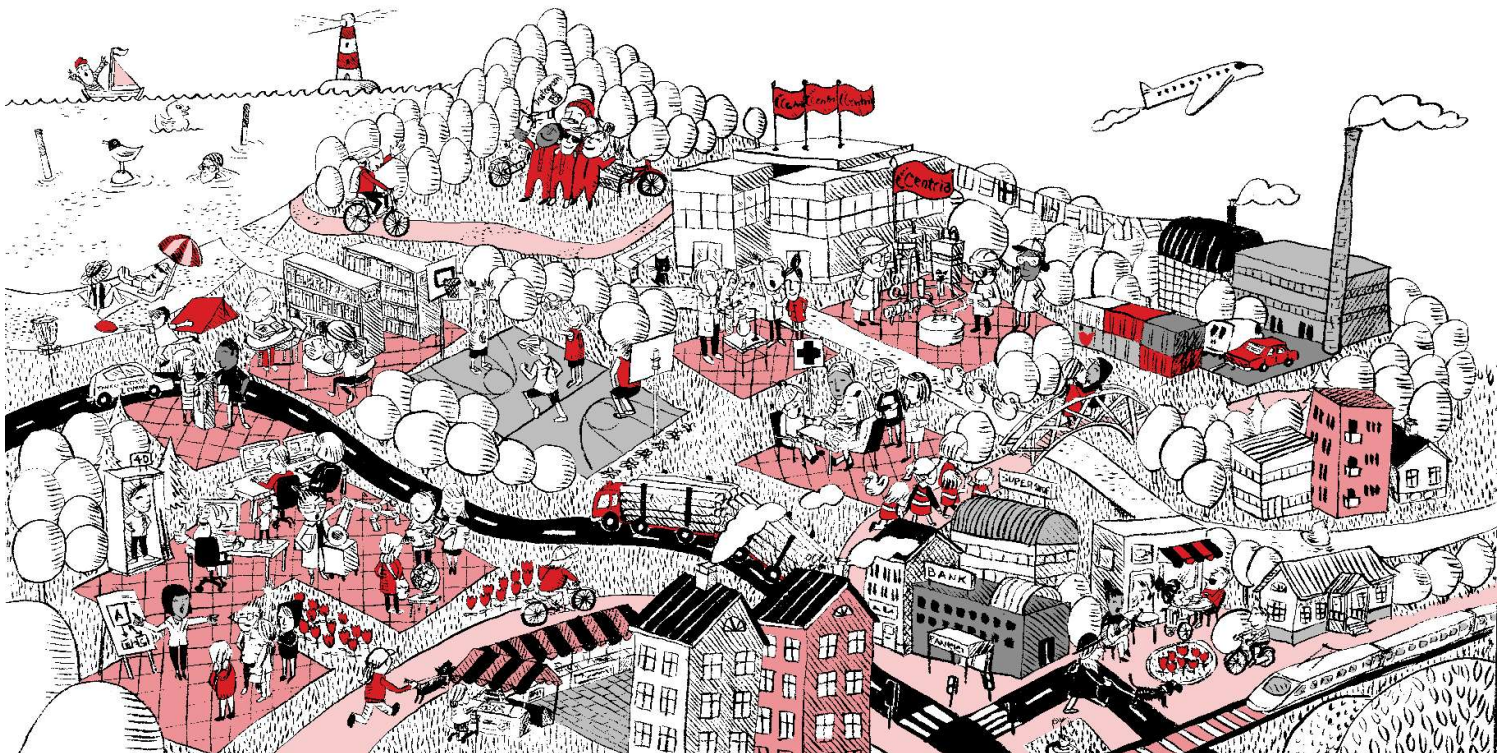


A S M Jubair Hossain

READYMADE GARMENTS SECTOR OF BANGLADESH AND COVID-19 IMPACT

Stitching For a Better Future

**Thesis
CENTRIA UNIVERSITY OF APPLIED SCIENCES
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ABSTRACT

Centria University of Applied Sciences	Date December 2021	Author A S M Jubair Hossain
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Name of thesis READY-MADE GARMENTS SECTOR OF BANGLADESH AND COVID-19 IMPACT. Stitching for a Better Future		
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<p>Discussion of growth-drivers in the context of Bangladesh is a deprived part of the Ready-Made Garments (RMG) sector of the country. Approximately 84% of overall exports in Bangladesh is constituted by the RMG sector and about 3.5 million people are employed in this sector.</p> <p>Globally, Bangladesh has been one of the major players of the RMG market for many years. It has already been suffering from some issues and on top of that COVID-19 pandemic came as a shock for this sector. The sector now looks beyond recovery and towards competitiveness for a sustainable foundation.</p> <p>This study had the privileges to deal with the shortcomings and opportunities of the RMG sector of Bangladesh and the impact of the coronavirus pandemic on this sector. It is mainly a qualitative study and was conducted by analysing various resources and data that are already published.</p> <p>The whole discussion concluded with some necessary recommendations for a better prospect of this sector. The result suggests some necessary measures to be taken by the government and the stakeholders of the industry for stitching a better future.</p>		
<p>Key words Bangladesh, Covid-19, COVID-19 Impacts, Garments Sector of Bangladesh, Green RMG, International Trade, Ready-Made Garments.</p>		

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CONCEPT DEFINITIONS

BGMEA

Bangladesh Garment Manufacturers and Exporters Association or BGMEA is a nationwide trade organization of garments manufacturers in Bangladesh and is located in the capital city of Dhaka.

BKMEA

The Bangladesh Knitwear Manufacturers and Exporters Association or BKMEA is a national trade organization of Knitwear manufacturers in Bangladesh and is located in Dhaka, Bangladesh. Member of Parliament Salim Osman is the president of the body.

CPD

Centre for Policy Dialogue (CPD) seeks to be the leading institution for in-depth research and dialogue to promote inclusive policymaking in Bangladesh and strengthen regional and global economic integration.

EPD

Export Promotion Bureau is a Bangladesh government agency located within the Ministry of Commerce. It is responsible for developing the nation's export industry.

EU

The European Union is a political and economic union of 27 member states that are located primarily in Europe.

FDI

Foreign Direct Investment is a category of cross-border investment in which an investor resident in one economy establishes a lasting interest in and a significant degree of influence over an enterprise resident in another economy (OECD iLibrary).

FTA

Free Trade Agreement is an agreement according to international law to form a free-trade area between the cooperating states. There are two types of trade agreements - bilateral and multilateral (Investopedia).

GDP

Gross Domestic Product is the most commonly used measure for the size of an economy. GDP can be compiled for a country, a region (such as Tuscany in Italy or Burgundy in France), or for several countries combined, as in the case of the European Union (EU). The GDP is the total of all value added created in an economy. The value added means the value of goods and services that have been produced minus the value of the goods and services needed to produce them, the so called intermediate consumption. More about that in the article below (Eurostat.eu).

GSP

Generalized System of Preferences or GSP, is a preferential tariff system which provides tariff reduction on various products. The concept of GSP is very different from the concept of "most favored nation".

IMF

International Monetary Fund is an organization of 190 countries, working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world.

LDC

Least Developed Country are low-income countries confronting severe structural impediments to sustainable development.

LEED

Leadership in Energy and Environmental Design (LEED) is the most widely used green building rating system in the world. Available for virtually all building types, LEED provides a framework for healthy, highly efficient, and cost-saving green buildings.

PPP

Purchasing Power Parity (PPP) is the measurement of prices in different countries that uses the prices of specific goods to compare the absolute purchasing power of the countries' currencies.

RMG

Ready-Made Garments

UK

United Kingdom

USA

United States of America

USD

US Dollar

USTR

The US Trade Representative (USTR) is responsible for developing and coordinating U.S. international trade, commodity, and direct investment policy, and overseeing negotiations with other countries. The head of USTR is the U.S. Trade Representative, a Cabinet member who serves as the president's principal trade advisor, negotiator, and spokesperson on trade issues. USTR is part of the Executive Office of the President.

WTO

World Trade Organisation (WTO) is an intergovernmental organization that regulates and facilitates international trade between nations. Governments use the organization to establish, revise, and enforce the rules that govern international trade.

1 INTRODUCTION

The Ready-Made Garments sector has shown its rapid expansion in Bangladesh over the past few decades. Starting from 10,000 US dollars in 1978 the RMG export growth reached to \$34 billion in FY 2018-2019 (IAF, 2021). Now Bangladesh is regarded as the second largest exporter of garments in the globe. Over the last few decades Bangladesh has ensured noticeable improvement in RMG sectors. This sector has contributed to economic growth, creating huge employment opportunity, poverty reduction, stability of macro-economy and some other. The quota system is undoubtedly a blessing for the garment sector of Bangladesh that has provided a lot of advantages in the world market. As a result, a gradual improvement of this area has been witnessed. Though there has been seen a successful scenario of this sector, there are some challenges which can be the matter of future tension that need to be fixed.

There are different sorts of garments manufactured in this country, but RMG can be divided into two large groups. One of them is woven products and the second one is knitted products. The first category includes pants, shirts, trousers etc. whereas the second category works on t-shirts and polo shirts, sweaters, socks, undergarments, and some other. Exporting the products mentioned above, Bangladesh is earning foreign currency and meeting its internal demand of money. The growth which Bangladesh has achieved so far has been much easier because of the quota system. But there is an alarming piece of news about that Bangladesh is going to lose its quota opportunity as it is getting out of the LDC status. As a result, Bangladesh has to compete with other countries who are dominating the RMG sector. The Bangladesh RMG sector has also not been that successful in exerting benefits from US-China trade war. The Rana Plaza collapse and Tazreen Fashions fire explosion have been two of the most tragic events in Bangladesh RMG history. The consequences demanded a real change in the RMG sector of Bangladesh.

