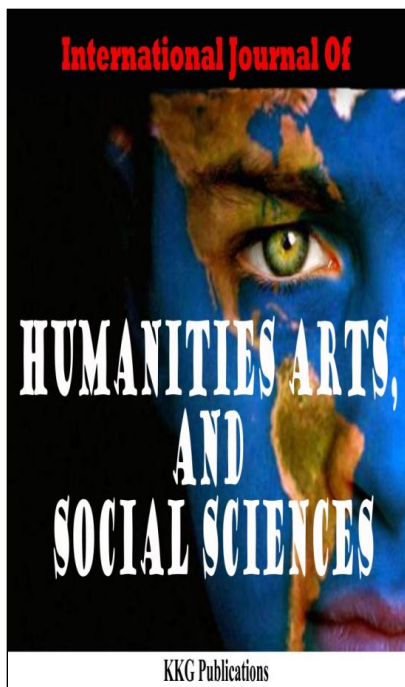


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## EFFECT OF POST MULTI FIBER AGREEMENT-A BLESSING FOR BANGLADESH: STUDY OF SURVIVAL STRATEGY

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### Keywords:

Bangladesh  
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Readymade Garments (RMG)  
Sector  
Export  
Performance  
Blessings

**Abstract.** This paper will examine the impact on the apparel firms' growth and performance of major apparel exporting countries with special concentration on that of Bangladesh after the phase out of multi fiber agreement (MFA) on 31 December 2004. Almost all anticipated that removal of MFA may lead to a dramatic drop in the export from Bangladesh and other Asian nations, but the real fact and feature are completely reverse. In fact, our analysis reveals that all major apparel exporters like Italy, Turkey, France, Belgium, Hong Kong – China, South Korea etc lost their export trend since 2008 due to the global recession in their export destinations despite of having preferential access and geographical proximity. Bangladesh not only maintained their past gains, but also improved their performance considerably during both post-MFA and recession periods. This surprising and reverberating growth of Bangladesh's RMG sector could be attributed to continuous support from her government, lowest wage rate, lower export price, accompanied by stable exchange rate, political stability since 2007. The information in this paper is mostly based on secondary sources. Panel data on export in textile and clothing has been used to evaluate the objective of this paper. The paper has explained the reasons behind such performance of Bangladeshi apparel industry. Moreover it has also incorporated the existing obstacles in this sector and mentioned some policies to overcome from these problems, so that the economy can ensure a sustainable growth in apparel industry.

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### INTRODUCTION

In the world, the prime concern and focus of all nations is to create power and control by enhancing the economic strength. Most countries have embraced export-oriented strategies to accelerate their economic development. The best example is the Newly Industrialized Economies (NIEs) in East Asia. The high performing East Asian economies have attained high per capita growth rates, relatively low income inequality, high educational attainment, the record values of domestic savings and investment and booming exports from the 1960s to the mid 1990s (World Bank, 1993; Gereffi, 1999). Their economic achievement is largely attributed to the adoption of export oriented industrialization. In this context, it is worth noting that "Textile and Apparel manufacturing" are the typical starter industries for countries engaged in export-oriented industrialization. These industries have been considered to be an important element in economic activity and growth since the beginning of Industrial Revolution. There are two reasons behind such concept: firstly, textiles and apparel are basic items of consumption to all, and secondly, apparel manufacture is labor-intensive, requiring relatively little fixed capital but can create substantial

employment opportunity. Thus, textiles and apparel have been major issues in trade relations among and between many countries. As a result, a large number of agreements (multilateral and bilateral), mainly between developing and developed countries, were signed over the years generally to restrict the quantities of textiles and apparel traded (Gelb, 2005; Joarder, Hossain & Hakim, 2010).

Bangladesh has also adopted an outward oriented trade policy, especially in apparel manufacturing sector to accelerate economic growth. In recent years, for Bangladesh there has possibly been nothing more spectacular than the growth of its apparel export sector. The share of apparel export to total export rose from 0.5 percent in 1980-1981 to 76 percent in 2005-2006. In the fiscal year 2006-2007, Bangladesh has earned about \$10 billion export earnings only from the apparel manufacturing sector (EPB, 2007A). Now by 2013 our appeal sector has become a \$19 billion industry. Over the last decade the sector registered significant growth of 15%. One-third of the country's industrial labor force is employed in this sector.

