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# **The Abolishment of WTO's Textile Quotas**

**- How is the Textile- and Clothing industry  
in Bangladesh Effected?**

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## ABSTRACT

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On January 1<sup>st</sup> 2005 the long existing World Trade Organisation's textile and clothing quotas were abolished. Experts predicted great losses for several developing nations, and foremost Bangladesh. A million jobs were predicted to be lost within the nation, and market shares were expected to be lost to the great winner of the abolishment, China.

During October and November of 2005 research was conducted to obtain the purpose of the master thesis, in other words to examine the effects of the abolishment on the textile and clothing industry of Bangladesh. A qualitative research study was carried out in Dhaka, Bangladesh, to receive another viewpoint of the situation at hand than what most generally known previous research has given. To experience the predicted problem and the effects of the new situation out on the field gives a more reliable source of empirics. Interviews have been conducted with industry owners/managers, international buyers, a professor and organisations to be able to present an overall and generalized view of the situation. To further be enlightened of the textile and clothing industry at large within the nation, unofficial discussions and exchange of opinions have casually occurred throughout the course of the research. The chosen interview subjects have been carefully selected because they are of highest importance and very influential within the textile and clothing industry of Bangladesh. Among these are Hennes & Mauritz, an international buyer that has worked in Bangladesh during the last twenty years, the Delegation of the European Commission in Bangladesh, working with questions concerning trade between the EU and Bangladesh, and Professor Mustafizur Rahman, both professor at Dhaka University and also Research Director at the Centre for Policy Dialogue, who has great knowledge and influence concerning questions about the abolishment of the textile and clothing quotas in Bangladesh. In addition to the previously mentioned individuals exchange of opinions, discussions and interviews have been held with other individuals such as with Moniruzzaman, Managing Director at Pinnacle Textcott, as well as Mohammad Ali Khokon, Managing Director at Maksons Group, several times elected director of the Federation of Bangladesh Chambers of Commerce and Industry, FBCCI, as well as candidate for the parliament in the following election in 2006. These are some of the persons not presented in the empirics but that have greatly contributed to the researchers overall knowledge.

The predicted scenario of a million lost jobs and a great loss in market shares for Bangladesh has been refuted and the abolishment has in some areas even improved Bangladesh's situation on the newly opened global market. The individuals interviewed have generally supported the abolishment and most of them see the development as an opportunity for the textile and clothing industry of Bangladesh. Naturally they all sense a more or less threatening situation ahead, however the nation cannot fully flourish if it is under constant protection and therefore they feel that the abolishment was a positive development. Bangladesh is very dependent upon the nation's textile and clothing industry since it is the largest one in the country, therefore overall heavy actions are taken to benefit from the new situation.

There are different outlooks about the future, in particular after the total abolishment of all quotas in 2008. Nevertheless most interviewed individuals predict a bright and promising future for the textile and clothing industry of Bangladesh.

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# 1. INTRODUCTION

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## 1.1 Background

The trade of textile and ready-made clothing make up almost six per cent of the world's total export. For many underdeveloped countries, the textile and clothing industry has been a springboard into industrialization. The industry is labor intense, does not demand a lot of investments in high technology and offers many jobs for uneducated people.<sup>1</sup> Many underdeveloped countries are very dependent on textile and ready-made clothing export, especially some of the poorest countries in the world, and some countries in the Mediterranean Sea region. The following countries have the largest part of their total industry export in textile and ready-made clothing: Bangladesh 95 per cent, Laos 93 per cent and Cambodia 83 per cent. For China, the figure is as low as twelve per cent.<sup>2</sup>

Between 1974 and 1994 textile and clothing quotas were negotiated and controlled by the rules and regulations in the Multifibre Arrangement, otherwise known as the MFA. The MFA brought selective quantitative restrictions while increasing the levels of import in respect to certain products that caused, or threatened to cause, serious damage on the industry in the import country.<sup>3</sup> The system was originally created to protect the textile production in the developed countries, but the goal has also been to support the undeveloped countries by giving their products a favored position in the markets of the developed countries.<sup>4</sup> The MFA deviated greatly from the founding General Agreement of Tariffs and Trade rules, GATT, and more importantly from the principles of non-discrimination. During the Uruguay Round negotiations in the 1990s, it was decided that the MFA should resolve gradually. On January 1<sup>st</sup> 1995, the World Trade Organization's, WTO, Agreement on Textiles and Clothing, the ATC, replaced the MFA. This meant a transition process for a total abolishment of the quota system.<sup>5</sup>

On January 1<sup>st</sup> 2005, the ATC was disbanded, giving all members of the WTO unlimited access to the European, American and Canadian markets.<sup>6</sup> However, this development has some negative repercussions. While large countries such as China and India can take advantage of the abolishment of the quotas and increase their production and trade, smaller producers, which are often the poorest countries, are threatened to be eliminated from the market. Bangladesh and other small countries would never have had an opportunity to export textile merchandise had it not been for the quotas. At the beginning the limitations included Taiwan, Korea and Hong Kong, resulting in production being partially moved away from those nations. When the quotas reached more countries, production was moved even further, until it reached countries with lower wages and poor infrastructure. By the abolishment of the textile quotas there is now a risk that production easily can be taken back by China, which has an established

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<sup>1</sup><http://195.255.83.67/cgi-bin/mediaweb?Newsp=hbl&Date=041025&Model=juttu.html&depa=ekonomi&story=07302826.txt> 2005-08-30

<sup>2</sup><http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/03/1463&format=HTML&aged=0&language=sw&guiLanguage=en> 2005-08-30

<sup>3</sup>[http://www.wto.org/english/tratop\\_e/texti\\_e/textintro\\_e.htm](http://www.wto.org/english/tratop_e/texti_e/textintro_e.htm) 2005-09-08

<sup>4</sup>[http://global.finland.fi/txt/uutiset/teksti\\_popup\\_txt.php?id=2854](http://global.finland.fi/txt/uutiset/teksti_popup_txt.php?id=2854) 2005-09-08

<sup>5</sup>[http://www.wto.org/english/tratop\\_e/texti\\_e/textintro\\_e.htm](http://www.wto.org/english/tratop_e/texti_e/textintro_e.htm) 2005-09-08

<sup>6</sup><http://trade-info.cec.eu.int/textiles/index.cfm> 2005-09-08

infrastructure and can easily lure foreign investments.<sup>7</sup> China is predicted to be the great winner of the abolishment of the textile quotas. China was held back greatly due to the quota system, unable to use their comparative advantages of large working power, infrastructure and institutions. On the other hand, the small countries have been protected by the quota system, and therefore it has also contributed to keeping the prices high.<sup>8</sup>

With the abolishment of the quota system, many are afraid that millions of jobs within the textile industry will be lost to China where the wages are even lower than India, Cambodia, Guatemala and Bangladesh. According to the World Bank, China will contribute to half of the world's clothing export by the year 2010, almost double of what China contributes today. The competition from China has already put pressure on many underdeveloped countries. The Philippines has decided that the statutory minimum wage is no longer valid for the clothing industry. In Bangladesh, the government increased the number of allowed overtime hours and decreased the restrictions regarding nighttime work for women. Stated in a report to the Bangladeshi government, the "worker protection" in the country is what makes Bangladesh less competitive against China, even though Bangladesh has among the worst worker protection in the world.<sup>9</sup>

The favored position from the countries in the European Union and the United States has been very important for clothing producers in Bangladesh. The textile industry employs 1.8 million Bangladeshi, roughly one-half of the country's industrial workforce. According to experts, one million Bangladeshi workers are now threatened by unemployment once free trade with textiles begins.<sup>10</sup>

## 1.2 Problem

The problem is viewed upon in two levels:

1. The first level provides a general insight of globalization and free trade. Further the development of world trade will be examined, followed by an investigation of GATT, WTO and various textile agreements that have effected the world market.
2. The second level is where the thesis focus lies. At this level it will be examined what the abolishment of WTO's textile quotas mean for the textile industries in Bangladesh?
  - What are the problems for the companies in Bangladesh after the abolishment of the textile quotas?
  - What must the individual companies do to improve their situation?
  - What must the government and organizations associated with the textile industry in Bangladesh do to develop the business in the country?
  - Is the abolishment of the textile quotas generally supported in Bangladesh?

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<sup>7</sup> [http://www.wto.org/english/tratop\\_e/texti\\_e/textintro\\_e.htm](http://www.wto.org/english/tratop_e/texti_e/textintro_e.htm) 2005-09-08

<sup>8</sup> Ibid.

<sup>9</sup> <http://www.lo.se/home/lo/home.nsf/unidView/3F16BA4FA70AF59FC1256F8F004F6B30> 2005-08-30

<sup>10</sup> [http://global.finland.fi/txt/uutiset/teksti\\_popup\\_txt.php?id=2854](http://global.finland.fi/txt/uutiset/teksti_popup_txt.php?id=2854) 2005-09-08

### **1.3 Purpose**

The purpose of this Master Thesis is to discover which effects the abolishment of WTO's textile quota system has had for the textile- and clothing industry in Bangladesh.

### **1.4 Delimitation**

The delimitation of this thesis is to the textile industry in the country of Bangladesh. The reason for this delimitation is that Bangladesh is extensively mentioned in the debate as one of the nations believed to be the biggest loser after the abolishment of the WTO textile quotas on January 1<sup>st</sup> 2005.

## 2. INTRODUCTION TO BANGLADESH

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Bangladesh is the world's most populated country with its 140 million residents on its 144 000 square miles. The nation is about one third of the size of Sweden, approximately the size of Skåne. Bangladesh is also one of the poorest and most underdeveloped countries in the world. About 51 million people are believed to live under, that of the United Nation defined, poverty limit. Bangladesh is included in the group of nations that the UN statistics call Least Developed Countries, LDCs. The population yearly increases with 2.5 million and this fast increase is Bangladesh's largest problem. To relieve the problem of overpopulation, every Bangladeshi woman should give birth to only 2.3 children from the current five.<sup>11</sup>

Dhaka is the capital of Bangladesh and is one of the fastest growing cities in the world. Other major cities in Bangladesh are Chittagong, Khulna, Rajshahi and Rangpur located around the country.<sup>12</sup>

### 2.1 The economic situation

Bangladesh is extremely dependent on foreign aid and the economic growth is barely improving, however there is light in the tunnel, the population increase has now been slightly reduced and GNP growth has increased. However Bangladesh is one of the most in debt countries and one of the countries in the most need of outside aid.<sup>13</sup>

The country's export industry only includes a few products, all which are sensitive to recession. 90 per cent of the country's export incomes are from raw jute, jute products, textile and clothing merchandise and frozen fish. The industrial upswing is mainly thanks to the ready-made apparel business, where there is plenty of labour, which has given Bangladesh an advantage.<sup>14</sup>

For several years Bangladesh has been exporting great amounts of textiles and clothing to a number of countries, among others Sweden. The products that are exported are cheap since the workers rarely make more than 10-15 SEK a day, sometimes even less.<sup>15</sup> However, the infrastructure is in great need for large improvements, the transportation network needs to be expanded and the most important harbours in Chittagong and Khulna need to be more effective.<sup>16</sup> Bangladesh is behind China, India and Pakistan when it comes to technology, wider production base, indigenous raw material supplies, skilled labour force, modern marketing strategies, minimum lead-time and above all political stability. Cancellations with Bangladesh's foreign buyers often occur because of the political problems along with the lengthy lead-times.<sup>17</sup> One of Bangladesh's weaknesses is the low power sources. As a comparison, the

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<sup>11</sup> Bangladesh tourist handbook, 2003

<sup>12</sup> Dhaka tourist map

<sup>13</sup> Carlson, 2001

<sup>14</sup> Bangladesh tourist handbook, 2003

<sup>15</sup> Carlson, 2001

<sup>16</sup> [http://www.swedishtrade.se/i\\_utlandet/landrappporter/banglad.htm](http://www.swedishtrade.se/i_utlandet/landrappporter/banglad.htm) 2005-09-19

<sup>17</sup> [http://www.bangladeshgarments.info/bgmea/home/newsletter/news\\_letter\\_details.cfm](http://www.bangladeshgarments.info/bgmea/home/newsletter/news_letter_details.cfm) 2005-09-08

power consumption per capita in Bangladesh is 96 KWh compared to Sweden that has 14471 KWh.<sup>18</sup> Other weaknesses are for example high dependency on buyers agents, limited management skills and severely restricted foreign direct investments.<sup>19</sup>

Bangladesh does not have a lot of indigenous export products. Sectors such as readymade garments, hosiery, petroleum by production and chemical products are import based export industries. These are the sectors, which earn most of the foreign exchange for the country in the export trade. However, Bangladesh exports jute, tea, shrimp, leather and handcraft, which are not import based.

