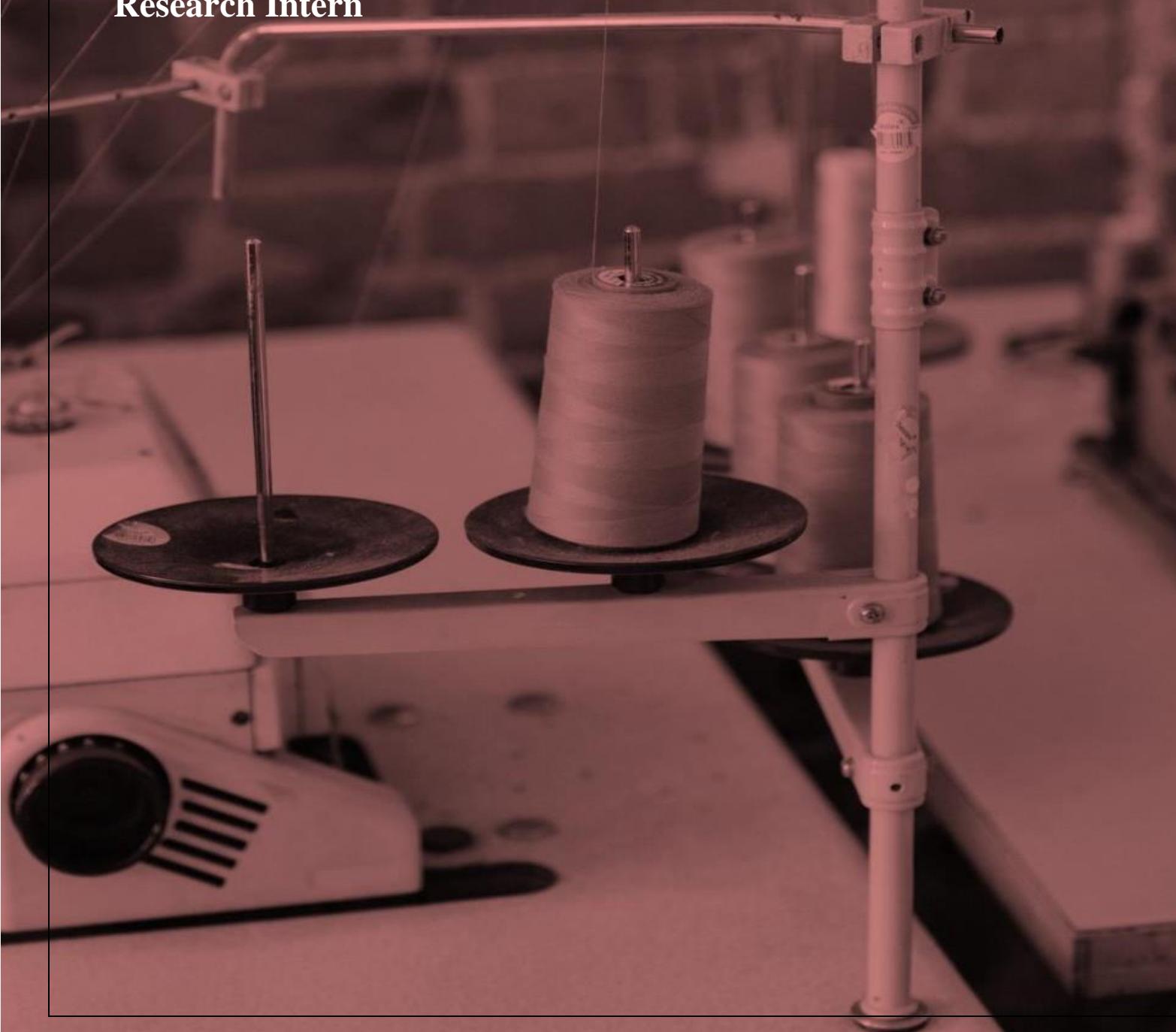


Inside the Loom

RMG Sector

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Introduction:

The Ready-Made Garment (RMG) is the foundation of this economic success: Bangladesh is today one of the world's largest garment exporters, with the RMG sector accounting for 84 percent of Bangladesh's exports. The Ready-made Garment (RMG) industry, which started its journey four decades ago, is now the powerhouse of Bangladesh's economy. The sector consisting of a significant portion of the total labor force has seen ups and downs regarding COVID 19. This paper examines the traditional labor supply and demand curve in response to the wage change in three-time frames from pre-covid to post-covid. The study also includes how the wage change affects labor supply and demand in Bangladesh and the government incentives provided to help the laborers during and after the COVID surge. For the readers' clarity, some definitions regarding labor demand, supply, etc., are included in the paper. The paper also examines the extent to which the laws are applicable in the RMG sector of Bangladesh and the deviations, if there are any. Lastly, there are some recommendations that we hope will help the regulatory authorities to apply the laws to an extent that will benefit both the government and the labor force to fight any future surge like COVID or the inevitable impact of the fourth industrial revolution. We hope our study will be able to clarify the importance of proper management that is needed for the vast and populous RMG sector. Some of the definitions with figures are given below.

Wage Rate: The meaning of "wage rate" is the base wage paid to a worker per unit of time (as per hour or day) or per unit of output if on piecework.

Labor demand: *Labor demand* is the amount of labor that employers seek to hire during a given period at a particular wage rate.

