IOSR Journal Of Humanities And Social Science (IOSR-JHSS)
Volume 28, Issue 6, Series 6 (June, 2023) 53-55
e-ISSN: 2279-0837, p-ISSN: 2279-0845.
www.iosrjournals.org

An Overview Of The Textile Industry In Bangladesh

SAVYA ATREY

Date of Submission: 11-06-2023 Date of Acceptance: 21-06-2023

Bangladesh has enjoyed large-scale development in various sectors such as agricultural processing, engineering, finance, and more; but out of all, the most impactful industry has been the textile industry, it has had a major impact on the economic conditions of the country, generating employment in numerous sectors - including manufacturing, retail, and exports -, enabling growth and therefore significantly contributing to the national income of the country. Not a lot of industries have been able to adapt to the rapid changes made in the market with the introduction of globalization and more trade liberties in their respective countries, but one of the key reasons for the success of this industry was that it was able to adapt to the challenges posed by globalization and was able to leverage it to its advantage in a way that contributed to the significant growth made by the country over the past few decades in the global market. There are more factors that go into how Bangladesh was able to establish itself as a global leader in the textile industry, such as access to abundant cheap labour and natural resources, the proactive approach taken by the government in embracing globalization and allowing for favourable trade policies in support of further stimulating the industry and allowing it to become more competitive in the global market. This paper delves into a detailed overview of Bangladesh's textile history and how it was able to use certain resources to its advantage and become a global powerhouse in the textile industry today. The paper further talks about the socio-economic implications of this successful transition, such as the advantages and challenges it has brought to the nation.

I. Historical Background

The economic lifeline of Bangladesh did not earn this title overnight, it started with the growth of the Eastern civilization and the search for finer yarns and cotton fibres. This kind of cotton was grown in the district of Kapasia, neighboring Dacca. The weaving of cotton in this area contributed significantly to the development of the local economy. Many wealthy families favored the Muslin fabric and their patronage allowed for the development of new and innovative techniques that resulted in the creation of the famous Dacca Muslin. This muslin was highly sought after and became an iconic symbol of the region's craftsmanship - largely commercialized after the establishment of the Mughal capital in Dhaka in the 17th century. Mughal rulers had a taste for fine luxurious fabrics, therefore, large quantities of Dhaka Muslin were produced for the use of emperors, queens, and officers. The promotion of muslin weaving by the Mughal court stimulated demand for the fabric and helped to elevate the status of the craft, as well as display its prestige for quality and beauty, drawing interest from different parts of the world, furthering its reach and making it a sought-after good in the luxury market. This helped to put Dacca on the map as a major center for textiles.

After the Battle of Plassey in 1757, Dhaka Muslin saw a huge decline in exports. One of the reasons for this decline was the loss of patronage from the Mughal empire as the Mughal rulers lost their power and influence. This resulted in a decrease in its demand and a subsequent decrease in production, a lack of economic incentives for artisans (who were then drawn to other lucrative trades), and a gradual decline in the industry until production eventually ceased. The most evident reason for the disappearance of muslin production was the industrial revolution in England. The introduction of inexpensive, mass-produced fabrics made from cotton, wool, and silk quickly made muslin obsolete. The lower prices of the new fabrics meant that consumers could not afford to buy muslin any longer, making it difficult for Indian muslin producers to compete. Eventually, in 1800, the British government put a halt to the sale and production of muslin. This caused a major disruption in the Indian economy and the production of muslin was quickly taken over by the British.

II. Post British Rule

In 1960, Dhaka was the site of the first garment[2] industry in Bangladesh (East Pakistan), from then until 1971, the number of garment factories rose to more than 3,000, although these garments were intended only for domestic use. The textile sector was mainly part of the import substitution industrialization (ISI) process that replaced imports in Bangladesh until its liberalization in 1971. After the liberation, the garment industry was 100% export-oriented between 1976 and 1977 due to the pioneering efforts of some entrepreneurs. For example, Daewoo of South Korea established a joint venture with Desh Garments Ltd in 1977, which was the first export-oriented ready-made garment industry in Bangladesh. In the years after the liberation, with the development of export-oriented industrialization (EOI),[3] Bangladesh focused on the textiles and clothing industry, especially the readymade garment (RMG) sector, as the cost of labor in Bangladesh was significantly lower than that of other countries. One of the reasons for the growth during this period and the increasing demand from international buyers was Bangladesh's status as an LDC (least developed country) country. Bangladesh is one of the countries that have a large population that is willing to work in garment factories for relatively low wages. Additionally, it does not have the same quota restrictions as other countries, making it easier for businesses to operate without having to pay additional fees. Taking advantage of these factors, international markets like that of the US were able to strategize accordingly by relocating garment factories in such countries, that were free of quota restrictions and had a pool of trainable cheap labor, this allowed them to sustain business practices and remain competitive in international markets. As a result, the Bangladeshi garment industry was able to offer competitive prices on clothing and textiles, which enabled them to gain a foothold in the US market and expand rapidly. This marked the beginning of a new era in the country's economy, as the garment industry provided a much-needed boost to the country's manufacturing sector. It also created many new jobs for people in Bangladesh, which helped to reduce poverty and improve living standards.