Bangladesh is a poor country. On the other hand it is endowed with two very important resources, its fertile soil and its human resources. Bangladesh vast population is exerting pressure to the scarce land and capital. Nevertheless, if the population is utilized properly in the productive sector with a tilt toward the export production, Bangladesh should be able to earn a lot more foreign exchange, which would give boost to the economy.<sup>20</sup>

In 2005 Bangladesh was placed in first position when it comes to the most corrupt nations in the world, consequently the respect for law and order must greatly increase at the same time as the corruption has to decrease. In 2004 the government created a law that established an independent anti corruption commission to deal with this problem.<sup>21</sup>

## 2.2 Urbanization

There is a large urbanization going on in Bangladesh because of the lack of land to grow on. The country's politicians are well aware of the huge problem the major urbanization is causing. There is not enough land for all the people to support themselves, which leads to families having to move into the crowded cities and end up in the slum areas without any real jobs. The politicians are trying to speed up industrialization and are therefore trying to persuade foreign investors to invest in Bangladesh. They are trying to entice the investors with low wages, then again other low wage countries in South Asia compete about the same investors, but some of these countries can offer better infrastructure than Bangladesh. Bangladesh road, railroads and harbors are greatly under dimensioned and in this area Bangladesh is much worse of than many of its neighbors.<sup>22</sup>

## 2.3 Readymade Garments industry of Bangladesh

The readymade garments industry of Bangladesh started blooming in the middle of the 80s. During the first half of the 90s the industry marched onwards from its stage of adolescence into matured adulthood. In this period the industry established itself as a major exporter of readymade garments to the US, Canada and the Western European countries.<sup>23</sup> Today Bangladesh is the sixth largest apparel exporter to the US and the EU nations. Bangladesh

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<sup>18</sup> [http://www.swedishtrade.se/i\\_utlandet/landrappporter/banglad.htm](http://www.swedishtrade.se/i_utlandet/landrappporter/banglad.htm) 2005-09-19

<sup>19</sup> [http://www.bangladeshgarments.info/bgmea/home/newsletter/news\\_letter\\_details.cfm](http://www.bangladeshgarments.info/bgmea/home/newsletter/news_letter_details.cfm) 2005-09-08

<sup>20</sup> Islam Hitler, 2004

<sup>21</sup> [http://www.swedishtrade.se/i\\_utlandet/landrappporter/banglad.htm](http://www.swedishtrade.se/i_utlandet/landrappporter/banglad.htm) 2005-09-19

<sup>22</sup> Johannesson, 1994

<sup>23</sup> Islam Hitler, 2004

exports apparel products worth nearly five billion US dollar to countries around the world yearly.<sup>24</sup> EU has given Bangladesh GSP, Generalized System of Preferences, since the introduction in 1971. The GSP stand for reduced duty or duty free access depends on the sensitivity of the product or system applicable for the beneficiary country. Bangladesh and other LDC nations receive duty free entry in the EU.<sup>25</sup>

The textile and clothing industry came into existence on the basis of marketing opportunities provided by the importers of the US and their local agents in Hong Kong, Taiwan and Singapore. The US is a vast and competitive market for readymade garments and importers there are always exploring for cheap and dependable sources of supply. Moreover, quota restrictions in their traditional source countries also encouraged them to develop new territories as alternative sources. Bangladesh had some of the right components for developing into a good export country since they have cheap labor, reasonably good infrastructure for movement of cargo and above all a non-quota environment. Thanks to the above-mentioned qualities, large foreign investments were made in Bangladesh and this demanded that the industry expanded rapidly. The investors provided the technical assistance in quality control and production management.<sup>26</sup> Some even provided the machinery needed to execute their specific orders. Bangladesh government has also had a large part in the success by giving the textile industry their support by implementing several policies and reforms to aid the sector.<sup>27</sup>

Major products of Bangladesh readymade garments industry are woven-shirts, trousers, jackets, t-shirts, shorts and briefs. Major buyers of Bangladesh garments are the US, Canada and European countries. In 1995 Bangladesh was the seventh largest exporter of garments to the USA, ninth largest to Canada and largest supplier of shirts and t-shirts to the Western European countries.<sup>28</sup> 2004 Bangladesh was among the top 5 exporters in the world of trousers, shirts, t-shirts and sweaters. In the EU Bangladesh was in fourth position after China, Turkey and Romania when it comes to exporting shirts and sweaters.<sup>29</sup>

The readymade garments industry of Bangladesh have been successful in penetrating into the markets of the US, Canada and the Western European countries, as well as Russia and countries of the former Soviet Union, though it initially started from the western European markets. Bangladesh is also trying to increase their export of readymade garments to the Japanese, Australian and the Middle East markets. Product categories have expanded from 4-5 in 1982-83 to over sixty as of in 1995. Use of local fabrics and accessories are constantly increasing in the manufacturer of readymade garments.<sup>30</sup>

The United States has imposed quotas on Bangladesh, while products from Sub-Sahara and Caribbean countries received a duty-free entry for their products in the American market. Subsequently many American importers bought their products from Africa, however the buyers are now returning to Bangladesh. The nation's fate will be turned with the right planning, imposition and implementation of laws and honest and courageous sponsorship.<sup>31</sup>

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<sup>24</sup> <http://www.bgmea.com/ban.htm> 2005-09-08

<sup>25</sup> Paper from Mr. Razi

<sup>26</sup> Islam Hitler, 2004

<sup>27</sup> <http://www.bgmea.com/ban.htm> 2005-09-08

<sup>28</sup> Islam Hitler, 2004

<sup>29</sup> Interview with Mr. Razi of the Delegation of the European Commission in Bangladesh, 2005-11-09

<sup>30</sup> Islam Hitler, 2004

<sup>31</sup> Annual report 2004, BTMA

## 2.4 The structure of the textile industry

The textile industry is divided into two parts, garments and yarn. The Bangladesh Garment Manufacturers and Exporters Association, BGMEA, and the Bangladesh Knitwear Manufacturers and Exporters Association, BKMEA, monitor the garment sector. Bangladesh Textile Mills Association, BTMA, is the monitor of the yarn sector. Further the garment sector is divided into four parts, knit, woven, sweaters and hometex products. The subdivision for yarn is weaving followed by dyeing and finishing. The following figure will illustrate the relationship further.

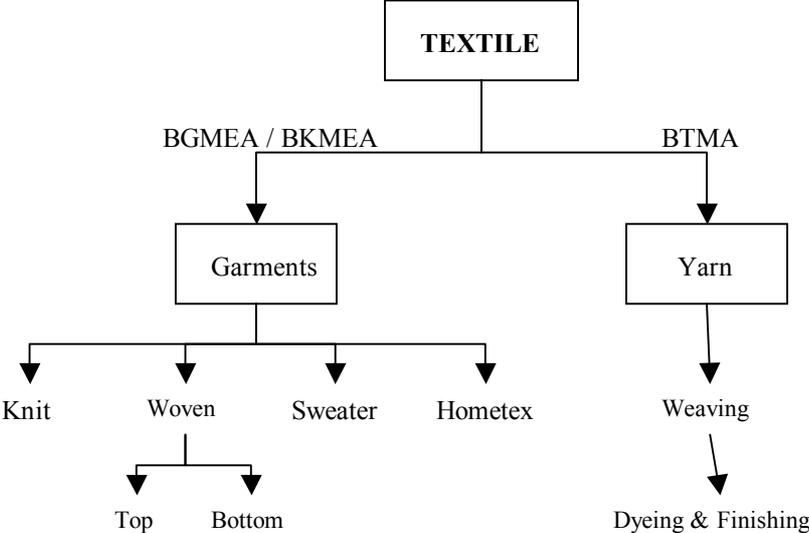


Figure 1. The structure of the textile industry in Bangladesh, drawn by Mr. Aminul Haque.

## 3. METHOD

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### 3.1 A case study with both qualitative and quantitative elements

A case study of the textile and clothing industry of Bangladesh after the abolishment of WTO's textile and clothing quotas of January 1<sup>st</sup> 2005 has been conducted. The case study has mainly a qualitative approach, nonetheless quantitative elements are also included. The qualitative research aims to create understanding by analyzing the subject studied as a whole. The method is used to give a general impression of the reality. What distinguishes the qualitative method is that it is flexible and is pursued at the depth.<sup>32</sup> This is the most suitable method for the purpose of this thesis, since the aim is to give an overall perspective of the effects on the textile and clothing industry in Bangladesh after the abolishment of WTO's textile quotas. To accomplish this overall perspective of the problem the research has been conducted on a few chosen units at several different levels. These levels are industry owners/managers, foreign buyers, a university professor in Business and Economics, along with organizations associated with the textile industry. Further the textile and clothing industry at large in Bangladesh has been unofficially discussed with various persons that have been met at different occasions during the course of the research. This to discover the common thoughts and opinions, which will result in increased knowledge and the ability to conduct an optimal research study. To receive the most preeminent insight of the problem at hand the interviews has mainly been conducted face to face in Bangladesh, during a period of two month in October and November 2005.

The quantitative research, on the other hand, aims to explain the subject studied with a cause, through mathematics and statistics. If a quantitative method of research is used, it strives for a great number of units of research, and the study is pursued at the width and does not give any information about each separate unit.<sup>33</sup> This thesis does not include enough research units to completely be called a quantitative research in its full sense. Nonetheless the quantitative approach is used in the shape of statistics concerning export numbers to strengthen the reasoning about the effects on the textile and clothing industry of Bangladesh after the removal of the quotas. Focus could have been laid upon a quantitative research, however then the deep and specific knowledge would have been lost in the process. Since the newly arisen situation in Bangladesh the quantitative research would not have reflected the problem thoroughly enough.

### 3.2 Selection

The companies and organizations selected are chosen based upon the fact that they will show a general overview on the situation in the textile and clothing industry in Bangladesh. The chosen interview subjects have been carefully selected because they are of highest importance and very influential within the textile and clothing industry of Bangladesh.

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<sup>32</sup> Merriam, 1994

<sup>33</sup> Ibid.

Focus could have been laid upon one single sector or area of the textile and clothing industry of Bangladesh. However, the valuable overall general view of the problem at hand would have been lost, since the different sectors enlighten different aspects of the situation.

### **3.3 Primary- and secondary data**

First-class scientific research is in practice a matter of "the right thing at the right place". The certain methods for this kind of research are chosen because they are suitable for specific aspects of research and specific types of problems. The choice is based on that they are suited for the purpose. The decision for well-conducted research is that the choices made are reasonable, and that they are clearly expressed in the report.<sup>34</sup>

Collection of primary data is raw data that has been collected specifically for the research.<sup>35</sup> The primary data in this thesis are the interviews, which in some cases, when necessary because of language barriers, have been conducted with the help of an interpreter. An alternative way to collect primary data would have been to use a questionnaire. A questionnaire on the other hand loses the important deepened knowledge that one receives in the usage of interviews where the person answering can develop their answers further.

To be able to find out the latest research within the subject, the most common source for knowledge is literature, reports and scientifically published articles in periodicals that contain existing statistics or prior investigations.<sup>36</sup> Thus, secondary data is data that is previously collected in some other context. In this thesis the secondary data includes the written information we have sought and found, and among them are literatures, research publications and articles from newspapers. Further, information gathered from the Internet has also been used, however one must be careful when using this kind of information since one is not in control of the source of the data. Internet sites can easily be deceiving and therefore one should thoroughly examine the source of the site.

### **3.4 Triangulation**

The concept of triangulation assumes three different perspectives to comprehend the factors in the surrounding world that benefit or obstruct a phenomenon. To comprehend the interaction between both the local, regional as well as the national actors roles and parts one should look at the phenomenon out of a triangulation aspect. Actors with an essential role in the process represent business world, the public sector and the knowledge environment. Triangulation is a systematic way to look upon how society, companies and users can collaborate to achieve changes.<sup>37</sup>

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<sup>34</sup> Denscombe, 2000

<sup>35</sup> Andersen, 1998

<sup>36</sup> Ibid.

<sup>37</sup> <http://www.20-grader.se/index.asp?id=896> 2005-12-06

From the triangulation aspect the following research look upon all concerned parties in the textile and clothing industry of Bangladesh, were the companies, international buyers and also partly the organizations represent the business world. However, the organizations also represent the public sector since they work both to ensure the future of the companies as well as the nations good. The knowledge environment is represented by the professor and these complete the triangulation aspect. When viewing the problem from a triangulation aspect the effects on the textile and clothing industry of Bangladesh after the abolishment of WTO's quotas, can provide a more generalized and overall view of the situation.

### 3.5 Grounded theory

According to the founders of the grounded theory, Glaser and Strauss, research within social science should be devoted to theory development instead of theory testing. Glaser and Strauss look upon the grounded theory and its comparative analysis as a general method that is equivalent to experimental and statistic methods.<sup>38</sup>

The foundation of the grounded theory is that the empiric observations should serve as the starting point for the theories.<sup>39</sup> One wants to create new theories by observation of the reality one examines and accordingly, in the grounded theory one skips the hypothesis testing and goes straight to reality to examine what theories the reality generates.<sup>40</sup> According to Glaser and Strauss theories like these become more meaningful and interesting than theories that are founded on a priori assumptions.<sup>41</sup>

Concepts, categories and characteristics develop from the empiric observations, which results in a theory. The found data is used to illustrate the different concepts, categories and characteristics. Patterns are sought in the studied phenomenon with an origin from the concepts and their characteristics with a purpose to develop an even more homogenous opinion and theories of the phenomenon. The theory is the result of a never-ending process, i.e. something that is constantly developing. The theory is constructed by different categories and their characteristics, and by hypothesizes or generalized relationships between the categories and characteristics. When the researcher alternately works with formulation of the problem, collection of data and theory development the theory is taking shape.<sup>42</sup> Grounded theory is part of the qualitative research methods, but it is also closely related to the quantitative research methods.<sup>43</sup>

Empirics have been collected by continuous interviews. After each conducted interview categorizations of the answers has been set up to find the common similarities in the answers and opinions from the interviewed parties. By doing so one can interpret the received answers and gather a full understanding to be able to generalize the answers, this to receive a full picture of the problem at hand.

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<sup>38</sup> Lundahl & Skärvad, 1999

<sup>39</sup> Ibid.

<sup>40</sup> <http://www.infovoice.se/fou/bok/kvalmet/10000011.htm> 2005-12-06

<sup>41</sup> Lundahl & Skärvad, 1999

<sup>42</sup> Ibid.

<sup>43</sup> <http://www.infovoice.se/fou/bok/kvalmet/10000011.htm> 2005-12-06

### **3.6 Choice of method**

During an interview one is able to collect information from the respondent about the research area. Interviews, as a tool to collect information, can be used to complement data from other methods by conveying details and depth. Interviews can also be combined with information that has been received by other methods to confirm facts.<sup>44</sup> To increase the thesis validity it is proficient to use several kinds of data sources. Therefore export statistics has also been used to strengthen the main empirics received in the interviews and complement the other found information. By using all these different elements a more reliable result will be achieved.