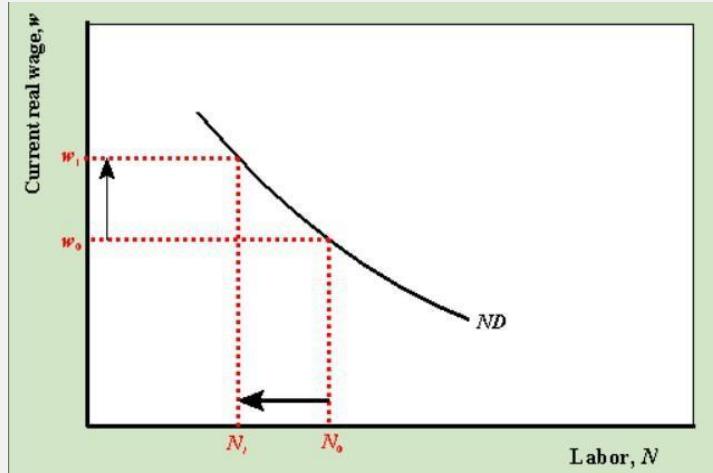


Figure: Labour Demand

Labor Supply: The *supply of labor* is defined as the amount of labor, measured in person-hours, offered for hire during a given time period.

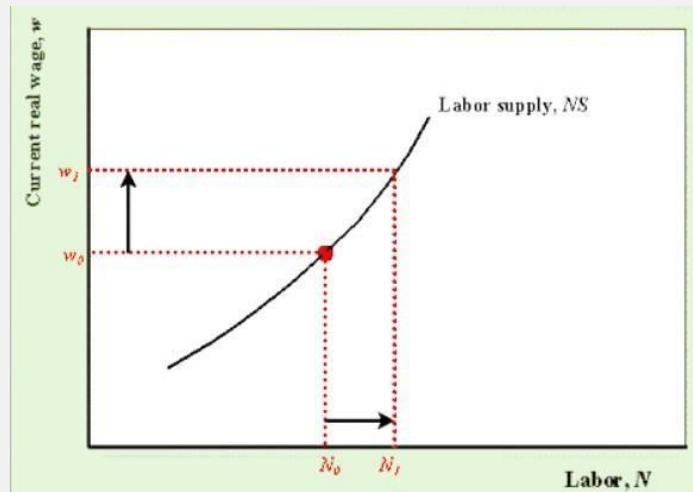


Figure: Labour Supply

1. Background Study:

1.1. Ready Made Garments (RMG) sector in Bangladesh

The foundation of the textile sector was first established in the 60th decade of the 19th century. For the first time, the industry exported shirts (Mercury shirts) to the European market in 1965-66, which was produced from Karachi("Readymade Garments Industry of Bangladesh | RMG Sector", 2022). In the latter, 9 exporting industries were available in 1977-78. The three largest industries at that time were Riaz Garments, Jewel Garments, and Paris Garments. Among those, Riaz Garments was the most famous and oldest industry at that time. In the earlier stage, Riaz Garments of Mohammad Reaz Uddin started its business with some tailoring shop in the name of Riaz store. Later, the name turned into Riaz Garments from the Riaz store in 1973, and from 1978 the company started exporting products abroad by exporting 1 million pieces of shirts in the South Korean Company named "Olanda". 'Desh Garments' is another pioneer of the Bangladesh RMG sector. In 1979, Desh Garments started a joint project with the South Korean company "Daiyuu". At the same time, several garments were introduced such as-Stylecraft limited by Shamsur Rahman, Aristocraft Limited by AM Subid Ali, Azim Group by Engineer Mohammad Fazlul Azim, and Sunman Group by Major (Retd) Abdul Mannan. By following the beginners of the RMG sector, some other discreet and hard-working entrepreneurs started their RMG business in the country. From there, the RMG sector of Bangladesh was developing day by day and did not need to look back. Though this sector had passed various critical stages through the path. In that time, we learned about child labor in 1994, and in 1995 we made our garments industry free from child labor very successfully.(Readymade Garments Industry of Bangladesh | RMG Sector, 2022)

Renowned for its strong manufacturing capabilities and thriving ecosystem, the Bangladesh RMG industry has gone from strength to strength and has become a global hub for apparel sourcing. According to the Bangladesh Investment Development Authority, at present, the industry consists of over four thousand factories. RMG exports from Bangladesh include a variety of knitwear & woven garments products such as shirts, trousers, T-shirts, denim, jackets, sweaters, etc. Today, Bangladesh leads the world in green garment manufacturing with 150 LEED (Leadership in Environmental and Energy in Design) certified factories in the country and another 500 waiting to obtain the LEED certification from United States Green Building Council

(USGBC). Currently, nine of the top 10 green garment factories and 40 of the top 100 are located in Bangladesh (BIDA - Readymade Garments, 2022).

The country's exports crossed \$50 billion for the first time ever in the outgoing fiscal, thanks to a record year for the readymade garments sector. According to the Export Promotion Bureau (EPB), the country earned \$47.17 billion from exporting goods and services during the July-May period of the current fiscal year (The Business Standard, 2022).

In terms of exports, the RMG sector contributes around 83 percent of all export earnings for Bangladesh. This figure tends to vary from year to year but has been in the 80s for several years now. With regards overall Gross Domestic Product (GDP), the RMG sector's contribution to overall GDP is around 11-12 percent, and the trend for this figure has been downwards in recent years. The issue, which is well recognised, is that export earnings from the RMG sector are mainly dependent on four to five basic products, including T-shirts, sweaters and other knitted products. There is a very high dependence on cotton-made products and less use of man-made fibers, particularly high value fibers such as viscose. This lack of a diversified product base coupled with relatively low rates of private research and development and reinvestment have held our industry back and hitherto prevented it from fulfilling its true potential (Uddin, 2022).

The United States, Germany, the United Kingdom, Spain, France, Italy, the Netherlands, Canada, and Belgium were the top destinations for Bangladesh's RMG exports in FY 22.5. The RMG sector of Bangladesh has some key factors which inspired the steady growth of this sector. Though it's a matter of great surprise for so many that how the RMG sector of Bangladesh continues to show its robust performance in the world.