III. Integration with the private sector and global market

Sheikh Mujibur Rahman's government passed the Bangladesh Industrial Enterprises (Nationalization) Order, assuming control of privately owned textile factories and creating the Bangladesh Textile Mills Corporation (BTMC), a state-owned enterprise (SOE). It is estimated that 85 percent of Bangladesh's textile industry assets were owned by state corporations until the early 1980s. In reaction to the financial and political aftermath of the famine in 1974, Bangladesh changed its public policy from a socialist economy, and began to privatize, put less investment into, and reduce the public sector's role in the textile industry while promoting private sector participation. This shift was aimed at increasing the competitiveness of the textile industry and attracting foreign investment, as well as encouraging the development of new technologies and production processes. It also allowed the government to reduce its direct involvement in the economy and create more jobs in the private sector. The development model in Bangladesh eventually changed from a state-sponsored capitalist industrial model dominated by state-owned enterprises to one that was dominated by private sector-led industrial growth.

As a short-term measure under the General Agreement on Tariffs and Trade, the MFA[4] agreement was drafted in 1974 to allow developed countries to adjust to imports from developing countries which would ensure that textile and garment trade remained regulated in the world market. Through this, the MFA attempted to alleviate any chances of countries becoming uncooperative when dealing with international trade and prevent market disruptions. This agreement stipulated that countries like the US and EU would establish quotas and boundaries on imports from other countries, particularly developing nations in Asia. This caused quota-restricted countries to establish manufacturing sites and textile businesses in quota-free countries (like Bangladesh). Hence, the emergence of South Korean collaborations with Bangladeshi businesses. By placing these limitations on the amount of clothing and textile imports, the MFA hoped to prevent oversaturation and flooding of the market in developed countries, which would lead to a collapse in prices. Furthermore, it was designed to prevent foreign competition from affecting domestic industries. With these limits in place, countries were able to manage the global clothing and textile trade more effectively and reduce the likelihood of trade wars. This allowed for the protection and continuation of higher-wage jobs of textile and apparel workers in developed countries, while low-cost production of such items was allowed to thrive in developing countries, stimulating their economic development.

Table 1: Trend of Garment Exports, and share in GDP

Year	Garment Export (Mn USD)	Total Export (Mn USD)	Share to Total Export in %	Share to GDP in %
1984-85	116-	934-	12.42-	--
1989-90	624(40)	1924(16)	32.43(21)	--
1994-95	2228(29)	3473(13)	64.15(15)	5.87-
1999-00	4349(14)	5752(11)	75.61(3)	9.23(9)
2004-05	6418(8)	8655(9)	74.15(-1)	10.63
2005-06	7901(23)	10526(22)	75.06(1)	12.64(2)

Source: Economic Review of Bangladesh, BGMEA and Computation made by author. Figures in parentheses indicate compound growth rates (CGR) for the respective periods.

As compared to other countries, Bangladesh was able to benefit from the MFA quotas as they allowed the country to export its garments to the US and EU without facing competition from other economies. One of the major reasons for this was the relatively small economy of Bangladesh with the labor cost per manufacturing unit being about 30% less than that of major competitors like China and India. Additionally, being an LDC status holder, Bangladesh's textile sector was provided preferential market access to developed and developing countries under the framework of GATT/WTO initiatives. This preferential access was either in the form of Duty-Free Quota Free market access or reduced tariff rate facilities to various developed and non-developed countries. Consequently, Bangladesh was able to rapidly increase its output, gain access to export markets and generate employment in the country, contributing significantly to the country's GDP. So, by the time the MFA was terminated in 2004, the garment industry was able to expand and export about $6 billion worth of readymade garments. From the table, we can note that Bangladesh's total exports multiplied by 11 times during the 2005-06 period as compared to the '84-85 period; similarly, garment exports increased 68 times within the same time periods. We can see the comparable shares in GDP increased from 5.87% in 1989-90 to 12.64% in 2006.