The research was conducted via interviews face-to-face during a period of two months in Bangladesh. By face-to-face interviews attendant questions to a prepared question sheet was performed to get a full view of the situation. This provided the opportunity to get a closer insight into the business, and therefore a better understanding of the reality. With solemnly phone and e-mail interviews, one will loose the valuable personal contact which one receives when interviewing face-to-face. The personal contact opens up a more free dialogue and creates a more secure situation for the person interviewed, which lures out more thorough and essential information than other kinds of methods would give. With face-to-face interviews one can also be certain that the correct person is answering the questions. The interviews with individuals outside of Bangladesh have been conducted by e-mail because of the geographical distance.

#### **3.6.1 Semi structured interviews**

The research was performed by the use of face-to-face, in advanced prepared, interviews where specific questions were asked. The order of the questions asked varied depending on the situation, and possible additional questions that arose during the interview was also raised. The people interviewed were able to answer the questions freely and could widen their answers and standpoints. This type of interview is called a semi-structured interview. Semi structured interviews will provide a complete picture and full answers to all of the questions asked.<sup>45</sup>

With the usage of unstructured interviews time would be wasted and important questions would be lost in the process since the questions would be made up as the interview proceeds. Valuable information would also be lost if the interviewed person is not allowed to freely answer the questions, and if the questions are not adapted to the situation, which would be the case when fully structured interviews are used.

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<sup>44</sup> Andersen, 1994

<sup>45</sup> Denscombe 2000

### **3.6.2 Interview methods**

The same questions were raised to each member of the interview groups; the owners/managers of industries, buyers outside of Bangladesh, buyers located in Bangladesh, the professor and organizations associated with the textile industry in Bangladesh. Personal contacts were taken with several individuals that were believed to be relevant for the study.

Relevant questions for the subject were considered when formulating the interview inquiry. To finally constitute the interview the questions were compiled and edited, several of them are provided with attendant questions dependent on the response of the leading question. In doing so the hopes were to receive as great amount of information as possible during the interview.

Two different methods were used to ensure that none of the information from the interviews was lost; notes were kept and when the person interviewed agreed, a recorder was also used. The notes minimize the risk of forgetfulness that can arise when notes are written after the interview. For a more complete documentation, a sound recorder was used to ensure that all valuable information was available for further analysis. Following each interview the hand made notes and the sound recordings was placed in a computer document to ensure that little information was lost because of forgetfulness.

## 4. THEORY

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### 4.1 Globalisation and free trade

Free trade means the right to trade freely in other countries, i.e. to buy and sell in the same way nationally as well as internationally. In other words, free trade means that trade barriers are abolished, barriers such as quotas and tariffs. Quotas indicate that countries can only sell a certain amount of specific products, and tariffs imply that certain fees are placed upon a product when crossing a border.<sup>46</sup>

#### 4.1.1 Arguments for free trade

The advocates of free trade generally have two types of arguments defending their point of view, direct economic profits from trade and social profits as a consequence from trade. Free trade will increase prosperity as a result of a persons, companies or regions ability to focus their production to what they are relatively better on. Then trade products with another person, company or region that can produce that specific product better. In this way all resources, capital, knowledge and domains are used more effectively than if only producing for own consumption. Free trade also contributes to sharpen the competition and increase the choices for the consumers; this places pressure on the price, increases the choices and promotes improvement on product and service qualities. Finally, free trade also results in spreading technologies and businesses globally.<sup>47</sup>

There are also indirect advantages with free trade. Perhaps the most important one is that it promotes peace, since it is well supported that countries with close trade relations are unwilling to go to war with one another. Trade is also favouring democracy in different ways; for example, by increased living standards in a country more groups in society are able to give rise to political demands. Further trade contributes to spreading knowledge about democratic norms and political conditions in other nations. Moreover, corruption will decrease since free trade allows trade to take place on equal basis.<sup>48</sup>

#### 4.1.2 Arguments against free trade

The opponents to free trade can be divided into two groups, the protectionists and those who consider free trade unfair. The protectionists oppose free trade since they consider that trade barriers protect the local market. Free trade threatens the employment in the home country given that the developed countries are not able to compete with the low wages in the undeveloped countries. The protectionists also want to guard the distinctive cultural characters of the local market; therefore international brands should be minimized.<sup>49</sup> Those who believe that trade is not fare, i.e. that rich countries and big companies are in a superior position in relation to undeveloped countries, represent the second group. The superior position is

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<sup>46</sup> <http://www.frihandel.nu/faq.asp#1> 2005-09-24

<sup>47</sup> <http://www.svensktnaringsliv.se/index.asp?pn=55790> 2005-09-24

<sup>48</sup> Ibid.

<sup>49</sup> Ibid.

expressed through poor nations being exploited, their democracy being undermined and their environment ruined.<sup>50</sup>

## 4.2 Historical overview on the world trade

The world trade developed rapidly during the second half of the 19th century. This as a result of improved transportation and communication, at the same time as an international currency system developed. Many customs and other trade barriers were dismantled by different bilateral trade agreements. In the 1860s a more general trade liberalisation was introduced when a bilateral agreement was signed between Great Britain and France. This agreement was the foundation for many agreements to come.

In the beginning of the 20th century a network of trade agreements arose where Great Britain, Germany and France were the main players. Several undeveloped countries were not included in this network. This network worked in practice as a small multilateral trade system where all participants traded on the same terms. Included in the agreements was a clause guaranteeing “the most favoured nation principle”, MFN. This meant for example that Great Britain had the same rights as the “most favoured” country among France’s trade partners.

Following the start of World War one the relatively open payment and trade system from the pre-war time collapsed. After the peace in Versailles 1919 restoring the payment and trade system was a prioritised task. However, inflation had railed in many countries during the war years and consequently high tension was developed in the international payment system, which obstructed the trade liberalisation. The tariffs remained on an average higher than in pre-war time and were often changed to correct imbalances in trade. Despite of this the world economy recovered during the second half of the 1920s, but after the crash of the New York stock exchange in October 1929 the economic development declined as a consequence of the poor collaboration climate. Problems escalated even further as a result of the different governments attempts to protect their own economies by increasing the tariffs at a wide range. Import declined, but so did export, since other countries acted in the same sense. World trade had declined with approximately two thirds at the peak of the depression in 1933.

When the worst crisis was over, attempts to lower the tariffs that had increased during the previous years were introduced, now with the United States as the leader. The American way differed greatly from the British, and was founded on strict mutuality. Bilateral agreements could now only be signed if the advantages were equal for both parties. In 1944 an international conference was held in Bretton Woods, USA. The conference’s purpose was to finish the negotiations concerning the proposals on economic cooperation and the institution for collaboration, developed by Great Britain and the United States. The conference resulted in two new institutions: the World Bank and the International Currency Foundation. The World Bank’s mission was to assist on long-term loans for the reconstruction after the war, and also to strengthen the poor nations economic and social development. The International Currency Foundation had the mission to create a stable international payment system to be able to assist the economic exchange in the world.

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<sup>50</sup> <http://www.svensktnaringsliv.se/index.asp?pn=55790> 2005-09-24

The foundation of the post-war international trade system became a temporary agreement between approximately twenty countries. The origin to the agreement was a series of tariff negotiations in Geneva during 1946 and 1947. The negotiations included approximately 45 000 engagements on tariff reductions, and received the name General Agreement on Tariffs and Trade, GATT. The agreement began being used January 1<sup>st</sup> 1948. What was thought of a temporary transition solution instead became the foundation of the post war trade system.<sup>51</sup>

### **4.3 The General Agreement on Tariffs and Trade, GATT, and the World Trade organisation, WTO**

GATT is the origin to the multilateral regulations in the trade area, which is the base for the global free trade. The agreements of the multilateral regulations states that the nations who have signed GATT are forced to follow the regulations.<sup>52</sup> Under GATT there are negotiations concerning agreements in areas such as anti dumping, import licences, estimations for tariffs, technical trade barriers and regulation about origin.<sup>53</sup>

In 1948 when GATT began being used 23 countries participated. Until 1994 the agreement developed and nations included expanded greatly involving a majority of countries in the world. GATT's overall purpose is to contribute to economic growth and increased welfare by facilitate trade. The so-called most favoured nation principle, MFN, and the principle of national treatment are the foundation of GATT. According to the MFN principle all trade benefits that are given to one country automatically should include all the other members as well. The principle of national treatment states that imported and domestic products should be treated equally when it comes to taxation and various regulations.<sup>54</sup>

GATT includes a principle prohibition to limit export or import with quantitative restrictions, quotas. The meaning of the prohibition is that tariffs are the only allowed instrument to limit trade under normal circumstances.<sup>55</sup>

One central element in GATT is its tariff relationships, meaning that the countries have to tie their tariffs at a certain level that are not allowed to be exceeded. Through binding the tariffs a stable and predictable base for trade is created. During the 50 years that the agreement had been in power, the levels of tariffs have decreased significantly, especially in the developed countries. In pace with the importance of tariffs decreasing other trade barriers have had increased importance, which have caused a need for regulations in GATT.<sup>56</sup>

There are a number of clauses in the GATT rules that can be referred to under certain circumstances to protect the local industry against market disrupting competition. These rules allow temporary measures of protection with the purpose to give local industry some breathing space to adjust to a situation with increased international competition. The clauses are often used by the developed countries to protect themselves from low price competition from the developing countries. In recent years the developing countries has learned to use the clauses

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<sup>51</sup> Kommerskollegium, 2004

<sup>52</sup> <http://www.frihandel.nu/ordlista.asp> 2005-09-24

<sup>53</sup> [http://www.kommers.se/page\\_disp.asp?node=53](http://www.kommers.se/page_disp.asp?node=53) 2005-09-18

<sup>54</sup> <http://www.regeringen.se/sb/d/2654/a/14545> 2005-09-18

<sup>55</sup> Kommerskollegium, 2004

<sup>56</sup> <http://www.regeringen.se/sb/d/2654/a/14545> 2005-09-18

toward each other and the developed countries. Proceedings against market disrupting import may be the most abused exception clause in GATT, and is a growing problem for the world trade and especially the developing nations.<sup>57</sup>

The so-called Uruguay Round, which was the eight and last negotiation within GATT, was finished in 1994. The negotiation resulted in the establishment of the World Trade Organisation, WTO. Their mission is to administer the agreements and to be a forum for negotiations. WTO came into force January 1<sup>st</sup> 1995, and was located in Geneva. WTO currently have 147 members, and the number increases yearly. In November 2001 China became a member of WTO.<sup>58</sup>

GATT's founding regulation included foremost tariffs for industry products and other traditional trade barriers. Today the agreement also includes other types of trade barriers. The main agreements in WTO constitute the agreement for trade of goods, former GATT, and the General Agreement on Trade in Services, GATS. The Trade-related aspects of intellectual property rights, TRIPS, are the agreement on specific immaterial problems such as patent, which also is a part of the WTO agreements. WTO also has certain rules concerning how trade disputes should be solved.<sup>59</sup>

#### **4.3.1 The Multifibre Arrangement, MFA, 1974 - 1994**

From 1974 till the end of the Uruguay Round in 1994, textile and clothing quotas were negotiated bilaterally and governed by the rules of the Multifibre Arrangement, MFA. According to MFA some nations was given selective quantitative restrictions when increased import of particular products caused, or threatened to cause, serious damage to the industry of the importing country.<sup>60</sup> MFA conflicted with GATT's general preference for customs tariffs by imposing measures that restricted quantities. MFA also included exceptions to the GATT principle of treating all trading partners equally, since import restrictions were placed only on specific threatening countries.<sup>61</sup> On January 1<sup>st</sup> 1995, MFA was replaced by the WTO Agreement on Textiles and Clothing, ATC, which set of a transitional process for the ultimate removal of the quotas.<sup>62</sup>

#### **4.3.2 The Agreement on Textile and Clothing, ATC, 1995 - 2004**

The ATC was a transitional instrument, built on several key elements. The first one was the product coverage including yarns, fabrics, made-up textile products and clothing, followed by a program for the integration of these textile and clothing products into GATT 1994 rules. Further a liberalization process to enlarge the existing quotas, until they are removed, would take place by accelerating the annual growth rate of the quotas. It would still be possible to use special safeguard mechanisms to deal with new threats to the local market during the transition period. To ensure that the rules were followed during the implementation of ATC the Textiles Monitoring Body, TMB, was established.

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<sup>57</sup> Kommerskollegium, 2004

<sup>58</sup> <http://www.regeringen.se/sb/d/2654/a/14545> 2005-09-18

<sup>59</sup> Ibid.