According to the Readymade Garments Industry of Bangladesh the main key factors which have a great influence on the RMG sector of Bangladesh are the following (2022):

- Vast labor force,
- Skilled human resources,
- Technological upgrades,
- Government supports for textile and clothing,

- Special economic/export processing zones,
- Creation of textile and clothing villages,
- The incentive for use of local inputs,
- Duty reduction for the import of inputs/machines,
- Income tax reduction,
- And international supports like GSP

Continued growth in the apparel industry has helped Bangladesh to maintain steady economic growth(Ahlquist and Mosley, 2020). The salary structure of the Bangladesh apparel industry is the major reason the country is considered a global apparel sourcing hub as the current monthly minimum wage is USD 97 (Chandra Majumder and Ferdaus, 2020).

Meanwhile, the minimum monthly wage in China ranges from USD 162 to USD 358 (Zhou,Zhang, 2022). This lower wage attracts foreign buyers to source from Bangladesh,Today, Bangladesh holds the second position in garment exporting while China remains the first for the last few decades (Nadiruzzaman et al., 2021). Bangladesh is also seen as the next sourcing destination to replace China due to its large labor force, low wages, and modern manufacturing facilities.However, researchers found low productivity, poor infrastructure, low research & development, non-availability of spinning facilities, and diseconomies of scale as drawbacks that led to poor performance of the Bangladesh RMG industry. For example, the country witnessed a 1.2% negative growth rate in the global garment export share in 2019, while India and Pakistan enjoyed a positive growth rate of 2.2% and 4.74%, respectively, during the same period (Islam, 2020). Neighboring competitive countries seem to be taking advantage of the global market share more effectively than Bangladesh.

Employment in the country's readymade garment sector witnessed only 1.07 per cent growth a year from 2015 to 2020, according to a study titled 'Socio-economic Profile of Garment Workers of Bangladesh' conducted by the Asian Center for Development estimated that the total number of workers employed in the RMG sector increased to 4.22 million in 2020 from 4 million in 2015.Out of 4.22 million workers, 1.72 million are male and 2.50 million are female (newageBD, 2022).

2.2 Incentives offered to the RMG sector

The Ready-made garments industry (RMG) played an important role in Bangladesh's economy by manufacturing employment, foreign reserve, and women's empowerment.

It is generally accepted that women's participation in income-generating activities enhances their status within the family and provides them with considerable freedom. Work ensures equal access to household resources (nutrition) and greater investment in women's human capital (health and education). Employment opportunities draw attention to women's needs for public facilities such as transport, communications and security, creating demand for policies in these areas. It also creates demand for education and health. The income of female members reduces their dependence on male income, thus reducing vulnerability. It also reduces the likelihood of domestic violence against women. Increasing female employment has positively contributed to improving the saving behavior of the poor (Bhattacharya et al., 2002).

The RMG industry is a key contributor to other economic sectors, such as banking, insurance, real estate, packaging, hotels, recycling, consumer goods, utility services, and logistics. It plays a huge role in urban and rural poverty reduction. On the other hand, despite limitations, the RMG industry made a profound impact on gender equity in Bangladesh. So, it is all clear that the RMG industry plays a massive role in the country's economy. That is why the government should take care of it, especially when the RMG was on the verge during the Covid-19 outbreak, which it is still recovering in. Many unprecedented events happened. The government declared lockdowns, and many international buyers were canceling or postponing confirmed procurement orders. Then, the government offered various incentives to the RMG industry:

1. To fight COVID-19's unfolding fallouts, the government announced a stimulus package of \$11.2 billion, which is 3.3% of GDP to revive the economy, by strengthening the social safety net, export sectors, SMEs, and other priority sectors. The package allocates tk50 billion for RMG and other export-oriented industries which could only be used for paying salaries and allowances to workers and employees (The Daily Star, 2022).

2. The size of the Export Development Fund had increased from \$3.5 billion to \$5.0 billion which provided short-term facilities for importing raw materials for export-oriented industries then (THE FINANCIAL EXPRESS, 2022).
3. The central bank instituted a \$600 million Pre-Shipment Credit Refinance Scheme for RMG and other export-oriented industries(The Daily Star, 2022) .which was later extended by five-year tenure (The Financial Express, 2022).
4. Recently, the Government eased the value-adding criteria for RMG export subsidy. Apparel manufacturers will now get export subsidies for 20% value addition, which was set at 30% earlier (Dhaka Tribune, 2022).
5. The RMG sector has been receiving special tax incentives. Government reduces corporate tax for the RMG sector. Apparel manufacturers currently enjoy 0.50% source tax, 10% corporate tax for green garment factories, and 12% corporate tax for regular factories.(Dhaka Tribune,2022)Which was 12.5% for green garment factories, and 15% corporate tax for regular factories before (The Financial Express, 2018).
6. The Bangladesh government proposed the continuation of a one percent additional cash incentive for the country's garment export in the 2021-22 fiscal year, continuing from FY 2019-20 (The Financial Express, 2021).
7. The government provides incentives if one can create a new market in foreign countries.

2.3 Implication of labor policy in the changing RMG sector

The minimum wages of RMG workers, which was announced in August 2018, proposed BDT 8,000 as the minimum wage for entry-level workers . In nominal terms, this amount was about 50.9 per cent higher compared to that announced in 2013 (BDT 5,300 for grade VII workers).However, the incremental rise of wages was much lower. Since the last revision of minimum wages in December 2013, workers received an annual 5 per cent increment on their basic wage (Golam Moazzem, 2022).

When it comes to discussing the RMG sector, focusing on the law regarding labour safety is needed to evaluate the situation of the workforce to secure better safety and integrity. The main laws related to occupational health & safety in this country are the Factory Act 1965, the Factory Rule of 1979, Bangladesh Labour Law 2006 and amendments brought in 2013,

Occupational Safety and Health policy Bangladesh in 2013 Labour Rules in 2015. There are a number of other laws and regulations that also have some provisions related to occupational health and safety. But most of the laws are lacking in standard values and not specific rather general in nature (Masum, Masudul & Alam, AKM. 2016).

