Export Competitiveness of Bangladesh Readymade Garments Sector: Challenges and Prospects

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Abstract

This paper evaluates the competitiveness of Bangladesh Readymade Garments (RMG) sector in the global RMG market taking into account of its prospects, problems and challenges through Market share analysis using two-digit classifications of Harmonized System (HS) data for the period covering 2012 to 2016 to understand the actual condition of sector's export comparison with its competitors. While Trade Entropy index has also been calculated to make an attempt to understand the geographical dispersion of export market scenario using two-digit classifications of HS data for the time period between 2006 and 2016. The findings of this paper based on market share analysis illustrate that Bangladesh's RMG export share in the global market reached 7.50 percent in 2016, a shot up by 2.73 percentage points, indicating an increase in export competitiveness, whereas China's share declined to 33.75 percent in 2016, with an exception to 2013. During this period, Vietnam and India's market share increased by 2.24, and 0.72 percentage points respectively, making them the 3rd and 6th largest RMG exporter in the world. Trade Entropy index calculation indicates that the geographical diversification of Bangladesh RMG export has increased considering the value of the index, it has increased more than two times during this time period. But, in spite of increasing geographical diversification of the RMG sector market, its export is still heavily concentrated on two markets: the European Union EU (28), and the United States of America (USA).

This paper has also put forward a set of recommendations that would be helpful to both RMG sector stakeholders and policymakers to move forward the sector towards more export competitiveness.

Keywords: RMG sector, RMG Export market, Export competitiveness, Trade Entropy index, Bangladesh

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Introduction

Readymade Garments sector¹ is the largest industrial sector in Bangladesh which has occupied its foremost presence in the economy of the country in terms of the contribution to GDP, foreign exchange earnings, and employment generation as well. In the Fiscal year 2017-18, the sector earned the total export value of US\$ 30.61 billion dollars, a more than 8 percent growth over the previous fiscal year, 83.5 percent of total national export, and 11.23 percent of Gross Domestic products (GDP) (EPB, 2018; BBS, 2018). It currently accounts for generating employment opportunities for around 4.4 million people of whom, 80 percent of them are women from the disadvantaged section of the society. The sector has been the second largest RMG exporters in the world next to China since 2009. Since its journey from 1976, the thriving forces of this labor-intensive sector, inter alia, are widely attributed to the abundant supply of the workforce with low wages; and to some extents, the presence of strong backward linkages that reduce the reliance on the import of intermediary materials; more to that, the convenient geographical location, port facility; and the expiration of the Multi-Fiber Arrangement (MFA) in 2005 (Moazzem and Sherin, 2016); duty free market access or reduced tariff rate facilities to export to various developed and developing countries in the world as least developed country (LDC) (EPB, 2018), and around 100 percent of RMG factories are own by domestic entrepreneurs(Hossian and Bhattacharja, 2017).

And all those distinctive features have made Bangladesh RMG sector in offering quality products at competitive prices in the global apparel market. Since Bangladesh RMG sector has been of immense support to the economic development of the country with respect to export earnings, foreign exchange earnings, women employment creation, poverty alleviation and the empowerment of women since its journey. More to that, Bangladesh has fulfilled all three eligibility criteria from the UN's LDCs list for the first time and is on the track for graduation in Middle-Income country in 2024² and the country is also moving towards the implementation of Sustainable Development Goals (SDGs) by 2030 that came into effect in January 2016 (UNDP n.d.). At this backdrop, boosting the export volume and market share of the RMG sector of Bangladesh globally is of paramount importance to maintain the current economic momentum, to sustain the Country's middle-income country (MIC) status in near future, and also to facilitate in achieving the country's SDGs. Keeping this fact in mind, this paper tries to examine the export competitiveness of Bangladesh's RMG sector in the global market to understand the actual condition of it with its competitor countries and also calculates Trade Entropy index between 2006 and 2016 are calculated to understand the geographical dispersion of the sector. Most importantly, this paper has also made some recommendations for the future sustainability and competitiveness of the sector.

Bangladesh RMG Export in the Global RMG Market

Table 1 shows that major export destinations for RMG products of Bangladesh by Country-wise markets in value terms including the USA, Germany, the UK, and France, Spain followed by the Netherlands, Italy, Canada, and Poland for the year 2016. And among the Bangladesh's major RMG exporters countries, the compound annual growth rate of export were higher in the Netherlands, Japan, Poland, Spain, Italy, and France's market in last 5 years (2012-16), compared to that of the USA, Germany the UK and Canada, indicating that there have to room to realize more export share in those countries.

¹ Readymade Garments (RMG) is generally divided into two product chapters i.e. knitwear (HS code 61) and woven wear (HS code 62).

² See <https://www.un.org/development/desa/en/news/policy/leaving-the-lDCs-category-booming-bangladesh-prepares-to-graduate.html>

Table 1. Major Export Market of Bangladesh RMG Sector

Country	2016 (Value in US\$ billion)	CAGR*(%) (2012-16)
USA	5.53	5.17
Germany	5.09	7.45
UK	3.25	7.55
France	2.50	10.80
Spain	2.34	15.89
The Netherlands	2.27	37.68
Italy	1.34	11.02
Canada	1.07	1.73
Poland	0.93	16.39
Japan	0.90	16.72
Rest of the world	8.99	11.32

* Compound Average Growth Rate

Source: Calculated from ITC Trade Map, 2018.