<sup>60</sup> [http://www.wto.org/english/tratop\\_e/texti\\_e/texintro\\_e.htm#MFA](http://www.wto.org/english/tratop_e/texti_e/texintro_e.htm#MFA) 2005-09-30

<sup>61</sup> [http://www.wto.org/english/thewto\\_e/whatis\\_e/tif\\_e/agrm5\\_e.htm](http://www.wto.org/english/thewto_e/whatis_e/tif_e/agrm5_e.htm) 2005-09-30

<sup>62</sup> [http://www.wto.org/english/tratop\\_e/texti\\_e/texintro\\_e.htm#MFA](http://www.wto.org/english/tratop_e/texti_e/texintro_e.htm#MFA) 2005-09-30

All requirements related to the decisions in the Uruguay Round concerning textiles and clothing require each members to abide by the rules. The members are obligated to do what is necessary to achieve improved market access, ensure the application of fair and equitable trading conditions and to avoid discrimination against textiles and clothing imports. The Dispute Settlement Body and the Council for Trade in Goods are authorized to adjust the quota growth for an export country that is not complying with its obligations. To supervise the implementation of the ATC the Textiles Monitoring Body has been established.<sup>63</sup>

By January 1<sup>st</sup> 2005, the agreements on textile and clothing are to be fully integrated into the normal GATT rules. The quotas will come to an end, and importing countries will no longer be able to discriminate between exporters. The ATC will no longer exist, and it is the only WTO agreement that has a self-destruction mechanism built in.<sup>64</sup>

### **4.3.3 A gradual integration of textile and clothing products into the GATT rules**

Over a ten-year period the rules concerning the textile and clothing products will gradually once again be integrated into the GATT rules. The integration will take place in four steps to allow time for both importers and exporters to adjust to the new situation. Some of the textile and clothing products were previously under quotas, and the quotas placed before December 31<sup>st</sup> 1994 was carried over into the new agreement. Products placed with quotas will be integrated into GATT by the abolishment of the quotas.<sup>65</sup>

The integration into the GATT rules will be accomplished by an annual reduction of the quotas on the textile and clothing products in each of the four steps. The reduction rate of the quotas is set out in a formula, based on figures existing under the old Multifibre Arrangement, see Table 1.<sup>66</sup>

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<sup>63</sup> [http://www.wto.org/english/tratop\\_e/texti\\_e/texintro\\_e.htm#MFA](http://www.wto.org/english/tratop_e/texti_e/texintro_e.htm#MFA) 2005-09-30

<sup>64</sup> [http://www.wto.org/english/thewto\\_e/whatis\\_e/tif\\_e/agrm5\\_e.htm](http://www.wto.org/english/thewto_e/whatis_e/tif_e/agrm5_e.htm) 2005-09-30

<sup>65</sup> Ibid.

<sup>66</sup> Ibid.

<b>Four steps over 10 years</b>		
The schedule for freeing textiles and garments products from import quotas (and returning them to GATT rules), and how fast remaining quotas should expand. The example is based on the commonly used 6% annual expansion rate of the old Multifibre Arrangement. In practice, the rates used under the MFA varied from product to product.		
<b>Step</b>	<b>Percentage of products to be brought under GATT (including removal of any quotas)</b>	<b>Percentage of products to be brought under GATT (including removal of any quotas)</b>
<b>Step 1:</b> 1 Jan 1995 (to 31 Dec 1997)	<b>16%</b> (minimum, taking 1990 imports as base)	<b>6.96%</b> per year
<b>Step 2:</b> 1 Jan 1998 (to 31 Dec 2001)	<b>17%</b>	<b>8.7%</b> per year
<b>Step 3:</b> 1 Jan 2002 (to 31 Dec 2004)	<b>18%</b>	<b>11.05%</b> per year
<b>Step 4:</b> 1 Jan 2005  >Full integration into GATT (and final elimination of quotas). >Agreement on Textiles and Clothing terminates.	<b>49%</b> (maximum)	<b>No quotas left</b>
The actual formula for import growth under quotas is: by 0.1 x pre-1995 growth rate in the first step; 0.25 x Step 1 growth rate in the second step; and 0.27 x Step 2 growth rate in the third step.		

Table 1.<sup>67</sup>

The ATC agreement allows additional restrictions to be imposed temporarily under strict conditions, if situations that can damage the importing country's industry arise during the transition. These "transitional safeguards" are not the same as the safeguard measures normally allowed under GATT, because the transitional safeguards can be applied on imports from specific exporting countries. The threatened country has to show that the damage is the result of two things: the increased imports of the product in question, and a sharp and substantial increase from the specific exporting country. The safeguard restriction can be implemented either by mutual agreements or unilaterally.<sup>68</sup>

#### 4.3.4 Consequences of the quotas

Textile quotas were adopted by developing countries partly after pressure from the developed countries. The developing countries then had a weaker position than they have today. Had they refused the adoption of the quotas the developed countries would most likely have adopted protection measures instead.

Low quotas were assigned to India and China, most likely because they otherwise would threaten the industries in the developed countries with their massive resources. Underdeveloped countries were given relatively large quotas that they often were not able to

<sup>67</sup> [http://www.wto.org/english/thewto\\_e/whatis\\_e/tif\\_e/agrm5\\_e.htm](http://www.wto.org/english/thewto_e/whatis_e/tif_e/agrm5_e.htm) 2005-09-30

<sup>68</sup> Ibid.

fulfil, since these countries were no threat to the developed countries own industry. The comparative advantages have not been allowed to decide the structure of the international workload, but instead the quotas have. This has been a social economic lost to the world as a whole, given that the quotas have had a large impact on the economic and social development in many developing countries. Especially the Asian countries have been held back.

The importing countries themselves conducted the implementation of the ATC and the MFA within given structures. However, neither the EU, Canada nor the US followed the actual intentions of the implementation. Not only the products with quotas, but all products, are included in the ATC. In the first two steps in 1995 and 1998 the EU and the US almost exclusively integrated products that not had quotas. The EU and the US stopped setting quotas on products that never had been included in the quota system, which did not result in a trade liberalisation.

Winners of the abolishment of the textile quotas would most likely be the multinational companies. They can move their production to where it is most profitable and not be restricted by the quota system. Textile production is fairly movable between regions and nations, which will have consequences on companies as well as their employees. The economy in the nations that the companies leave behind and the nations were they establish themselves will also be effected.

It is not thanks to natural competitive advantages that Bangladesh has become a large textile exporter. Bangladesh lacks own cotton production and the productivity is low. The countries success is based on generous treatment in the shape of non-quota export and positive tariff treatment of the EU. What will happen to Bangladesh is one of the big questions when standing before the abolishment of the textile quotas.<sup>69</sup>

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<sup>69</sup> Kommerskollegium, 2004

## 5. PREVIOUS RESEARCH

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Since the abolishment of the textile and clothing quotas occurred as late as January 1<sup>st</sup> 2005, there are no previous research with the specific approach of what effects the abolishment have had on the textile and clothing industry of Bangladesh. However, an extensive amount of research has been conducted within surrounding areas that in some way or another touches the aspects of the situation in Bangladesh after the abolishment of WTO's textile and clothing quotas. Insight in research of this kind is relevant for the basic knowledge about the subject and provides advanced understanding for the problem. Five research reports in this area will be presented in the following section to enlighten the reader about the entirety that the problem is situated in.

### **5.1 Non-Discriminatory Discrimination: Special and Differential Treatment Under the GATT for Developing Countries<sup>70</sup>**

The term Special and Differential Treatment, S & D Treatment, state that the developing countries that are members of GATT, are given different rights and privileges that the developed countries does not receive. A long history of demand of special treatment in the global trade from the developing countries is reflected in these rights and privileges.

The term S & D developed during the Tokyo Round 1973 and acknowledges that developing countries should receive beneficial treatment in negotiations. S & D includes both an access and a right-to-protect component. Developing nations are given favourable access to foreign markets and have more freedom to protect the local market than developed nations.

All forms of favourable treatment for developing nations should be opposed if one is of the believe that trade liberalisation usually is good for them, and that strong international agreements, such as GATT, are needed to reduce local protect-seeking pressure groups. However, if one is of the opinion that freedom to protect and prioritise are essential for the developing process, then a more loose treatment for developing countries are preferred.

### **5.2 Why Trade Liberalisation is Good for Growth<sup>71</sup>**

There are important links between trade politics and development combined with industrialising strategies. These links are the following ones;

- The advancements in the economic structure, from agriculture to industry, from household to market production and so on, in the developing countries is moving faster than in the developed countries.

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<sup>70</sup> Whalley, 1990

<sup>71</sup> Kreuger, 1998

- Developing nations mainly import capital intense goods and services, while they primarily manufacture labour intense products because of the competitive advantages. With relatively slow growth of foreign currency income in the developing nations, they change locally produced goods to a higher cost for the capital intense goods. This exchange process takes resources from work intense areas such as textile and clothing, where the competitive advantages lie.
- Because of the low income per capita in the developing nations the local markets are relatively small. A trade liberalisation will help low cost producers to increase their output larger than the demand of the local market.
- The export growth rate decreases in the developing countries when resources from labour intense sectors are used in the industry of imported goods.
- The importance of trade politics forces a number of new policies to evolve in society.
- The gains from trade liberalisation can accelerate the growth rate for a period of years. However, the advantages will not be visible unless domestic politics collaborate in accordance with the liberalisation.

The reason why trade liberalisation is good for growth is that even while being in a period of decreasing growth rate and down sloping GNP, the liberalisation can result in a higher growth rate than before the decline. Yet, the growth will not be maintained unless decision makers apply a more long-term plan that encourages world trade and consequently an outward-orientated trade system.

### **5.3 Trade Liberalisation in Developing Economies: Modest Benefits but Problems with Productivity Growth, Macro Prices, and Income Distributions<sup>72</sup>**

From a microeconomic view the defence for trade liberalisation refers to a general state of balance with constant or declining returns. The state of balance is based upon the choices of individual actors that only cooperate through the market. When the actors are divided into countries by restrictions on their access to resources, a general understanding about static comparative advantages arises.

From a macroeconomic point of view, the result of liberalisation is a faster export growth. The local resources will be used for production, and the balanced trade guaranties that the products will find an external market.

The regression equations today usually leave an essential part of total variance unexplained. Therefore, even if the results show modest positive effects from liberalisation or openness towards growth, it is not possible to generalize the conclusions, meaning that the conclusions cannot stand for all countries included in the selection.

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<sup>72</sup> Ocampo & Taylor, 1998

## **5.4 Liberalising Trade in Textiles and Clothing: a Survey of Quantitative Studies<sup>73</sup>**

As a result of the ATC reform most researchers predicts an increase in global welfare. Nevertheless, the opinions of how great the increase will be vary significantly. The estimations of the total global welfare gains vary from 6,5 billion up to 324 billion US dollars, there are also different view points on how much gain from the Uruguay Round that the ATC reform will stand for. Some believe that it will stand for as much as two thirds of the gains, while others estimate the contribution from the textile and clothing liberalisation to be only five percent.

There is a similar discrepancy in the question concerning the distribution of welfare gains. Some analysts believe that it is the developing countries that will mainly benefit from the ATC reform, while others expect them to be the losers because of the change. Consequently, on the level of many individual developing nations there is a variation in the directions and the extent of the expected welfare influence.

Since the outcome of the ATC reform is uncertain it is surprising that the developing countries supports the abolishment of the MFA. However, this attitude can be understandable in a dynamic world where capital accumulation effects are considered and where ineffective quota distribution can result in increased quota rents over time. Under these circumstances it is likely that the abolishment of the MFA can help the developing nations to benefit from their comparative advantages within textile and clothing, at the same time as increased export profit and income will occur.

What the prediction of the final result from the ATC reform will be is depended upon the course of action of the researcher, since there are different ways of attacking models, basic data and structural assumptions, which leads to the results. What conclusion that is correct is impossible to estimate, but when using several studies one will be one step closer to the actual truth. However, most studies expect gains in the global welfare as a result of liberalisation of trade in textile- and clothing.

## **5.5 The Global Textile and Clothing Industry post the Agreement on Textiles and Clothing<sup>74</sup>**

### **5.5.1 The structure in the textile and clothing sector**

The clothing sector is a labour intense, low wage industry, but also a dynamic, innovative sector. Modern technology, relatively well paid workers and designers and a high degree of flexibility are the characters for the high qualitative fashion market, which are often located in the developed countries. Located in developing countries are mass production industries with lower quality and/or standard products like t-shirts, uniforms and white underwear.

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<sup>73</sup> Walkenhorst, 2003

<sup>74</sup> Kyvik Nordås, 2004

There are several different divisions in the clothing and textile industry, and deciding where each division should be placed, one must consider variables such as costs, quality, deliver reliability, access to quality input and transport and transaction costs. The mass production system, when each worker is specialised in one or several elements, is still the main way to produce textile and clothing. Consequently, the assembly in the clothing sector is still work intense and at this stage it is most likely that the work will be outsourced to companies with lower costs. The clothing sector employs lower educated workers and is less capital intense than the textile sector.

In high quality fashion markets as well as in the mass consumer markets, flexibility is the expression for modern production. The quota system is not designed to work in such a flexible business climate. When the market conditions changes, the quotas make it difficult to adjust fast enough and restraints limited countries from a profitable participation in international production networks.

### **5.5.2 Trade patterns within textile and clothing during the period 1995-2002**

Developed countries dominate the textile sector, consequently the case of continued protectionism is weak. Previous debate concerning the effect of the abolishment of textile and clothing quotas has focused on Chinas fast expansion in world market shares. 1995, as well as in 2002, China was the largest exporter in both areas. However, a study in 2004 argues that other Asian nations such as India, Indonesia and Vietnam will get closer to China in terms of favourable labour costs. The study also states that the Chinese industry still is weak in design possibilities as well as reacting to changing market conditions.

### **5.5.3 Conclusion**

Quotas have been protecting the textile and clothing industry in developed countries for 40 years. The quotas were distributed mainly to developing nations on a country-to-country and a product-to-product basis. At the same time other nations were not placed with quotas, and subsequently all countries did not have the same opportunities in the world trade.

Most studies show that China and India will be the winners after the abolishment of the quotas. The believed losers are nations previously with a tariff, quota free or non-binding quota access to the US and the EU markets. Local producers in the EU, US and Canada will probably also lose market shares.

That China and India will gain significant market shares in the EU, US and Canada is generally predicted, however, the calculated increase in market shares may be smaller than expected. Other developing nations are predicted to catch up with China in terms of labour costs, additionally China has not yet showed any strength in competition in the design segment.

## 6. EMPIRICS

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### 6.1 Industry owners/managers

#### 6.1.1 Nannu Textile Mills Ltd., Mr. Jahangir Alam, Director

The products of Nannu Textile Mills Ltd. are mostly sold within the country. Bangladeshi agencies purchase the fabrics and sell them to native garment factories. A minor part of the fabrics are sold abroad, to England, India and China, and they are also hoping to conduct business with Italy and other Mediterranean countries. The buyers have stayed the same since the start.

Seen from a health and environmental aspect, Nannu Textile Mills Ltd. is a model industry and other companies want to copy them. The company follows the ILO-rules and has, seen from a Bangladeshi perspective, a clean, safe and healthy environment.