2.4 Way Forward:

In each of the industrial revolutions, new technology and inventions contribute to the improvement of industries and human lives. Currently, the 4th industrial revolution (4IR) is reshaping how people work and live (LightCastleBd. 2022). The First Industrial Revolution used water and steam power to mechanize production, mostly in England. The Second harnessed the advent of electricity to create mass production, and an example could be Henry Ford's Model-T assembly line. The Third, which lasted from the end of the Second World War to the emergence of the Internet, used electronics and information technology to automate production. The Fourth, which is really at its infancy now, began with the use of artificial intelligence (AI), digitalisation, biotechnology, and global connectivity, and has touched the entire systems of production, management, and governance. Billions of people are now connected with mobile devices, and collaborate—using digital tools and AI—and live in a metaverse. 4IR promises to shape the future by linking the physical, digital, and biological worlds more tightly (Shibli, 2022).

In the last four decades, this entire industry grew capitalizing on the fact that the country can offer cheap labor. Hence the clothing merchants and retailers around the world sent their clothes to Bangladeshi RMG factories to be cut and sown and folded and packed, and then shipped back to their stores. If such a factory were deployed with industrial robots that can do all these tasks without any errors, and do it at ten times the speed, without any human intervention. The robots, charged up with 4IR technologies like, artificial intelligence, 3D printing, augment or virtual reality, etc., will be able to perform more efficiently and precisely, thus boosting the output. This will encourage merchants and retailers to set up such factories in their countries, and avoid middlemen and the shipment delays. Then this trend could result in a drastic fall in orders for our RMG industry. Local RMG factory owners would also be encouraged to deploy industrial robots in their factories to increase throughput by reducing wastage and doing away with labor problems. All these pose a severe threat of mass

unemployment in this sector. A study by a2i says 60% of the garment workers will be at risk of losing their jobs by the year 2030. The 4IR technologies will easily replace not only manual labor, but also substitute many knowledge workers (Kabir, 2022).

2. Graphs

3.1 During and after COVID effect

COVID affected the RMG sector of Bangladesh greatly due to health factors, order cancellation, RMG's supply chain etc. As the world's production was put on a hold, the consequences of the COVID pandemic for the RMG workers were dire and include uncertainty about whether they will be entitled to wages during the pandemic and related issues such as lack of money for essential foods and concerns about re-opening of factories as inflation was increasing too.

Before COVID the labor demand in the RMG sector was almost 4.22 million but after COVID almost 3.5 lakhs garment workers lost their job in Bangladesh.

The labor demand and supply in RMG sector before and after COVID in Bangladesh:

Here, SS = Labor Supply

DD₁= Labor Demand before COVID

DD₂= Labor Demand after COVID

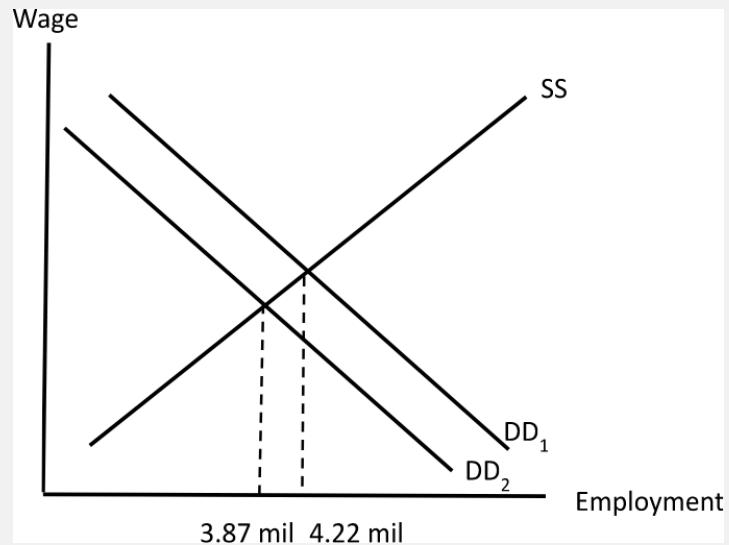


Figure: Labour Demand and Supply

We can see that the labor demand decreased due to COVID situation as a result the employment and wage rate decreased too. After the pandemic situation started, almost 3.5 lakhs garment workers lost their jobs and the then current employment was 3.87 Million in Bangladesh.

3.2 Minimum wage effect

Government sets a minimum wage level for garment workers on a yearly basis but we saw in previous cases that due to COVID the wage rate decreased rapidly. So in order to cope with the situation and for the benefits of RMG workers, the Government increased the minimum wage more than it was expected. Due to increased minimum wage, employers reduced employment, increasing unemployment rate.

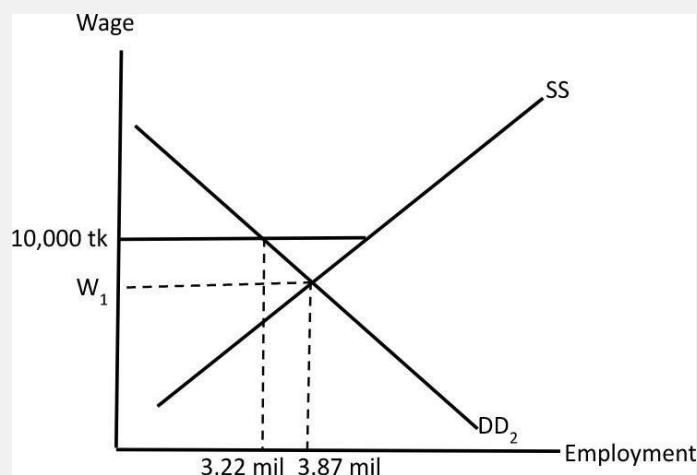


Figure: The minimum wage rate and employment graph

After COVID the wage rate fell down to W_1 , in order to cope with this by increasing the wage rate, the Government set the wage floor at 10,000 tk for which almost 6.5 lakhs workers lost their jobs, decreasing employment to 3.22 million.