Market competition in the global RMG sector is getting intensified and potential competitors like Vietnam are closing the gap in global RMG market share. Mexico is turning up to be a potential near shoring destination for the US. Moreover, Bangladesh cannot rest upon the second position in global RMG market share. Then Covid-19 started devouring the sector by increasing order cancellations and unshipped orders. Time and actions will tell how Bangladesh RMG responds to the adversities and challenges and stands out to be a sustainable one (Khan, S., 2019).

1.1 Origin of the Report

This study is a partial requirement for the degree program Bachelor of Business Administration Business Management, Enterprise Resource Planning (ERP) as supervised by the esteemed faculty Ms. Paula Tornikoski.

1.2 Objectives

Researchers have conducted different studies on COVID-19 crisis worldwide regarding the impacts, but a few focused on the post coronavirus situation and recommendations for the RMG industry of Bangladesh. The specific objective of this thesis was mainly to give an overview of the RMG sector of Bangladesh, looking into the impacts of the coronavirus crisis and to map out certain strategical steps the industry can implement in the years to come to stay up in the competition.

1.3 Methodology

To obtain the objectives the author has used solely secondary information to prepare the report. The secondary information was taken from various newspapers, articles, websites, journals and research papers. The sources are cited and referenced. However, the author did carefully examine the source and the information before using for the study. The study is mostly of descriptive and qualitative kind.

1.4 Scope and Limitations

The scope of this report is within the confines of very specific aspects of the RMG sector of Bangladesh as already been stated. This report focuses primarily on the overview and opportunities the RMG sector of the country. The limitations of this study include but is not limited to, firstly, the entire work done is based on secondary information. As a result, this report is a rather general overview of the topics discussed. Secondly, the author does not have a specialization in economics. This might hamper the quality of the work done vis-a-vis the concepts and principles of this discipline. This report analyzes

data and trends from before the lockdown instilled by the COVID-19 pandemic. The impacts of the said pandemic are not analyzed in this report. Finally, the current lockdown and pandemic situation in Bangladesh has hindered the collection of primary information. This has impacted and/or might impact the quality of the report.

1.5 Rationale

This report may benefit the Government of the People's Republic of Bangladesh, the economy and economists of Bangladesh, the stakeholders of the RMG industry interested in Bangladesh, garment workers and/or associations of Bangladesh and last but not the least academics who want to conduct further studies on this topic.

The RMG sector serves as one of the main pillars of the economy of Bangladesh. It has been a driving force for the gradual development of the country. The sector has earned billions of dollars over the years and created millions of jobs for the people of Bangladesh (Hassan, 2014).

The "Made in Bangladesh" tags on apparels have helped put Bangladesh on the map in the global stage. This is a country that was at one point described as a "bottomless basket", even though its economic performance in recent years has had people thinking that Bangladesh is a "basket full of wonders". Even with its extremely scarce resources, Bangladesh has consistently maintained a GDP growth rate of (at least) 6%. The economic condition of the people of this land has improved significantly since its birth in 1971.

2 ECONOMY: BANGLADESH AND FINLAND

Bangladesh has been recognized as one of the fastest growing economies in the world as well as the fastest growing economy in South Asia. Bangladeshi economy is considered as a developing market economy. Agriculture and Ready-Made Garments industry are the largest employment sectors of Bangladesh. According to intracen.org Bangladesh's major export item is Ready-Made Garments and others include shrimps, jute, leather goods and tea and main export destinations are the United States and the EU. GDP per capita here is US \$5,812 [PPP, 2021 est.] (International Monetary Foundation, 2021)

Finland has a highly industrialized, largely free-market economy with GDP per capita US \$52,174 (PPP, 2021 est.) (IMF, 2021). The key economic sector is manufacturing. According to Statistics Finland, the largest industries are electronics (21.6 percent), machinery, vehicles and other engineered metal products (21.1 percent), forest industry (13.1 percent), and chemicals (10.9 percent). Finland has timber and several mineral and freshwater resources. Forestry, paper factories, and the agricultural sector (on which taxpayers spend around 2 billion euro annually) are politically sensitive to rural residents. The Greater Helsinki area generates around a third of the GDP.

The COVID-19 pandemic affected both Bangladesh and Finland. However, Finland copped with the coronavirus crisis very well, even better than in rest of the Europe (DW.com, 2021). Finland had only a few months of lock-down till now due to the COVID-19 issue. On the other hand, Bangladesh has a large population of more than 170 million people and had to struggle to fight with the coronavirus pandemic with a long duration of lock-down/shut-down. It is still fighting with COVID-19 effects in its economy to recover from the losses.

As published on DW.com, till now Finland is one of those countries which is doing the best with the COVID-19 crisis. Until November 2020 around 19,900 cases and 374 deaths have been recorded. No other EU country has lower rates.

Thus, from the above discussions it is seen that Finland has a much stronger economy than Bangladesh and coronavirus crisis couldn't make a big trouble for Finland in comparison to the other countries of the world. Finland reacted promptly and successfully.

3 RMG SECTOR IN BANGLADESH: OVERVIEW

Initially, Riaz Mohammad Uddin Reaz commenced his business with what he called Riaz Store. He later changed the name to Riaz garments in 1973. In 1978 Riaz garments started exporting its products abroad. The first batch of products (1 million shirt pieces) exported was to a firm called Olanda based in South Korea (Islam, 2015).

Nurool Quader was another one of the pioneers of the RMG sector in Bangladesh. In 1978 he helped 130 individuals pursue training in South Korea on producing RMG products. He then set up a factory called “Desh Garments”. This was an export oriented RMG company. (Hassan, 2014) Other factories established around the same time include “Bond Garments” by Akhter Mohammad Musa, “Paris Garments” by Mohammad Humayun, “Azim Group” by Engineer Mohammad Fazlul Azim, “Sunman Group” by Major (Retired) Abdul Mannan, “Stylecraft Limited” by Shamsur Rahman, and “Aristocrat Limited” by Subid Ali – the first President of BGMEA. (Hassan, 2014) According to BGMEA, there were 384 garments factories in 1984-85. According to Export Promotion Bureau data, RMG export was approximately 83% of the total export of Bangladesh – the RMG export amounted to 27.95 billion USD, whilst the total export amounted to 33.67 billion USD FY 2019-2020 (BGMEA, 2021).

3.1 RMG Growth of Bangladesh

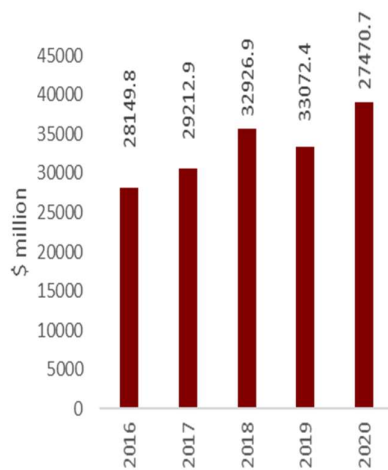


FIGURE 1: Bangladesh RMG export. (Source: BGMEA, 2021)

If a careful look has been put on the statistic of the RMG sector, it will be noticeable that Bangladesh is doing better in this area and trying to increase the production level. As a result, a huge portion of Bangladesh economy is being occupied by the earnings from RMG. It will be clear about the growth of ready-made garment if the increment of export has been checked.

According to the graph in figure 1, the recent performance of RMG of Bangladesh is mentionable. There has been presented the data of the last five years. Though there can be found some ups and downs in this graph, the damage has been recovered in the immediate year. In this study, it is seen that the amount of RMG export was 28149.8 million dollars in 2016. 30614.7 and 35724.3 million US dollar was the export of RMG in 2017 and 2018 respectively. But in 2019, the amount has decreased to 33402.8 million US dollar though after the year 2020, this sector has continued its growth as it was before.

3.2 RMG Sector: Employment for Millions

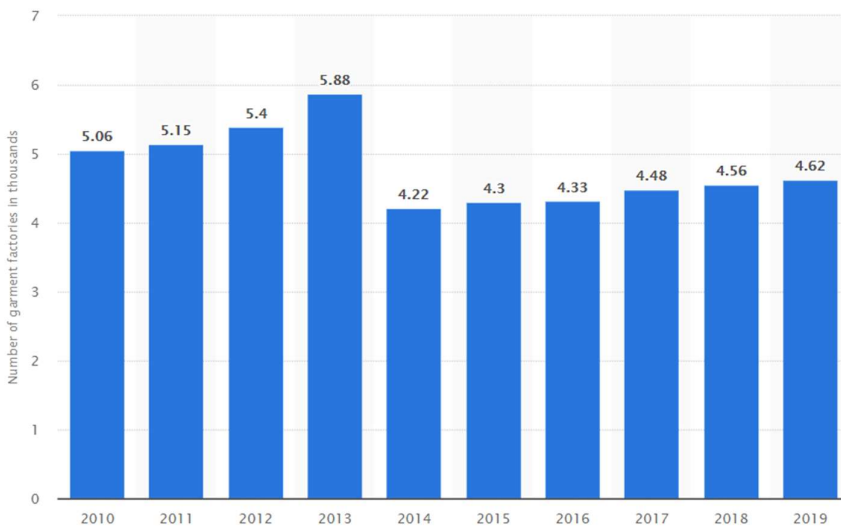


FIGURE 2: Number of garment factories in Bangladesh from 2010 to 2019 in 1,000s (Source: Statista, 2020a)

The RMG industry is going to be the key sector for employment. It has been creating many job opportunities for the last few decades. More than four million people get the chance to earn their daily meal and change their fate. Bangladesh government has targeted to get USD 50 billion by this year which

seems to be achievable as the government is putting serious focus on the development of the RMG sector. Consequently, the number of RMG industry is increasing gradually.