Yearly expansions are made through purchase of new machines and also by expanding the existing buildings. The company hope to open yet another factory within the not to distant future, as well as exporting more abroad. The abolishment of the WTO textile quotas had no real effect on Nannu Textile except for a slight reduction of buyers but nothing significant, the reason being since their market is mostly local. Nevertheless, Mr Alam believes that the company, as well as the industry in large, are facing some problems due to the abolishment of the WTO textile quotas, since the quota system was a good support for the nations textile and clothing industry. He believes that the coming problems should be relieved by governmental aid.

Mr. Alam mainly sees China as the big competitor, since China now have a more open market and will be the main beneficiary of the abolishment of the textile quotas. He believes that Chinas' competitive advantages are its well-developed infrastructure, the great accessibility and its cheap production costs. Nonetheless, he is of the opinion that Bangladesh fabrics have a superior quality compared to China. Mr. Alam believes that with superior quality the increased competition on the open market will not be a great obstacle for export.

#### 6.1.2 M/S Rajion Shakil Textiles, Mr. Alhaz Md. Hakim, Proprietor

M/S Rajion Shakil Textiles sell the finished cotton products to local fabric factories through traders. This relatively newly started company has plans on exporting to Canada and European countries through foreign owned garment companies. Mr. Hakim is also in search of foreign investors for his own company.

The company started out with only one factory, but now it has expanded into two factories. Mr. Hakim has invested in large land areas around the industry to be able to expand even further. He sees brightly upon the future and believes that the spinning business in Bangladesh is improving, since many European factories are closing down because of higher production costs.

Mr. Hakim does not feel that his business is effected by the abolishment of WTO's textile quotas and believe that the situation is unchanged. In his opinion foreign investors come to Bangladesh because of their low production costs, compared to for example the European Union, the US, Taiwan and Korea. In his view Bangladesh also has superior quality in fabrics compared to their main antagonist China. Bangladesh has lower living and labour costs and a more skilled workforce that intrigues even China to invest in Bangladesh. The Chinese investments have been made within the trading business and a "China Town" is starting to build in Bangladesh were the Chinese consumer is the "middle hand".

### **6.1.3 Mohammadi Group, Mr. A. M S. Ally, Production Manager**

Mr. Ally was very optimistic and did not believe that China will take over the production from Bangladesh. The group of importers has virtually stayed the same throughout the years, but they are hoping for a wider range of foreign importers from the European countries. He is of the impression that the quotas helped to further establish Bangladesh as one of the top five textile industry nations in the world.

With the abolishment of the quotas Mr. Ally believes that business will improve, given the more open market. He strongly believes that the industry in Bangladesh has a bright future, where the textile companies will stay strong in their rough competition with China and India. The good quality, the sincerity of the businessmen, as well as the inexpensive production costs is some of the great competitive advantages that the companies in Bangladesh possess. When it comes to shipping and infrastructure, Mr. Ally is of the opinion that Bangladesh can stand up against China. His hope is even that China will import from Bangladesh.

### **6.1.4 M/S. Haque Textile, Mr. Aminul Haque, Owner**

After the abolishment of the WTO textile quotas M/S. Haque Textile felt a small breakthrough thanks to the open market. Since the abolishment they have had a larger demand for their products, however the prices have gone down. Consequently the company is making less profit per sold unit. They have obtained new international buyers thanks to the newly opened market, but also because of the competition in the open market prices have decreased and profit has not risen as much as the numbers of buyers. The decreased profit per unit is a consequence of the increasing cotton price in the world at the same time as the buyers cut the prices. This forces the producers to increase the quantity to maintain their yearly income.

China is the main antagonist to the textile industry in Bangladesh according to Mr. Haque, who does not see India and Pakistan as big competitors. The reason China is the great opponent to Bangladesh is because of its low fabric prices. The local cotton production is the cause for Chinas low prices, in comparison with Bangladesh that has to import most of their cotton. Though, Bangladesh has lower labour costs than China, which gives Bangladeshi textile industry a competitive advantage.

M/S. Haque Textile is very optimistic about the future, where they see new markets opening with importers from countries such as Australia and South Africa.

### **6.1.5 Apex Home Textiles Limited, Surojit Saha Sazal, Marketing Manager**

Apex was not founded as an effect of the global quota system, but due to a market opportunity with a demand for hometex products. Pakistan is the main competitive country when it comes to hometex products due to their low prices. They have numerous large industries within this sector, however the three largest ones in this part of the world are located in Bangladesh and Apex is one of them. China is not a big producer of hometex products and is therefore not a large threat. Pakistan, India and China have their own cotton production, which unfortunately Bangladesh does not have.

Apex has not felt any effects of the abolishment of the WTO textile quotas. The believed reason is that Apex industry includes all the stages in the process of completing all products, that being spinning, weaving, finishing, printing, design, etc. Mr. Sazal believes that smaller industries that work with only one step of the production line, will feel negative effects of the abolishment of the quotas. He believes that they will suffer because they will not be able to offer short enough lead-time to international buyers. Apex will not have this problem thanks to their complete in-house production line.

Mr. Sazal feels that Apex will not have any problems due to the abolishment of the textile quotas and believe that the company has a bright future to come. However, till two month ago they were a bit worried for the future, but thanks to China not having a totally open global market they now have even larger orders than predicted. By the time of 2008, when the total abolishment of the quotas should be completed, Mr. Sazal does not expect any problems for Apex. Continues investments already from the start twelve years ago are now greatly paying off. Apex produces three times more than twelve years ago and will increase their production capacity even further with large investments in high technological machines. Mr. Sazal believes that within three or four years Apex will be the cheapest exporter of hometex products.

To increase Apex global competitiveness large investments in new machineries are made. These machines increase the quality greatly, and quality is Apex main competitive advantage. The machines also increase the productivity. The company is one of the few that are able to produce very large items, such as huge curtains, and is therefore highly competitive in this area. Apex is working with long-lasting business relationships with companies such as IKEA, Jysk and Tommy Hilfiger. Thanks to all the above mentioned aspects, Apex predicts a prosperous future for the company.

## **6.2 International buyers**

### **6.2.1 Lindex**

#### **6.2.1.1 Göran Bille, CEO**

Lindex does not have their own production industries, they import products such as readymade garments and accessories. The export countries are chosen through a risk and product evaluation. Lindex import 65 per cent of their products from Asia, primarily from Bangladesh and China, but they also import from Turkey and the Eastern European countries.

As for now, the abolishment of WTO's textile quotas has not effected the country of choice to import from, however it will in 2008. Göran Bille finds that the abolishment of the quotas is a positive development. Lindex has chosen to import from Bangladesh because of their reasonably good prices, quality and delivery capacity. Mr. Bille is of the opinion that the textile industry in Bangladesh has evolved greatly since 1983 when he conducted business there for the first time. Unfortunately corruption has now become a large problem, which has made the advancements for the industry smaller and the development will not be as prosperous in the future unless the situation changes.

#### ***6.2.1.2 Gaurav Mahna, Manager South Asia, Bangladesh office***

Two years ago Lindex worked with 40 different industries, but have been consolidating and are currently working with only 20 industries. The reason for the consolidation is to have a higher influence on the industries while producing greater quantities in the remaining factories. They will also receive better prices and delivery-times by doing so. Lindex does not work through buying agents because they want better control of the production, and therefore work directly with the suppliers.

It was thanks to the quotas that Lindex got attracted to Bangladesh in the first place. However, the abolishment of the textile quotas has not effected Lindex's position in Bangladesh. Mr. Mahna is of the opinion that each country that Lindex import from has its different strengths and weaknesses. Bangladesh's strength and the reason why it is chosen as an export country for Lindex is because of their cheap labour, relatively good infrastructure that is built up for the textile industry, and reasonably skilled workers. Bangladesh's weaknesses are their political instability, general strikes and the otherwise poor infrastructure in the country.

The abolishment of the textile quotas is a positive development since there are no restrictions in the textile trade and it levels the playing field, according to Mr. Mahna. He also says that "you cannot fight with your hands tied behind your back". Bangladesh's opponents are China when it comes to basic products, and India regarding high fashion items.

Mr. Mahna sees a bright future for the textile and clothing industry in Bangladesh since they are one of the top five garment exporters in the world. If Bangladesh receives duty-free access to the US market, they will become the number one place to conduct business in. However, Mr. Mahna believes that India will try to block the duty-free access, since it otherwise would kill the Indian industry. Bangladesh is given an advantage on the European market by receiving full GSP on products when they are produced on products imported from seven surrounding nations, not including China and Taiwan. For now the industries in Bangladesh only receive full GSP from the government by using locally produced products. However discussions are going on regarding implementing the total GSP. If total GSP would be given it would be huge for the EU, and China would not be as big of a competitor towards Bangladesh as it is today. On the other hand Mr. Mahna does not believe that total GSP will be given, cause local lobbyists are doing everything they can to block it, but if it go through it would be fantastic for business. The lobbyists are trying to stop it because it would be potentially devastating for certain areas of local production.

## **6.2.2 Hennes & Mauritz**

### ***6.2.2.1 Anette Lindström, Product Manager and Product Development/Research Manager***

H & M does not have its own production companies, but build on long-term relationships with foreign textile companies. Today H & M exist on almost all markets over the world. The choice of export country is based upon quality, reliability, price and long-term future potentials. H & M evaluates their markets/suppliers twice a year.

H & M imports everything; all kind of clothing, baby, children, youth, women and men's wear, as well as underwear, accessories, shoes, bags and packaging, etc. The company has 20 production offices around the world, mostly in Asia; Shanghai, Hong Kong, Beijing, Guangzhou, India, Bangladesh, Indonesia, Korea and Cambodia. They also have offices in Latin and South America; Mexico, in Africa; Mauritius, and in Europe; Turkey, Greece, Italy, Portugal, Rumania, Lithuania, etc. These are some of the countries that H & M imports from.

The WTO textile quotas has forced H & M to work on a more long-term basis for the last few years and has a well prepared production apparatus in many markets. Due to the textile quotas the company has established itself well in China. H & M has also prepared other markets, such as Europe, Bangladesh and Cambodia, to find the best product types/markets on a lasting basis. The quotas have not changed the view of country chosen for import, however it has opened many possibilities because of previous expensive quotas.

The reason why Bangladesh is chosen to import from is thanks to their favourable quality, capacity and prices. However, the disadvantages in Bangladesh are the product development on a developing market, fabrics, qualities, design etc, along with the delivery time. On the other hand vast efforts are conducted in this area in Bangladesh. What is incredibly important for the textile industry in Bangladesh is that they have to realise what they have to develop in the nation, according to Anette Lindström. Better infrastructure and foreign investors is a must to Bangladesh to be able to compete with China on a long-term basis. Today this process is obstructed by the government and unnecessary long processes, which are essential when delivery times are in focus, which are one of the most important ways to compete.

To lower the price range the production line must be more efficient. Large investments are a must in the Research and Development area, mainly on the heavier parts such as the fabrics, colouring, spinning, printing, etc. All of this ought to be built up locally to meet the competition from for example China or Turkey, where this change already has been done and today have a prosperous textile industry even though the high labour costs.

Corruption is a huge problem in Bangladesh, something that the government should promptly deal with. Also swiftness, flexibility and change are a must, today there are many large and slow men that are competing with fast, flexible entrepreneurs, such as the Chinese and the Turks.

Thanks to the textile quotas Bangladesh got the chance to export to H & M, and foremost hardship quota products put on China. With the abolishment of the textile quotas, China is now more competitive because of the lower price difference without the quota costs. The

businesses chosen to import from are selected through capacity, quality and quality guarantee, price, Code of Conduct, product development, delivery time, company structure, etc.

Anette Lindström finds the WTO textile quotas as an unnecessary complicated system to protect local markets that does not work as they are supposed anyway. The ones that profit from the quotas are the traders that buy and sell, instead of favouring the markets and products. She believes in other solutions, because quotas only feel like a way of prolonging and obstructing a change that is unavoidable seen from a market perspective. Lindström thinks that import customs should be more advantageous to protect the local market, and then the money will be placed in the right country. With this system money can be distributed to the industries and companies in need of subventions so they can manage the competition. With this kind of change delivery times can be shortened, if the price difference is not too high, as well as import and export to the developing countries also can be favourable when it comes to for example fabrics. Well working industries in both developed and developing countries is a positive progress for both parts.

The abolishment of the textile quotas is a good thing, according to Anette Lindström, but there is still a long way to go because of the safeguards and voluntary quotas. There has not been a huge change yet, but the problem is that many companies, especially the small ones, will be suffering in the transition.

#### ***6.2.2.2 Pelle Karlsson, Chief Representative in Bangladesh***

H & M has been importing products from Bangladesh for the last 22 years. They are the largest importer from Europe and one of the largest in the world, when it comes to importing products from Bangladesh. H & M are working on long-term relationships with the producing industries, and they are still even working with several industries from 22 years ago. H & M are working with about 70 industries in Bangladesh. The industries are chosen after auditing the industry and making sure that they are reaching up to all of H & M's requirements. The requirements are management, quality, complaints such as working environment and wages, among others. According to Pelle Karlsson, it is good to import from Bangladesh thanks to their good quality, price and delivery time.

Pelle Karlsson believes that it was thanks to the quotas that H & M started importing from Bangladesh in the first place. He finds the industries very capable because they are willing to change to meet H & M's specific requirements. The textile industry in Bangladesh's disadvantage is that the country does not have a sufficient production of fabrics, and are therefore forced to import this. Pelle Karlsson thinks that Bangladesh's textile industry will continue to be a large exporter to H & M, unless the political situation in the country would dramatically change for the worse. Bangladesh government must step in and improve the entire nations working and environmental conditions to be more competitive according to Mr. Karlsson.