Type	Skilled	Semi-Skilled	Unskilled
Number	1,19,479	48,130	8,577

Table: RMG workers in Dhaka as of 2022

Due to this increased wage rate, semi-skilled and unskilled workers most likely lost their jobs as employers would want only skilled workers to provide the same level of labor as the increased wage rate they are paid. The semi-skilled and unskilled workers either entered uncovered sectors or were still waiting to get a job in the covered sector.

Thus we can notice that for COVID situation the wage rate decreased, in order to cope up with that decreased wage rate Govt. set a minimum wage rate for workers. As a result of both the employment level decreased almost 1 Million (From 4.22 Million to 3.22 Million) than the Pre COVID stage. Almost 1 Million workers lost their jobs, increasing the unemployment rate.

3.3 Effect on total revenue from RMG sector

Decreasing employment had a dire effect on total revenue of the RMG sector as there was a noteworthy decrease in revenue in 2019. There was almost a \$6 billion decrease in revenue from fiscal year 2018-2019 to 2020. Though the revenue increased in 2021 still it was as much as 2018.

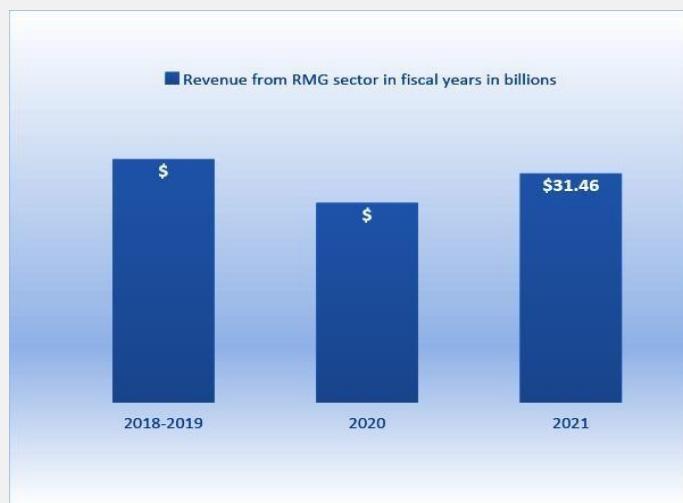


Figure: The revenue curve from 2018 to 2021

3.4 Inflation in current times

At present the inflation rate is higher than the previous years. As of July 2022 the inflation rate was 7.48% whereas in July 2021 the inflation rate was 5.36%. There is approximately a 2% increase in inflation rate than previous year. Increased inflation rate would increase labor supply in the RMG sector too due to higher wages and higher demand. Coping up

with COVID situation the employment in RMG increased to 4 Million (3.22 Million Previously in 2019-2020) in 2021. The current inflation will increase labor supply thus increasing employment too.

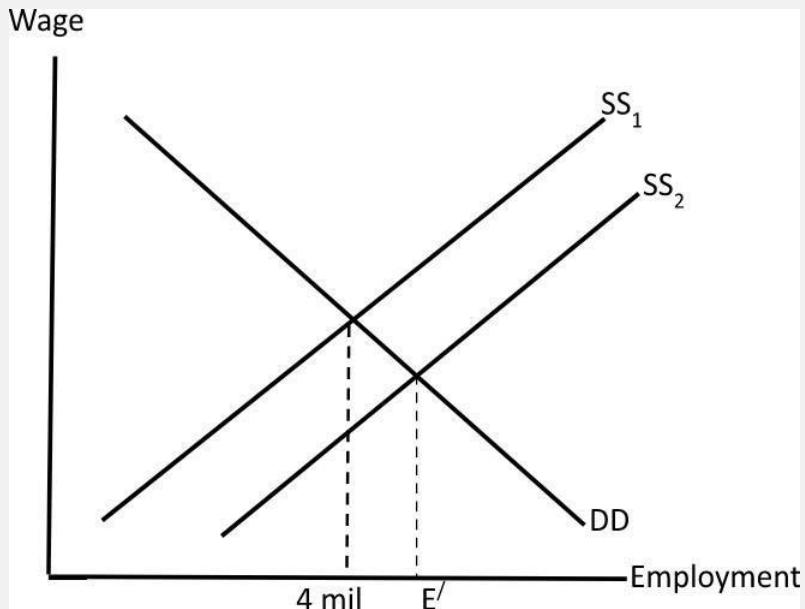


Figure: The effect of Inflation

Before the increase in inflation, the number of workers in the RMG sector was 4 Million. As inflation increases, we are assuming that labor supply of workers will increase too as a substitution effect and thus the number of workers in the RMG sector will be approximately E' at the end of 2022. If there are adequate job opportunities, inflation will increase employment rate. On the other hand lack of job opportunities will worsen the unemployment situation and depression will occur.

3. Learnings for Bangladesh: Export Diversification in Vietnam & South Korea

The score of the Economic Complexity Index (ECI) for Bangladesh is -0.85 . Which is very low and indicates the lack of economic development. According to the Atlas Economic Complexity, for Bangladesh apparel or textile related products can be diversified with lower complexity than ICT and other sectors.

4.1 Vietnam

Vietnam ranks as the 52nd most complex country in the Economic Complexity Index (ECI) ranking. Compared to a decade prior, Vietnam's economy has become more complex, improving 18 positions in the ECI ranking. Moving forward, Vietnam is positioned to take advantage of many opportunities to diversify its production using its existing know how.