Focusing on the statistics of the RMG industry, the increment of the number of the RMG industry can be identified. Though the rise of the number of industries is not enormous, it is positive to see that at least the number is going up gradually. The graph in figure 2 tells that around 300 factories have increased in 2020 compared to 2016. It can be found that the number of RMG industry was 4482 in 2016 whereas it has risen to 4764 in 2020. And this was not sudden at all. The years between 2016 and 2020 have continued their rise.

3.3 Labour Productivity Fallen Far Behind

Productivity is the main concern of efficient use of limited resources which can be regarded as input used to produce something which is regarded as output. Labour productivity is the ratio of total output and labour input. The easiest formula of productivity is output/input.

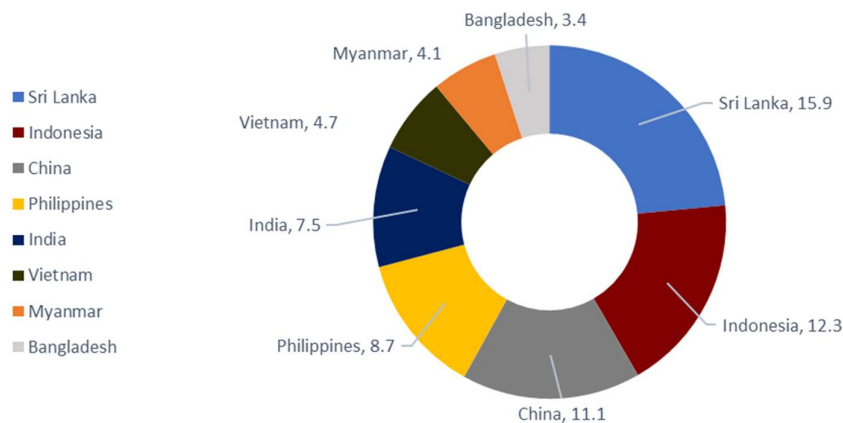


FIGURE 3: Labour productivity in Asian countries. (Source: APO, 2021)

It is considered that though Bangladesh is the second largest RMG exporter, however, from figure 3 above it can be seen that the country is still struggling to get the expected productivity from its labour, and it is a matter of sorrow that Bangladesh lags behind most other Asian competitors.

And as seen in FIGURE 3, the value of hourly productivity of Bangladesh is \$3.4 whereas China, the largest RMG exporter, is calculating \$11.1 hourly productivity. Moreover, Sri Lanka is considered to be the most productive country in Asia the rate is \$15.9 and then comes the name of Indonesia which is \$12.3. Similarly, the countries like India, Vietnam, Myanmar, Philippines also exceed Bangladesh in terms of hourly labour productivity. As a part of mega plan of our government, the target of increasing hourly productivity has set by 5.6% per year before 2030 (The Business Standard, 2020).

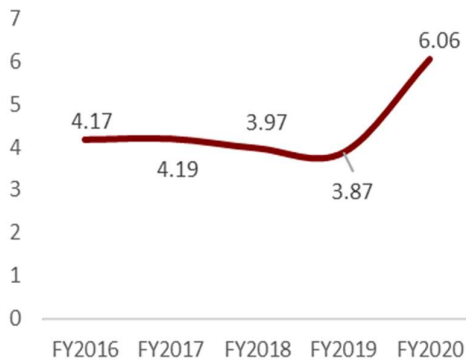


FIGURE 4: Incremental capital output ratio of Bangladesh. (Source: CPD, 2020)

In recent days more productivity demands more investment. For example, to get a certain amount of output, there needs to be invested a certain amount of money. A graph will help to figure out the whole thing. The graph in figure 4 represents the ratio of incremental capital output of Bangladesh. In FY2020, The Incremental Capital Output Ratio (ICOR) was 6.06 whereas it can be noticed that same output was 3.87 in FY2019 (CPD, 2020).

3.4 Demographic Dividend in RMG Sector

It is considered that Bangladesh has a key advantage causing a huge benefit for the past few years which is low labor cost. Though there was a matter of labor unrest, now it is on the way to diminish from the last few years. The matter like labor uprising is gradually becoming stable. But though Bangladesh has an immense advantage in regard to labor cost, still there is a problem of not being able to get proper technological advancement. In this competitive world, it will be really challenging to continue the existence without being technologically developed. A chart including a comparative analysis of cost of some Asian countries has been provided in the table 1 below:

TABLE 1: Cost of Production. (Source: LightCastle Partners, 2020b)

Cost	Unit	India	China	Bangladesh	Vietnam	Cambodia
Labor cost	USD/Month	160-180	550-600	100-110	170-190	180-190
Power cost	USD/Kwh	0.10-0.12	0.15-0.16	0.09-0.12	0.08-0.10	0.20-0.25
Water cost	US cents/m	16-20	55-60	20-22	50-80	70-90

Table 1 above clearly indicates that Bangladesh is to pay the lowest labour cost among the five Asian countries. Not only these countries but there are also some other examples of countries who pay more than Bangladesh.



FIGURE 5: Labor Cost USD per month (adopted from Statista.com)

The impactful advantage of Bangladesh is the use of a huge number of young populations that is available for low labour cost as seen in figure 5 but giving high productivity and benefits. But to get the best outcome, it is inevitable to make them skilled. If it is possible to utilize this over population

through proper training, this huge number of people will be a blessing for Bangladesh. Otherwise, it can be a curse and can create a burden for the country.

3.5 Major Export Destinations of Bangladesh RMG

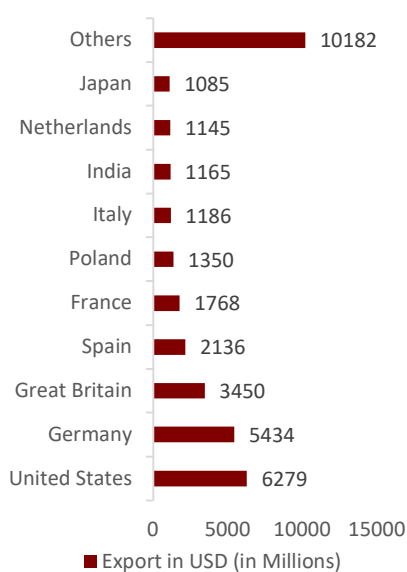


FIGURE 6: Bangladesh's Top Export Destinations in FY20 (Source: Export Promotion Bureau, 2021)

The export earnings of Bangladesh are mainly coming from a certain group of countries, and this is a major problem that should be addressed for the long run. The main three source of Bangladesh's export earnings are United States, Germany and Great Britain as seen in figure 6. Among them, the United States is the single largest destination. These three countries bought goods of approximately 15.15 billion USD in total in FY20 which is about 44% of the total export earnings of Bangladesh. The European Union are the source of about 62% of country's total textile and garment export earnings (ADB, 2021).

Apart from the United States, the UK and Germany, Spain, France, Italy, Netherlands, and Poland are the top markets, where Bangladesh supplies over billions of dollars of RMG items every year. According to the Financial Express (2021) in the first 10 month of FY21, export earnings from the United States increased by 8.54% and from the European countries by about 7%. In this period (FY 2020-21), the RMG industry raised \$26 billion of export earnings, which represented an 8.74% increment. However, the objective set for the time was missed by 6.16% (The Financial Express, 2021).

Despite the profit, Bangladesh is actually losing market to Vietnam. Vietnam is targeting \$39 billion export earnings in 2021 from apparel and readymade garment sector (VIR, 2021). According to Vietnam National Textile and Garment Group, their export from garment and clothing sector was worth \$35 billion in 2020 as COVID-19, US-China trade war, Brexit caused huge disruption in their market. Notwithstanding the pandemic and decrease in global demand, their growth in export earning was 22% and with this they surpassed Bangladesh and obtained the second place in top RMG exporters list (RMG Bangladesh, 2020a).

A recent study has revealed that work orders from Bangladesh met more countermanding or deferral by the buyers from US than that of Vietnam. This study was conducted over top executives, retailers, importers, and wholesalers from US-based leading fashion brands recently. Vietnam is considered to be the “Next China” for apparel sourcing, and as such, top buyers from US seemed to be more “careful” about calling off the orders from them. COVID-19 pandemic has hit Bangladesh’s export earning severely as the whole industry was closed during the lockdown situation. But Vietnam did not hold back their production, overtakes Bangladesh and has been rewarded by the significant rise in RMG export (Dhaka Tribune, 2020a).