According to a journal in the Social Scientist[6] by Mohammad Monirul, while a majority of Bangladesh's exports went to the USA and EU in 1989, the share of these markets decreased to 81% by 2015 because of the expansion of the Bangladeshi textile market to Asian countries and hence, the MFA agreement by EU and USA was retracted along with the facility of preferential market access. It was also concluded that for the success of the RMG industry, preferential trade was essential as in 2016, 72% of the country's exports were to preference-giving countries whose value was estimated at $24.7 bn.

Initially, Bangladesh did not have the industrial capacity to produce readymade garments and was therefore not able to take advantage of the MFA quotas, opting instead, to trade the quotas for foreign exchange with other countries that could increase export. This shift from trading quotas to using them for economic expansion was the result of export-oriented industrialization which was emphasized by certain government policies. These included the changes to the export and import licensing system that allowed trade restrictions to be removed. Duty-free imports of inputs used for export goods were allowed, and export-promoting institutions and processing zones were opened that offered tax rebates and other benefits. As a measure of improving product competitiveness in the international market, the government offered monetary incentives on export earnings as well. These policies were essential in the expansion of the RMG industry and the government played a vital role in improving its prospects.

IV. Overall Impact

Bangladesh has become an attractive destination for garment buyers and producers, allowing it to presently become the second largest apparel exporter in the world, after China. According to a report by Mordor Intelligence,[5] annually, Bangladesh earns approximately 80% of its export earnings from its garment industry. Currently, the clothing industry houses more than 4600 factories in the country, with more than 3 million workers, out of which more than 80% constitute the working woman's population. The labor cost per manufacturing unit is also about 30% less than that of major competitors like China and India. Ready-made garment (RMG) exports in Bangladesh accounted for approximately 81.16% of total exports in 2021, while this number was just 78.5% of the total exports in 2012. Bangladesh exported 31.46 billion dollars worth of ready-made garments as of 2021. Among the textile factories that are owned by foreign investors (5%), most of the production is controlled by Bangladeshi companies itself. Agreeably, the garment industry has done wonders for the country and its people, but it still needs to work on provisions provided to its workers who have a large share in making these garments desirable for international buyers. While the garment industry is responsible for generating employment, especially for women – initially helped in evolving the gender relations in the country -, they are still heavily exploited at work. They remain at the bottom of the employment chain, easily fired from jobs, and denied basic rights. They are made to work long hours to meet impossible production targets and given poor wages insufficient for managing their households. So, while the industry continues to drive economic growth in the country, there is a need for serious social change considering the welfare of workers.

References:

[1]. [1]Mazharul Islam Kiron. Historical Background of Textile Industry in Bangladesh. Textile Learner, 12 December 2020, https://textilelearner.net/historical-background-of-textile-industry-in-bangladesh/

[2]. [2]Salim, Md & Jahed, Mohammed. (2007). Garments Industry: A Prime Mover of the Socio-Economic Development of Bangladesh, January 2007,

[3]. [3]Abdul Ahad. History of the Apparel Industry of Bangladesh. Shanto-Mariam University of Creative Technology, 20 February 2014, https://www.academia.edu/11341710/History_of_the_Apparel_Industry_of_Bangladesh

[4]. [4]Adam Hayes. Multifiber Agreement: What it Was and Special Considerations. Investopedia, 25 October 2021, https://www.investopedia.com/terms/m/multi-fiber-arrangement.asp

[5]. [5]Bangladesh Textile Manufacturing Market - Growth, Trends, Covid-19 impact, and Forecasts (2023 - 2028). Mordor Intelligence https://www.mordorintelligence.com/industry-reports/bangladesh-textile-manufacturing-industry-study-market#:~:text=In%202021%2C%20the%20share%20of,the%20total%20exports%20to%20Bangladesh.
[6]. [6]Sarker, Mohammad Monirul Islam. Garments Exports in Bangladesh: The Unexpected Success Story. Social Scientist, JSTOR, 27 April 2023,
[7]. https://www.jstor.org/stable/26611324.