The emergence and development of Bangladesh's Readymade

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Garments (RMG) industry has largely been a result of the long restricted global trade in textiles and clothing (T&C) under which the developed countries attempted to control imports through some non-transparent bilateral deals known as the Multi fiber Arrangements (MFA) whereby the developed countries, i.e., the U.S., Canada, and European Union (EU) countries controlled global trade in apparel.

The system, on the one hand, imposed binding constraints on export potential of firms in the newly industrialized economies (NIEs) in East Asia, while, on the other hand, it provided the much needed market access facilities to the least developed countries including Bangladesh (Rashid, 2006). The policy (imposed and implemented till 31 December 2004) not only caused significant outsourcing of the labor-intensive apparel production from the relatively high-wage locations to the low-wage locations, it has too unleashed a dynamic development of global apparel value chain.

In the process, traditional apparel manufacturing firms in South Korea and Taiwan and also the large manufacturer-cum-marketers in the U.S., EU and Japan moved towards high-value added design and marketing operations and specialized into managing the supply chain of global apparel trade. While apparel firms in many developing countries started with assembling operations of cut fabrics into finished garments, they too underwent a dynamic progression towards high-value added back-end and front-end operations.

In doing that, firms in the developing countries essentially require to integrate with the global apparel value chain—both forward with the global apparel retailers and backward towards both the domestic and international sourcing of raw materials and intermediate inputs.

Since Bangladesh's apparel exports grew, taking the advantage of MFA quotas that restricted supplies from many other relatively efficient and advanced developing countries, (such as China and India) and since her supply side constraints did not show any marked improvement, there had always been a great deal of apprehension about Bangladesh's continued success in a quota-free environment.

### **Prophecy Regarding the Post MFA Effect on Bangladesh**

Several academic studies predicted severe consequences of MFA phase out for Bangladesh. In a study conducted by IMF economists, using a quantitative model that links between different sectors and database of cross-country trade flows, a simulation of quota-free textiles and clothing trade resulted in an export loss of 25 percent for Bangladesh. Information as available towards the end of the MFA regime revealed that quota rents were much higher in other countries, and particularly in China and India, in comparison with those of Bangladesh.

The extant literature has, until recent times, mostly focused on the effect on apparel exports from the developing countries in the developed markets after the removal of quotas (see, for example,

UNCTAD, 2005; Nordås, 2004; Mlachila & Yang, 2004; Raihan, 1999; Dowlah, 1999). The fact that the literature mostly studied market access aspect was perhaps due to the concern of both the policy makers and the exporters that the MFA phase out might bring a discrete export losses and hence a macroeconomic crisis.

Industry experts have been predicting serious consequences as the market opened up after the expiry of Agreement of Textile and Clothing on 1 January 2005.

Before January 2005 there had been much speculation about what would be the impacts of MFA termination on the dynamic and more rapidly growing Asian apparel exporters including Bangladesh, India, Pakistan, Sri Lanka, Vietnam and China. According to Dowlah (1999) the principal external factor for the rise of Bangladesh apparel industry was the sustained market access facility to the developed markets, under the GATT-approved Multi Fiber Agreement (MFA) and then under the Agreement on Textiles and Clothing (ATC) as the World Trade Organization came into force in 1995. Unlike the MFA, which regulated the multilateral trade in textiles and clothing, the ATC was a transitory system from the MFA towards the full integration of textiles and clothing into the multilateral trading system. This transition period was instrumental in the up gradation process of Bangladesh apparel industry.

Rhee (1990) argued that the joint collaboration between Dosh Garments Ltd. And Korea's Daewoo Corporation in the early 1980s was too important in the early stage. The arrangement was intended to transfer both explicit and tacit knowledge in sourcing raw materials, production operations, and marketing the finished garments to buyers in the developed market. The agreement between Dosh and Daewoo included on-the-job training of 130 Dosh employees at Daewoo's plant in Korea. It is undeniable that many of these trainees later became successful entrepreneurs in the apparel industry.

Nonetheless, an outward development strategy pursued by the government was perhaps the most important factor in the development of apparel sector.