3.6 RMG Sector: Top Sources of Export Earnings



FIGURE 7: Major sources of RMG export earnings (Source: BGMEA, 2021)

Data from the Export Promotion Bureau (2021) reveal that in the fiscal year 2020-21, about 81% of the country's export earnings came from readymade garments sector which is 26 billion USD where the total export earning in current fiscal year is 32.07 billion USD (Export Promotion Bureau, 2021). figure 7 illustrates that the majority earnings from RMG sector actually came from five items: T-shirts for men and women, Sweaters, Pants, Suits/Jackets and Shirts. Moreover, 51 new items with strong export potential are now discovered that may help expand further into non-traditional markets if utilized efficiently. In the next 5 years, the focus is currently on 31 of these goods with an anticipated USD 132 billion market growth (Daily Sun, 2020).

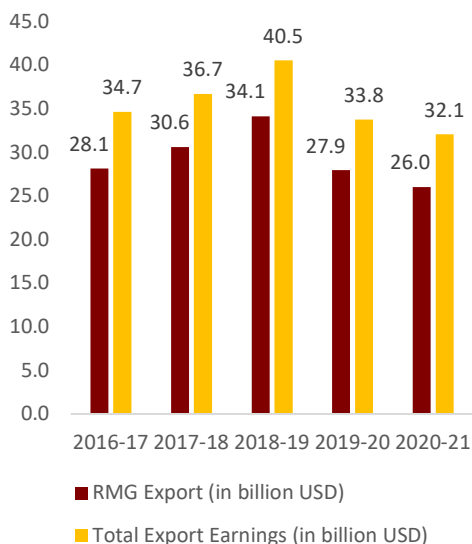


FIGURE 8: Top sources of export earnings from RMG sector (Source: Export Promotion Bureau, 2021)

There is a decline of about \$6.1 billion in export earnings from the RMG sector from the FY2018-19 to FY2019-20 and this is mostly due to the COVID-19 pandemic which continued to affect the trade earning in FY2020-21 still. Among the last 5 fiscal year, 2018-19 had been the best period when the RMG sector earned \$34.13 billion which was about 84.2% of the whole export earning in that period. As already been discussed above, the major competitor, Vietnam is seizing the RMG market. As can be seen from the figure 8 above, RMG export earnings for Bangladesh in FY2020-21 has been lesser than that of FY2016-17 (Export Promotion Bureau, 2021).

Focusing on Green RMG can be a huge prospect in order to rise up through the global value chain of readymade garments-based products where Green RMG refers to the transformation of the whole production and supply chain process for clothing items, starting with the Primary Textiles Manufacturing Sectors, so as to achieve resource efficiency and feasible management practice.

Bangladesh has 42 platinum-rated and 91 gold-rated garment factories which are certified by LEED (The Daily Star, 2021). Moreover, 500 more factories are in the process of achieving LEED (Leadership in Energy and Environmental Design) certification. As the global markets for ethical consumers who are concerned about the environment and economy are rising right now, the added value through national branding may be significant. This potential is further evident with the serious environmental cost of fast fashion.

4 INTERNATIONAL STAKES

For decades, European and US apparel buyers have been continuously looking for sourcing RMG products from low-cost countries in the Far East based on five primary criteria: price, quality, capacity, speed, and risk. However, these markets nowadays facing a growing number of obstacles resulting in sourcing strategy revisions (McKinsey and Company, 2011). The CHAPTER 4 discusses the overview opportunities of international stakeholders of the RMG industry of Bangladesh.

4.1 Growth of Exports to Non-traditional Export Destinations

Bangladesh is still experiencing difficulties in the textile and readymade garment exports to the non-traditional markets. Australia, Brazil, Chile, Japan, Korea, China, India, Mexico, Turkey, South Africa and Russia are the main projected markets other than traditional export destinations like the United States, Great Britain and other European countries. RMG exporters of Bangladesh consider the non-traditional markets as prospective destinations to reduce dependency on two traditional market- the US and the EU. Demand for apparel declined all over the world due to the coronavirus pandemic (GlobeNewswire, 2021). Focusing on the non-traditional market can accelerate the recovery.

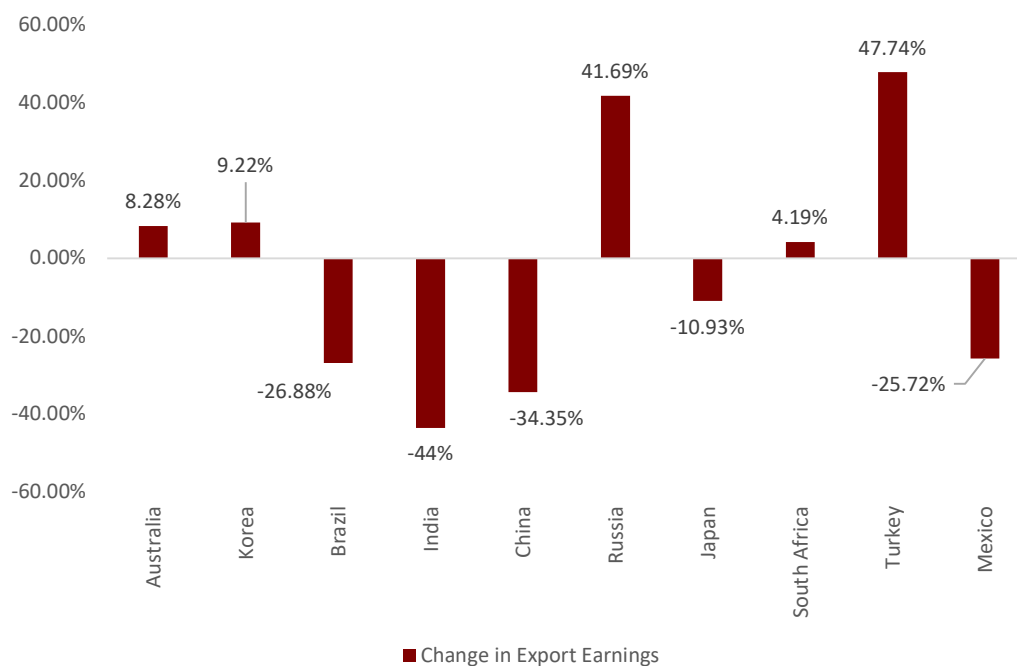


FIGURE 9: Change in export earnings to non-traditional markets (Source: New Age, 2021)

Bangladesh earned \$4.78 billion from the non-traditional markets which is about 17.10% of the whole earning from the RMG export in the last fiscal year (BRAC EPL, 2020). The pandemic has badly hit the key non-traditional target countries such India, China, Brazil and Chile, and picking up the pace in this situation would take time. As seen in figure 9, export earnings from China, India, Brazil, Mexico, Chile and Japan had declined by 34.35%, 43.50%, 26.88%, 25.72%, 18.37% and 10.93% respectively in the period of July-September of FY2020-21. Exports earnings from Australia, Korea, South Africa, Russia and Turkey, nonetheless, increased by 8.28%, 9.22%, 4.19%, 41.69% and 47.74% sequentially during the timeframe.

Exports to non-traditional destinations of RMG goods dropped by 8.33% in 2020, reaching US\$ 1.24 billion in Q1, in contrast with the same period of last fiscal year (The Financial Express, 2020). Non-traditional export destinations in South America, Asia and Russia are suspected to be among the most affected by the Corona pandemic that has played havoc with the market moreover with the sourcing. This pandemic situation specifically jeopardized the development in the trending market. But the bright side is, in comparison to the traditional market, the amount of cancelled and postponed orders in non-traditional destinations was not that big (The Financial Express, 2020).

4.2 US-China Trade War and Its Impact on Bangladesh's RMG Sector

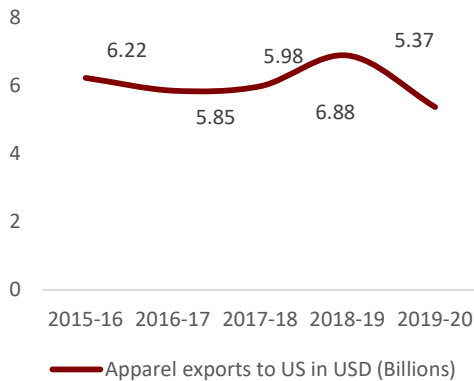


FIGURE 10: Apparel exports to the US (Source: Statista, 2020b)

The geopolitical tension along with economic aspects between the USA and China have been driving the ongoing trade war between the two countries. The world economy is much more interconnected than in any period before. So, the trade war between the US and China concerns not only these two countries but also the countries across the globe. With the so-called 'America First' ideology, the Trump administration acted upon the persistent trade deficit specially with China. The rest of the world is absorbing the impact of trade war between these two major players of global trade. Other countries are calculating the intensity and evaluating the opportunities and threats out of this trade war to protect their own economies. Labour-intensive manufacturer countries like Bangladesh, Vietnam, Ethiopia, Thailand are on their role in this regard. The war can set these developing countries up as potential winners.

38.2% of the GDPs of Bangladesh is represented by the trade while apparels being the main export product of the country. US, China and the EU are the main trade partners of Bangladesh. China is the biggest import partner of Bangladesh and accounted for \$10 billion while US is the biggest export partner of Bangladesh and accounted for \$6 billion. The trade war has been alarming for many countries, but Bangladesh may exert hope out of this trade war. According to Yasuyanki Sawada, Bangladesh's exports are expected to rise by \$400 million during the trade war (The Diplomat, 2019).