Bangladesh Global RMG export share in the EU and USA Market

Bangladesh RMG export market is greatly concentrated basically on two markets, one is the EU (28) and another is the USA. Figure 1 shows that the EU accounted for more than 60 percent global shares of Bangladesh total RMG export over the 5 fiscal years. And in the fiscal year 2017-18, the market share reached 64.12 percent which is 6 percentage points more than the fiscal year 2013-14.

Figure 1: Bangladesh RMG Export Share in the EU Market
(out of its total global RMG export share)

Source: Calculated based on EPB Database, 2018.

On the other hand, Figure 2 shows that Bangladesh export share in the USA market was in decline trend. In the fiscal year 2017-18, Bangladesh's RMG export share in the USA market declined by 1 percentage points against the previous fiscal year.

Figure 2: Bangladesh RMG Export Share in the USA Market
(out of its total global RMG export share)

Source: Calculated based on EPB Database, 2018.

However, from the Fig. 1 and 2, it is postulated that in the fiscal year 2017-18, the EU and US, in together, were accounted for just over 81 percent share of total global RMG export share of the country.

Literature Review

Export Competitiveness

The identification of current situations of export competitiveness in comparison with other competitors and its variation in the period of time is important as it will provide the information necessary for the government, business and scientist's actors, which are creating, updating, implementing and evaluating efficiency of the export improvement strategy and various means for its stimulation (Bruneckiene and Paltanaviciene, 2012). But there is no unique definition of competitiveness, and the term "competitiveness" itself is a broad concept and its meaning, implications, adaptation, and achievement vary from firm to firm industry to industry, or country to country and majority of the competitiveness related studies focus on the "competitive performance" or on the "factors influencing competitive performance", and such studies consider product price, market share and other indicators to measure competitive performance while considering wages, costs, productivity, and other issues as factors influencing competitive performance (Haider, 2007, pp.5-6). In a similar fashion, according to Prasad (1997), there are different methods to measure export competitiveness, namely Revealed comparative advantage (RCA); Market share; Unit value realization; and Labor productivity indices (as cited in Kathuria, 2003, p.137). In this regard, according to African Center for Economic Transformation (Acet), "A good indicator of a country's export competitiveness is its share in world exports of goods and services and how that share move over time".

Challenges of the Bangladesh RMG sector

The sector has some issues and chronic problems that are hindering it from gaining more competitiveness and enhancing export performance. The key challenges to the RMG sector include:

Higher Lead Time

Lead time is a crucial factor for sustaining the competitiveness of Bangladesh RMG sector with respect to its competitor countries. In this regard, Hider (2007) gives high emphasis on the reduction in total "production & distribution" time by reducing lead and identifies as a critical issue for the competitiveness of Bangladesh RMG. According to Mr. Fazlee Shamim Ehsan (2nd Vice President, BKMEA), in Bangladesh

RMG sector, lead time of importing of raw materials is higher than of the exporting products (Personal communication, April 4, 2019). Inefficient port and airport management and other physical infrastructure, multiple certification and standards are mainly responsible for higher lead time.

Critical Situation in Ease of Doing Business

In the case of ease of doing business ranking 2019, Bangladesh ranked 176 with score 41.97, whilst the country's neighboring RMG export competitor countries such as India ranked 77 (with score 67.23); Sri Lanka ranked 100 with score 61.22; Pakistan ranked 136 with score 55.31 (World Bank, Doing business 2019, Bangladesh). The poorest ranking of ease of doing business is acting as a hindrance to realizing the full export potential of Bangladesh, whilst restricting the entry of the new entrepreneurs to come into this sector.

Shortages of Industry-ready Skills

In case of skill gaps, the sector is facing the most severe skills gap compared to other sectors of the economy, and the existing skill gap in the RMG industry including unskilled: 8,577; semi-skilled: 48,130 skilled: 119,479 (Murshid, K .A.S. 2016). And as a result of that, the country's textile and RMG sector have to depend on foreign employees due to this skills gap and shortages. Currently, a good number of foreign nationals who are working in different roles in textile and RMG sector including weaving, knitting, dyeing finishing, printing and washing plants (Rahman, April 9, 2017), and which in turn leading to the reserve flow of foreign currencies from Bangladesh to several countries. And, these countries including Sri Lanka, South Korea, China, India, Pakistan, and Taiwan and sometimes from European countries as well (Islam and Ovi, 2018).

Risk in Sourcing Raw Materials

Among the imported raw materials, cotton is the most demanded and crucial raw material. Bangladesh RMG sector heavily depends on cotton leading it to be the world's largest importer of cotton. In the year 2016, Bangladesh imported US\$ 5275.67 million worth of cotton from the world cotton market, constituting 10.8 percent share of world export and the main cotton import partners of Bangladesh are China and India who are also RMG export competitors of Bangladesh (Apparel Export Statistics of Bangladesh: FY2016-2017).

