

Review Article

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‘A review of Textile industry in Bangladesh’

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Abstract

Exports of textiles, clothing, and ready-made garments (RMG) accounted for 77% of Bangladesh's total merchandise exports in 2002. By 2005 the (RMG) industry was the only multibillion-dollar manufacturing and export industry in Bangladesh, **accounting** for 75 per cent of the country's earnings in that year. Country's 81% of **exports** come from the RMG sector, and the textile and **Apparel** sector contributes around 20% to Bangladesh's **GDP**. It employs around 20 million people in the country and is the major driving force of the country's economy.

Introduction

The textile and clothing industries provide the single source of growth in Bangladesh's rapidly developing economy. Exports of textiles and garments are the principal source of foreign exchange earnings. By 2002 exports of textiles, clothing, and ready-made garments (RMG) accounted for 77% of Bangladesh's total merchandise exports. In 1972, the World Bank approximated the gross domestic product (GDP) of Bangladesh at US\$6.29 billion, and it grew to \$173.82 billion by 2014, with \$31.2 billion of that generated by exports, 82% of which was ready-made garments. As of 2016 Bangladesh held the 2nd place in producing garments just after China. Bangladesh is the world's second-largest apparel exporter of western (fast) fashion brands. Sixty percent of the export contracts of western brands are with European buyers and about

forty percent with American buyers. Only 5% of textile factories are owned by foreign investors, with most of the production being controlled by local investors. In the financial year 2016-2017 the RMG industry generated US\$28.14 billion, which was 80.7% of the total export earnings in exports and 12.36% of the GDP; the industry was also taking on green manufacturing practices.

Bangladesh's textile industry has been part of the trade versus aid debate. The encouragement of the garment industry of Bangladesh as an open trade regime is argued to be a much more effective form of assistance than foreign aid. Tools such as quotas through the WTO Agreement on Textiles and Clothing (ATC) and Everything but Arms (EBA) and the US 2009 Tariff Relief Assistance in the global clothing market

have benefited entrepreneurs in Bangladesh's ready-made garments (RMG) industry. In 2012 the textile industry accounted for 45% of all industrial employment in the country yet only contributed 5% of the Bangladesh's total national income. After several building fires and collapses, resulting in the deaths of thousands of workers, the Bangladeshi textile industry and its buyers have faced criticism. Many are concerned with possible worker safety violations and are working to have the government increase safety standards. The role of women is important in the debate as some argue that the textile industry has been an important means of economic security for women while others focus on the fact that women are disproportionately textile workers and thus are disproportionately victims of such accidents. Measures have been taken to ensure better worker conditions, but many still argue that more can be done.

History of textile production in Bangladesh:--

Under Mughal rule, Bengal Subah was a midpoint of the worldwide muslin and silk trades during the 16th to 18th centuries.^[9] During the Mughal era, the most important center of cotton production was Bengal, particularly around its capital city of Dhaka, leading to muslin being called "daka" in distant markets such as Central Asia. Bengal also exported cotton and silk textiles to markets such as Europe, Indonesia and Japan.^[11] Bengal produced more than 50% of textiles and around 80% of silks imported by the Dutch from Asia, for example.

Bengal was conquered by the British East India Company after the Battle of Plassey in 1757 and the Bengal Presidency was founded in 1765. British colonization forced open the Bengali market to British goods, while at the same time Britain implemented protectionist policies such as bans and high tariffs that restricted Bengali imports to Britain. Raw cotton was also imported without taxes or tariffs to British factories, which used them to manufacture textiles, many of which were exported back to Bengal. From 1947 to 1971 the textile industry, like most industries in East Pakistan, were largely owned by West Pakistanis. During that period, in the 1960s, local Bengali entrepreneurs had set up their own large textile and jute factories. Following its separation from West Pakistan, the newly formed Bangladesh lost access to both capital and technical expertise.

Until the liberation of Bangladesh in 1971, the textile sector was primarily part of the process of import substitution industrialization (ISI) to replace imports. After the liberation, Bangladesh adopted export-oriented industrialization (EOI) by focusing on the textile and clothing industry, particularly the readymade garment (RMG) sector. Immediately after the founding of Bangladesh (1971), tea and jute were the most export-oriented sectors. But with the constant threat of flooding, declining jute fiber prices and a significant decrease in world demand, the contribution of the jute sector to the country's economy deteriorated.