The analysis of Joarder et al. (2010) reveals that Mexico, CBA nations and CAFTA regions in the U.S. market and Turkey in the EU market lost their market share despite of having preferential access and geographical proximity. In addition, all major apparel exporters except Bangladesh, Vietnam, and China lost their market share since 2008 due to the global recession in their export destinations.

Bangladesh not only uphold their past gains, but also improved their performance considerably during both post-MFA and recession periods. This surprising and overwhelming growth of Bangladesh's RMG sector could be attributed to continuous support from her government, lowest wage rate, lower export price, accompanied by stable exchange rate, political stability since 2007 and above all, getting the GSP facilities for being remained in the least developed nations lists.

Majmudar (1996) has argued that while most gains are expected

to move in favor of China and India due to economies-of-scale, the low labor cost countries such as Pakistan, Bangladesh, Indonesia and Philippines are likely to emerge as gainers. Yang, Martin and Yanagishima (1997) have mentioned that MFA import quota abolition will result in a large increase of textile and apparel export from South Asia despite the possibility of increased competition from their more efficient competitors and deterioration in their terms of trade.

Islam (2001) also suggests that MFA import quota abolition would strengthen the competitive positions of ASEAN, China, and South Asia in apparel at the expense of industrially developed regions such as the EU, North America and Japan and the rest of the world.

Gelb (2005) supported the above view and argued that India, Pakistan, Bangladesh, and Vietnam would be able to compete well in some product markets as the major importers are expected to reduce the risk of sourcing from only one country. He argued that China would be a major beneficiary in the post-MFA periods at the expense of most other developing countries. Nordas (2004) does not find an absolute decrease in total export from Bangladesh but finds a decrease in the market share of Bangladesh's apparel in the USA (Joarder et al., 2010).

According to Mlacila and Yang (2004), Bangladesh relies heavily on textile and clothing exports and is potentially very vulnerable to this change in competitiveness.

Based on assessments of quota restrictiveness and export similarity, and an analysis of its supply constraints, the paper concludes that Bangladesh could face significant pressure on its balance of payments, output, and employment when the quotas are eliminated.

## METHODOLOGY

This paper is a qualitative work depending on literature review. The information contained in this paper is mostly from secondary sources. The paper has been used the data on textile and clothing provided by Bangladesh bank, International Monetary Fund (IMF), World Trade Organization (WTO), Center for Policy Dialogue (CPD), Bureau of Bangladesh Statistics (BBS) etc.

Panel data on export in textile and clothing has been used to assess the objective of this paper. Export data of thirteen years (from 2001 to 2013) for eight countries are taken to compare and evaluate (table 1 and table 2) the impact of the phase out of textile and clothing quotas on the Bangladeshi RMG sector. This paper approached to analyze the trend of export volume in textile and clothing among several developed and developing countries.

### Actual Export Performance after the Phase Out

After all negative anticipations and threaten from home and abroad regarding our apparel industry after MFA phase out, fortunately, proving itself as a 'puzzle,' "Bangladesh is still in the game." Despite initial bumps after the phase out of MFA, the apparel industry in Bangladesh has somehow managed to absorb the initial shock and adjusted itself to navigate in the relatively open business environment. Bangladesh so far has maintained the gradual success in this sector. According to Export Promotion Bureau (EPB) (2007B) of Bangladesh, export receipts from RMG stood at US\$7.6 billion in the fiscal year of July 2003-June 2004. The growth rate recorded for 2005-06 was even higher at 23.5 percent with the receipts from apparel exports reaching US\$ 7.9 billion. Therefore, between July 2004 and June 2006, Bangladesh's RMG exports have increased by US\$2.5 billion.