Lack of Social Compliance Issues in Sub-Contracting Firms

Bangladesh RMG factories, in particular, small and medium categories, have to resort to sub-contracting firms due to an overload of works at peak time, maintain shorter lead time set by the international buyers, etc. According to a study by New York University (Five Years After Rana Plaza: The Way Forward, 2015), there are as many as 3000 sub-contracting firms in Bangladesh. And in these sub-contracting firms, the working environment is very dangerous when it comes to structural and fire safety issues, let alone other worker's welfare benefits.

Increasing Competition

In recent years, Bangladesh RMG sector is facing face fierce competition from South Asian and South East Asian neighbor countries like Vietnam, India, and Myanmar that are trying to emerge them as major RMG exporting countries. Among these countries, India and Myanmar have already taken the necessary strategy to increase their share in the global RMG market (Make in India, Textile and Garments; MIGA, Myanmar Garments sector development Strategy).

Lesser Labor Productivity of Bangladesh among the Competing Countries

Asian Productivity Organization (2018) has defined the APO20 consisting 20 member economies of the Asian Productivity Organization, i.e., Bangladesh, Cambodia, China, Fiji, Hong Kong, India, Indonesia, Iran, Japan, South Korea, Lao PDR, Malaysia, Mongolia, Nepal, Pakistan, Philippines, Singapore, Sri Lanka, Thailand, and Vietnam, and measured the productivity of these economies. According to the Asian Productivity Organization (2018), per worker productivities of Bangladesh and its' competing countries in apparel manufacturing and exporting are shown in Table 2. From the table, it is observed that

Bangladesh's per worker productivity (i.e., US\$ 8600) is lower than all other competing countries except Cambodia (i.e., US\$ 6200).

Table 2: Per Worker Productivity of Bangladesh and Its' Apparel Exporting Competing Countries

SI	Country	Per Worker Productivity (^{'000} of US\$ as of 2016)
1.	Bangladesh	8.6
2.	Cambodia	6.2
3.	China	24
4.	Hong Kong	110.5
5.	India	16
6.	Indonesia	24.9
7.	Myanmar	10.6
8.	Pakistan	16.4
9.	Sri Lanka	30.7
10.	Viet Nam	10.2

Source: Asian Productivity Organization, 2018.

On the other hand, as shown in Table 3, per hour labor productivity of each worker employed in Bangladesh is US\$ 3.45, whereas the close competitors of Bangladesh, i.e., Vietnam, India, Hong Kong, Indonesia have per hour labor productivity per worker of US\$ 4.09, US\$ 6.41, US\$ 44.27, US\$ 9.98 respectively. And consequently, the lower labor productivity of Bangladesh hinders the optimal growth in industrial manufacturing thus there are scopes to work with the skills set of workers employed in the RMG sector to improve the labor productivity.

Table 3: Per Hour Labor Productivity Per Worker in Bangladesh And Competing Countries

SI	Country	Per hour Labor Productivity Per Worker (US\$ as of 2016)
1	Bangladesh	3.45
2	Cambodia	2.48
3	China	9.62
4	Hong Kong	44.27
5	India	6.41
6	Indonesia	9.98
7	Myanmar	4.25
8	Pakistan	6.57
9	Sri Lanka	12.30
10	Vietnam	4.09

Source: Calculated based on Table 2.

Value Creation versus Price Appropriation

Value creation is simply the value-added contribution made by each participating actor in the supply-chain towards the creation of the final output. In contrary, price appropriation is the share of the price sold to the end customer that is captured by each participant. According to Fair Wear Foundation (2012), an Amsterdam-based rights group, Bangladeshi garment workers get only 0.6% of the retail price, or only US\$ 0.18, of the US\$ 32.51 retail price of a T-shirt sold in the Western markets, where the total manufacturing cost of the US\$ 32.51 T-shirt in a factory in Bangladesh is US\$ 4.32. Depending on the buyers-sellers negotiations, the T-shirt is sold usually at a 10 percent profit markup of the manufacturers that results free on board or freight on board (FOB) selling price to be around US\$ 4.75. This indicates that the profit is

unevenly distributed among the supply chain actors and the laborers and the manufacturers are receiving lesser compared to the profit of the retailing brands.

Figure 3: Value Creation Activities by Bangladeshi Denim Jeans Manufacturers (FOB \$3 To \$6.5)

Source: Adapted from “Corporate Governance and Sustainability of the Global Value Chain: Bangladesh Ready-Made Garment Industry”, by Nachum et al., 2017, p.13.