In 1972 the newly formed government of Sheikh Mujibur Rahman who was also the head of the Awami League, enacted the Bangladesh Industrial Enterprises (Nationalization) Order, taking over privately owned textile factories and creating a state-owned enterprise (SOE) called Bangladesh Textile Mills Corporation (BTMC). President Rahman promoted democracy and a socialist form of capitalism. The BTMC never managed to match the pre-1971 output and in every year after the 1975–1976 fiscal year, lost money. Until the early 1980s the state owned almost all spinning mills in Bangladesh and 85 percent the textile industry's assets (not including small businesses). Under the 1982 New Industrial Policy (NPI) a large number of these assets including jute mills and textile mills were privatized and returned to their original owners.

In the devastating famine in 1974, one million people died, mainly of starvation caused in part by the flooding of the Brahmaputra river in 1974, and a steep rise in the price of rice. Partly in response to the economic and political repercussions of the famine, the Bangladeshi government shifted public policy away from its concentration on a socialist economy, and began to denationalize, disinvest and reduce the role of the public sector in the textile industry while encouraging private sector participation. The 1974 New Investment Policy restored the rights to both private and foreign investors. Bangladesh's development model switched from a state-sponsored capitalist mode of industrial development with mainly state-owned enterprises (SOE) to private sector-led industrial growth.

Post-liberation war, Bangladesh continued to focus on the agricultural sector to feed its rural and poor masses. Even in 1978, there were only nine "export-oriented" garment manufacturing units. That same year the first direct export of garments, 10,000 shirts to a Parisian firm, was shipped from a Bangladeshi firm. The Bangladeshi government began to realize potential for the industry to flourish and offered development stimulus such as "duty-free import machinery and raw materials, bonded warehouse facilities and cash incentives.

Readymade garment (RMG) industry:

RMGs are the finished textile product from clothing factories and the Bangladeshi RMG sector is one of the fastest growing sectors in the Bangladeshi economy, with a growth rate of 55% from 2002 to 2012.^[21] Exports of textiles, clothing, and ready-made garments (RMG) accounted for 77% of Bangladesh's total merchandise exports in 2002. By 2005 the (RMG) industry was the only multibillion-dollar manufacturing and export industry in Bangladesh, accounting for 75 per cent of the country's earnings in that year. Bangladesh's export trade is now dominated by the ready-made garments (RMG) industry. In 2012 Bangladesh's garment exports – mainly to the US and Europe – made up nearly 80% of the country's export income. By 2014 the RMG industry represented 81.13 percent of Bangladesh's total export. Much of the tremendous growth of the sector and its role as an economic powerhouse for the country is attributed to the availability of "cheap" labor. Of the four million workers employed by the RMG industry, 85% are illiterate women from rural villages. The working environments and conditions of the factories that produce ready-made garments has undergone criticism in recent years concerning worker safety and fair wages. Subcontracting is a major component of the RMG industry in Bangladesh. Many Western companies contract different factories, only requesting that certain quotas be met at certain times. Companies prefer subcontracting because the degree of separation presumably removes them of liability of wage and labor violations. It also makes it easier to distribute production across a variety of sources.

World markets:-

McKinsey report (2011): Bangladesh as next hot spot, next China

As of 2011 Bangladesh was second largest ready-made garments (RMG) manufacturer after China, by the next five years Bangladesh will become the largest ready-made garments manufacturer. Bangladesh was the sixth largest exporter of apparel in the world after China, the EU, Hong Kong, Turkey and India in 2006, In 2006 Bangladesh's share in the world apparel exports was 2.8%. The US was the largest single market with US\$3.23 billion in exports, a 30% share in 2007. Today, the US remains the largest market for Bangladesh's woven garments taking US\$2.42 billion, a 47% share of Bangladesh's total woven exports. The European Union remains the largest regional destination - Bangladesh exported US\$5.36 billion in apparel; 50% of their total apparel exports. The EU took a 61% share of Bangladeshi knitwear with US\$3.36 billion exports.

According to a 2011 report by international consulting firm McKinsey & Company, 80 percent of American and European clothing companies planned to move their outsourcing from China, where wages had risen, and were considering Bangladesh as the "next hot spot" making it the "next China" offering 'the lowest price possible' known as the China Price, the hallmark of China's incredibly cheap, ubiquitous manufacturers, much "dreaded by competitors. Trade agreements: 1974 the Multi Fibre Arrangement (MFA) and the Daewoo of South Korea.