**TABLE 1**  
**Export in Textile (In Billion US Dollar)**

	Year	Bangladesh	India	Korea, Republic	Hong Kong, China	Italy	Turkey	France	Belgium
Before	2001	4.66	55.23	109.41	122.13	121.65	39.43	62.78	60.79
MFA phase out	2002	4.96	58.13	109.45	124.22	121.31	42.44	63.89	62.44
	2003	4.13	64.35	107.79	130.87	138.09	52.62	71.30	69.84
	2004	5.97	74.06	108.39	142.96	153.09	64.28	74.14	76.70
	2005	7.05	83.31	103.91	138.30	148.34	70.76	69.95	74.63
	2006	14.94	88.80	101.10	139.10	153.92	75.85	70.24	76.63
After MFA phase out	2007	8.84	96.17	103.73	134.17	166.19	89.42	76.49	85.74
	2008	10.90	103.72	103.71	122.56	161.20	93.99	73.71	82.12
	2009	8.86	91.11	91.55	99.76	118.04	77.24	56.30	63.06
	2010	12.63	128.33	109.68	113.07	129.66	89.64	57.08	65.06
	2011	18.98	153.40	123.69	112.83	147.26	107.72	61.10	69.26
	2012	16.34	152.74	119.70	105.46	131.67	110.54	53.53	60.39
	2013	18.93	189.07	120.43	107.18	134.59	121.57	54.24	61.53

Source: compiled and collected by author from WTO database

Table 1 shows data on export in textile to the world among few

developed and developing countries before and after phase out.

The data indicates that apart from Hong Kong – China, France and Belgium, the amount of export in other countries has been gradually increased from 2001 to 2013. Here it's observed that an enormous shift has taken place in case of exports only in Bangladesh and India. In Bangladesh, before phase out the export amount was not more than US \$6 billion while after phase out it started to increase each year and by 2013 the amount reached to almost US \$19 billion. This shift in export surge mentions that after MFA phase out the export textile of Bangladesh has increased by more than 200 percent. On the other hand, in India,

and Turkey, the export after phase out has risen approximately by 127 percent and 72 percent respectively while in Italy, France, Belgium and even in Hong Kong–China a decreasing export trend has been observed. In 2009, after phase out, the export volume had reduced in all countries due to common and counter effect of recession. Then again from 2010 the volume started to increase at its pace. The data provided in Table 1 has been presented through graphical demonstration in Figure 1, where the export trends of tabulated countries are more easily viewed with different color lines.

**TABLE 2**  
**Export in Clothing (in billion US dollar)**

	Year	Bangladesh	India	Korea, Republic	Hong Kong, China	Italy	Turkey	France	Belgium
Before MFA phase out	2001	47.72	54.88	43.06	234.46	142.20	66.61	54.69	42.06
	2002	48.18	58.32	39.62	224.30	146.43	80.57	58.82	46.49
	2003	56.54	63.15	36.40	231.58	166.22	99.62	71.21	54.83
	2004	62.96	69.26	33.91	250.97	182.79	111.93	79.81	62.35
	2005	68.90	87.39	25.81	272.92	186.55	118.33	85.00	67.15
	2006	83.18	95.64	21.83	283.91	200.35	120.52	92.50	72.36
After MFA phase out	2007	88.55	99.30	19.14	287.65	232.49	138.86	109.41	83.62
	2008	116.72	109.68	17.41	279.08	252.57	135.91	116.38	97.47
	2009	118.92	120.05	13.96	228.26	196.38	115.56	101.20	84.81
	2010	148.55	112.29	16.10	240.49	201.22	127.60	100.66	78.08
	2011	192.14	146.72	18.40	245.05	232.73	139.48	110.50	90.42
	2012	197.88	138.33	19.10	225.73	221.66	142.90	103.40	78.22
	2013	235.01	168.43	21.00	219.37	237.35	154.08	110.46	85.84

Source: Compiled and collected by author from WTO database

Table 2 shows data on export in clothing to the world before and after phase out among the same developed and developing countries selected in table 1.

Almost all countries, except Korea and Hong Kong-China, considered here have achieved a successive growth in clothing sector after MFA phase out. But in case of Bangladesh the export has simply flourished in clothing. According to the data the amount of export has reached to US \$235 billion in 2013 where it was just around US \$63 billion before phase out. So in export of

clothing, Bangladesh had received a massive 270 percent growth in clothing export after MFA phase out. India, Turkey and France also have gained a mentionable amount of growth in clothing export over the years, but in relation to the export growth of Bangladesh, which were minimal average growth. Data on table 2 is also represented through the graphical demonstration in figure 2. In the figure

Bangladesh's trend of export is shown with the red line which is sharply steeper.

### Factors Behind the Post MFA Growth in Apparel Industry

Observing the data and situation it has been found that there are strong presence of several factors for which Bangladesh has achieved reverberating success with apparel exports.

