

EXPORT TREND OF BANGLADESH: THE DOMINANCE OF READY-MADE GARMENTS INDUSTRY

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ABSTRACT

Ready-made garment (RMG) industry is considered to be the strongest pillar of Bangladesh economy. Since its inception in early 80's, it has established itself as a major source of export income for Bangladesh. This study is conducted to identify different dimensions of export performance of Bangladesh primarily focusing on the ready-made garment industry of Bangladesh. To accomplish such results, the research technique has been based on information from secondary sources. The study reveals the absolute dominance of RMG sectors over other sectors of the country as its share is almost 81% of the export earnings (24.49 billion USD of RMG export earnings within 30.19 billion USD of total earnings from export in fiscal year 2013-14). Where export was 6.9 billion USD after the end of Multi Fiber Agreement (MFA) in 2005, the export income rose to 11.8 billion USD in 2008. The sector proves its competitiveness against the global and domestic challenges such as world recession, non-tariff barriers, domestic political violence, and compliance pressures as the sector had a turnover of 19.2 billion USD in 2011 and 24.5 billion USD in 2014 (regardless of world recession). The study shows that the EU (as a zone) has been the biggest market with 55% of the total RMG export earning followed by the United States (as a single country market) holds 23% and 14% of the total exports of Bangladesh exported to emerging markets such as, Australia, Brazil, China, Japan and South Africa. The study also reveals that Bangladesh has been mainly exporting low value based products almost 80% and its high dependency on the EU and USA market. Both product and market diversification are needed for the sustainability of this industry. New markets such as Japan, Russia, and Brazil can be lucrative destination with both high and low value ended products. Cohesive actions from both government and entrepreneurs can ensure a luminous future for this industry.

JEL CLASSIFICATION & KEYWORDS

■ M21 ■ Export ■ TREND ■ MFA ■ GDP ■ DOMINANCE ■ RMG ■ BANGLADESH

INTRODUCTION

Export concentration is not a new phenomenon for Bangladesh. Bangladesh's export performance so far presents signs of strength in its export basket (Sattar, 2015). Bangladesh has been the one of the biggest export trade country of RMG and Apparel in the world market. Thus this sector is playing a vital role in socioeconomic development of the country. The below chart exhibits the total snapshot of Readymade garments industry of Bangladesh from 1983 to 2014. This chart explains the contribution of RMG sector in Bangladesh economy. Bangladesh is an emerging economy in the world, small country in South East Asia with high population density. The readymade garments industry

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of Bangladesh commonly known as the RMG sector is the top ambassador of Bangladesh as a country in the global market. Bangladesh positioned itself in number right after China in terms of total apparel production and export. RMG export earning undoubtedly holds the significant position in the country's total export and one of the major contributor in GDP of Bangladesh. It seems like that the export performance of RMG can easily be argued as the total Export performance of Bangladesh and strength of the economy. The journey of the RMG industry started in the late 70s and since then it has played a key player role in the economy (Haider, 2007). Within a very short period of time it has become the largest export earner of the country through a major positive forward thrust in the early 90s (Shahriar, Banik, & Habib, 2014). This industry has not just contributed through the dollar earning but also in socioeconomic prospects, creating a huge number employment opportunities mostly for the poor illiterate workforce of the country. Through the export of Apparels products Bangladesh now become a flagship brand in the developed countries of the globe where the products have been exported such as, European Union countries (59% of total Export), USA (29%) and other parts of the world (15%) (BGMEA, 2015). The hold of RMG in the total export earning has reached more than 81% in fiscal year of 2013-2014 and it shares almost 16% of total GDP and also the trend of RMG contribution are strongly predicted to be increased in the upcoming year (Mahmud, 2012). In FY 2013-2014, RMG industry has provided direct earning opportunities to more than 4 million labor force and earns 22 billion USD form exporting the apparels. The growth of factories in RMG industry has a key indicator how this industry has grown so fast with a number of 134 factories in FY 1983-84 to 4222 in FY 2013-14 (BGMEA, 2015). RMG sector has played a Nobel role in empowering women by providing them employment. But these particulars workforces potentiality cannot be used fully because of the illiteracy (Paul-Majumder, 1998). The Readymade Garment (RMG) industry of Bangladesh basically started with the private initiative and still is flourishing and growing on the basis of excellent entrepreneurial skill and effective negotiation techniques of the private investors. The major exporting products characteristics of this sector are knit and Woven garments which consisting of Shirts and Trousers, Shorts, Jackets, Sweaters, Sportswear and many more informal and fashion apparels. If we consider the market characteristics, then industries are mainly concentrated in two big market EU and North America (USA & Canada), almost 86% of the export of apparel goes in those two regions (BGMEA, 2015). At the beginning RMG sector was started through exporting of knitwear garments in 1973. But after that, woven garments dominate the proceeding knit garments. It grows slowly but steadily. Knitwear sector's significant contribution in country's export share was 1.1% in FY 1982. Since then it gradually increased its share in exports. While the export contribution of woven garments 69.23% in FY 2000-01, the knitwear sector's contribution rose to 30.77% (Yunus, 2010).