TABLE 2: Projected biggest economy risers by 2030 compared with 2018. (Source: The Daily Star, 2018)

Country	Rankings	Rankings Change
Bangladesh	42 to 26	+16
Philippines	38 to 27	+11
Pakistan	40 to 30	+10
Vietnam	47 to 39	+8
Malaysia	34 to 29	+5

However, the RMG industry of Bangladesh reported a 5.71% downturn in exports value for July-January of FY 2019-2020 (Export Promotion Bureau, 2021). An overvalued exchange rate can be one of the prime reasons behind it. It held the demand at bay despite the trade war. Because of this overvalued exchange rate, destination countries find it expensive to import from Bangladesh. Still Bangladesh seems to make the best out of the US-China trade war. It has experienced a surge in exports to US during the trade war period initially (The Diplomat, 2019).

Though Bangladeshi RMG exports to US during the trade war initially saw a rise, it experienced a fall again in the FY 2019-2020. As of 2019, both countries became concerned as the trade war was weakening the economies of both countries. So, they brought a trade deal to control the situation. By June 2020, China became US's top trading partner again. As the sourcing for apparel is slightly back to China for US, Bangladesh began losing export destination again. It can be the major reason for a sharp fall in Bangladesh's apparel export to US. Effect of Covid-19 is also another catalyst behind this fall (The Diplomat, 2019).

4.3 Major Players in Global RMG Market

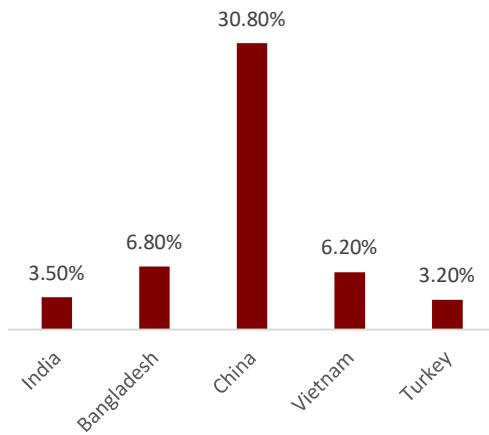


FIGURE 11: Global apparel export market shares (Source: Textile Today, 2021)

According to WTO online publication (WTO, Statistics – Trade By Sector), Bangladesh was the second position in RMG exports in 2020. As illustrated in the figure 11, the total market share by Bangladesh in 2020 has increased to 6.80% in FY2019 from 6.40% in FY2018. China has the largest market share, as usual, in 2020 it amounted up to 30.8%. In combined, the European Union has the second largest market share in global RMG. Bangladesh has the second largest market share if the figures of the EU break down by countries. According to WTO publication, Vietnam, India and Turkey ranked fourth, fifth and sixth respectively in global market share of RMG (Textile Today, 2021).

Vietnam has registered an annual growth of 8% in RMG exports while Bangladesh has registered around 2% growth during the same period which is significantly low comparing the two countries. Meanwhile, China declined from 31.30% to reach 30.8% in that period. Comparing to the annual growth of Bangladesh, this is huge. Vietnam has been the closest competitor of Bangladesh over the years and has narrowed the gap. Despite having an enormous scope to gain from switching business from China because of trade war, Bangladesh has suffered a loss by a reduction in growth. Export earnings of Bangladesh may represent an upward trend, but its market share has eroded to some extent. The market analysts are seeing the rise of Vietnam in global RMG as a threat. With the free trade deal, lower lead time to delivery, bigger port capacity and better logistic supports, Vietnam is rapidly approaching to dethrone Bangladesh from its second position. The economists suggest focusing more on non-traditional markets, attract more FDI, identify globally high demand products along with government policy support (IGC, 2019).

4.4 Bangladesh Losing Competitiveness in the Global Apparel

The RMG sector of Bangladesh is one major growth driver of the country being an export-led sector. Approximately 84% of the total national exports is constituted by the RMG sector (LightCastle Partners, 2020c). An adverse impact due to the pandemic has been felt throughout the sector. A rise of potential competitors has been a serious threat for the future of this industry. Bangladesh has also been placed lower in terms of global competitiveness ranking compared to those countries. Table 3 below shows the global competitiveness ranking 2020 of Bangladesh and some of its potential competitors in for RMG exports (Trading Economics, 2021).

TABLE 3: Competitiveness Rankings (Source: Trading Economics, 2021)

Countries	Ranking
Bangladesh	105
India	48
Indonesia	56
Thailand	39
Brazil	51
Vietnam	77
Turkey	44

Vietnam has been in position to dethrone Bangladesh from being the second largest RMG exporters globally. It has also been much more successful than Bangladesh in handling the Covid-19 outbreak. As, US and European markets have reopened, Vietnam has been able to receive the highest orders (Dhaka Tribune, 2020a). Vietnam has finalized a Free Trade Agreement with the EU while the EU is a major export destination for Bangladesh RMG sector. Bangladesh is struggling to set such FTA with the elimination of GSP. India is the fourth largest RMG exporters globally as of 2020. It has decided to subsidize a portion of the cost of export duties in order to incentivize the garments exporters. Their exporting garments have now more convenient access to the global market. Again, both India and Vietnam have high labour productivity than Bangladesh. Turkey is the fifth largest RMG exporter with increased global market share as of 2020. Geographically, it is in advantageous position to access the EU market (Dhaka Tribune, 2020a).

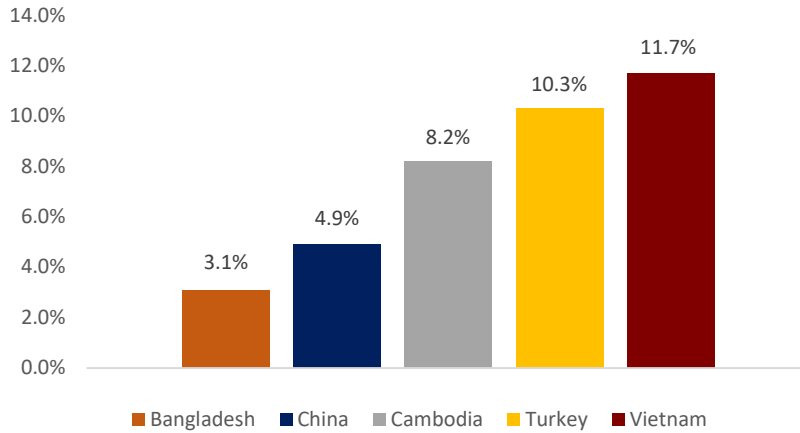


FIGURE 12: Export growth to the US in Q1 of FY20 (Source: LightCastle Partners, 2020b)

As discussed before, the US has been one of the major export destinations of Bangladesh over the years. US-China trade war was expected to be a sustained export opportunity for Bangladesh RMG sector. But the trade war has not yielded sufficient outcome for Bangladesh. However, other countries are making more in terms of exports out of this trade war. As it appears from figure 12, Vietnam is a sure winner in this case so far. In the first quarter of FY20, Vietnam has attained a 11.7% growth in its RMG export to the US. As repercussion of trade war, the US attempted to change the shoring of RMG trading from China to Vietnam. The total export of Vietnam in the same period increased by 7%. It is obvious that the country was able to attain the focus of the US as a potential export destination. Currently, Bangladesh RMG sector holds 6.8% of the global apparel market share while Vietnam holds 6.2% of total global market share. Bangladesh needs to establish a sustainable framework and learn from its close competitors to galvanize the competitive edge in the global market (Dhaka Tribune, 2020b).

4.5 Meaning of Order Cancellation for The RMG Sector in Bangladesh

TABLE 4: Cancellation of orders

Name of buyer	Cancellation of orders (in million)
Primark	\$273
C&A	\$166
INDITEX	\$109
Mothercare PLC	\$62
BESTSELLER	\$59
KIABI (FRANCE)	\$57
VF Corp	\$56
Tesco	\$50
Kohl's	\$39
Walmart	\$38

According to a survey by McKinsey & Company's The State of Fashion 2020 Coronavirus Update (2020, 17), more than 65% of consumers in Europe and the US, two of the major export destinations of Bangladesh RMG sector, tend to reduce their spending on apparel. This trend is not a good sign for RMG sector of Bangladesh, moreover, it has been the major export-earning sector for Bangladesh. Moreover, it has been known that the RMG sector contributes to nearly 84% of total exports of the country. Table 4 above shows the amount of cancellation and the name of the buyers.

Bangladesh have been facing some serious repercussion after the Rana Plaza collapse and fire outbreak at Tazreen Fashion. Alliance and Accord have imposed consequent regulation after these incidents. In some cases, it has been difficult to overcome the browbeating held by the importing brands and countries. The sector has gone through blacklists, boycotts and litigation impeding the smooth transition over the past few years (Berg, A. and Chhaparia, H., 2021).

It is obvious that even before the pandemic, this sector had a myriad problem to handle to sustain. Bangladesh RMG sector's market competitiveness has been declining over the years compared to

those of China, Vietnam and major exporters in the global market. Again, the ongoing pandemic has brought some unprecedented problems for this sector, one of which is order cancellation and unpaid orders, laying serious stroke on the garments of Bangladesh. A significant number of the order cancellations have come from the US and the UK, two of the major export destinations of Bangladesh RMG (Berg, A. and Chhaparia, H., 2021).