#### Restrictions on the Export of China-

After the removal of MFA quota on 1<sup>st</sup> January 2005, the EU and the USA, the two largest export markets, imposed restrictions on certain exports categories from China. This safeguard measures were imposed from July 2005 to the end of 2008. The introduction of the imposition of safeguard measures have limited supplies from China and adversely affected their export volume. Statistics reveals that the exports from China to the EU in all textile and clothing categories have dropped by 8% in volume during the first seven months of 2006.

The similar scenario is observed in US market also. As a result the unit prices are pushed up. China's exports grew only by 1.2 percent during the first seven months of 2006 compared to 54 percent of the previous year, while the volume of exports recorded a 3.7 percent growth as against of 44 percent during 2005. If only apparels are considered, it is found that China's export volume to the US has declined by around 7 percent during the first seven months of 2006 compared to the same period of the previous year.

This restriction on the export of China opened the window of benefits for some Asian countries including Bangladesh in the apparel industry. Although, during the initial periods of MFA phase out, the export of Bangladesh to EU market fell to 3.7 billion euro from 3.9 billion with a negative growth, but it came back with a 38% growth rate during January-July of 2006 (EPB, 2007a).

The restriction against China might be the contributor behind such positive development. Not only Bangladesh, Cambodia, India, Indonesia, the Philippines, Sri Lanka, Vietnam etc also enjoyed the positive developments in their apparel sector. After the quota phase out, Bangladesh got an opportunity to enlarge its exporting the woven garments and the knitwear items in the US and EU market.

#### Depreciation of the Value of Bangladeshi Currency

The depreciation of BD currency (taka) was another factor which helped making positive growth in Bangladesh's export performance. Specifically, during 2004–2007, taka managed a considerable depreciation against US dollar while Indian rupee and Chinese Yuan got appreciation during that time period. So under such circumstance the depreciation of taka along with the MFA phase out was the cream combination behind the enhanced growth of apparel sector in Bangladesh.

But continuous depreciation for enhancing export is not any sustainable way to keep the growth in apparel industry. If this becomes the trend then it will definitely be a serious crisis for our competitiveness in the apparel sector in the near future.

### Offering Lowest Price of the Product

Another main reason for Bangladesh success in apparel market is price competitiveness. The trend of world apparel business reveals that the countries with lower wage rate always get a priority to be the major apparel supplier in the world as the industry is labor intensive. Thus in a labor intensive industry wage rate becomes the important determinant of production cost. The labor cost in Bangladesh is very low (table 3) as it is a huge population country and it has a surplus labor always. Hence it enjoys the facility of keeping relatively low wage rate as well as production cost. As a result Bangladesh is one of the lowest price offering countries in both the USA and EU 27 countries.

**TABLE 3**  
**Hourly Labor Wage Rate in US \$, 2008**

Country	US\$/Hour
Bangladesh	0.22
Cambodia	0.33
Vietnam	0.38
India	0.51
China	0.55-1.08
Turkey	2.44

### Integration to the Global Apparel Value Chain

Bangladesh apparel industry has maintained the relational contract with international suppliers and buyers from the very beginning, which has positive and lasting effect on firms' output and labor productivity. The firms' integration with global apparel value chain now comes as another factor for the success of Bangladesh apparel industry. Good quality of its products and long lasting supportive business relationship with the leading buyers in Europe and the US has helped Bangladesh apparel industry to survive thus far. Indeed, even after MFA phase out when the market condition became uncertain, Bangladeshi garment factories continued to receive orders from big buyers, due mainly to their past reliability as business partner. In some cases, buyers look at Bangladesh as an alternative source apart from the powerful suppliers. Apparently, big buyers such as Wal-Mart, H&M, Levis, Nike etc. do not intend to leave the country overnight. At this stage, that helps Bangladesh industry to survive and in some cases thrive.

### Facilities Provided by the Government

The Bangladesh government has also initiated several support measures specifically targeting this sector. For the expansion of RMG sector Government plays an important role by providing various policy supports at every steps including bonded warehouse facilities, duty drawback incentive, cash compensation scheme, stable exchange rate, lower export price and the facility

of procuring raw materials. Moreover, relatively stable political situation till 2012 further stimulate the export growth.