The growth of knit garments export was facilitated by the remarkable free market access of EU during the period 1996-2005 resulted in the highest export share of RMG from Bangladesh (Haider, 2007). The top five product groups (shirt, trouser, jacket, T-shirt, and sweater) contributed to almost 65% of the total garment export earnings of Bangladesh in 2000-01, and that share increased to 80% in 2013-14. The share of shirts in total garment exports from Bangladesh has decreased, whereas the shares for overcoats, jackets, sweaters, suits and some other knitwear products have increased in recent years. These changes proved that Bangladesh is achieving some level of product diversification in exporting garment products (Haider, 2006). The most promising markets for Bangladesh RMG exports in the medium to long-term lie in the countries of North America, EU, Japan, and the emerging market economies (EME). But other countries with large population can be a good market for Bangladesh such as Australia, Brazil, Chile, China, India, South Korea, Mexico, Russia, South Africa and Turkey are looking to be the more promising markets, followed by Malaysia, New Zealand, Norway, Saudi Arabia, and Thailand (Sattar, 2015).

Objective of the Study

The main objective of the study is to address the export trend of RMG in Bangladesh. To achieve this purpose, the study also seeks to achieve the following objectives:

- to have an idea about Bangladesh export growth of RMG from 1983-2014;
- to address the contribution of RMG in total export and GDP of Bangladesh;
- to describe product based contribution in RMG;
- to calculate country wise and region wise export trend.

Literature Review

Literature review exhibits the overall scenario of the RMG sector in Bangladesh and its contribution to the Bangladeshi economy through its enormous export number and by doing so developing the social structure through creating the employment opportunities for mass unskilled labor force. Robbani (2000) found that the major portion of foreign export revenue of Bangladesh comes from RMG, thus it creates a giant position on the economy. Thus this sector provides the height contribution for broadening the economy of Bangladesh. It is a great achievement for a poor country. Rehman & Hundker (2001) addressed that the RMG sector in Bangladesh started its journey in late 1970s as a small non-traditional export. In 1978, Reaz Garments Ltd. started to export by selling RMG worth only 69,000 USD in its first consignment to USA. By FY 2002, within a short time about 20 years exports have gone up to 4.5 billion USD. After that, the sector develops into an exclusive growth rate of 15 percent per annum that is remarkable. Rock (2001) addressed that Bangladesh started exporting garments in 1976. The first joint venture garment factory in Bangladesh was Desh garment in association with Daewoo, a South Korean company. Rahman (2002) described that the growth of RMG exports has undoubtedly positive effects on macroeconomic balances. It has helped maintain a sustainable trade deficit, which has declined from around 10 per cent of GDP in the early-1980s to around 5.5 percent. Khan (2011) found in 2008-09, RMG sector contributed almost 80% of total share of exports and earn 12.7 billion USD that was 14% of the country's GDP. BGMEA (2015) reported about existing industry in Bangladesh was 5876 in 2012-13 and 4222 in 2013-14. RMG products are exported mainly to the developed country like the USA, The UK and