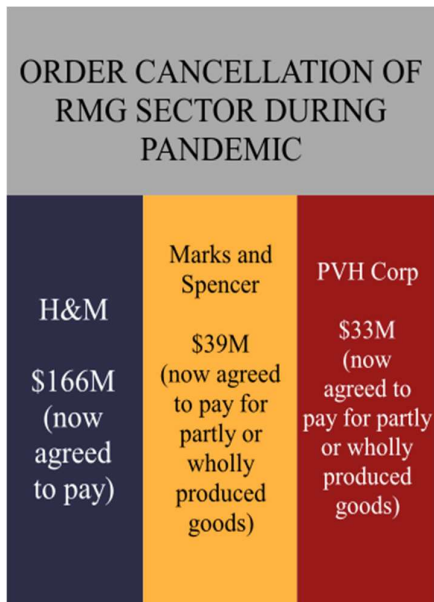


FIGURE 13: Cancellation of orders during pandemic (Source: LightCastle Partners, 2020a)

Transform Holdco LLC of the US, a concern of Sears Holdings Management Corporation, has unpaid orders amounted to over \$50 million. Lawyers of 19 Bangladesh garments owners have already warned to take legal action considering it as a breach of contract. More than \$20 million of products have already been shipped but yet to be received by the company as per the contract. Debenhams of the UK has shut down its operation in Bangladesh leaving a large number of workers unemployed. 35 Bangladeshi suppliers for this company have been in trouble as they have been filed for bankruptcy. It made the probable negotiation regarding \$69 million harder to clear out. Many other reputed brands like GAP, Primark, H&M, Dorothy Perkins, JCPenney etc. have cancelled their orders leaving the Bangladeshi suppliers in hot water. Order cancellation by H&M came as a shock as they agreed not to cancel any order. Importers of Bangladesh RMG may shift to other cost-competitive sources such as Vietnam. They may also prefer near-shore supply in this case. Such retaliation by the importers would lead to significant loss for local suppliers (Berg, A. and Chhaparia, H., 2021).

BGMEA has reported an estimated loss of more than \$3.15 billion of pending orders due to the cancellation of orders by the importers. Negotiations have only been able to recover 26% of these orders. 268 registered factories of BGMEA have temporarily closed due to pandemic while 80 registered factories have closed down permanently. During the period of July 2019-April 2020, the RMG sector of Bangladesh has experienced a 14% decline in growth recording the highest negative growth in the last five years. It gets worse during the period of May 1 to May 20 when the sector recorded a 55.7% negative growth. Since the lifting of lockdown, factories have gone to only 55% capacity resulting in a possible spike in unemployment (Berg, A. and Chhaparia, H., 2021).

4.6 LDC Graduation and The Long Road Ahead

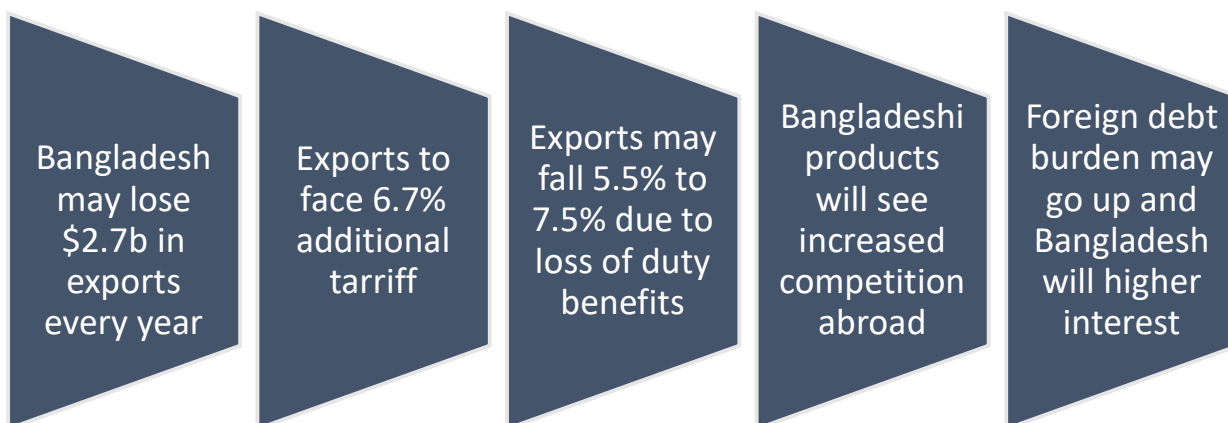


FIGURE 14: Impact of LDC graduation of Bangladesh (Source: Khatun F., 2021)

Bangladesh is expected to graduate from the category of Least Developed Country (LDC) by 2024, having met all of the requirements set out in the 2018 Committee for Development Policy Review. If a country is able to graduate, it will lose access to some International Support Measures that are only available to LDCs as the possible impacts can be seen in figure 14. While some of these measures are related to development policy and make it easier to participate in international organizations like the United Nations, the withdrawal will have the largest impact regarding the revocation of the Generalized System of Preferences (GSP) facilities when exporting (Rahman, 2019).

This essentially will lead to an increase in export costs as the quota-free and duty-free benefits normally received by LDCs will no longer apply to the Bangladeshi region and have more stringent rules

of origin in all its items exported. Bangladesh will be eligible for preferential tariffs under the Everything but Arms (EBA) program in terms of access to the European Union (EU) Market for another three years if the transition out of LDC designation goes smoothly. However, with the present GSP legislation set to expire at the end of 2023, it will have to wait until the new rule is drafted before assessing and dealing with the predicted increased tariffs (CPD RMG Study, 2018).

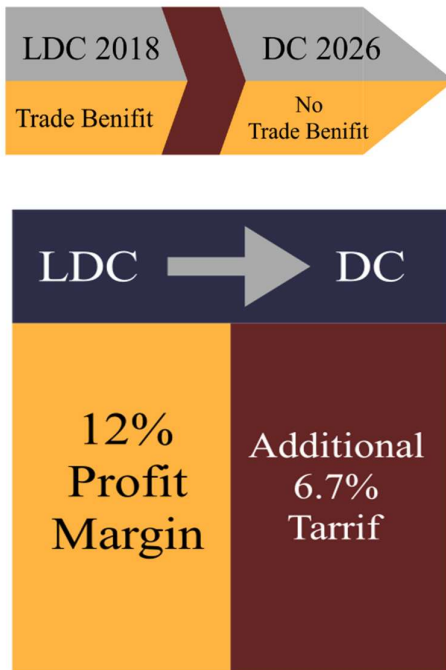


FIGURE 15: LDC graduation disadvantages (Source: Apparel Resources, 2021)

As LDC, Bangladesh also benefits from the single transformation rule, which stipulates, according to the criteria of one stage of transformation, that export items be preferentially processed. Throughout this way, in the process of being converted to final products, raw materials only require one phase of value added. Double transformation at least is essential in the case of non-LDCs. This is particularly true with Bangladeshi-based RMG products as they rely heavily on imported raw material – predominantly cotton. To emphasize this further, it is vital to mention that Bangladesh has, with a value of USD 6.8 trillion, the second highest import of cotton worldwide (ITC, 2021) as seen in figure 15.

According to The Centre for Policy Dialogue (CPD), after graduation, Bangladesh will face an additional 6.7 percent tariff on average, resulting in a loss of about USD 2.7 billion in exports, a substantial portion of which will be RMG exports (Rahman, 2019).

5 THREATS, OPPORTUNITIES, AND COVID-19 CRISIS

The Bangladesh economy is strongly dependent on the RMG industry for manufacturing, employment, foreign reserve, and women empowerment. The consequences of COVID-19 have started to reveal and will grow fast. The full impact will be more visible in the coming days or beyond. To diminish the coming economic and possible crisis, it is needed to stay ahead of the curve and get ready with appropriate emergency assistance and post-crisis assistance in different forms as appropriate. Obviously, the impact of COVID-19 extends well beyond the RMG industry to other economic sectors of the country as well. Assistance to the RMG industry, which is the largest contributor to urban poverty reduction, may help other associated sectors in the supply chain and normalize the economy significantly and faster (ADB, 2021). Chapter 5 enumerates on the existing threats, opportunities and the impacts of coronavirus crisis and aftereffects.

5.1 The Key to Securing GSP+ Features

Bangladesh can apply for the EU's Special Arrangement for Sustainable Development and Good Governance (GSP+) facility if certain conditions are met. This would provide for favourable treatment of exports once more when it graduates from LDC. The key criteria that Bangladesh will struggle to meet are rigorous adherence to the 27 International Human Rights Conventions and a reduction in export concentration to the EU (Rahman, 2019).

The key to securing GSP+ characteristics could be to ensure that the Alliance and Accord's safety requirements and workplace regulations are properly followed. This is critical for national branding, value addition, and international support in the long run (UNDES, 2019).

Bangladesh can also pursue bi-lateral Free Trade Agreements in order to improve diplomatic relations and gain long-term preferential access to those markets. Preferential access, similar to the GSP that Bangladesh already enjoys, might entail lower duties when exporting. Despite being a member of regional accords such as the Bay of Bengal Initiative for Multi-Sectoral, Technical and Economic Cooperation (BIMSTEC) and the South Asian Free Trade Area (SAFTA), Bangladesh has not formed any FTAs to secure such benefits when exporting to a specific country (UNDES, 2019).