However, a study conducted by Nachum et al., 2017 found that Bangladesh RMG sector has three different types of value creations scenario for three subsectors, i.e., denim jeans manufacturing, knitted T-Shirt production, and woven shirt manufacturing that illustrated in Fig 3; Fig 4; and Fig 5. At the denim manufacturing segment, Bangladeshi manufacturers are observed to be competent to perform value creation ranging from 90 percent to 95 percent just after the step of importing cotton. In a similar fashion, in the knitting sector, Bangladesh has improved over the last decades, performing value creation at 75 percent during the year 2014 (BKMEA, 2014) and 85 percent during 2018. However, the value creation of the woven garments manufacturing sector has remained almost the same and hovering around 30 percent to 35 percent in the last three decades. Moreover, data from Bangladesh Bank (2019) in Table 4 shows that value addition thus the total value creation in Bangladesh RMG sector comprising of knit, woven, and denim manufacturing, has hovered around 60.51 percent to 63.66 percent during Fiscal Year (FY) 2013 to the Fiscal Year 2018.

Table 4: Trends of Value Creation from RMG Export in the Context of Raw Materials Import
(Value in US\$ million)

Fiscal Year (FY)	Total Export	RMG Export	RMG Export % of Total Export	Raw Materials Import	Raw Materials Import as % of total RMG Export	Value Creation
	(c)	(a)	(a/c)*100	(b)	(a/b)*100	[(a-b)/a]*100 (% Share)
2013	27027.36	21515.73	79.61	8226.97	38.24	61.76
2014	31208.80	24471.88	78.41	9663.53	39.49	60.51
2015	31208.94	25491.40	81.68	9591.72	37.63	62.37
2016	34241.82	28094.16	82.05	10210.63	36.34	63.66
2017	34655.92	28149.89	81.23	10760.12	38.22	61.78
2018	36668.17	30614.76	83.49	11957.80	39.06	60.94

Source: Calculated based on Bangladesh bank’s Quarterly Review on RMG: October-December FY19.

Figure 4: Value Creation Activities by Bangladeshi Knitted Cotton T-Shirt Manufacturers (FOB \$2 To \$3) **Source:** Adapted from “Corporate Governance and Sustainability of the Global Value Chain: Bangladesh Ready-Made Garment Industry”, by Nachum et al., 2017, p. 14.

Figure 5: Value creation activities by Bangladeshi Woven Shirt Manufacturers (FOB \$4.5) **Source:** Adapted from “Corporate Governance and Sustainability of the Global Value Chain: Bangladesh Ready-Made Garment Industry”, by Nachum et al., 2017, p.15.

Addressing the value sharing disparity, Adegbesan and Higgins (2009) stated that value must be created for it to be appropriated, but anticipated price appropriation affects the participants' incentives to create value, and might be the main factor of their contribution to the joint effort that leads to value creation by the entire chain. In other words, if not, the profit sharing is evenly distributed then it affects the entire value chain, especially the manufacturers and laborers. As seen, in case of Bangladesh RMG sector that, though the manufacturers have lion share in supply chain of making the apparels but they are unprivileged to grab more share of the retail price of the sold apparel items by the international brands, making them vulnerable to sustain in the face of recent wage hike, proposed gas price hike, and increasing compliance cost.

Impact of Recent Wage Hike on Bangladesh RMG Sector

The Government Gazette of Ministry of Labour and Employment (2018) has caused minimum wages of Grade- 1, Grade- 2, Grade- 3, Grade- 4, Grade- 5, Grade- 6 and Grade- 7 to increase by 40.44 percent, 41.43 percent, 44.67 percent, 45.59 percent, 46.89 percent, 48.29 percent and 50.94 percent respectively (see appendix for details). The revised minimum wage for the RMG labor is observed as the appreciative step by the government as it is believed to enable the labor to avail better societal facilities. However, it has

also put the manufacturers under pressure to meet the whooping wage increment at every one of the seven grades, necessitating the RMG manufacturers re-negotiating the offered price with their international apparel brand buyers. As labor share in the FOB price offered for a T-Shirt by the manufacturer constitutes 3.6 percent or US\$ 0.18 (Fair Wear Foundation, 2012) that indicates- cost entailed with wage would increase by 45.47 percent reaching the labor share for per T-Shirt at US\$ 0.26. But the fear exists that the international apparel brand buyers would not increase the offered price as already there is a pressure felt by the manufacturers to reduce the price (Textile Today, 2019).

Market Access will be a Critical Issue

LDCs have been granted preferential tariff treatment in the markets of developed and developing countries under a number of schemes and arrangements, such as Generalized systems of preference schemes (GSP) and other instruments to selected countries and groups of countries (UNTCD,2017). But Bangladesh's graduation from LDC country bracket to MIC by 2024 will not allow its RMG products export to enjoy preferential market access to major RMG markets (EU 28, Japan, Australia, Chile, and the Russian Federation) and which in turn, will affect the export severely.

Prospects of the Bangladesh RMG sector

There is a bright prospect ahead of the Bangladesh RMG sector to grow continually and capture the largest share of the global RMG market. The prospects for the RMG sector include:

Demographic Dividend

Bangladesh is currently going through Demographic dividend. The working-age population in the country (15 years and over) increased by over 2.1 million persons per year over the 2000-2010 decade with the rate of growth averaged 2.5 percent per year, considerably higher than the overall population growth rate and the number of economically active women increased quite dramatically over this period; the female labor force increased by 8.6 million (100 percent), while the male labor force increased by 7.3 million (22.7 percent) (UNEP, 2015). In this sense, it is a great opportunity for Bangladesh RMG sector to derive benefits from this huge workforce provided that the sector is able to prepare them properly.