other developed countries in the world. Siddiqi (2005) addressed RMG share is the total export increased from 12.44 percent in 1984-1985 to 60.64 percent in 1992-1993. Mahmud (2012) found RMG industry helps to increase the GDP by 4.39%. In fiscal year 2011-2012, RMG exports raised at a figure of USD 19.91 billion and around 81% of state export earnings; that was about 4%-5% total exports around the world. RMG sector of Bangladesh plays a major role in maintaining manageable trade deficit hereby keeping the macroeconomic balance. Uddin (2014) finds not only the context of foreign earning and cheap labor if we consider the competitiveness in the way of expertise development; this RMG sector has also shown its prospect. Although the industry employs almost 4 million people but the growth rate is declining. That happened due to the increase in productivity; for every 3,600 USD worth of RMG export, there is one worker in the industry. Sattar (2015) shows the credit to the leadership of private enterprise in establishing and developing the Readymade Garment (RMG) industry of Bangladesh to make the country's successful shift to a major export-oriented economy. Hossain (n.d.) emphasizes the RMG sector of Bangladesh as strongest pillar by informing the current market share position of 4.8% of the world total apparel export and expecting it to be increased to 7%-8% by Year 2020 and stands right after China. Yunus (2010) also identifies that Bangladesh slowly and steadily moving out from its total dependency from European and USA market proven by the reduction of total export to that destination by 93% to 85% in between 2009 to 2014. The researcher also provide that Bangladesh is mainly low value apparel makers such as T-shirts should be moved to the fancy and high price product like suits and blazers for sustainability. Haider (2006) provides important information that female garments are treated as more valuable products than that of men's wears as they add more value. And it's positive that export revenue of Bangladesh from the export of garments for females such as ladies top, nightwear, pajamas etc to EU has increased significantly during the period 1996-2005. Haider (2007) also comply with the fact that Europe is prime destination of Bangladeshi garments and the market have been experiencing slow product diversification as the traditional items such as T-shirts export decreased with the simultaneous increase of the upgraded products such as overcoat, jacket and other knitwear products. Titumir & Ahmed (2006) finds the insignificant effect of GSP facilities in the Export of RMG in USA. More than 65% of the export to USA including RMG export faces tariff barrier whereas the non-tariff product only comprise 0.88% of export volume in USA. Uddin (2014) revealed the fact that at the initial stage woven garments was the main exportable item and USA was the major export destination but after the end of MFA era Europe become the largest buyer of Bangladeshi RMG due to the aggressive pricing of the Bangladeshi producers.

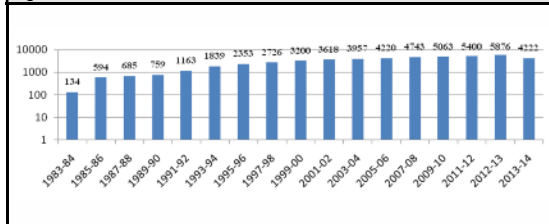
Result and Discussion

Growth of Factories in RMG Industry

The number of factories in RMG industry has gone manifold increase over the last 3 decades. The journey was first started in 1978 when Reaz garments exported its first consignment in USA and earned 69 thousand USD. On that time period Reaz Garments, Jewel garments and Paris garments were the biggest ones amongst the nine RMG industries in Bangladesh (Hossain & Moon, 2014). But the actual milestone was led by the Desh Garments Ltd established in 1979, the first 100% export-oriented company. It was set up as a joint venture with Daewoo of South Korea and became the single largest and most

modern garment-manufacturing unit in the sub-continent (Yunus & Yamagata, 2012). Then a year later, in 1980, a company called “Youngone Bangladesh” was established as the first equity joint-venture garment factory with a Bangladeshi firm, Trexim Ltd. Since that time, Bangladesh has seen a tremendous growth in the number of factories consistent with the volume of export.

Figure 1: Growth of Factories in RMG



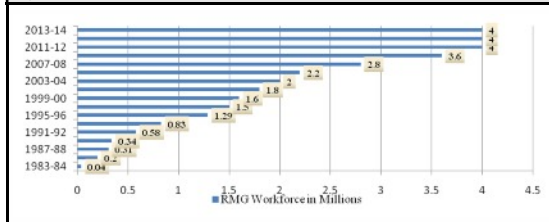
Source: Authors' calculation based on BGMEA and BKMEA Statistical Yearbook (2015)

In year 1983-84, there were only 134 RMG units, where only 40000 workers were working in this sector. But, in 2012-2013, the number of RMG units increased to around 6000 with the employment of around 4.2 million workers (BGMEA, 2015). This growth is strongly facilitated by the Multi Fiber Agreement (MFA) under the Uruguay round of GATT (General Agreement for Tariffs and Trade) of 1994, proactive entrepreneurial approach, and supportive policies of Bangladesh government (Jahid, 2013). The growth of factory has shown a negative trend in year 2013-14 due to the utility crisis and strong inspection from the regulatory body to identify the risky factories.

Number of Workers in RMG Sector

Emergence of RMG sector is seen to the best thing happened in Bangladeshi economy by not only its contribution through the export earning but also the creation of generous employment opportunity for labor force specially bringing women to the mainstream of economy (Islam, 2013). Now more than 4 million workers are directly employed in RMG sector and the numbers are increasing.

