e., labor laws, industrial laws, trade unions, employers’ association and commitment towards CSR; most of these instruments exist in the industry as a paper tiger only.

Lately, Bangladesh has experienced some gruesome accidents in the garments sector, e.g., accidents in Rana Plaza, Garib & Garib Sweater., Tazreen Garments and so on. Sometimes, tragedy

is the way out towards a sustainable solution. After those incidents RMG owners became keener to abide by the health and safety compliances and successfully built some of ideal-most garment factories of the world. Nonetheless, most of those accidents occur in the comparatively small garments who work on a sub-contract basis and do not care for the humanly working environment. There are over 4,500 garment factories in Bangladesh and most of those are small ones; if there were around 1,000 big garments with model-properties, such accidents will become highly unlikely.

An appropriate distribution of benefits arising from the RMG sector, a focus on human rights and working condition, escalation of minimum wage, development in the transport, seaport and airports' cargo administration and a befitting ethical pricing of products from the international buyers may improve the export-oriented RMG sector of Bangladesh in a sustainable and wholistic manner.

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