Opportunity for Market Expanding

Bangladesh RMG sector holds immense opportunity to capture the biggest slice of pie in terms of world RMG market share against China's gradual withdrawal from producing textile and clothing due to higher labor costs, and in this respect, a report published by McKinsey and Company (2011) termed Bangladesh RMG sector as next hot spot, net china. According to Leng (2018), the labor costs in China have been rising steadily; the minimum wage in the southern boomtown of Shenzhen is now about US\$336 per month more than double the rate in some Southeast Asian countries It has been estimated already that a 10 percent increase in China's export price would lead to 13.58 percent raise Bangladesh's RMG export market (Acevedo and Robertson, 2016).

The World's Best Compliance Factory

Consumers in developed countries are now very much conscious of the status of compliance issues. Bangladesh knitwear sector has already made visible progress in implementing compliance issues such as Fire, electrical and structural safety, etc. For this, the sector is now being considered as a role model in implementing social compliance issues in the global RMG and textile industry arena. This development approach has already been recognized by the observed sustainability compact partners (The US, Canada, the European Union, and the International Labor Organization) at the second sustainability compact meeting in Dhaka, on January 29, 2016 "*Bangladesh made a major progress in workers' safety as well as remarkable progress in workplace safety, fire, remediation, electrical and structural safety but less progress has been made in labor rights and trade union*" (The Daily Star, January 29, 2016).

Environmentally Friendly Factory

Environmental compliance issue is very important in the present global business world. Buyers in the supplying countries are now very much concerned about the status of environmental compliance in supplying countries. In this case, the sector is also currently going through some sort of “Green industrialization or eco-manufacturing revolution by installing green building in order to realize resource-efficient and eco-friendly manufacturing approach in keeping pace with the current global sustainable business modality. In Bangladesh, as of September 17, 2018, there were 70 Leadership in Energy and Environmental Design (LEED) certified RMG building of whom platinum (19); Gold (43); Silver (6); and certified (2), while 312 factories have applied for LEED Certification and are in the Certification Process (Authors compiled from USBGC project directory database, 2018). However, it is expected that the fullest implementation of green industrialization would help the sector to gain a competitive edge over global RMG market in the near future. Since, the Green industry helps developing countries to secure resource efficient low-carbon growth that creates new jobs, while protecting the environment (UNIDO, 2010). While several studies have already concluded that green products, products produced in an eco-friendly way or green industry’s product are globally gaining acceptance among both the buyers and consumer groups and consumers are even willing to pay more for the products (Sehgal and Singh, 2010; Kianpour et al. 2014; Kumar and Ghodeswar, 2015).

Research and Methodology

Competitiveness of the Sector

This paper measures the export competitiveness of Bangladesh RMG sector based on the market share analysis using the data between 2012 and 2016 from ITC Trade Map data (at the HS two-digit level). Although data of HS code 61 and 62 for the year 2017 are available in ITC Trade Map data but are not considered in this paper for mirror data.

Geographical Diversification of export of the sector

This paper has also calculated the Trade Entropy index using 10 years period data (2006 to 2016) from ITC trade map. It measures the geographical concentration or dispersion/ diversification of the export market. In the paper, the Trade Entropy index provided by Mikic & Gilbert (2008, pp. 58-59) has been considered for its simplicity. The Mathematical definition of the index thus be

$$\text{Trade Entropy} = \sum_d \left[\frac{\sum_s X_{sd}}{\sum_{sw} X_{sw}} \right] \ln \left[\frac{1}{\sum_s X_{sd} / \sum_{sw} X_{sw}} \right]$$

Where

‘s’ is the source countries under the paper,

‘d’ is the set of destinations,

‘w’ is the set of countries in the world,

and ‘X’ is the bilateral flow of exports from the source to the destination.

However, Trade Entropy index takes the value between 0 (zero) and $+\infty$ (infinity). Higher values indicate greater uniformity in the geographical dispersion of export.

Result and Discussion

Global Competitiveness of Bangladesh RMG Sector

As shown in Table 5, China still dominates global RMG export in terms of market share, but its share drastically fell to 33.75 percent in 2016 compared to other previous years in the same time period. And for Bangladesh, its global RMG market share reached 7.50 percent in 2016 and it increased by 2.72 percentage points from 2012 to 2016, indicating an increase in competitiveness. Whereas in the case of Vietnam, its global RMG market share stood at 5.72 percent in 2016, and it increased by 2.24 percentage points in last 5 years, making the country as the third largest exporters in global RMG market. Though, on the other hand, for India and Spain, their market share increased, but not as rapidly as Bangladesh and

Vietnam. At the same time, the countries that have gradually lost their market share over the same period of time including Germany, and Hong Kong. And simultaneously, the countries that have experienced continual fluctuation in their export market share including Italy, Turkey, and France.