Figure 2: Number of Workers in RMG Sector



Source: Authors' calculation based on BGMEA and BKMEA Statistical Yearbook (2015)

Although past three years the growth has not been very positive but still quite a lot people are depending on the RMG sector for their livelihoods. Bangladesh's garment industry provides employment to about 4 million workers among them almost 80% are female (Mahmud, 2012). In 1980, (World Bank, 2008) data revealed around 50,000 female garments workers in this sector. The number of people employed in the apparel sector had increased to more than 1.5 million in 1997-98, which constitutes about 70% of the total female employment in the country's manufacturing sector. In fact, a large supply of cheap and flexible female labor was used to be the key success factors in the initial stage of the country's flagship export-oriented industry (Bhattacharya & Rahman, 1999).

Table 1: Female employment in South Asia Garment Industry		
Country	No of Workers	% of Female
Bangladesh	4.2 Million	90
Sri Lanka	31200	81
India	5.3 Million	38
Nepal	52000	18
Pakistan	912000	15

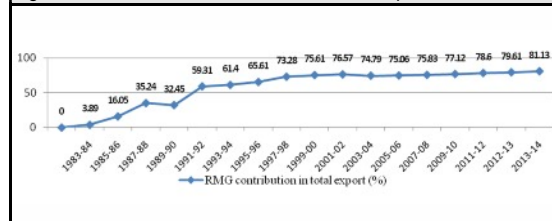
Source: World Bank Data (2008); BKMEA (2015)

Currently, the industry employs about 4.2 million workers, of whom 90% are women, mostly from rural areas. Table 1 clearly shows that the women participation in RMG industry in Bangladesh is highest among other South Asian countries.

RMG Contribution to Export

The contribution of RMG to country's export has experienced phenomenal growth over the years. RMG has evolved as the main export earning sector of Bangladesh. Over the last two decades journey RMG industry has secured the main fuel of growth in our economy, employment and economic development. While export earnings from the apparel industry were barely 1 million USD in 1978, it became 9.2 billion USD in 2006-07 fiscal years holding the 76% of total export of the country.

Figure 3: RMG and Its Contribution in Total Export

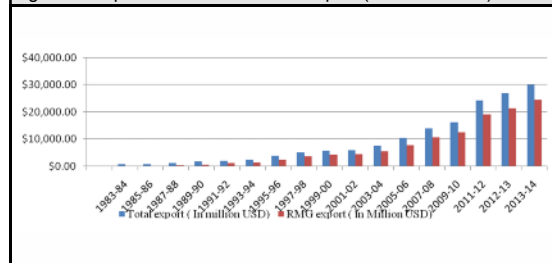


Source: Authors' calculation based on BGMEA and BKMEA Statistical Yearbook (2015)

The lucrative performance of export trade has been single-handedly driven by the RMG sector, which has easily proved by its share in total exports rising from virtually nothing in 1980 to 81.13 percent in 2013 (Razzaue & Eusuf, 2007).

Comparative Statement on Export of RMG and Total Export of Bangladesh

Figure 4: Export of RMG and Total Export (in Million USD)

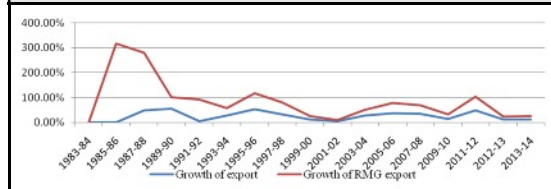


Source: Authors' calculation based on BGMEA and BKMEA Statistical Yearbook (2015)

Figure 4 shows how dominating contributor the RMG has become throughout the years in the total export of the country in the decade of the 1980s, Bangladesh's exports doubled from 0.9 to 1.8 billion USD, which in the next decade increased to just over 5 billion USD on its way to reach 10 billion USD by the end of the fiscal year 2005-06. Since the beginning of the 1990s exports in USD have increased at a rate of 14 percent per annum as against a comparable GDP growth rate of about 5 percent.

Growth Comparison between Total Export & RMG Export

Figure 5: Growth of Total Export vs. RMG Export



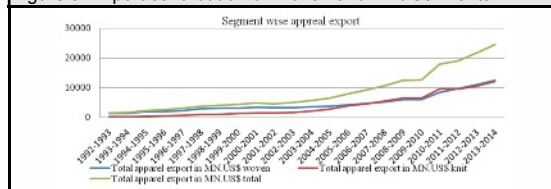
Source: Authors' calculation based on BGMEA and BKMEA Statistical Yearbook (2015)

In the beginning the RMG overtake the export growth by an unreachable margin when jute and jute made products hold the major share of export. As the RMG become the major contributor of export earnings and holds almost 81% of the exports share so the gaps between growths become very negligible. In FY 2012-13 and FY 2001-02 RMG sector experienced very poor growth due to the political instability regarding the national election of Bangladesh. This figure also shows that Bangladesh RMG sector has done tremendously well after the quota system (MFA) was withdrawn. It actually flourishes the latent potentiality of the sector.