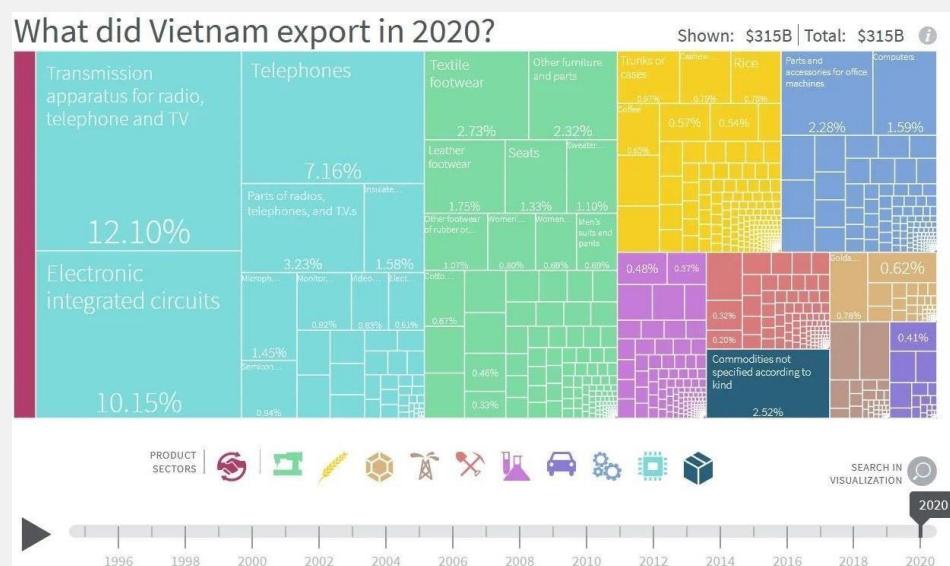


Figure: Export Portfolio of Vietnam

Vietnam is more complex than expected for its income level. As a result, its economy is projected to grow rapidly. The Growth Lab's 2030 Growth Projections foresee growth in Vietnam of 5.6% annually over the coming decade, ranking in the top decile of countries globally. Bangladesh should also enhance its ranking in the World Bank's Ease of Doing Business Index and the World Economic Forum's Global Competitiveness Report in order to attract international investors. For the garment industry to be sustainable, it requires inter-ministerial collaboration

for seamless decision-making processes, as well as innovation and Research and Development (R&D).

4.2 South Korea

Manufacturing activity expansion promotes technological knowledge and learning, allowing the economy to apply foreign innovations. Adoption of new technologies improves the ability to develop new goods in order to attain worldwide competitiveness while also increasing diversity levels (Herzer and Nowak- Lehmann 2006; Agosin 2009; Shepherd 2010).

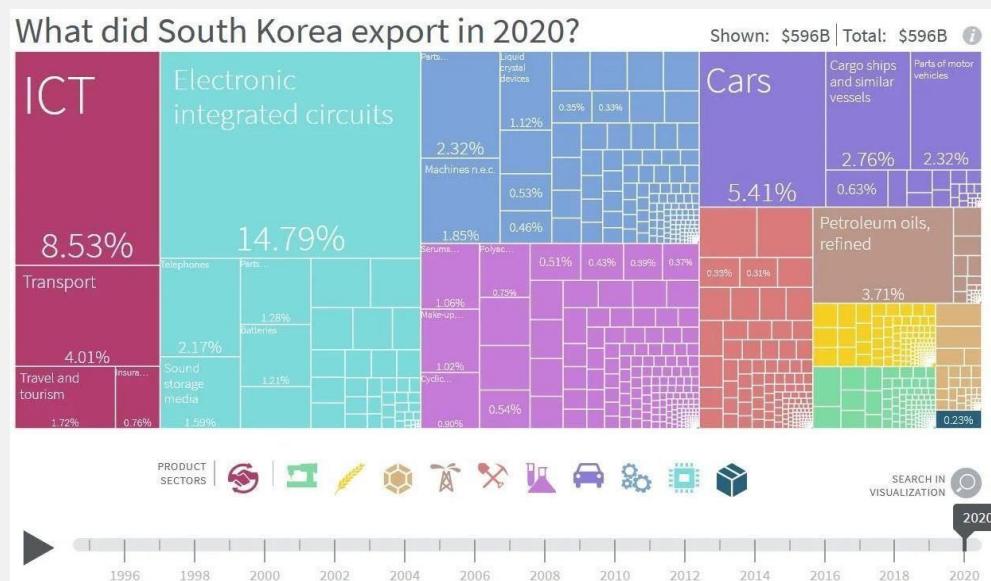


Figure: Export Portfolio of South Korea

South Korea ranks as the 4th most complex country in the Economic Complexity Index (ECI) ranking. Compared to a decade prior, South Korea's economy has become more complex, improving 4 positions in the ECI ranking. Moving forward, South Korea is positioned to take advantage of many opportunities to diversify its production using its existing know how. South Korea is more complex than expected for its income level. However, its economy is projected to grow slowly. The Growth Lab's 2030 Growth Projections foresee growth in South Korea of 2.8% annually over the coming decade, ranking in the bottom half of countries globally.

4.3 Learnings for Bangladesh

To upgrade the economy of Bangladesh, development needs to be innovation oriented which requires highly skilled manpower. One sector alone cannot drive Bangladesh's economic growth; it requires a concerted and collective effort by multiple stakeholders.