Table 5. Bangladesh and the Major Exporting Countries' Global Market Share

(Value expressed in % term)

Major exporter	2012	2013	2014	2015	2016
China	36.68	37.62	36.82	36.96	33.75
Bangladesh	4.77	4.46	5.83*	6.05	7.50
Vietnam	3.48	3.82	4.18	4.88	5.72
Italy	5.03	4.93	4.87	4.42	4.60
Germany	4.37	4.17	4.13	3.79	3.94
India	3.19	3.58	3.51	3.90	3.91
Hong Kong	5.26	4.72	4.12	3.97	3.44
Turkey	3.43	3.41	3.45	3.38	3.40
Spain	2.30	2.52	2.56	2.71	2.83
France	2.35	2.31	2.25	2.23	2.31
Rest of the world(ROW)	29.14	28.45	28.28	27.70	28.61

*Estimated

Source: Calculated from ITC trade map, 2018.

Geographical Diversification of Bangladesh RMG Sector Market

As shown in Fig. 6, the export market of Bangladesh RMG sector has diversified during 2006 -2016 as Trade Entropy index increased by more than two times. But, the value of Trade Entropy index is not significant, indicating greater infirmity in a few markets. It is worth mentioning that Bangladesh currently exports RMG products to 161 countries across the World (EPB 2018), and in this export-span, when it comes to both the export value and share, as mentioned in an earlier section of this paper, the US and EU are the two major export markets.

Figure 6: Trade Entropy index of Bangladesh RMG Export

Source: Calculated from ITC data, 2018.

Conclusion

In order to enable Bangladesh RMG sector to tap into the china's gradually declining RMG market share, to make more competitive and sustainable one, and thereby fostering the economic growth, there are some issues that need to be addressed urgently. Considering this fact, this paper has put forward a set of recommendations which are as follows:

Reduction of Lead Time

Lead time reduction can be ensured through improving services and improvement of seaport facilities, increased railway capacity, improving the efficiency of Dhaka airport with dedicating a special channel for fast clearing of RMG exports, increasing airfreight capacity in ensuring the fastest delivery of sample goods and other accessories and also developing strong backward linkages. While most importantly, a trade facilitation idea should be introduced, for example, a single window system to reduce lead time. Since single window system will allow manufacturers and exporters to deal with multiple government agencies that are situated in multiple locations under one roof to obtain the necessary papers, permits, and clearances to complete their import or export processes in one go. More to that, speeding up the construction of the two first -track mega infrastructure projects, such as Dhaka-Chittagong 4-lane Highway, Deep seaport at Payra will significantly contribute to reducing lead time, which in turn will lead to the satisfaction of buyers to place more orders;

Uninterrupted Supply of Power and Energy at Stable Prices

Natural gas is a widely used industrial input for the RMG as many of the factories use this to keep their captive power plant functional. Currently, Bangladesh is stepping towards importing liquefied natural gas (LNG) as a substitute for domestic natural gas to address the shortages of gas. At this backdrop, the Government should set the price of LNG gas for the RMG sector and other major industrial sectors at the most affordable level that would not hinder the business in any way. Otherwise, an irrational increase in gas price could put the most of the factories into serious problems and which in turn, would negatively affect the overall socioeconomic development of the country. However, on the other hand, in order to meet up the growing demand for gas, continuous efforts should also be directed in exploring natural gas in the land, and in developing possible strategies for hydrocarbon exploration in the Bay of Bangladesh as a mean to the sustainable solution of ensuring power and energy supply in the country;

Ensuring the Stable Supply of Cotton

Globally, Bangladesh has been one of top cotton importers country for the last 10 years, mainly to cater to the needs of its RMG sector. In this sense, in order to ensure a stable supply of cotton or removing uncertainty in sourcing, the government should sign a long-term bilateral agreement with major cotton exporting countries in the world including China, the USA, India, Brazil, Australia, Burkina Faso, Greece, Uzbekistan, Cote D' Ivoire, Benin, and Turkmenistan etc. Simultaneously, urgent steps should also need on the part of government in the form of incentive to produce man-made fiber like viscose using indigenous jute and to produce cotton domestically in the unused land of the country's hills tracks, and northern region through applying modern agricultural technology and which in turn will reduce high dependence on imported cotton, while increasing the supply side capacity of the sector helping again to reduce the lead time;

Initiatives for Mitigating Skill Shortages and Increasing Labor productivity

Considering the available workforce that is one of the main factor advantages of the Bangladesh RMG sector; skill development initiatives for the unskilled and semi-skilled workforce should be taken on an urgent basis in order to mitigate skill gaps and shortages in different work staffs ranging from workers to mid-level position personnel from supervisors to General Managerial position. In this respect, the Government should keep the provision of an incentive for the factory owners in imparting training while establishing technical and vocational education and training (TVET) institutions responding to the special needs of the RMG sectors, and facilitating building up increased industry-academia collaboration. Whilst most importantly, by taking into account of the ever-changing technological aspect in the global RMG and

textile arena ,and to enable Bangladesh RMG sector to keep pace with this process: factory-oriented newer manufacturing methods should be taught to the labors, reskilling and up-skilling training programs should be arranged, in addition to that, imitating the early stage strategy of Bangladesh to send staffs and labors to South Korea to learn the RMG manufacturing process- can be followed in initiating staffs and labors exchange programs with China, Hong Kong, and Sri Lanka. It is to be noted that Bangladeshi RMG labors are not still exposed to artificial intelligence using automated manufacturing processes, so that, it is high time, to orient the labors with such technologies, that would enhance their productivity by manifolds while easing their tiresome workplace loads at the same time;