Segmented Apparel Export Trend

Figure-6 exhibits the performance scenario of woven garments and knit garments. In the beginning the export was dominated by woven garments but as the time goes Knit sector emerge as strong complimentary source of export earnings.

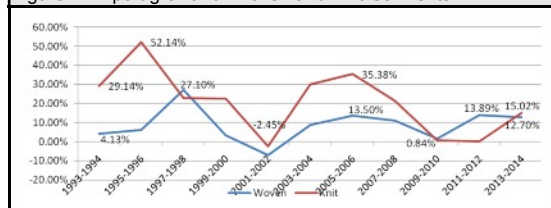
Figure 6: Export contribution of Woven and Knit Garments



Source: Authors' calculation based on BGMEA and BKMEA Statistical Yearbook (2015)

The comparison between the growth rate of knit and woven (Figure 7) also show that knit garments export has grown tremendously throughout the last two decades. In FY 1993-94 the export growth of knit garments were 29.14% in comparison to 4.13% of woven garments. Both woven and knit experienced a negative growth rate in FY 2001-02 due to the political instability. It has also experienced a low growth in FY 2008-09 due to the adverse impact of the recession fell on the import demand of the EU and the USA across the entire commodity spectrum. (Taslim & Haque, 2011). The average growth rate of woven garments form FY 1993-2014 is 8.61% whereas the average growth rate if knit garments was 20.62% through the same time period.

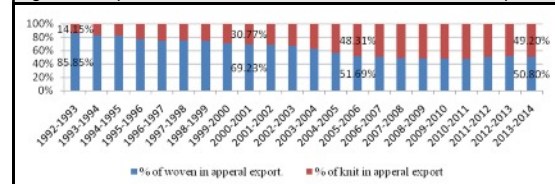
Figure 7: Export growth of Woven and Knit Garments



Source: Authors' calculation based on BGMEA and BKMEA Statistical Yearbook (2015)

The RMG sector accelerated exports dominated by woven garments. The knitwear sector's significant contribution in country's export share was 14.15% in FY 1992-93. Since then it gradually increased its share in exports. While the contribution of woven garments to the export basket was 69.23% in FY 2000-01, the knitwear sector's contribution rose to 30.77%.

Figure 8: Export Share of Woven and Knit in Total RMG Export



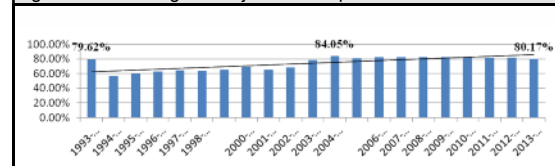
Source: Authors' calculation based on BGMEA and BKMEA Statistical Yearbook (2015)

In FY 2007-08, knitwear sector for the first time exceeded woven sector and became the leader with an export value. The sector continues to be the leader in terms of quantity exported with an increasing gap with the woven garments over time.

Main Apparel items exported from Bangladesh

The major exported knit and woven products from Bangladesh are shirts, trouser, jackets, t-shirts, sweaters. These five basic types of products almost comprise the 80% of total RMG export from Bangladesh in terms of earning in million USD.

Figure 9: Percentage of Major RMG Export Products



Source: Authors' calculation based on BGMEA and BKMEA Statistical Yearbook (2015)

In FY 1993-94, the contribution from main products are 79.62%; from FY 1995-2001 it fluctuated around 60% to 65% of total export of RMG. In FY 2003-04, it again climbed to 79% and hold a quite stable position of 80% in FY 2013-14. Within the major items t-shirts and trouser hold the major portion one from knit and other from woven, shirts, sweater and jackets are also having the positive growth.