### **Future of Apparel Industry in Bangladesh**

The apparel industry in Bangladesh now has become the most successful sector as it holds the major share of the total export volume of Bangladesh. Unfortunately such an important sector for Bangladesh's continued success has been suffering from few problems.

### **Labor Issue**

The main alarming issue for our apparel industry is the violent labor unrest and the subsequent upward adjustment of wages proposed. There is no denying that the RMG industry has long been characterized by a wide variety of deprivations of its workers, which include, inter alia, lack of proper infrastructure facilities and safety at workplace, non-compliance with the minimum wages, and lack of provision of essential service benefits to workers.

The recent violent protests by the workers have been an outburst of their long denied basic demands. After the incidents had taken place, a Commission was set up to review the minimum wages for different types of workers in the industry. The Commission has now recommended the revised wage structure, which is supposed to be implemented soon. As per the recommended wage structures, the minimum wages in the industry would increase by about 80 percent.

According to the labor law and act of government, the RMG works are categorized into seven grades and the minimum wage for the 7<sup>th</sup> grade labor is 5,300 BDT while that for the 1<sup>st</sup> grade worker is 13,000 BDT (Ministry of Labor and Employment, 2013). Although various workers' groups consider the recommended offers being inadequate, the irony is that Bangladesh's main comparative advantage in apparels trading is based on its cheap labor and such an abrupt increase in wages will likely to have some adverse implications for its competitiveness.

### **Political Turmoil**

Apart from labor issues, political disturbance within the territory has nowadays become another prime headache against the successive growth in apparel sector as well as in the total economy. Political mayhem is often manifested in country-wide strikes and blockades.

During such a situation productions, distributions all are disrupted due to the violence by the political bodies. Moreover world politics is also a matter of concern today which can destroy the flow of RMG sector.

Often it is suspected and claimed that the labor violence sometimes is occurred by the influence of developed and rival countries in order to hamper the consistent trend of apparel export.

### **Inadequate Infrastructure**

It's a matter of huge shame that Bangladesh is still a failure to construct a proper infrastructure for its industrial development. Frequent power outages, inefficient ports and inland transportation, delayed shipment, lengthy and cumbersome procedures in the customs related activities, damage of goods while loading and unloading and high costs of doing business etc are the obstacles behind continuous export success.

All the factors mentioned above should be taken under care and solved to keep the growth of the apparel industry that Bangladesh has been enjoying recently otherwise this development might turn into a short happy episode only.

### **Policies to be Executed for the Well Being of the Apparel Industry**

There have been significant changes in the post-MFA phase in the RMG sector in terms of technology absorption and innovation, sourcing of inputs, marketing structure and strategy, wage pattern and labor adjustment, rate of return, and state of compliance (Rahman, Bhattacharya & Moazzem, 2007). Moreover the sector is facing new challenges as it is struggling with some undesirable problems. For strengthening the competitiveness of the apparel sector, Bangladesh needs to walk a long way more in future. Some policy should be developed and applied for keeping a smooth infrastructure and environment for apparel industry.

### **Policy Facilitating the Labor Issue**

#### **Enhancement of Labor Productivity**

Labor productivity in Bangladesh is very low compared (US\$1563) to other competing countries such as China, Cambodia, India, Indonesia, and Sri Lanka. The labor productivity is highly correlated to wage; one unit rise in wage is expected to increase labor productivity by 1.3 units. This signifies the implementation of the new wage structure (Rahman et al., 2007). Few things are necessary to develop productivity such as

- Appropriate training
- Improvement of compliance situation
- Entertainment facility
- Performance incentives and
- Good behavior towards workers.

In the national budget for fiscal year 2006–2007 and 2007- 2008 government has allocated BDT 20 crore for training and enhancing efficiency of the garments workers (Rahman, 2007).

### **Ensure the Implementation of the New Wage Structure**

It is now essential to implement the proposed wage structure to reduce the frequent labor violence which is the biggest threaten to the apparel sector. The implementation of new wage structure would increase the total production cost of RMG sector. The CPD anticipated an additional annual expense of about US \$14,000 (Rahman et al., ). Hence the profit margin would also be a bit lower in short term. But higher wages are also positively

related to better working environment, better compliance and improved living standard. So in near future it would start to generate the positive return in the economy. Government should provide necessary welfare facilities and social securities to RMG workers for the betterment of their livelihood.