Starting in 1974 the Multi Fibre Arrangement (MFA) in the North American market ensured that trade in textiles and garments remained the most regulated in the world. Among other things the MFA set quotas on garments exports from the newly industrialising countries of Asia, but had exceptions, most notably the state of Bangladesh. Entrepreneurs from quota-restricted countries like South Korea began "quota hopping" seeking quota-free countries that could become quota-free manufacturing sites. The export-oriented readymade garment industry emerged at this time. Daewoo of South Korea was an early entrant in Bangladesh, when it established a joint venture on 27 December 1977 with Desh Garments Ltd. making it

the first export oriented ready-made garment industry in Bangladesh. After only one year in which 130 Dosh supervisors and managers received free training from Daewoo in production and marketing at Daewoo's state-of-the-art ready-made garment plant in Korea, 115 of the 130 left Dosh Garments Ltd. and set up separate private garment export firms or began working for other newly formed export-oriented RMG companies with new garment factories in Bangladesh for much higher salaries than Dosh Garments Ltd offered. Global restructuring processes, including two non-market factors, such as quotas under Multi Fibre Arrangement (MFA) (1974–2005) in the North American market and preferential market access to European markets, led to the "emergence of an export-oriented garment industry in Bangladesh in the late 1970s." It was uncertain what the phase out of the MFA meant for the Bangladeshi RMG industry. However, surpassing all doubts, the industry continued to succeed and dominate on a global level. The garment industry in Bangladesh became the main export sector and a major source of foreign exchange starting in 1980, and exported about US\$5 billion in 2002. In 1980 an export processing zone was officially established in at the port of Chittagong.

By 1981, 300 textile companies, many small ones had been denationalized often returned to their original owners. In 1982, shortly after coming to power following a bloodless coup, President Hussain Muhammad Ershad introduced the New Industrial Policy (NPI), most significant move in the privatization process, which denationalized much of the textile industry, created export processing zones (EPZs) and encouraged direct foreign investment. Under the New Industrial Policy (NPI) 33 jute mills and 27 textile mills were returned to their original owners.

In 1985 the US and Canada actually imposed import quotas of their own, with no international agreement, on Bangladeshi textiles. However, Bangladesh was able to meet demand for every quota each year and was able to successfully negotiate for higher quotas for subsequent years. The export of ready-made garments (RMG) increased from US\$3.5 million in 1981 to \$10.7 billion in 2007. Apparel exports grew, but initially, the ready-made garments RMG industry was not adequately supported by the growth up and down the domestic supply chain (e.g., spinning, weaving, knitting, fabric processing, and the accessories industries. From 1995 to 2005 the

WTO Agreement on Textiles and Clothing (ATC) was in effect, wherein more industrialized countries consented to export fewer textiles while less industrialized countries enjoyed increased quotas for exporting their textiles. Throughout the 10-year agreement, Bangladesh's economy benefited from quota-free access to European markets and desirable quotas for the American and Canadian markets.

Cultural shifts:

Takahiro Fukunishi and Tatsufumi Yamagata, experts in international development, state that the garment industry "was the main factor of globalization" for Bangladesh. Throughout the 1980s and continuing into modern day, the increase in total exports matched the increase in garment exports, indicating that this sector is responsible for a significant portion of Bangladesh's economic growth. The European Union and the United States are the biggest importers of Bangladeshi garments, making up 88.6% of export destinations. The garment industry has been praised by many as a major contributor to poverty reduction in Bangladesh. Proponents of this view argue that entry-level wages were enough to keep workers above the local poverty line, even if they were paid much less than other textile and garment factory workers comparatively. The overwhelming majority of workers, about two-thirds, in the textile and garment industries of Bangladesh are women. In fact, the birth of the industry essentially created the entryway for a "whole generation of young, unmarried females, mainly from rural areas, into the industrial labor force." Approximately 29.3% of women in this sector are illiterate and many suggest that this is a better alternative to other options they may have. However, use of these women is seen as a justification for low wages (the national minimum was \$37 a month before the Rana Plaza collapse). A limitation on poverty reduction effects provided by the textile industry is the obvious work hazards associated with working in a factory. Welfare of garment workers is compromised by "long working hours, insufficient sanitation and medical facilities, dust and heat, as well as abuse and discrimination." As of 2017 the industry was adopting greening standards. As of that time, according to US Green Building Council (USGBC) project in Bangladesh, there were 20 Gold, 13 Platinum, and 5 (five) Silver-certified RMG factories while around 78 factories were in the certification process.