Ensuring Low-Interest Bank Loan

Consideration needs to be given in order to ensure the availability of the bank loan at the lowest possible interest rate so as to facilitate the business of the existing firms smoothly in terms of meeting their working capital needs and also to bring new entrepreneurs into the RMG sector. Again, due to this very high lending rate, the sector is not being able to transform it's with updated water, energy, and electricity-efficient machinery;

Improvement of Ease of doing business

Efforts should be strengthened in improving the ease of doing business ranking in order to create a conducive environment for Business and Investment not only for RMG sector but also for other emerging sectors in the country;

Ensuring Stable Fiscal Policy

Every year fiscal policy such as tax rate is subject to change. As a result of that, the RMG entrepreneur's remains always concern about tax rate issues and they cannot make any long-term policy or strategy for their business. In this regard, ensuring a stable fiscal policy is of crucial importance;

Creating Guidelines for Sub-Contracting Firms

Considering the role of sub-contracting firms both as a helper of RMG firms, and creator of people's job cannot be overlooked, but for the long run sustainability of these firms and ensuring social compliance issues in the entire production chain of the RMG sector, the government should need to immediately develop supportive guidelines for sub-contracting firms;

Provision of Technology Up-Gradation Fund Scheme

As keeping up-to-date with the latest technology is very important to sustain the competitiveness of any business in the global market so, in this aspect, there should be the provision of a special fund for Technological up-gradation of the whole RMG sector. And this initiative will allow RMG firms, in particular, medium or small firms to install modern energy, water, and chemical-efficient machinery and equipment and which in turn, enable them to expand production capacity in a cost-effective and economic efficient way;

Product Diversification as a Part of Capturing the Largest Market Share

The major products of Bangladesh RMG including shirts, blouses, trousers, skirts, shorts, sweaters, jerseys, pullovers, cardigans, and babies' garments, etc. those are not enough to increase market share across the global apparel market. In this case, RMG entrepreneurs should produce diversified or high-value-added products along with existing or basic products with own design that consequently, will increase the export dramatically. And for producing diversified products and capturing market share in the new markets, entrepreneurs should design their products by keeping their eyes on different regional clothing features such as the Middle East, and also the latest fashion trends of both potential and existing markets;

Building Branding Strategy

Allocation of the special fund by the government is needed for brand development and creating "own brand" is crucial for Bangladesh RMG in order to build the image, and thereby exploiting its full export potential. In this regard, the Government's ministry of commerce and the Ministry of finance and ministry of

foreign affairs should serve its crucial roles in supporting companies for the implementation of brand development programs while they also support for support companies in the participation of or arranging fairs and exhibitions at home and abroad as part of advertising and promotional activities. Efforts should also be directed towards setting up Commercial wings at the Bangladesh missions in the countries which are the major apparel importers. These wings will facilitate boost RMG export in those markets through advertising and other promotional activities that demonstrating that the country's RMG products are manufactured in an environment-friendly way, and in maintaining international social compliance standard. More to that, the Government should facilitate the RMG entrepreneurs those are willing to set up their retail outlets abroad;

Ensuring Justified Price Appreciation

A broader view should be pursued addressing the value creation and price appropriation encompassing the governance of total backward and forward linkage by the international brands and local manufacturers based on the norm of "shared responsibility" toward sustainability of the business, profit, and betterment of the laborers. The value creation and price appropriation activities undertaken by the participating actors should be aligned with the international labor standards ensuring workplace safety, labor protection and sustainability development goals supported by triple bottom line principles that is referred to as the sustainability in three P's- people, planet, and profit, as was first coined in 1994 by John Elkington, the founder of a British consultancy (Economist UK, 2009).;

Adjusting Prices to the Level of Wage Hike

With the increased cost of labor brings responsibility for international brands to reconsider their pricing levels. According to KoenOosterom (2019), Verification and Country Manager Myanmar and Bangladesh, Fair Wear Foundation, international brands need to motivate the factory management to implement the new minimum wage structure in Bangladesh by assuring them that they will adjust prices accordingly and timely as required;

Fullest Implementation of Green Industrialization or Eco-Manufacturing Approach

For the fullest implementation of Green industrialization or eco-friendly manufacturing in Bangladesh what is first needed to do making a complete guideline consistent with the country's existing environmental rules, and acts and global standards, then there should be provision of allocation of a sufficient amount of fund in the Bangladesh Bank's Green Transformation Fund (GTF) and also should make it accessible for all categories of firms small, medium and large who are willing to convert their factories into green ones. However, the Government should also attract foreign direct investment (FDI) for green technologies in the country's proposed special economic Zones (SEZs). Most importantly, setting up RMG industrial parks in Public- Private Partnership mode can be an effective step in this regard. As it will help address the physical, social and environmental infrastructure bottlenecks through ensuring adequate, uninterrupted, and quality power supply at a competitive rate, common effluents treatment plant (CETP), and accommodation of factories that are in rental building, and that are situated in the estuary of the rivers and which in turn help in ensuring the fullest implementation of "going green" or eco-manufacturing approach" in the sector;