5.2 Tackling Product and Market Diversification

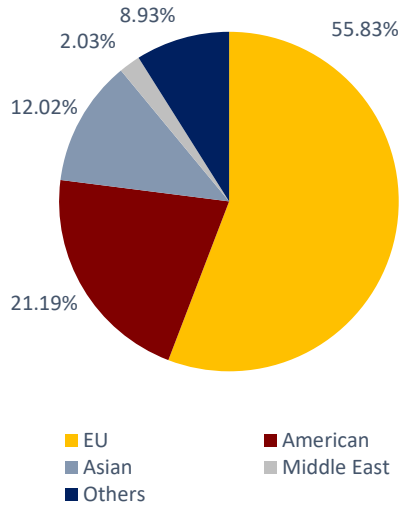


FIGURE 16: Bangladesh RMG market diversification (Source: Dhaka Tribune, 2017)

The exports market of Bangladesh is concentrated in a small number of nations, which raises a major concern about the long-term sustainability of the Bangladeshi RMG sector. The key to sustainability of long-term exports is the diversification of trade destinations to decrease dependency on markets such as the US and the U.K. who, through their use of automation and the use of economies of scale, have moved towards sourcing through nearshoring of their products at competitive or lower prices. Bangladesh RMG confronts severe competition with rapidly growing fashion and low worldwide synthetic fibre prices (Habib, 2019).

TABLE 5: Top export destinations of apparel items from Bangladesh (Source: (EPB, 2019)

Top export destinations	Revenues in 2019
United States	\$6.87 billions
Germany	\$6.17 billions
United Kingdom	\$4.16 billions
Spain	\$2.55 billions
France	\$2.22 billions
Italy	\$1.64 billions
Japan	\$1.37 billions
Canada	\$1.34 billions
Netherlands	\$1.28 billions
Poland	\$1.27 billions

The fact that the share of exports to non-traditional countries has increased dramatically in recent years is a reminder of the fact that Bangladesh continues to diversify the market. The requirement to extend the RMG portfolio is to include higher-value and/or varied items that will complement this diversification (Berg and Chhaparia, 2021). Table 5 above illustrates the top export destinations and revenue amounts for the FY2019.

Data from BGMEA indicate that around 73% of the whole RMG export income in the country over the last fiscal year comes from five items: T-shirts, sweaters, pants, jackets and shirts. However, 51 new goods have been identified which can be used to further break into non-traditional markets with a strong export potential. In the next five years, 31 of these items, estimated at USD 132 billion on the market, will be focused on. These have historically generated USD 7.16 billion in FY18-19 in export income (Rahman, 2019).

5.3 RMG Sector Going Green

Despite being a developing nation with a low-cost ready-made garments industry, Bangladesh is the world leader in “green RMG”. Green RMG refers to ecologically friendly manufacturing processes in

the industry, and its rise has been dubbed the green revolution. Waste management, energy efficiency, and water conservation are all part of it. Producers, purchasers, and consumers are all becoming more conscious of the transparency and ramifications of the garment sector supply chain as global concern for climate change grows (World Bank, 2019).

Groundwater depletion, chemical and solid waste management, energy efficiency, and surface water contamination are the most pressing challenges for industries in terms of ecologically responsible operations. Bangladeshi textile industry is particularly water-intensive, requiring 200-250 litres each kilogram of cloth produced, compared to 60-70 liters globally. About 70% of this water comes from underground sources. The largest environmental effect occurs during the fibre manufacturing, yarn preparation, and dyeing operations (Restiani P. 2017).



FIGURE 17: LEED Certification Tiers (Source : USGBC, 2020)

Bangladesh has the most LEED-certified factories (91), more than any other nation. Six of the top ten LEEDS certified factories in the world are in Bangladesh. The USGBC's LEED (Leadership in Energy and Environmental Design) accreditation is widely regarded as the global benchmark for compliance and safety. With platinum being the highest tier of the four (USGBC, 2020).

BGMEA has established a distinct Environmental Cell to encourage green practices. Among the various initiatives are the PaCT Project (Partnership for Cleaner Textiles) and TREES (Trees for the Environment). BGMEA has also used posters, seminars, and workshops to educate its members on the need of conserving water and energy (BGMEA, 2020).

5.4 Rana Plaza Collapse: Horror that Shook the RMG Sector



FIGURE 18: Rana Plaza before collapse (Source: Wikimedia Commons, 2015)

According to an ILO (2015, 1) publication, on 24th April 2013 Bangladesh witnessed the most horrific tragedy, the collapse of Rana Plaza which took lives of 1134 workers and more than 2500 were left injured. This horrific accident drew worldwide attention and raised a slew of concerns affecting millions of employees, employers, brands, and customers - the whole supply chain in Bangladesh's RMG sector.



FIGURE 19: Rana Plaza following the collapse

Following the Rana Plaza tragedy, the US President stopped Bangladesh's participation in the GSP program on June 27, 2013, with the suspension order (Clifford S., 2013). Many in the international world questioned whether the EU would follow suit soon, or whether it would take a different strategy to influencing policy changes in the country. After being persuaded by the ILO, the EU affirmed that Bangladesh would remain in the GSP's Everything but Guns (EBA) program, which allows least developed countries like Bangladesh duty-free and quota-free access to the EU market for all commodities exports except heavy weaponry. As a result, after the collapse of the Rana Plaza, the immediate

reaction of trading partners, global business, and investors damaged Bangladesh's trust. (Barua U. & Ansary M.A., 2016).

5.5 Initiatives in the aftermath of the Rana Plaza collapse: Workplace Safety Concerns

Following the Rana Plaza disaster, several national and international commitments and initiatives aimed at improving workplace safety in garment factories were made as part of the Bangladesh RMG sector's reform and restructuring, in order to protect the lives of over four million RMG workers and maintain the confidence of global buyers. The National Tripartite Plan of Action (NTPA), the European Union Sustainability Compact, and the United States Trade Representative (USTR) Plan of Action are among the projects. The NTPA on Incident Safety was initially proposed in March 2013 in the aftermath of the Tazreen Fashion fire (ILO, 2013).

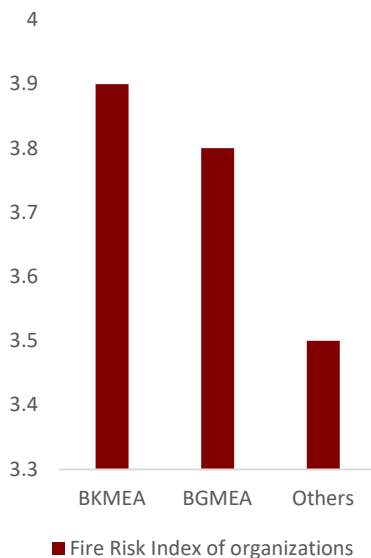


FIGURE 20: Fire risk index among different organizations (Source: Samaddar K., 2016)

The US Trade Representative (USTR) asked the Government of Bangladesh to undertake a sixteen-point action plan within a year in order to reclaim Bangladesh's GSP status in the US market. According to USTR Bangladesh has made significant progress in terms of achieving or completing measures undertaken under plans of action (USTR, 2015).

5.6 Next Step for Apparel Sourcing of RMG Sector: Digitization

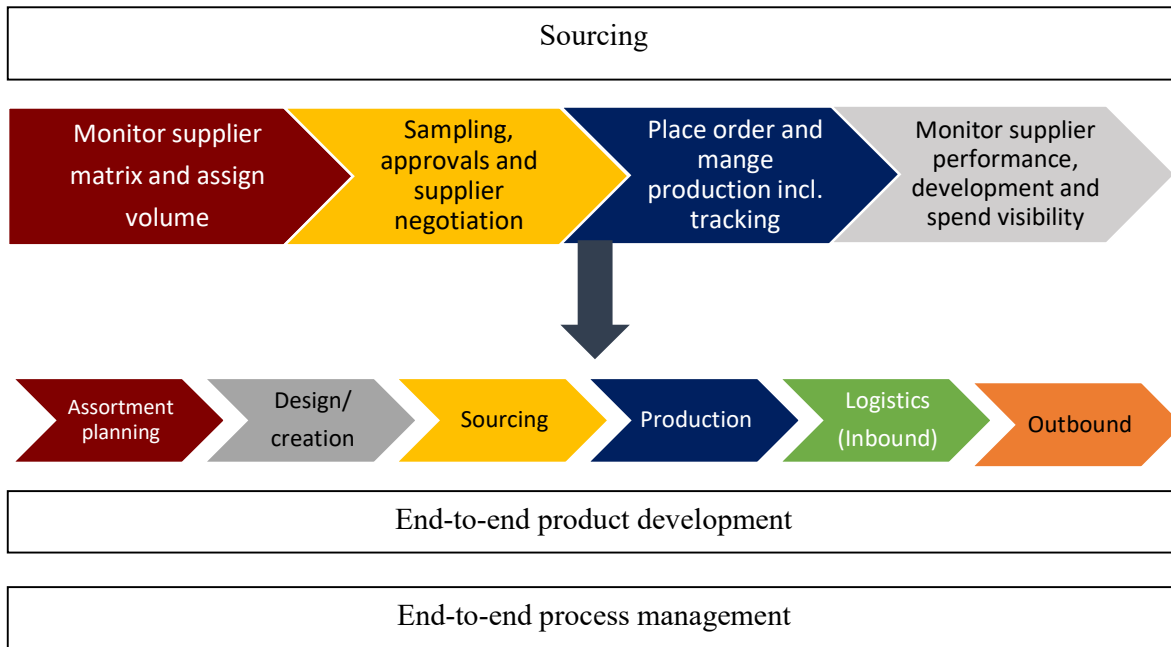


FIGURE 21: Digitization of Sourcing and Product Development (Source: Mckinsey Apparel CPO Survey, 2017)

The apparel industry's promise of digitalization has mainly gone unmet thus far. In comparison to other industries, clothing is still in the early stages of digitization in terms of procurement and the end-to-end product creation process. And, as stated, garment firms have several inefficiencies in their present processes to address before embarking on substantial digitalization efforts. These difficulties, however, should not detract from digitization's enormous future promise. The key to unlocking this potential is to change the industry's overall approach to sourcing and product creation, rather than just adding digital solutions to traditional sourcing procedures. This involves utilizing technology to improve supply-chain transparency, using sophisticated analytics and artificial intelligence, rethinking and digitizing processes, and increasing automation (Mckinsey Apparel CPO Survey, 2017).