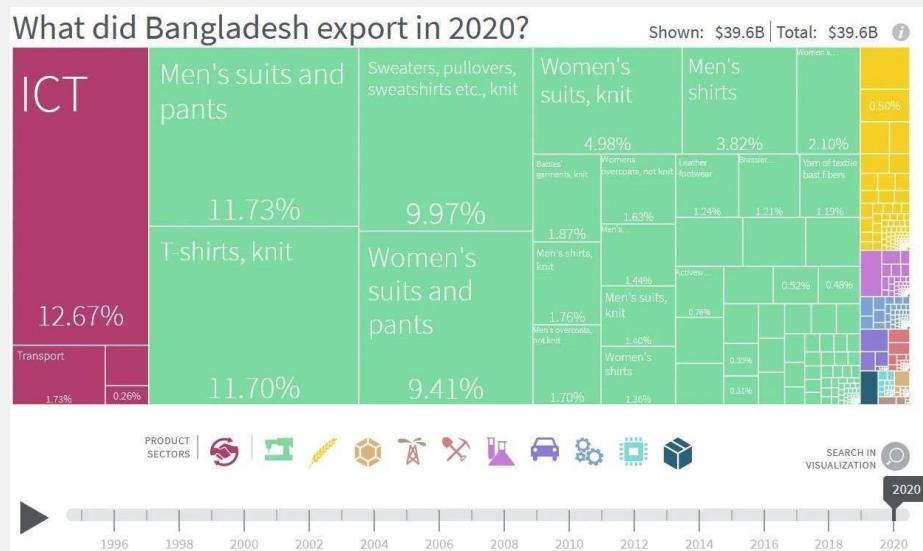


Figure: Export Portfolio of Bangladesh

Exports should be diversified rather than being solely dependent on the ready-made garment industry. There are a number of industries with high potential to diversify the export basket such as electronics, automotives and the digital economy. Steps must be taken from the policymaking level to strengthen these industries.

4. Conclusion:

Bangladesh exports a wide range of apparel products in North America, Europe, Asia and countries in many other geographic regions. Generally, the export products can be categorized into two major categories- Woven and Knitwear. These two categories include a wide range of products but the key products which take up the majority of the product mix are denim, shirts, trousers, sweaters etc.

In the last seven years, Bangladesh's garment industry has increased its annual revenue from \$19 billion to \$34 billion, a 79 percent rise. This makes the country the second largest exporter of garments in the world, with the sector accounting for 80 percent of Bangladesh's total export earnings. The impressive jump in revenues occurred in the devastating aftermath of two garment factory disasters, in 2012 and 2013, that left more than 1,200 workers dead. Better labor regulations and safety conditions implemented after the workers' deaths have played an important role. With these improvements in place, Bangladesh has become an attractive option for international clothing brands especially those looking to diversify manufacturing locations and, more recently, those concerned about how global trade negotiations might affect their bottom line.

Working conditions in the Bangladesh garment industry came under great scrutiny in 2012 after 117 people were killed at a fire at Tazreen Fashions, a garment factory near the capital city of Dhaka, and even more so five months later, when more than 1,100 workers lost their lives in the collapse of Rana Plaza, home to several garment factories. Global retailers, foreign governments, and international organizations then took steps to help the industry improve safety and labor conditions to prevent such tragedies in the future. The Bangladeshi government also wanted to protect a central pillar of the country's economy: The garment industry, which employs 4.4 million people, mostly women, contributes more than 11 percent to the country's GDP.

Still, the push to improve building and fire safety wasn't easy after the deadly disasters. Some factory owners were reluctant at first. It was difficult for them to secure loans to pay for the safety improvements. Even for factory owners who had access to loans, the interest rates as high as 18 percent were nearly prohibitive. That Bangladesh RMG exporters have been able to bounce back so spectacularly from the economic tsunami of 2020 offers an indication of their tenacity, resilience and ingenuity. These characteristics will be vital in the years ahead as the

RMG sector seeks to adapt and innovate in line with shifting customer demands and a broader societal move towards more responsibly and sustainably produced products.

RMG sector being a significant sector will prevail in our industry in terms of Bangladesh's broader economic growth prospects. First of all, some perspective. In terms of exports, the RMG sector contributes around 83 percent of all export earnings for Bangladesh. This mentioned data varies from year to year but has been in the 80s for several years now. With regards overall Gross Domestic Product (GDP), the RMG sector's contribution to overall GDP is around 11-12 percent, and the trend for this figure has been downwards in recent years. This is an issue which we need to address because although our industry is a vital source of exports and job creation and has helped put Bangladesh on the global economic map, its actual contribution to GDP is relatively small. In considering the future of the industry, we must ask ourselves how this poor GDP contribution level can be addressed. The issue, which is well recognised, is that export earnings from the RMG sector are mainly dependent on four to five basic products, including T-shirts, sweaters and other knitted products. There is a very high dependence on cotton-made products and less use of man-made fibers, particularly high value fibers such as viscose. This lack of a diversified product base coupled with relatively low rates of private research and development and reinvestment have held our industry back and hitherto prevented it from fulfilling its true potential. To achieve this potential in the coming years and remain globally competitive, the RMG industry needs to take a number of steps. First of all, RMG manufacturers need to adopt a more long-term approach by investing more in research and development and in new growth areas such as technical textiles. Investing in higher value areas, where products are more specialized, will enable garment makers to attract a higher price premium and put them in a better bargaining position with fashion buyers. Over the next 12-18 months, I expect our industry to consolidate on the successes of 2021 and continue to grow export revenues. We have seen other countries, notably China, diversify into higher added value garment production and this is the next logical step for Bangladesh. This in turn will also enable the RMG industry to make a higher contribution to GDP and living standards.