Table 2: Main Apparel Items Exported from Bangladesh (value in million USD)

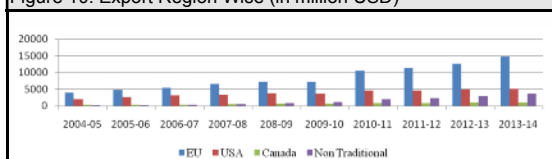
Year	Shirts	Trousers	Jackets	T-shirt	Sweater	Total Main Products	Total Export of RMG	Percentage of Major Products
1993-94	805.34	80.56	126.85	225.9	nil	1238.65	1555.79	79.62%
1995-96	807.66	112.02	171.73	366.36	70.41	1528.18	2547.13	60.00%
1997-98	961.13	333.28	467.19	388.5	296.29	2446.39	3781.94	64.69%
1999-00	1021.17	484.06	439.77	563.58	325.07	2833.65	4349.41	65.15%
2/1/2001	871.21	636.61	412.34	546.28	517.83	2984.27	4583.75	65.11%
4/1/2003	1116.57	1334.85	364.77	1062.1	616.31	4494.6	5686.09	79.05%
6/1/2005	1056.69	2165.25	389.52	1781.51	1044.01	6436.98	7900.8	81.47%
8/1/2007	915.6	2512.74	1181.52	2765.56	1474.09	8849.51	10699.8	82.71%
10/1/2009	993.41	3035.35	1350.43	3145.52	1795.39	10320.1	12496.72	82.58%
12/1/2011	1733.54	4686.39	2231.16	4713.11	2340.34	15704.54	19089.69	82.27%
2013-14	2173.73	5690.78	2973.16	5863.81	2932.94	19634.42	24491.88	80.17%

Source: Authors' calculation based on Statistical data of Export Promotion Bureau (2015)

RMG Export of Bangladesh Globally (2004-14)

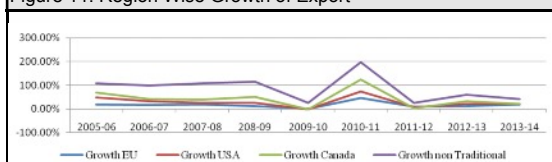
The two major markets for Bangladeshi garments exports have been the United States and the European Union which account for over 80 per cent of the total exports. These two markets are also the major buyers of Bangladeshi RMG products. The following Figure-11 provides information of Bangladesh exports in USA, EU, Canada and Nontraditional markets after post MFA period. EU is the most lucrative market for Bangladesh RMG Export. In FY 2004-05 the total export volume to EU was 3945.45 Million USD where as it become 14745.39 million in FY 2013-14, achieved an almost 273% of Growth which is quite remarkable. The USA market also shows a tremendous growth. It achieves a growth of 153% between FY 2004-05 with a total volume of 2026.09 million dollar, and FY 2013-14 with a total volume of 5141.38 million dollar.

Figure 10: Export Region Wise (in million USD)



Source: Authors' calculation based on BGMEA and BKMEA Statistical Yearbook (2015)

Figure 11: Region Wise Growth of Export



Source: Authors' calculation based on BGMEA and BKMEA Statistical Yearbook (2015)

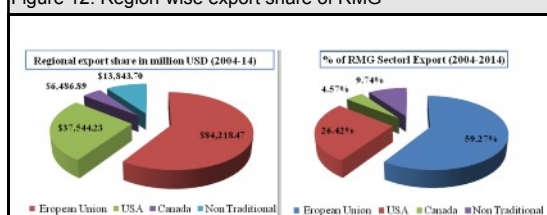
The total volume exported in Canada and nontraditional market was also very promising. The year by year growth was also phenomenal (Figure 12), apart from the FY 2009-10, where all the markets show negative growth except of Canada. The negative trend is also exhibited in FY2011-12 in USA and Canada. The most promising sign is that the growth rate of nontraditional market is phenomenal. Figure-11 clearly shows that nontraditional market has been achieving the highest growth rate from FY 2005-06 to FY 2013-14.

The growth of nontraditional market suggests that the market is diversifying. In FY 2010-11 the export growth of EU, USA, Canada and nontraditional market are 46.30%, 27.48%, 50.23%, and 73.26% , nontraditional trend is continuing in FY 2013-14 with a growth rate of 21.15% whereas the growth rate of EU, USA and Canada is respectively 17.35%, 2.90%, and 2.21%.

Regional Export Share of RMG, (2004-2014)

The pie charts show that EU countries are the major export destination of Bangladesh RMG, share almost 60% of the export worth 84218.47 million from FY 2004-14. Right after that stands USA sharing 26.62% of the export destination. Canada and non-traditional markets are holding respectively 9.74% and 4.57% share of total export destination.