When seen in this perspective, digitalization has the potential to bring in a new sourcing business model, which is desperately required in the garment sector as it shifts from a focus on supply to a focus on consumers. The conventional focus on supplier identification, transactional negotiations, and manual order administration will not serve the industry in the future. Instead, businesses must take an end-to-end approach and develop cross-functional cooperation as well as strategic supplier relations. With

garment industries under pressure to increase their agility, proximity sourcing and re-shoring are receiving renewed attention. In the meanwhile, sourcing executives are increasingly considering criteria other than pricing, such as strategic engagement with suppliers and end-to-end process management (Mckinsey Apparel CPO Survey, 2017).

5.7 Reimagining Procurement

Selection of the source of apparel is not only about low cost now. Few other criteria have emerged. Any clothing sourcing reform project must be supported by some success elements. First comes End-to-End Efficiency. Instead of focusing on high-volume capacity, companies should build their sourcing backbone to maximize agility. They must also balance output in low-currency regions with purchasing in high-currency areas, optimizing and flexing their sourcing volume dependent on commodity and currency. They also need to build design-to-value goods in order to lessen their dependency on high-cost, high-currency regions. Then stands collaboration with suppliers. From transactional supplier management to strategic relationships, a shift is required. This necessitates the establishment of competent supplier assessment and development systems, as well as strategic supplier investments. They'll also need to undertake systematic discussions with a clear concept of what should cost and lock in long-term rates for key fabrics and supplies. On the third position, choosing the sourcing country. Companies must deliberately pick sourcing nations, balancing costs, capacity, speed, quality, and compliance, and be prepared to deploy dual sourcing strategies and use sophisticated analytics to assist decision-making. They must also plan their sourcing footprint to reduce the risk of external events like as political upheaval and compliance issues. And then comes risk and compliance. To protect themselves from the negative effects of currency movements, businesses should employ financial hedging products more frequently. They must also develop clear norms and processes to manage social and environmental compliance in a proactive manner, as well as expand the use of monitoring and tracing to establish transparency from the cradle to the point of sale. These success elements must be optimized together with the digitalization of sourcing. If digitalization is viewed as a tool for amplifying the influence of each of these four elements, it has the potential to unleash significant value for the sector and help Bangladesh reach its apex of potential (Mckinsey Apparel CPO Survey, 2017).

5.8 Impacts of Covid-19 on RMG sector: Looking for Recovery

The wake of coronavirus has brought a plethora of challenges and problems in the RMG sector of Bangladesh that can be considered a state of emergency. The infection rates have been burgeoning which is slowing down the productivity, capacity and efficiency of this sector. This sector is highly labour intensive and the spread of the virus has hindered the capacity utilization of the factories. The situation got worse by a multitude of cancellation of orders. The US and UK being prime export destinations for Bangladesh, cancellation of orders by some reputed brands of these two destinations have become worrisome for the sector (LightCastle Partners, 2020a).

Table 6 below shows that the demand for apparel sector have already been profoundly affected by the surge of Covid-19 and thus export revenue in FY 2019-20 has decreased compared to preceding fiscal year. Top exporter manufacturers of this sector have been feeling the heat of adverse impact of Covid-19 facing cancelled orders and material sourcing challenges.

TABLE 6: Impact of Covid-19 on RMG exports (sourced from BGMEA, 2021)

Year	Total Export (in million)	RMG Export (in million)	Knitwear
			Woven Garments
2019-20	33674.09	27949.19	13,908.00
			14,041.19
2018-19	40535.04	34133.27	16,888.54
			17,244.73
2017-18	36668.17	30614.76	15,188.51
			15,426.25

A country's economy, 84% of whose export are constituted by RMG sector employing approximately 3.5 million people, is bound to be highly sensitive to the changes in performance of the RMG sector. The global demand for this sector should be looked into to gauge the possible impact of this pandemic. Global brands have catered quick responses with a view to flattening the coronavirus curve (LightCastle Partners, 2020a).

The pandemic has put impact on RMG operations globally, employment, revenues, and global trades. Many companies have halted their operations globally while some initially shut down the stores. This

large-scale closure of stores and postponement of operations of major brands have plummeted the apparel exports by Bangladesh (LightCastle Partners, 2020a).

Global production of cotton is largely concentrated upon China, India, Pakistan and the US. The emerge of Covid-19 has caused a fall in demand of cotton from China leading to demand-supply discrepancy. Overall production of knitwear and woven garments, two major segments of Bangladesh RMG, have significantly fallen because of Covid-19. It led to the fall in total RMG export and total export in FY2019-20.

As the overall operation of the RMG sector is affected, the huge number of workers employed in this sector cannot be bereft of this adverse impact. A total of 324,684 RMG workers were laid-off or quit as of June 2020 due to the pandemic. Postponement of and cut in salaries of the workers are still out of account. Reinstatement of orders is a good sign for this sector leading to hiring more employees (LightCastle Partners, 2020c).

Bangladesh still remains as one of the top sourcing destinations for the global apparel market. The market share of the global RMG market by Bangladesh is still significant. But competitions are closing up while Bangladesh is yet to recover fully from the impact of Covid-19. LDC graduation also led to a revocation of GSP facilities of Bangladesh. Bangladesh High Commission to the UK has expressed interest in attaining an extension of GSP facilities until 2030 (LightCastle Partners, 2020c). It should also negotiate for FTA and some bilateral agreements.

Several order revivals have been a welcome relief for the RMG sector in Bangladesh. The ratio of revived orders now stands at 80-90% (LightCastle Partners, 2020c). At the same time, the demand for new orders have gone up to 60% of monthly averages. Primark previously cancelled orders amounted to USD 273 Million but then restored the whole orders and started placing new orders (RMG Bangladesh, 2020f).

Addressing a suitable recovery plan for both the workers and factory owners can be a way forward for the Bangladesh RMG sector in a short period. At the same time, the government should come forward to increase the confidence and orders of international buyers. In the long term, a proper diversification plan is needed for export destinations and the product basket. Trade and bilateral agreements can bring some competitive edges for this sector.

6 CONCLUSION AND RECOMMENDATIONS

The RMG sector of Bangladesh has achieved tremendous progress and revolution over the past decade, conquering substantial barriers. However, it faces a new set of challenges, amid a global pandemic and a shifting global apparel-sourcing market nowadays. In the coming years, the industry will need to incorporate a more UpToDate changes, in partnership with manufacturers, international buyers, worker representatives, the government, and other stakeholders to survive in the competition. To do so, the beneficiaries need to build deeper, truly strategic partnerships, while pushing to overcome the existing issues and barriers.

The Government should highlight the RMG industry as a truly safe place to trade invest and source ready made garment products for the buyers. Government and the factories and all the stakeholders should ensure clean supply chain management. A crisis in a corner of the world can expand like a virus, and the supply chains system can quickly break. To ensure sustainable supply chain system the government should build up strong logistics infrastructures. However, good news and a matter of delight is that the current government has undertaken some massive projects to meet the future demand of air cargo transportation and contribute to further economic growth in Bangladesh. One of the most important parts is that the garments factories should focus on developing skilled human resources (workers and managers), improving work conditions, and wages. Last but not the least, the factories should try to source most of the raw materials locally as much as possible to avoid import and dependency on other countries.

Establishing a minimum wage for workers that ensures decent living conditions will add values and produce more happy faces. The government should take and implement long-term goals and economic plan to empower the industry. Competitiveness ranking is also important for the sector to thrive sustainably. Buoying strong and efficient resources available can undoubtedly help the sector to be a prominent thrust sector in coming years. It is imperative for the industry to capitalize on its strengths and diversify the exports basket. The sector needs to ensure higher labour productivity and add greater value to exports. Bangladesh needs to finalize some effective trade agreements and improve trade relations and negotiations to ensure a smooth value chain in the future. The sector can surely take some lessons from the machinations of the close competitors. Obviously, the government should support the sector in adopting the changes. This sector has got pretty shook up due to the disruptive nature of the

pandemic. It needs to work more diligently in the post-covid period to ensure proper workplace standards and regulations. Sustainable foundation will ensure that such shock will never leave the economy of Bangladesh at its mercy.

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