From a perspective that China is a great competitor toward Bangladesh, when it comes to producing for H & M, Pelle Karlsson says that China has always been a large market for them, but China produce other types of items. Some products China as well as Bangladesh produces, but there have not been a change in that ratio between the countries after the abolishment of the textile quotas. China is in the process of modernising their textile industries, which is both positive and negative for China. It obviously gives China an edge towards the rest of the

world, however, the prices may also rise which will lead to China losing parts of their price competitiveness.

The situation has not changed after the abolishment of the textile quotas in January 2005, and Pelle Karlsson believes that the reason is that the quotas have not really been abolished. He is also of the opinion that the change will occur in 2008 after the quotas are properly abolished. On the other hand he is sceptical that the quotas really will be eliminated, since the safeguard quotas are well exercised.

## **6.3 Professor**

### **6.3.1 Professor Mustafizur Rahman, Dhaka University professor and Research Director for Centre for Policy Dialogue, CPD**

Professor Rahman feels that it has been a change within the textile industry in the last few years. He sees this in two perspectives. The first one is that Bangladesh started to feel a pinch in 2001 when China joined the World Trade Organisation, and consequently became a member of the global market. This had consequences for the textile industry in Bangladesh. The second one is that most thought that with the MFA phase out in 2005 a large part of the textile industry in Bangladesh would not survive. However, Professor Rahman predicted that it is not 2005 that is the critical year, but 2008. 2008 is the year when the safeguards will demolish.

Bangladesh's strong part in the textile sector is knitwear, especially t-shirts and sweaters. To start up a knitwear industry a huge capital investment is not necessary as it is within the woven sector. Knitwear does also have a strong backward linkage, which gives Bangladesh a competitive advantage. There is a great debate about the woven sector, shirts and trousers. What is debated is whether Bangladesh should improve their own backward linkage within the sector, or import from countries that already has a competitive advantage in the woven sector. Countries with these competitive advantages are for example, China, India and Pakistan. In the presents the Bangladesh government is supporting the woven sector with a five per cent cost compensation when using local products, but is in a phase out period. The phasing out has been going on for years, it started with a 25 per cent compensation and is likely to be zero by the end of next year. The woven sector in the country has in a whole strengthened and additionally the local market has increased from four per cent to 20 per cent in the last ten years.

The textile industry as a whole is growing and Bangladesh is not able to have competitive advantages in all the sectors, certain sectors have to be chosen. The garment sector is growing at a faster rate than others. For Bangladesh to move from only competitive advantages, such as low labour costs, to also have comparative advantages, like productivity, they have to be aware of several factors. One, China will not be able to supply all countries with everything. Two, foreign investors are not willing to risk all their investments in the same countries, and want to diversify their import from several nations. Three, the textile industry in Bangladesh is in the lower end of the textile scale, which means that they earn money from a mass production with low diversifications in the products. China on the other hand is moving toward a mid market, and has different advantages than Bangladesh has, which has given Bangladesh some breathing space.

Bangladesh textile industry is facing three major problems. Bangladesh competitive advantages have so far lain within the low wages. However, this is changing since prices on a lot of products, such as oil and rice are increasing. Subsequently, the wages have to change at the same rate. Bangladesh has to improve their productivity and this with the help from technology. Unfortunately, many people in Bangladesh do not possess the technological skills to operate the machines, and many foreign engineers are now working the machines. The technological skills within the country have to improve greatly. Lead-time is the final problem, and this will be a major factor especially after 2008. To decrease the lead-time three things can be done. First of all, the government can support the backward linkage to strengthen it. Secondly, a Central Bonded Warehouse, a CBW, can be established. A CBW is a huge warehouse where fabrics are stored, and when an order comes in the supplier can swiftly meet their requirements. Thirdly, Bangladesh can improve the trade facilities, the ports for example. The cost in the Chittagong port is three times more expensive than the one in Singapore.

It is important for the textile industry in Bangladesh to start listening to new request to be able to meet the compliances from buyers as well as the consumers. The consumers are playing a larger role in the import process by demanding certain requirements, such as minimum wages, working environment and child labour among others. There are two aspects on the view on meeting the compliances. One perspective is that the workers environment will improve, however at the same time it is a costly procedure and might undermine the competitiveness. This process can be very costly for the textile industry, which may even bankrupt it, nevertheless it is a requirement from the consumer. The textile industry in Bangladesh has to try to meet the requirements, the costs will escalate but so will productivity and also maybe more than the costs. Parallel with meeting the requirements, other aspects will improve as well, such as workers skills. Professor Rahman believes that one have to look at it as a package, and he is of the opinion that it is worth that the costs are increasing, since the productivity also rises.

The US is a large importer from Bangladesh, however the import would increase further if they receive duty free access like some African and Caribbean countries. Bangladesh has a zero per cent tariff access for apparels to Japan, but they do not export a great number of products there since the Japanese are more fashion and quality conscious and Bangladesh can today not meet those requirements. Professor Rahman is of the opinion that Bangladesh should try to focus more on the Japanese market. Canada gives Bangladesh a duty free access but has a relatively small market. The EU is a large market for Bangladesh especially in knitwear that is constantly increasing, while woven on the other hand is decreasing because of competition from China and India. Professor Rahman is also of the opinion that Bangladesh should export to other developing countries in the future, since Bangladesh have some competitive advantages even in China, India and Russia for example.

In a short term the abolishment of the quota system is negative for the textile industry in Bangladesh, since their guaranteed market has vanished. In a medium to long-term view, the textile industry in Bangladesh should see the opportunities. They have the lowest wages, relatively skilled workers, is the only LDC country that can export enough in larger amounts and they also has strong relationships with the buyers.

Professor Rahman does not believe that there is a winner/loser situation between Bangladesh and China. Since the entire market is growing and that global trade will increase, it will be a

win/win situation. He is carefully optimistic for the future and thinks that Bangladesh's slogan should be "maintain market share".

## **6.4 Organisations**

### **6.4.1 The European Commission, Delegation of the European Commission to Bangladesh, Mr. Zillul Hye Razi, Trade Officer**

After the abolishment of the WTO textile quotas there has not been a significant change in the export for Bangladesh. However, the change that has occurred has developed during a longer period of time, and did not start with the abolishment in 2005. The change started already ten years ago when it was a fact that the quotas would be abolished. The concrete changes that have occurred are that 16 original export items has decreased to only four were Bangladesh are really competitive. On the other hand, Bangladesh is very competitive with these four items, the items being trousers, shirts, t-shirts and sweaters. With all of these products, Bangladesh is among the top 5 exporters in the world. In the EU Bangladesh is the number one exporter in shirts and sweaters and totally forth following China, Turkey and Romania.

Mr. Razi predicted even before the abolishment in 2005 that no major changes would occur for Bangladesh if all other conditions stay the same, i.e. that no natural disasters, ports breaking down and extensive terror attacks would occur. He has no fear for 2008 when the total face-out is completed if the conditions stay the same, since Bangladesh's textile industry is already established and competitive. Other nations, for example Poland, are constantly loosing ground as a textile exporter and are feared to continue doing so while exporters such as Bangladesh will continue growing. Of course companies in Bangladesh will go bankrupt and shut down, but this is not a consequence of the MFA phase-out, but rather of poor management and inefficiency.

The four previously mentioned items originates from two different sectors; trousers and shirts from the woven sector, and t-shirts and sweaters from the knitwear sector. In the knitwear sector Bangladesh has a good backward linkage. The woven sector, on the other hand, does not possess such a good backward linkage, since Bangladesh does not have a significant local cotton production. Mr. Razi did not see this as a major problem since the change in fashion of trousers and shirts is not very dramatic, the trousers will continue to have the same kind of shape and pockets and sweaters will have two arms and a body. This leads to orders not having to be made in a rush and therefore lead-time is not as pressed and manufacturers have time to import the fabrics.

Mr. Razi finds the abolishment of the textile quotas to be a positive thing for the industries in Bangladesh. He found the ten-year transition period as a sufficient amount of time to prepare the nation for what to come. He compared the period of the quota system as Bangladesh being a child protected by its parents, but now has to grow up and stand on its own two feet. One cannot stay a child forever, it is unavoidable to grow up, just as it was unavoidable for the quotas to be abolished.

During the quota period Bangladesh had a huge quota share to the United States and a quota free access to the EU, and therefore had an ensured market. Then, as well as now, Bangladesh were the largest LDC exporter. When the MFA was removed, Bangladesh was forced to start

competing for their market share. This resulting in an increased market share in the US and a reduced one in the EU, but as a total it remained practically the same. Mr. Razi believes that Bangladesh should do business where they are wanted. Their market shares will continue rising and decreasing in their different markets, consequently the clothing industry in Bangladesh do not have to worry.

China is Bangladesh's main competitor, however, China is constantly moving toward a high-value fashion, while Bangladesh is still producing cheaper products. Therefore Mr. Razi is of the opinion that the two nations do not really compete in the same area. China will enlarge their market share by 2008, but at the same time China is moving away from low value products and textile in general toward more high technological products. He also mentions India and Pakistan as other competitors, but he does not actually consider them as a threat. Some of Bangladesh's competitive advantages lay within cheap labour, cheap energy and that they are a reliable exporter.

Bangladesh is in major need of improvements concerning their social standards according to Mr. Razi. He believes that when the social standards have risen Bangladesh position as an exporting nation will improve greatly. By improving social standards costs will rise, but it is an important marketing tool, which will give Bangladesh yet another competitive advantage. It is often mentioned that technological skills must be improved, but according to Mr. Razi this is something to have to be improved in the long-term. The social standards must improve now and as a result the technological skills will automatically be improved and therefore focus should lie on the social standards. Mr. Razi feels that the question concerning corruption is blown out of proportion, and that it is not a great issue within trade. Developing infrastructure, fighting bureaucracy and improving backward and forward linkage are on the other hand necessary improvements.

#### **6.4.2 Bangladesh Garment Manufacturers and Exporters Association, BGMEA, Ms. Deena Salwa, Research Officer**

Following the abolishment of the WTO textile quotas the competition tightened and consequently the demand from the foreign buyers have increased. As a result the margin of error is very limited for the industries, since the buyers easily go elsewhere in the open market if the criteria are not followed properly.

One sector that has problems to fulfil the criteria set upon them is the woven sector. The woven industry is about to lose their largest market, the European Union. The reason for this is the two-step criteria given by the EU, which means that two steps in the production line have to be manufactured within the country. For example, Bangladesh cannot export yarn because they do not produce their own raw material, cotton, since this is only one step in the production line.

China and India, Bangladesh's main competitors, have the advantage of having a very diversified textile industry. This means that these two countries have very large portfolios, they themselves can give suggestions of designs, new textile materials, etc to the foreign buyers, something Bangladesh is not able to comprehend.

The quota abolishment has negative effects on the textile industry in Bangladesh, since they do not have bilateral or multilateral agreements. Bangladesh as well as some of the other LDCs is

forced to pay high tariffs on their products since they do not have these agreements, which Ms. Deena Salwa feels is very unfair. Given that these countries are very poor, high tariffs have a devastating effect on the textile industry as a whole.

To improve Bangladesh's position as a textile export country, several efforts are being made to make this happen. One is that BGMEA are working on a proposal where seven countries in the area are allowed to work together in the two-step criteria. This means that these countries should be considered as "one" so that they can import products in the production line that the own nation is lacking, without having to pay the extra costs that are added when the two-step criteria is not fulfilled. Another effort being made is toward the United States, where BGMEA is trying to get a TRADE-bill, Tariff Relief Assistance for Developing Economies, through. The US already has an existing agreement with 72 African and Caribbean LDCs, which gives them duty free access to the American market.

BGMEA feared that the textile industry in Bangladesh would be severely damaged after the abolishment of WTO's textile quotas. However, thanks to the safeguards that the EU and US have placed upon China, Bangladesh's textile industry remains fairly stable. In 2008 these safeguards cannot be applied anymore, which means that Bangladesh's textile industry then once again stands before great insecurity.

#### **6.4.3 Bangladesh Knitwear Manufacturers and Exporters Association, BKMEA, Mohammad Hatem, former Vice President**

The BKMEA could feel some difficulties after the abolishment of the textile and clothing quotas on January 1<sup>st</sup> 2005. Their main problem was that their largest buyers went to China, however after only six month they returned to Bangladesh. The buyers were not satisfied with China's delivery time and additionally they were not able to place their large orders because of the newly set safeguard quotas. Mr. Hatem is of the opinion that Bangladesh textile and clothing quality is superior to China's and India's quality, which make Bangladesh very competitive on the global market. Furthermore he views the owners and managers in the textile and clothing industry of Bangladesh as very sincere and skilled. They really make a special effort toward their consumers to make sure they are satisfied and that their good relationships are maintained, something he believes that Bangladesh is superior in comparison to other nations.

Other effects of the abolishment of the quotas were a small decrease within the woven sector, however at the same time the knitwear sector increased their sales. Moreover, the medium sized and large companies had no difficulties with the new tightened competition, small industries on the other hand are losing their business and have difficulties surviving in Bangladesh. Mr. Hatem is of the opinion that the abolishment of the textile and clothing quotas was a positive development for the industry of Bangladesh, however to maintain the nations position on the open global market they have to negotiate lucrative agreements with the US and EU. If the textile and clothing industry of Bangladesh receive a duty free access to the US market their phase-out problems will vanish. The BKMEA want to be given special treatment as a LDC country from the EU, and they also want help to improve Bangladesh's export facilities as well as their environmental and water facilities. If Bangladesh can receive this and reach prosperous agreements, the textile and clothing industry of the nation will be fully prepared for the total abolishment of the textile and clothing quotas in 2008.

#### **6.4.4 Bangladesh Textile Mills Association, BTMA, G.K.M Towfique Hassan, Secretary General**

Bangladesh is in a unique situation compared to other LDCs. Since the start in the 1980s the textile industry has constantly grown. They soon realised that it is within this sector Bangladesh has the opportunity to earn a lot of money. Before the removal of the textile quotas Bangladesh had a guaranteed market. The feared nose dive with the abolishment did not occur thanks to sufficient knowledge and technology which allow Bangladesh to establish themselves and they can now sell more than before the removal of the quotas.