Figure 12: Region-wise export share of RMG



Source: Authors' calculation based on BGMEA and BKMEA Statistical Yearbook (2015)

Table 3: Country's share of EU export of knit and Woven

Million USD	WOVEN %										
	Year	04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14
France		12.41	11.36	10.04	10.4	10.49	10.53	11.25	9.37	9.63	9.54
Germany		36.34	38.76	37.77	35.6	31.83	28.94	30.72	30.56	29.18	29.7
Italy		6.67	6.24	6.94	6.43	6.09	6.51	6.56	6.55	6.92	7.36
Spain		5.83	6.2	6.36	5.98	5.63	5.53	7.02	9.23	9.96	10.72
U.K.		20.96	19.78	20.12	19.94	19.95	21.56	21.3	23.09	22.98	20.79
Belgium		3.95	3.99	4.65	4.56	3.77	3.54	4.51	5.37	4.81	5.52
Denmark		1	0.84	0.89	0.78	0.95	0.14	1.4	1.95	2.43	2.39
Netherland		6.88	6.16	7.03	10.59	15.64	15.69	10.36	5.1	4.89	4.85
Others		5.95%	6.66	6.22	5.71	5.64	7.57	6.89	8.79	9.2	9.11
Major EU Million USD		1394.5	1677.96	1887.3	2152.31	2375.71	2290.92	3361.53	4056.12	4697.89	5519.73
Total Woven Million USD		1707.6	1797.72	2012.4	2282.76	2517.7	2478.54	3610.11	4446.87	5173.86	6072.91
Million USD	KNIT %										
	Year	04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14
France		16.68	14.95	13.84	15.17	15.01	14.69	14.47	12.34	12.07	11.12
Germany		29.88	34.13	32.08	29.53	28.39	27.22	29.26	29.44	29.34	29.68
Italy		8.26	7.74	7.79	7.6	7.85	8.04	7.6	8.25	7.51	8.44
Spain		9.3	8.89	10.22	9.74	8.6	8.16	8.62	9.54	9.51	9.87
U.K.		14.75	13.8	14.23	14.63	15.33	15.4	14.34	15.92	17.05	15.4
Belgium		5.94	4.85	4.76	4.35	3.35	3.31	4.34	4.63	4.29	5.08
Denmark		2.71	2.34	2.43	2.45	2.79	3.78	3.71	4.6	5.08	5.2
Netherland		6.37	6.23	7.09	8.52	10.93	11.22	8.55	4.69	0.43	4.44
Others		6.11	7.08	7.57	8.01	7.75	8.18	9.1	10.59	14.72	10.77
Major Countries		2101.5	2705	3178.81	3878.89	4336.49	4326.7	6280.96	6195.1	6302.91	7738.23
Total Knit Export EU million USD		2238.1	2911	3439.08	4216.59	4700.55	4712.21	6909.72	6928.69	7390.99	8672.47
Total Knit & Woven in EU million USD		3945.45	4707.5	5451.52	6499.35	7218.25	7190.75	10519.8	11375.6	12564.9	14745.39

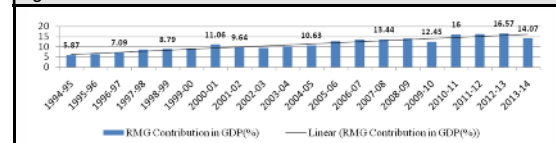
Source: Authors' calculation based on BGMEA and BKMEA Statistical Yearbook (2015)

The reason behind, EU continues to share the majority of export is the GSP facilities provided by EU from the inception of RMG in Bangladesh. Bangladeshi RMG products are taking EBA scheme facilities to export EU market. All garment products are getting EU GSP facilities under the new rules of origin. RMG exports under EU GSP as well as total export are found to be strongly positive correlated (Islam & Maruf, 2014). The increase in the export share of EU is also happening due to the country's diversification of export destination. It is clearly seen from the Table from the beginning of RMG export Bangladesh from France, Germany, Italy, Spain and UK played as major market for RMG as these 5 markets share 82.21% of the total export in EU. Among these five countries only Germany export 36.34% of woven and 29.88% of Knit garments exported in EU in FY 2004-05. In FY 2013-14, the contribution of export share has not changed. Still these five countries are dominating the export. But matter of fact is that besides these five market new market have emerged for RMG sector in EU, these are Belgium, Denmark, Netherland; these three totally comprise 12.8% of total woven export and 14.72% of total knit garment exported from Bangladesh to EU.