#### **Improvement of Existing Laws and Regulations**

Bangladesh requires more flexible working hours, with provisions for work during the night shift, recruitment of young workers as apprentices etc. Government should be stricter on laws for improvement of worker's health and safety standards in the workplace; regulations to change in the building codes for improving working conditions, and for ensuring compliance with factory laws etc.

Various acts of the Labor Law such as working hours, punishment for failing to provide maternity leave, retirement benefit of workers, timely payment of fired workers etc. need to be reviewed (Rahman et al., 2007).

#### **Policy Facilitating Technological Advancement Acquisition of New Technology**

The use of various types of advanced knitting machine against the flat knitting machine should be increased and similarly in sewing operation the share of automatic sewing machine against non-automatic sewing machine should also be raised. Government needs to take proper steps to incorporate this new technological advancement in this sector.

Government should facilitate in import of modern knitting and swing machinery for RMG sector in Bangladesh. Also the tax and vat on importing such machineries should be lowered and flexible to promote modern technology usage in this sector for massive development. It is also important to develop resources for handling operations and maintenance of such technology developed machineries. For developing technological experts it is also important to develop educational sector for technological learning.

#### **Promoting Labor Absorption through Technology Up Gradation**

Though new machines require more skilled labor for their operation, technological advancement creates new job in the areas like merchandising, marketing, commercial and engineering etc. So it's necessary to provide both higher and technical education in the country focusing on both new entrants and professionals in the sector to promote skilled workers.

In this regard it is also important to manage the talents in technological sector and create a pool of resources for country wide development. It is also important to create the greater opportunity for developed resources to retain for development of RMG sector of our country.

#### **Policy Facilitating the Development of the Infrastructure Ensuring Uninterrupted Electricity Supply for RMG Units**

Electricity problem should be attended and improved immediately. Government has taken some measures to address the electricity supply problem which include economizing its use, fixing sequential holidays for factories in different industrial/commercial zones, setting small scale power generation plants etc. Moreover, giving the highest priority to the power generation, government should set up and maintain a sustainable ground to promote uninterrupted electricity supply. Government should also source solar energy usage or latest technological alternatives for electricity production. Ecosystem operations and promotion green production can play an effective role. Creating power from waste disposal system of the factory can be an environmental friendly approach for producing uninterrupted power supply to the factories.

#### **Development of Backward Linkage Textile Sector**

Government has also taken various fiscal measures to increase the investment in the backward linkage textile sector. In national budget 2008, about 8.48 crore taka has been allocated for 3 different projects for the development of textile industries, with a view to promote integration with RMG sector (Rahman et al., 2007). However proper policies should be adapted and implemented to ensure the appropriate utilization of this fund. The sector is still dependent on import of knit, woven and dyeing materials which needs further improvement so that maximum sources of these items can be made or sourced from our own country. It is important to maintain the quality as like the imported goods and materials. This process should also ensure timeliness of delivery of quality goods with least cost effective way. Shift in import of technology expertise is also required for development of production and supply chain systems.

#### **Overhaul Port Management**

For the improvement of the efficiency of Chittagong port, Caretaker Government took several initiatives which include three-shift workday for dockworkers for ensuring round the clock operation at the port; reduction of container handling charges from BDT 4000-5000 to BDT 1200; handing over cargo handling activities of the different jetties in general yards to private companies; shifting handling activities of nine bulk items outside of the port area; allowing delivery of Full Container Load (FCL); reducing the size of the labor groups; setting up sector wise off-dock inland container depot (ICD); cancellation of unreasonable fees and charges by shipping agents and reducing the number of signatures required from customs and port authorities for clearing papers; prescheduled berthing system with effect from August, 2007 etc. To speed up handling activities, government could allow loading of containers at factory premise instead of loading goods at the port premise (Rahman et al., 2007). In order to



handle large volume of exported and imported items further expansion of port facilities now are urgently required in near future.

