

IMPACT OF GLOBAL CHANGES ON THE TEXTILE INDUSTRY OF BANGLADESH

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1. INTRODUCTION

Textile sector is one of the most important sectors for the economy of Bangladesh. Due to the changing environment this sector is facing challenges. The phasing out of MFA by 2004 and the withdrawal of quota protection in coming years will surely affect the RMG export earning. To survive the intense pressure from other countries as well as to receive facilities, Bangladesh textile needs to build backward linkage industry. Manufacturing of all the inputs like the fabric and yarn, for RMG is absolutely necessary to increase and strengthen the much talked about backward linkage industry for the survival of the RMG sector of this country.

2. IMPORTANCE OF TEXTILE SECTOR IN THE ECONOMY OF BANGLADESH.

Textile sector is the most important sector for the economy of Bangladesh. Textile sector's contribution to the GDP is 5%. This sector alone accounts for 75% of the national export earning (\$ 4860.12 million) of Bangladesh. It provides employment for 1.6 million people.

Bangladesh textile industry, which is dominated by the RMG sector, is facing problems due to some changes in global business environment. Such huge dependence on external suppliers is obviously nullifying the miraculous achievements of our RMG & knitwear industry to a great extent. At the same time, it places our RMG & knitwear units at a significant disadvantage against competition by increasing their lead-time to complete export orders. At present, it takes 120-150 days from receiving of orders to shipment. Fashion change may quickly render an item obsolete and that is why buyers look for the shortest of lead-times before placing orders.

Table-1
Export of RMG from Bangladesh In million US\$

Year	Export of RMG	Total export of Bangladesh	% Of RMG to total export
1996-97	3001.25	4418.28	67.93
1997-98	3781.94	5161.20	73.28
1998-99	4019.98	5312.86	75.67
1999-00	4352.39	5752.19	75.66
2000-01*	4860.12	6467.30	75.15

*Source: BGMEA & * EPB*

Impact of 9/11

After 9/11, export to USA was affected, which is 45% of total. During the July/January 2001/02 period, the value of Bangladesh textile and apparel exports to the US was down 12 percent from the same period a year ago. Total US January-April textile imports from Bangladesh were 104.279 million square meter equivalents, an increase of 28.5 percent from the same period in 2001. However, the much larger apparel category was still quite weak, with total US imports from Bangladesh during January-April 2002 was 306.677 square meter equivalents, a decline of 8.44 percent from a year ago levels. US cotton based textile and product imports from Bangladesh told a similar story, with cotton non apparel up 20.4 percent but apparel down 3.52 percent.

Table-2
Major Importing Countries of Bangladeshi Knitwear & Woven Garments
Value in 000 US\$

Sl. No.	Country	Knitwear	Woven Garment	Total Jul-Dec 2001/02
1	Austria	2552	2858	5410
2	Belgium	36533	37475	74008
3	Canada	18023	31416	49439
4	Denmark	14892	10543	25435
5	France	80749	93304	174053
6	Germany	126184	188323	314507
7	Italy	33784	60237	94021
8	Netherlands	50246	73660	123906
9	Spain	20985	26661	47646
10	Sweden	13773	19094	32867
11	U.K	83442	147283	230725
12	U.S.A	196467	777260	973727

USA and EU countries are the main importer of Bangladeshi RMG. However, export orders as well as shipment remain doubtful pre September 11 levels of roughly 20 billion a month. However, Looking more broadly, in the July/January period of 2001/2002, the total value of Bangladesh textile and apparel export was down 6.93 percent from the same period in 2000/01. Though the growth rate for the last fiscal were mixed.

3. PROBLEMS FACED BY THE TEXTILE SECTOR OF BANGLADESH

3.1. Phase-out of MFA Quotas

The phasing out of MFA quota will affect the RMG export earning of Bangladesh. This arrangement will intensify the competition for export orders from USA and EU, which accounts for nearly 90% of total export of RMG from Bangladesh. Bangladeshi exporters have to face tough competition from other countries, which have competitive advantage both in terms of productivity and quality. Many of these countries already built their backward linkage industries to increase local input. On the other hand Bangladesh RMG sector has to import a significant portion of required inputs to produce goods. Backward linkage industry is not strong in this country. Countries like India, China and even Pakistan will take away export orders from Bangladesh because of their strength both in backward and forward linkage industry. So it is assumed that these countries will go for value addition and export more and more to EU and US. As a result Bangladeshi manufacturers will face tough competition.

3.2. Accession of China in WTO

The entry of China in the WTO surely will create a huge impact in the global textile sector. But it is not clear, how it will affect the textile industry of Bangladesh. Chinese made textile export quotas to four countries/region including the US, EU, Canada and Turkey was 275 categories in 2001. Of this total, 88 categories were cut this year. The US reduced 18, while EU cuts back 31 categories. However, China State Economic and Trade Committee (SETC), estimates that a quota system will still apply to 41% of exports to the USA and 52% of export to the EU. In January-March this year the export was US\$ 11,930 million, up