The second area to consider is speed and agility. Faster, faster, faster is the mantra in our industry right now. The move to digital purchasing, which is progressing at lightning speed and

has increased due to lockdowns means fashion buyers are looking for increased speed and agility from their garment makers. We should closely watch stories such as that of Shein, the Chinese online brand here. This brand works closely with a select group of suppliers in China, all within two hours of its HQ, which provide it with rapid turnaround times and ensure Shein can quickly have the latest fashion trends up on its website. Bangladesh garment-makers along with the government and other industry stakeholders need to consider how we can increase speed to market for our products. This will include internal investments at individual factories as well as broader investment by policymakers in tackling port congestion, improving logistics infrastructure and reducing Bangladesh looks bright for Bangladesh's RMG sector after a period of profound uncertainty due to the global pandemic. The latest apparel export figures show that, despite the coronavirus pandemic and global lockdowns in key markets, Bangladesh set a new record for apparel exports in the 2021 calendar year. Bangladesh exported garments worth USD 3.8 billion in December 2021 and this took the annual export figure to USD 35.57bn. This figure was USD 2.5bn higher than the previous record of USD 33.07 billion which was set in 2019. That Bangladesh RMG exporters have been able to bounce back so spectacularly from the economic tsunami of 2020 offers an indication of their tenacity, resilience, and ingenuity. These characteristics will be vital in the years ahead as the RMG sector seeks to adapt and innovate in line with shifting customer demands and a broader societal move towards more responsibly and sustainably produced products.

Amid all of this, Bangladesh has been a safe pair of hands. Some NGOs have been critical of our industry for continuing production during the pandemic, yet the decision to press on with business as usual where possible—and with stringent safety policies in place—has paid great dividends. My hope is that buyers will not forget the past 12-months, when Bangladesh garment-makers were able to deliver the goods often in the most trying of circumstances. All of this should stand us in good stead for the future. To end, we will reflect specifically on this question with consideration to both short-medium term and long-term prospects. Over the next 12-18 months, I expect our industry to consolidate on the successes of 2021 and continue to grow export revenues. The hope must be that some of the orders we have won from competitor nations will become permanent business relationships and that we can carry on building more

business on top of these. In short, I believe we will reap some of the benefits of the hard work and perseverance we have displayed as an industry while a global pandemic raged around us.

One caveat to the above would be the global economy. While the pandemic is almost behind us, the fallout from it could be long and far-reaching. Many of our export markets are in serious debt right now due to huge increases in public spending to tackle the pandemic. Recessions may be around the corner for countries within the EU and the USA and, if economic downturns do occur, these will impact discretionary spending on products such as clothing. This is one concern and an issue I will be keeping a close eye on in the coming months.

Inflation is another issue I expect to see in the short to medium term. Price inflation has become a real bugbear in our industry during 2022, with increases in raw material and commodity prices reverberating through supply chains. High costs are placing pressure on us as garment-makers and we must stand firm with buyers and ensure some of these costs are passed on; we simply cannot afford to absorb them all ourselves.

As to the long-term, our expectation is that Bangladesh will, within this decade, take over the mantle of China as the world's leading clothing sourcing hub. I believe we will do this by becoming a global leader in factory safety, sustainability, speed, responsiveness and product flexibility. This may sound like a bold claim to make, but the experiences of the past 18-months tell me we have the characteristics to overcome any obstacle which is thrown in our path. The way in which we have faced the challenges of the pandemic with intelligence, agility and a "can-do" mentality should serve as a caution to all our competitors: the Bangladesh RMG juggernaut has only just got started. As well as increasing quality and speed, another area of focus must be sustainability. The issue of sustainability actually ties in with costing and price and the required move towards higher added value products discussed above. Increasingly, there are more and more buyers demanding that their vendors produce products responsibly and sustainably. Many buyers now ask that their suppliers adhere to certain standards or eco-textile labels governing social and environmental standards. Therefore, from a purely practical standpoint, it is imperative that all suppliers in Bangladesh look to adhere to the highest possible

production standards in the coming years. These will increasingly become a "must have" or prerequisite of doing business in our industry moving forwards.

But sustainability also offers an opportunity and should not simply be viewed as a burden. Manufacturers can embrace sustainability in areas such as recycling, including recycled product lines, to provide them with a competitive advantage and enable them to attract a premium price for their garments. This may mean forging relationships and entering into partnerships with technology companies in the coming years. More than ever, this is a global industry and having an outward facing, international mentality will be vital if our sector is to continue growing and moving ahead. Bangladesh garment-makers along with the government and other industry stakeholders need to consider how we can increase speed to market for our products.

The fourth issue we need to focus on is branding, marketing and public relations. On this front, we are already seeing excellent signs with regards to the increasingly vocal and outward facing nature of our BGMEA which is becoming a thought-leader on the global stage for textile production. The BGMEA gives us a voice in the global industry and helps us as garment manufacturers to put our best foot forward. The old days when our garment industry was somewhat passive need to become a thing of the past. We cannot allow others to shape our destiny, whether that be through negative news reporting or providing misleading information about the current state of our industry.

We have to take the bull by the horns and do our own talking, by shouting from the rooftops about what we can offer. In short, world class garment production is the safest garment sourcing hub in the world, with a reputation for reliability, consistency and responsiveness. The first of these points of reliability should be emphasized here. In the past 12-months, many garment production hubs have come to a virtual standstill. In the likes of China and Vietnam, logistical issues and industry lockdowns have seen their textile sectors grind to a halt. In Myanmar, a military coup has led to deep mistrust among buyers who are weary of even entering the country. The same story is to be found in Ethiopia, where a civil war has undone much of the

progress of that country's fledgling textile industry. A couple of major fashion retailers have ceased sourcing from Ethiopia 2020.

From an agriculture-based economy to today's export- import oriented economy Bangladesh came a long way. With the help of nearly 40-year-old apparel and garment industry Bangladesh raised its foreign reserve from \$270 million(1972) to \$33000 million(2018). Still there are a lot of opportunities for Bangladesh to grow at its full potential. But today's textile industry is more competitive than any other time. For this reason, Bangladesh will face some challenges. By solving those problems Bangladesh can create a technology-based garment industry and can become the leader of this sector. as it is a country which is full of a huge youth population. So we can say that Bangladesh has a bright future in the textile and apparel industry.

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