RMG Contribution to GDP

Phenomenal growth of RMG sector resulted into its magnificent contribution to the country's GDP as well. The growth of RMG exports has certainly had favorable effects on macroeconomic balances and overall manufacturing sector. It has helped maintain a sustainable trade deficit. On the other hand, the current account balance, reduced dependence on foreign aid has been a remarkable development for Bangladesh's economy, which is mainly attributable to the RMG-led robust export growth and a surge in the inflow of remittances. It is in this context, the RMG-led export growth is proved to have transformed Bangladesh from a predominantly aid-dependent country to a largely trade-dependent nation (Rahman, 2004). RMG contribution to the GDP of Bangladesh quite participative. The contribution were just 5.87% in FY 1994-95; now it contributes almost 16.57% of total GDP in FY 2012-13.

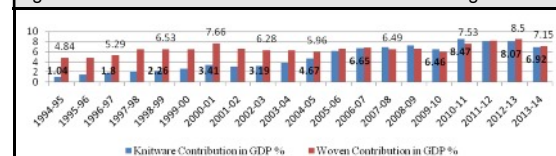
Figure 13: RMG Contribution to GDP



Source: Authors' calculation based on BGMEA and BKMEA Statistical Yearbook (2015)

It has been clearly seen that in the beginning of the woven garments contributed more than that of knit garments, In FY 1994-95, woven garments contribution was 4.84% in comparison to knit garments of 1.04% but as the export of knit garments increases the contribution of knit become complementary woven garments. In FY 2013-14, the GDP contribution from woven garments was 7.15% and from knit it was 6.92%.

Figure 14: Woven and Knit Contribution in GDP of Bangladesh



Source: Authors' calculation based on BGMEA and BKMEA Statistical Yearbook (2015)

The past decade's boom in exports particularly the apparel sector was very significant to country's economic growth, but the recent GDP growth has not led to significant improvements in the living standards of most people and the social factors are still challenging.

CONCLUSION

The principle player in the nonstop push for national advancement is the RMG sector; one could contend that RMG industry is the sole dependable player in the national economy. Despite the global economic recession, the garment industry plays an important role in the growth of the export sector. Came up with a variety of new products as well new markets, which has been instrumental in the growth of exports. Export has increased in The United States, European Union, and Canada. In some cases this has contributed through tax-free advantages. Notwithstanding, the post-MFA period is another story of achievement. Demonstrating every one's expectations wrong, RMG sector has vanquished the post-MFA challenges. Now the apparel industry is Bangladesh's the biggest export earner with value of over 24.49 billion USD achieving a record 200% growth after the MFA regime of exports in the last financial year (from July 2013 to June 2014). Workers employment has also increased tremendously by 100% from 2 million in 2004 to 4 million in 2014. The growth of new factories is also has shown a positive growth. The contribution from Knit and Woven based garments in total export are almost equal, though knit garments export has been experiencing more growth than that of woven garments. European market has been the largest market for Bangladesh with 60% of total export with positive growth rate following the USA market with 27% of export but with slow growth rate. It is a lucrative sign that the growth in the nontraditional market is quite phenomenal though the market share of these markets is still very low. In European market Germany is proved to be the largest export destination followed by the UK and France. Among non traditional markets Turkey holds the major portion of the export followed by Japan and Australia. In case of product category Bangladesh Shirts, trouser, Jackets and T-shirts have been the major exportable products accounting for almost 80% of the total export. But, all these are low-value products. For the sustainability and advancement of this industry, RMG entrepreneurs should move toward the high-value products. The net value addition of RMG export is not very lucrative because of the weak backward linkage and high amount import of raw materials. Adverse effect on this industry come from different points such as weak infrastructure, inefficient port management and utilization, poor negotiation and bargaining capacity, limitation of forward linkage and integration, rapidly increasing competition from international rivals, increasing bargaining power of buyers. These factors adversely restraining the full potentiality of the RMG sector of Bangladesh. To reduce the gap of expectation and reality, collaborative and cohesive measures should be taken. Sustainable infrastructure should be developed through creating specialized RMG industry zone, ensuring sufficient power and utility, develop sustainable and lucrative partnership between buyers and sellers through effective political and commercial negotiations, effective and fully implacable technical education facilities should be established to create expertise in this trend and increase efficiency of exiting workforce, low interest loan or special loan instrument should be created for RMG sector, and last but not the least for the sustainability of the RMG industry forward integration through developing positive brand image and accessing new market and product segment is necessary. That would help this industry to boost towards

a new level. With challenges on one side, a more glittering future is waiting for the ready-made garment industry of Bangladesh.

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