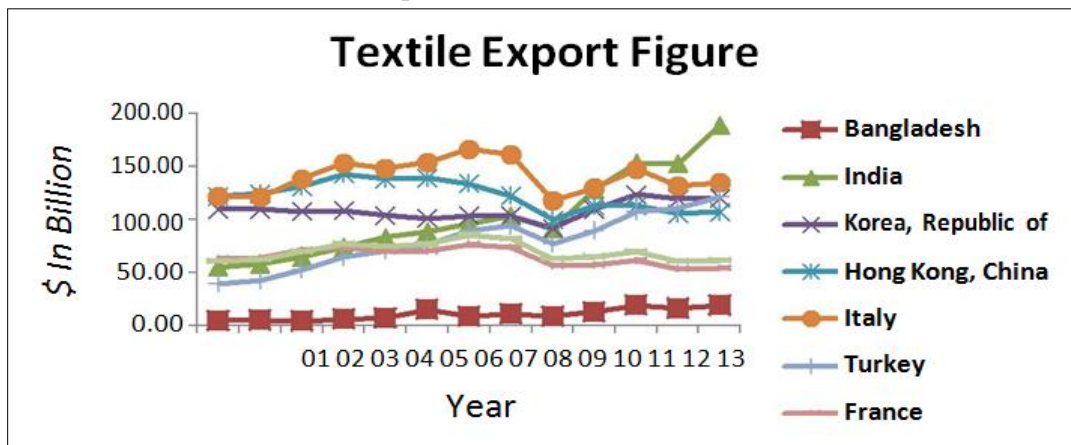
**CONCLUDING REMARKS**

Removal of quota in 2005 has brought economic gain for some developing countries and loss for some economies. Among the South Asian countries, the post MFA performance of India and Pakistan has been reasonably good. Bangladesh has achieved an impressive growth, particularly in low-cost labor-intensive categories of the RMG sector. A combination of global opportunities, managed trade under MFA and GSP facilities, low labor cost, and government support had combined to stimulate

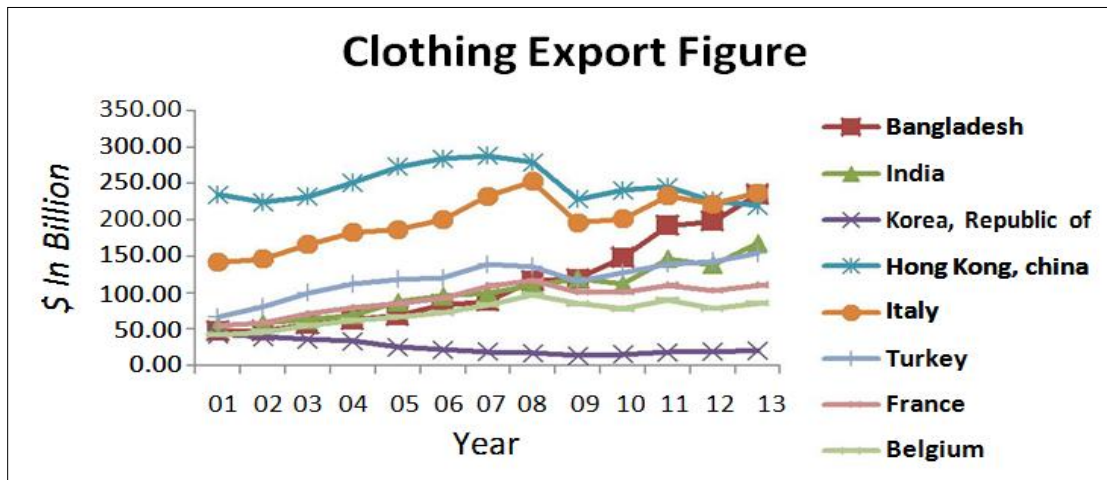
the emergence and thriving of the export oriented apparels sector in Bangladesh (Joarder et al., 2010).

The post-MFA outcome that the apparel industry in Bangladesh sustained its exports growth reflected the conjecture of the present study that the industry anticipated changes in the global market environment. In other words, the apparel firms just not operated in protected environment rather made dynamic progression across products, customers, and regional markets in order to deepen their market position and sustain their profitability. If the government becomes successful to reduce all the obstacles still faced by the apparel sector by implementing necessary policies and steps, only then we can ensure a sustainable growth in apparel industry and as well as the total economy.

**FIGURE 1**  
Export in Textile (in billion US dollar)



**FIGURE 2**  
Export in Clothing (in billion US dollar)



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— This paper does not have any appendix. —