The textile industry is divided into two sectors, backward linkage, such as spinning and weaving, and forward linkage, readymade garments. The spinning capacity has dramatically increased within the last ten years, so has the supply to the readymade garments. After the MFA phase out the textile market has increased in size and diversity.

To improve Bangladesh's competitiveness compared to other nations a plan has been developed including several aspects. The textile industry in Bangladesh has to increase their productivity, improve the supply chain, fashion design market development and they also have to be more service oriented. In addition to this the textile industry has to follow certain codes of conduct. This meaning that they have a social responsibility and have to think in a more ethical way in areas such as child labour, better working conditions, minimum wage, freedom of association, no discrimination, working ours and no forced labour. All these aspects are very important since now with the removed quotas it is a strong buyers market. To further meet the buyers market the textile industry has to be transparent to the buyer and have a more active marketing approach by showing what the textile industry in Bangladesh has to offer, instead of the buyer showing the textile industries what they want. Other aspects include developing strong negotiation power, otherwise they are forced to continue to produce basic products to a low price. Bangladesh also has to fulfil the labour standards, respond to clients' demands immediately and develop industries to be able to handle smaller and more difficult orders.

The textile industry in Bangladesh has to develop within the industry as well. The development should remain of in-house training, either provided by BTMA or organised by the member itself. A focus on Research and Development is also required since this has been neglected so far, further the industries have to diversify their products as well as improve quality and also reduce lead-time.

The reason why buyers should choose to import from Bangladesh is because their textile industry has several benefits. The main advantage is that Bangladesh is the only LDC country with both a developed backward and forward linkage and that most of the goods are duty free. Other advantages are that Bangladesh already has a trained, skilled and efficient workforce, cheap labour and does not have to pay for the water. There is a sufficient quantity of gas which will minimize the risk of power loss in the factories and the government also provides a five per cent cost reduction if the industry uses local materials. BTMA is trying to increase this reduction from five to ten per cent. The government target year to improve export is 2008-9, and for this the textile industry in Bangladesh needs numerous new mills in every sector. This expansion is estimated to 16 000 million taka, about 246 million US dollars.

The Government in Bangladesh is inviting foreign investors by having import of raw material, machines and chemicals duty free. They also have an investment policy that says that what

money one earns one can bring back home. This is possible to do because the textile industry is very labour intense and Bangladesh has many inhabitants in need of work.

## 6.5 Statistics

The following statistic has been found on two different homepages, the World Trade Organisations official homepage and the BGMEA's official homepage. The WTO provides information concerning most nations trade statistics and is a very reliable source, since the organisation is used as a source of information by nations and companies to develop globalisation further. BGMEA is the largest association within the textile and clothing industry of Bangladesh and is a strong pressure group toward national as well as international governments. Because of this and thanks to the associations transparency and great knowledge it provides a reliable source of information and statistics. Statistics of different aspects of the textile and clothing industry of Bangladesh will help enlighten and strengthen what has been found in the previous empirics.

In the following table statistics concerning various nations overall global textile export can be seen. China's export number is shown because they are the largest on the market and is extremely competitive. India is often mentioned as a large competitor in the textile and clothing world market and is a large nation with many possibilities. The most successful European textile and clothing exporter Turkey is also visible in the following table. Cambodia's largest export industry is the textile and clothing industry and it is very influential in the nation, just as this industry is in Bangladesh. One can see Bangladesh is a smaller competitor on the global market when the textile sector is concerned, however it is a much larger exporter of clothing. This can be explained by Bangladesh's weaker backward linkage in the textile sector. In the table the export development during the last five years of the previous five mentioned nations is made visible.

**Merchandise trade by commodity in million US dollar at current prices<sup>75</sup>**

		2000	2001	2002	2003	2004
<b>China</b>	Textiles	16132	16825	205662	26900	33428
	Clothing	36071	36650	41302	52061	61856
<b>India</b>	Textiles	5998	5375	6028	6846	
	Clothing	6178	5483	6037	6625	
<b>Turkey</b>	Textiles	3672	3943	4244	5262	6428
	Clothing	6533	6661	8057	9962	11193
<b>Cambodia</b>	Textiles	13	21	26	21	26
	Clothing	970	1143	1313	1600	1981
<b>Bangladesh</b>	Textiles	355	469	443	476	388
	Clothing	3907	4261	3947	4461	4442

<sup>75</sup>[http://stat.wto.org/StatisticalProgram/WSDDBViewDataPrintableVersion.aspx?Language=E&TOPIC=MT&SUBTOPIC=CO&PAGEINDEX=1&ROWSCNT=30&STARTYEAR=2000&ENDYEAR=2004&MSTR\\_QUERY\\_TYPE=PRINT](http://stat.wto.org/StatisticalProgram/WSDDBViewDataPrintableVersion.aspx?Language=E&TOPIC=MT&SUBTOPIC=CO&PAGEINDEX=1&ROWSCNT=30&STARTYEAR=2000&ENDYEAR=2004&MSTR_QUERY_TYPE=PRINT) 2005-12-05

In the table below the development of different products within the textile and clothing industry of Bangladesh is shown. As the interviews states different products are more or less successful globally which following table makes visible.

**Main apparel items exported from Bangladesh in million US dollar<sup>76</sup>**

	<b>Shirts</b>	<b>Trousers</b>	<b>Jackets</b>	<b>T-shirts</b>	<b>Sweaters</b>
<b>1995-96</b>	807.66	112.02	171.73	366.36	70.41
<b>2000-01</b>	1073.59	656.33	573.74	597.42	476.87
<b>2001-02</b>	871.21	636.61	412.34	546.28	517.83
<b>2002-03</b>	1019.87	643.66	464.51	642.62	578.37
<b>2003-04</b>	1116.57	1334.85	364.77	1062.10	616.31
<b>2004-05 (July-April)</b>	857.92	1343.52	323.61	1092.87	707.87

The textile and clothing industry of Bangladesh is divided into two parts, the woven and the knit sector. These two different sectors are compared in the following two tables below. In the interviews it is mentioned that the woven sector is the weaker link in the textile and clothing industry of Bangladesh and this development is made visible in the statistics below.

**Total apparel export in million US dollar<sup>77</sup>**

	<b>Woven</b>	<b>Knit</b>	<b>TOTAL</b>
<b>1995</b>	1976.40	512.18	2488.58
<b>2000</b>	3376.49	1448.22	4824.71
<b>2001</b>	3162.28	1432.72	4595.00
<b>2002</b>	3076.28	1573.40	4649.68
<b>2003</b>	3398.84	1850.36	5249.20
<b>2004</b>	3686.78	2532.62	6219.40

**Comparative total export and change of growth, value in million US dollar<sup>78</sup>**

	<b>2004</b>			<b>2005</b>			<b>% of growth (Jan-Mar)</b>		
	<b>Woven</b>	<b>Knit</b>	<b>Total</b>	<b>Woven</b>	<b>Knit</b>	<b>Total</b>	<b>Woven</b>	<b>Knit</b>	<b>Total</b>
January	376.61	192.92	569.53	296.07	221.74	517.81			
February	222.90	108.32	331.22	292.92	196.06	488.98			
March	304.12	166.99	471.11	264.55	231.41	495.96			
April	263.10	184.04	447.14	236.57	215.08	451.65			
<b>Total</b>	<b>1166.73</b>	<b>652.27</b>	<b>1819.00</b>	<b>1090.11</b>	<b>864.29</b>	<b>1954.40</b>	<b>-6.57</b>	<b>32.5</b>	<b>7.44</b>
May	316.49	214.69	531.18						
June	379.67	263.03	642.70						
July	401.96	279.98	681.94						
August	370.09	274.24	644.33						
September	280.24	224.95	505.19						
October	231.49	198.30	429.79						
November	232.02	193.04	425.06						

<sup>76</sup> <http://www.bangladeshgarments.info/bgmea/home/export.cfm> 2005-12-05

<sup>77</sup> Ibid.

<sup>78</sup> Ibid.

December	308.09	232.14	540.23						
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The development of the RMG sector has been increasingly important for the nation. One can see the change in this development below where the RMG sectors growth of the total product export of Bangladesh is shown.

**Comparative statement on export of RMG and total export of Bangladesh<sup>79</sup>**

	<b>Export of RMG in million US dollar</b>	<b>Total export in million US dollar</b>	<b>% of RMG's to total export</b>
<b>1985-86</b>	131.48	819.21	16.05
<b>1990-91</b>	866.82	1717.55	50.47
<b>1995-96</b>	2547.13	3882.42	65.61
<b>2000-01</b>	4859.83	6467.30	75.14
<b>2001-02</b>	4583.75	5986.09	76.57
<b>2002-03</b>	4912.09	6548.44	75.01
<b>2003-04</b>	5686.09	7602.99	74.79
<b>2004-05 (July-April)</b>	5170.95	6961.17	74.28

<sup>79</sup> <http://www.bangladeshgarments.info/bgmea/home/export.cfm> 2005-12-05

## 7. ANALYSIS/DISCUSSION

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### 7.1 Positive features with Bangladesh's textile and clothing industry

Bangladesh obviously possesses many positive characteristics within the textile and clothing business, since the nation is one of the largest exporters in the world. After interviewing the four different groups/levels there are many similarities in their opinions of what is positive within Bangladesh's textile and clothing industry. All levels mentioned that three of Bangladesh most competitive advantages are their good quality, cheap labour costs and their skilled workforce. These stated advantages combined are very attractive in the western market where most of Bangladesh's export goes. Most of the industries are of the opinion that Bangladesh's fabric quality is very good, even superior to China's. The international buyers do not want to compare the two nations quality since they import different items from each country, however they find Bangladesh's quality reasonably good. The reasonably good quality combined with Bangladesh's prices, which are low thanks to the cheap labour and low living expenses, textile infrastructure and delivery capacity are crucial factors when the international buyers chose Bangladesh to import from. The organisations are of the opinion that Bangladesh is a reliable textile and clothing exporter which is confirmed by the international buyers since they find the textile industries to be very accommodating toward their requirements and demands, which encourages the building of long-term relationships between them and the industries. Also the professor stresses that the strong relationships between the industries and the international buyers makes it more likely that the buyers stay and develop the relationships further in Bangladesh. The industry owners consider themselves as serious and honest businessmen, which fulfils the circle.

The organisations together with the professor also point to other perspectives. The professor's view on Bangladesh's advantages is not only that they have low wages and relatively skilled workers, but he also calls attention to that Bangladesh is a LDC country and point out that it is the only LDC nation with a large enough capacity to export in great amounts. He also views the textile and clothing industry more in separate sectors and specifies that it be with knitwear, especially t-shirts and sweaters, that Bangladesh has its advantages since the knitwear sector has a strong backward linkage. The organisations also brings up the aspect of Bangladesh being a LDC country and emphasizes that Bangladesh is the only LDC nation with a developed forward and backward linkage and should therefore be chosen since they possess the entire package. Also four specific items are mentioned by the organisations, t-shirts and sweaters, which were also mentioned by the professor, together with trousers and shirts are mentioned as highly competitive in the global market. Further they point out that most textiles and clothing goods in Bangladesh are duty free and the government provides cost reduction to industries that uses local materials, which lower the costs for the importer. The textile industries have sufficient amounts of gas, which minimizes the risk of power losses in the factories.

## **7.2 Negative features with Bangladesh's textile and clothing industry**

Bangladesh is a major textile and clothing exporter in the world, however the nation falls behind the main competitors in some areas. According to both the international buyers as well as the industry owners, Bangladesh's infrastructure is not as well developed as needed to become an even greater textile exporter. China on the other hand has good accessibility and a well-developed infrastructure, which reflects poorly upon Bangladesh. The international buyers also find Bangladesh to be behind concerning the product development on a developing market, fabrics, qualities, design etc, along with the lead-time. The organisations also reflect upon the problem that Bangladesh has not yet reached up to the level that for example China has, where they are able to themselves show possible buyers suggestions of for example designs and new materials. To improve Bangladesh's standards in the textile and clothing business the professor points out the importance of technical knowledge. Bangladesh's lack of technically educated people within the textile and clothing sector is damaging for the industry since technical advancements are essential to increase productivity. Free trade spreads technology according to the free trade theory, and with this in mind the newly opened market may help to improve advancement in the textile and clothing industry in Bangladesh.

A major disadvantage for Bangladesh, especially after the complete phase-out in 2008, is lead-time and measures must be taken to improve in this area, according to professor Rahman. Another large disadvantage for Bangladesh is the lack of a significant local cotton production, which forces them to import most of the cotton. In accordance to the two-step process this makes it more difficult and more expensive to export yarn for example, since the criteria in the two-step process is not met and there is also a risk that lead-time will be prolonged. One sector in Bangladesh's textile and clothing industry that has a problem meeting these requirements is the woven sector with a poor backward linkage. Another disadvantage within this sector is the lack of a sufficient production of fabrics.

The organisations fear that international buyers are more flexible when it comes to choice of import country because of the newly open market and subsequently the buyers will more easily go elsewhere if their demands are not met. The margin of error has decreased and the competition has tightened. The international buyers find the involved parties in the textile and clothing industry in Bangladesh as inflexible, bureaucratic and slow compared to some of their international opponents. Further, political instability and corruption has become a huge problem and unless the situation changes with the help of the government, great negative effects will show by a less prosperous textile and clothing industry with a declined development.