Singing Favorable Trade Agreement with the Regional Economic Blocks

As Bangladesh's graduation from LDC country status to MIC will not able it to get GSP or duty-free and quota-free access to many developed countries. At this backdrop, the Government should right now think of signing favorable trade agreements with regional economic blocks such as the EU, Eurasian Economic Union (EAEU), Gulf Cooperation Council (GCC) countries, South American Trade bloc (Mercosur) etc. and /or signing the Comprehensive Economic Partnership Agreement (CEPA) with major apparel importer countries in order to ensure easier market access. .

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Appendix

Grade-wise workers' classifications, definitions, and increases in wages.

Labour Gradation and Classification	Wage Structure (Taka)		% Increase
	CY 2013	CY 2019	
Grade- 7: 1. Assistant Operator (for all kinds of machines) 2. Assistant Cutter Man/ Assistant Needle Man/ Assistant Scissor Man 3. Assistant Quality Inspector 4. Assistant Marker/ Assistant Drawing Man 5. Assistant Issue Man/ Assistant Input Man 6. Assistant Bundling Man/ Assistant Numbering Man 7. Assistant Auto Spreader/ Assistant Layman 8. Assistant Poly Man/ Assistant Packing Man/ Assistant Folding Man 9. Assistant Tag Man/ Assistant Spot Man/ Assistant Receive Man 10. Assistant Printer/ Assistant Painter/ Assistant Dryer Man 11. Assistant Screen Exposer 12. Assistant Welder/ Assistant Fitter/ Assistant Plumber 13. Assistant Sample Man 14. Assistant Distributor 15. Finishing Assistant 16. Thread Assistant	5300	8000	50.94

17. Line Ironman			
Grade- 6: 1. General Operator (for all kinds of machines) 2. General Cutter Man/ General Needle Man/ General Scissor Man 3. General Quality Inspector 4. General Marker/ General Drawing Man 5. General Issue Man/ General Input Man 6. General Bundling Man/ General Numbering Man 7. General Auto Spreader/ General Layman 8. General Poly Man/ General Packing Man/ General Folding Man 9. General Tag Man/ General Spot Man/ General Receive Man 10. General Printer/ General Painter/ General Dryer Man 11. General Screen Exposer 12. General Iron Man/ General Pressing Man 13. General Welder/ General Fitter/ General Plumber 14. General Sample Man 15. General Distributor	5678	8420	48.29
Grade- 5: 1. Junior Operator (for all kinds of machines) 2. Junior Cutter Man/ Junior Needle Man/ Junior Scissor Man 3. Junior Quality Inspector 4. Junior Marker/ Junior Drawing Man 5. Junior Issue Man/ Junior Input Man 6. Junior Bundling Man/ Junior Numbering Man 7. Junior Auto Spreader/ Junior Layman 8. Junior Poly Man/ Junior Packing Man/ Junior Folding Man 9. Junior Tag Man/ Junior Spot Man/ Junior Receive Man 10. Junior Printer/ Junior Painter/ Junior Dryer Man 11. Junior Screen Exposer 12. Junior Iron Man/ Junior Pressing Man 13. Junior Welder/ Junior Fitter/ Junior Plumber 14. Junior Sample Man 15. Junior Distributor 16. Assistant Mechanic 17. Assistant Electrician	6042	8875	46.89
Grade- 4: 1. Operator (for all kinds of machines) 2. Cutter Man/Needle Man/Scissor Man 3. Quality Inspector 4. Marker/Drawing Man 5. Issue Man/ Input Man 6. Bundling Man/ Numbering Man 7. Auto Spreader/ Layman 8. Poly Man/ Packing Man/ Folding Man 9. Tag Man/ Spot Man/Receive Man 10. Printer/ Painter/ Dryer Man 11. Screen Exposer 12. Iron Man/ Pressing Man 13. Welder/ Fitter/ Plumber 14. Sample Man 15. Distributor 16. General Mechanic 17. General Electrician 18. Line Leader	6420	9347	45.59
Grade- 3: 1. Senior Operator 2. Senior Cutter 3. Senior Quality Inspector	6805	9845	44.67

4. Senior Marker/Senior Drawing Man 5. Senior Screen Exposer 6. Senior Iron Man 7. Senior Sample Man/Sample Machinist 8. Junior Mechanic 9. Junior Electrician 10. Senior Line Leader			
Grade- 2: 1. Mechanic/Electrician 2. Cutting Master	10900	15416	41.43
Grade- 1: 1. Pattern Master 2. Chief Quality Controller 3. Chief Cutting Master/Cutting Chief 4. Chief Mechanic	13000	18257	40.44

*CY indicates Calendar Year

Source: Calculation (wage increase in %) based on the Ministry of Labour and Employment, Bangladesh. SRO No. - 348-Act/2018.