Education in the textile sector:

For reputed institution is B.Sc in textile for University of South Asia and for diploma course is **Mangrove Institute of Science and Technology Khulna, Bangladesh.**

- Bangladesh University of Textiles (BUTEX) is the only public university specializing in textile engineering in Bangladesh. It graduated from a college to a full-flagged university on 22 December 2010 by an ordinance of Education Ministry. It has a glorious history starting as a weaving school under British colonial rule in 1921. Now the university offers graduation courses in Textile Engineering, Industrial Production Engineering, Textile Management & Fashion design.
- Mawlana Bhashani Science and Technology University (MBSTU) started B.Sc. in Textile Engineering from session 2005-2006, first in Bangladesh. The department had been awarded a sub-project entitled "Improving the undergraduate program and launching MS program in the Department of Textile Engineering (TE)" under Higher Education Quality Enhancement Project (HEQEP) funded by World Bank and University Grants Commission of Bangladesh. M.Sc. in Textile Engineering had inaugurated for the first time in Bangladesh by this department in 2011 under HEQEP project.
- Khulna University of Engineering and Technology (KUET) started B.Sc. in Textile Engineering from session 2012–2013.
- National Institute of Textile Engineering and Research (NITER), is a Public Private Partnership (PPP) textile school in Savar, Dhaka, Bangladesh, offering the Bachelor of Science degree in Textile Engineering in coordination with the University of Dhaka. The school is a partnership between the "Bangladesh Textile Mills Association" and the Government of Bangladesh Ministry of Textiles and Jute. It provides B.Sc. in Textile Engineering with Five major specializations and B.Sc. in Industrial Production Engineering
- STEC, is a Private textile institute in Mohammadpur, Dhaka, Bangladesh, offering the Bachelor of Science degree in Textile Engineering in coordination with the University of Dhaka. It provides B.Sc. in Textile Engineering with Five major specializations.

- BGMEA University of Fashion and Technology started functioning in 2000 and was affiliated to the National University, Bangladesh in 2001. BUFT is conducting a two-year MBA course in Apparel Merchandising and a four-year B.Sc. (Hons) course in Apparel Manufacture & Technology (AMT), B.Sc. (Hons) in Knitwear Manufacture & Technology (KMT) and B.Sc. (Hons) in Fashion Design & Technology (FDT). It has some diploma courses.

BGMEA-Bangladesh Garment Manufacturers and Exporters Association:

Bangladesh Garment Manufacturers and Exporters Association Prepared by IMRAN KHAN→ Introduction → Mission and Vision→ Members → Trade Facilitation & Promotion → Human Resources Development → Bangladesh Export history → Healthcare for the workers → Better Work Program → Conclusion

Y Largest trade associations in the country Y Starting its journey in 1983 Y Today BGMEA takes care of an industry that is at the backbone of Bangladesh's economy. Y Since the inception, BGMEA is dedicated to promote and facilitate the apparel industry through policy advocacy to the government, services to members, ensuring workers' rights and social compliance at factories.Y BGMEA works with the vision to develop the RMG industry of Bangladesh and the economy of the country. Having such vision BGMEA chalked out the the following missions and its strategic direction is paved accordingly – → Firstly, to protect and promote the interests of the industry; thus ensuring a sustained growth in the foreign exchange earnings of the the country. → Secondly, BGMEA is committed to ensure all legitimate rights and and privileges of the garment workers.Y BGMEA started with only 12 members in early 1980's and presently has around 4300 member factories. Y Around 40% of BGMEA member factories are knitwear and and sweater manufactures, and the rest 60% are woven garment manufactures. Y BGMEA member factories account for 100% woven garment exports of the country and more than 95% of sweater exports, while around half of the light knitwear exports are made by them.

YPolicy advocacy and dialogues for sooth functioning of trade and industries.YIssue Utilization Declaration (UD) and Utilization Permission (UP) as Entrusted by the Government.Y Lead role in maintaining harmonious industrial relationship. Y Keep members abreast on contemporary global business trend. YOrganizes trade missions to explore the new markets

and to facilitate trade in existing markets. Organizes seminars for recommending on key policies. Follows a unique model in skill development: train the poor people living in the distressed areas, utilizing the idle capacity of Government’s technical training institutes and this address the skill shortage of the industry. Job placement program for the people-with-disabilities. Undertook program to enhance productivity & quality at factory and worker level.

Bangladesh garment exports by Value, 1999-2007
 BGMEA runs 12 Health Centers for the garment workers and their families, provide pre – medical services and medicines at free of cost. Besides, it run awareness program on HIV/ AIDS, tuberculosis, reproductive health and the use of contraceptive devices. In addition to this, BGMEA runs a full-fledged hospital for workers in Chittagong. Another hospital for workers is under construction at Mirpur in Dhaka. The “Better Work Program” with ILO is underway for its operation in Bangladesh. Expected benefits should include improved reputation of the Bangladesh RMG sector, reduction of audits, unified code of conduct, labor peace; and productivity & quality improvement. BGMEA organized music talent hunt program twice for RMG workers. This program aims to provide the workers a platform where they can discover their talents and make themselves motivated. BGMEA takes care of an industry that is at the backbone of

Bangladesh’s economy. It provides a big job sector. Without BGMEA, the textile industry couldn’t develop so much.

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