## **7.3 Main competitors**

All interviewed levels are of the opinion that the main competitor and largest threat to Bangladesh's textile and clothing industry after the abolishment of the textile quotas comes from China. However, the international buyers view Bangladesh with its pros and cons and the country is seen as a unit in the global market and does not really compete against others in the same area. Bangladesh already has a steady position at least with the interviewed buyers. Professor Rahman viewed China as the main competitor already after its entrance in the World Trade Organisation in 2001. China, with its well-developed infrastructure, textile industries and technology among other advantages, has after the abolishment of the textile quotas received

access to a more open global market. Bangladesh has also been given access to the more open market, however, China in its greatness is still ahead in the race for the international importers. Bangladesh still has a long way to go with many improvements to be made. However, China is moving away from the low-value fashion, were Bangladesh is a large exporter, toward a more high-value fashion and consequently they will no longer be playing on the exact same field.

India is also calculated as one of Bangladesh's toughest competitors with their highly diversified textile industry and regarding high fashion items, India is especially competitive. Moreover Turkey and Romania are viewed as competitors since these two nations, with China, are the top three exporters of clothes in the world. Further, Pakistan is mentioned as a competitor but not a major threat in most areas, however in the hometex sector Pakistan is the number one competitor thanks to their low prices and local cotton production. Professor Rahman also brings up Vietnam as a competitor in the woven sector in his article *Woven garments export decreases by \$299m*.

#### **7.4 Effects of the quota abolishment**

The feared loss of international buyers after the abolishment of the textile quotas in January 2005 has not occurred. The amount of the international buyers has stayed the same and in some cases even improved, on the contrary to what international experts predicted before the MFA phase-out. The local market has also stayed virtually the same. By the time of the abolishment of the textile quotas the companies got an inkling of some positive effects from the global open market, but at the same time they could feel a pinch in prices because of the increased competition. The industry owners fear that the predicted effects of the abolishment will occur at a later time when the phase-out is fully completed and Professor Rahman is of the opinion that it is to soon to see the full effects of the abolishment of the textile quotas. It is not until 2008, when the safeguards are truly abolished, that the full effects are believed to show.

By the 2005 phase-out nothing really occurred in the aspect of choosing exporting country according to the international buyers. They are all of the opinion that the possible major changes will take place in 2008 when the abolishment should be completed, but during the transition time especially the small local companies are feared to suffer. After the phase-out many possibilities has arisen thanks to the previous expensive quotas being abolished. Though, one negative effect for the textile industry in Bangladesh is that China has become more competitive because of the lower price difference without the quota costs. The predicted winners of the quota abolishment are the multinational companies that easily can move their production elsewhere if they find it more profitable. However given from the interviews the textile and clothing industries in Bangladesh seem to be relatively safe and attractive to the international buyers in the specific areas where their products have competitive advantages.

Thanks to the newly opened market Bangladesh now have the opportunity to establish themselves and export more than with the quotas, according to the organisations. However, the competition has tightened resulting in a narrow margin of error. This is a consequence of free trade that consequently gives the buyers a better situation by lower prices and more options to choose from. Bangladesh has become very competitive within four items and is climbing toward a world top exporter with these products. Another effect of the abolishment is that Bangladesh now are forced to themselves sign bilateral or multilateral agreements to lower their export costs and strengthen their position in the global market. Bangladesh, together with

other LDC nations, has already begun working on such agreements. At the moment they are in Washington, US, lobbying for the TRADE-bill, Tariff Relief Assistance for Developing Economies. The US already has an existing agreement with 72 African and Caribbean LDCs, which gives them duty free access to the American market. Bangladesh already has received duty-free or duty reduced market access on several items to South Korea and China, thanks to the newly adopted Asia-Pacific trade agreement, APTA. Items such as knitwear and woven are some of the products included in the agreement.

## **7.5 Opinion of the quota abolishment**

In a short-term perspective professor Rahman finds the abolishment of the textile quotas to have negative effects on the textile industry in Bangladesh. With the quota system Bangladesh had a guaranteed market that with the abolishment disappeared. Mr. Alam at Nannu Textiles thought that the quota system was a good support to the nations textile and clothing industry, and he believes that the abolishment will make it harder to compete. Mr. Razi of the Delegation of the European Commission on the other hand, feels that the abolishment is a positive, unavoidable development. International buyers also find the abolishment of the textile quotas as a positive development. Further they found the quotas to be an unnecessary complicated system that does not protect the local markets as they are supposed to.

Ms. Salwa of the BGMEA is of the opinion that Bangladesh is placed in an unfair situation after the abolishment of the textile quotas, and that this have negative effects on the textile industry. This since Bangladesh does not have extensive bilateral or multilateral agreements, and is together with a number of other LDC countries forced to pay high tariffs on their products because of lack of agreements.

For total abolishment of the quotas there is still a long way to go, since there are safeguards and voluntary quotas still active, but in a medium to long-term view Professor Rahman believes that the abolishment is an opportunity for the local industries.

## **7.6 Necessary improvements**

For natural reasons prices will rise and subsequently so must the wages, this will lead to that Bangladesh current competitive advantage with low wages will decline. Therefore there are many improvements to be made to maintain and increase Bangladesh position as a global textile and clothing exporter. Large investments to increase productivity and quality are necessary to progress globally.

The current bureaucratic process has to improve by shortening the long processes since this prolongs for example the lead-time, which is one of the important ways to compete. Besides, Bangladesh has to improve their infrastructure and has to lure foreign investors to develop their competitiveness further. Major investments in research and development as well as a more effective production line are additional improvements needed. According to the international buyers heavy actions toward corruption must be taken, as well as improving the entire nations working and environmental conditions. Corruption is said to decrease with free trade at the same time as democratic values are spread, according to the free trade enthusiasts. If these assumptions are correct, the abolishment of the textile quotas will develop the ill

working political system in Bangladesh. However, the opponents to free trade state the exact opposite, that large companies and rich countries in the free trade will exploit poor nations and consequently their democracy will be undermined and their environment ruined.

The textile and clothing industry in Bangladesh have to improve their technological skills to be able to increase productivity, which is necessary to meet the higher demands on the newly opened market. In this new market short lead-time is of the essence, and therefore improvements have to be made to abbreviate it. This can be made through for example a Central Bonded Warehouse, improved backward linkage through government support and developed ports. It is crucial for the textile industry to start listening to the requests from the international buyers as well as their consumers. Professor Rahman considers specialization to limited sectors to be the winning concept, since it is impossible to have competitive advantages in all sectors because of the constantly expanding market. As one can see, Professor Rahman is in this sense of the same opinion as the advocates of free trade, that the textile industries of Bangladesh should focus their production on what they are relatively better at, compared to other nations to become more effective.

Different types of agreements concerning everything from duty free access to cooperation settlements has to be established to improve Bangladesh's position as a textile export country. There are also several major improvements that have to occur such as increased productivity, be more service oriented, active and flexible, but also improve their negotiation skills. The textile industry has to develop from the inside out. On a more national basis the social standards must rise greatly which will result in, among others, advancement in technology. This will attract international buyers even more. As research has shown the quota system has had a large impact on the economic and social development in many developing countries, and this has resulted in a social economic lost to the world as a whole. This may be one of the reasons why Bangladesh's social standards are as poor as they are and are in the need of improvements. Other necessary improvements are fighting bureaucracy and improving forward linkage.

## **7.7 Future prospects**

Professor Rahman is carefully optimistic for the future and believes that the textile industry in Bangladesh should turn toward new markets, such as other developing nations. Bangladesh possesses competitive advantages in some certain areas, even toward countries such as China, Russia and India and should therefore look into those opportunities.

The overall opinion from the industries is that the textile and clothing industry in Bangladesh is walking toward a bright future. All the interviewed companies are in the process of expanding their businesses in one way or another, which is not a sign for regression. In the future China is believed to be one of the investors and big business partners to Bangladesh, which signs show already. New markets seem to be the melody of the future, where also Australia and South Africa are mentioned.

The international buyers are concerned with the political situation in Bangladesh, but as long as the situation does not deteriorate they will continue to import from the local industries. However, the political situation has to be stabilised and improved, otherwise competing nations

will be seen as a better option when that area is concerned. But as for now the international buyers see a relatively positive future for the textile and clothing industry of Bangladesh.

However, there is great insecurity for the textile and clothing industry of Bangladesh after 2008 when the safeguards are removed. In the meantime the government is trying to help to give the textile industry in Bangladesh as bright of a future as possible. Mr. Razi of the Delegation of the European Commission is of an opposite opinion. He has no fear for 2008 if surrounding conditions stay the same, and he stresses that Bangladesh is already established and competitive in the global market and the industry will continue growing.

## 7.8 Empiric overview

	<b>Owners/managers</b>	<b>Buyers</b>	<b>Professor</b>	<b>Organisations</b>
<b>Positive features with Bangladesh's textile and clothing industry</b>	<ul style="list-style-type: none"> <li>• Good quality</li> <li>• Low production costs</li> <li>• Cheap labour costs</li> <li>• Cheap living expenses</li> <li>• Skilled workforce</li> <li>• Sincere businessmen</li> <li>• Long-term buyer relationships</li> </ul>	<ul style="list-style-type: none"> <li>• Reasonably good quality</li> <li>• Reasonably good prices</li> <li>• Reasonably good textile infrastructure</li> <li>• Reasonably skilled workers</li> <li>• Reasonably good lead-time</li> <li>• Accommodating</li> </ul>	<ul style="list-style-type: none"> <li>• Low wages</li> <li>• Relatively skilled workers</li> <li>• LDC country with capacity</li> <li>• Knitwear sector</li> <li>• Good buyer relationships</li> </ul>	<ul style="list-style-type: none"> <li>• Governmental support</li> <li>• For- and backward linkage</li> <li>• Skilled, effective workforce</li> <li>• Cheap labour</li> <li>• Sufficient gas amount</li> <li>• Reliable exporter</li> <li>• Four items</li> </ul>
<b>Negative features with Bangladesh's textile and clothing industry</b>	<ul style="list-style-type: none"> <li>• Poor infrastructure</li> <li>• No significant cotton production</li> </ul>	<ul style="list-style-type: none"> <li>• Behind in product, fabric, quality and design development</li> <li>• Lead-time</li> <li>• Poor infrastructure</li> <li>• Inflexible, bureaucratic and slow processes</li> <li>• Corruption</li> </ul>	<ul style="list-style-type: none"> <li>• Technically uneducated</li> <li>• Changes in current competitive advantage</li> <li>• Lead-time</li> </ul>	<ul style="list-style-type: none"> <li>• Problems meeting requirements</li> <li>• Not active at buyers market</li> <li>• Poor backward linkage in the woven sector</li> </ul>
<b>Main competitors</b>	<ul style="list-style-type: none"> <li>• China</li> <li>• India</li> <li>• Pakistan</li> </ul>	<ul style="list-style-type: none"> <li>• China</li> <li>• India</li> <li>• Turkey</li> </ul>	<ul style="list-style-type: none"> <li>• China</li> <li>• India</li> <li>• Pakistan</li> <li>• Vietnam</li> </ul>	<ul style="list-style-type: none"> <li>• China</li> <li>• India</li> <li>• Pakistan</li> <li>• Turkey</li> <li>• Romania</li> </ul>
<b>Effects of the quota abolishment</b>	<ul style="list-style-type: none"> <li>• Stable market</li> <li>• Inkling of positive effects</li> </ul>	<ul style="list-style-type: none"> <li>• No major change until 2008</li> <li>• Possible suffering of</li> </ul>	<ul style="list-style-type: none"> <li>• Full effects after 2008</li> </ul>	<ul style="list-style-type: none"> <li>• Fairly stable market</li> <li>• New opportunities</li> </ul>

	<ul style="list-style-type: none"> <li>• Pinch in prices</li> <li>• Fear of later effects by some</li> <li>• No fear of 2008 in hometex</li> </ul>	<ul style="list-style-type: none"> <li>small companies</li> <li>• New possibilities</li> <li>• China more competitive</li> </ul>		<ul style="list-style-type: none"> <li>• Tightened competition</li> <li>• Suffering small companies</li> <li>• Competitive with four items</li> </ul>
<b>Opinion of the quota abolishment</b>	<ul style="list-style-type: none"> <li>• Negative because of harder competition</li> </ul>	<ul style="list-style-type: none"> <li>• Positive</li> <li>• Far from total abolishment</li> </ul>	<ul style="list-style-type: none"> <li>• Negative on short-term</li> <li>• Opportunities on medium and long-term</li> </ul>	<ul style="list-style-type: none"> <li>• Unfair situation because lack of agreements</li> <li>• Positive, unavoidable development</li> </ul>
<b>Necessary improvements</b>	<ul style="list-style-type: none"> <li>• Governmental aid</li> <li>• Investments</li> <li>• Quality improvement</li> <li>• Increase productivity</li> </ul>	<ul style="list-style-type: none"> <li>• Shorten long processes</li> <li>• Improve infrastructure</li> <li>• Lure foreign investors</li> <li>• Investments in R&amp;D</li> <li>• More effective production line</li> <li>• Fight corruption</li> <li>• Improve work and environment conditions</li> </ul>	<ul style="list-style-type: none"> <li>• Technological skills</li> <li>• Shorten lead-time</li> <li>• Listen to buyers requests</li> <li>• Focus on limited sectors</li> </ul>	<ul style="list-style-type: none"> <li>• New agreements</li> <li>• Increase productivity</li> <li>• More service oriented, active and flexible</li> <li>• Negotiation skills</li> <li>• Internal improvements</li> <li>• Social standards</li> <li>• Develop infrastructure</li> <li>• Fight bureaucracy</li> <li>• Backward and forward linkage</li> </ul>
<b>Future prospects</b>	<ul style="list-style-type: none"> <li>• Bright future</li> <li>• Expand business</li> <li>• Business with China</li> <li>• New markets</li> </ul>	<ul style="list-style-type: none"> <li>• Stabilize and improve political situation</li> <li>• Reasonably bright future</li> </ul>	<ul style="list-style-type: none"> <li>• Carefully optimistic</li> <li>• New markets</li> </ul>	<ul style="list-style-type: none"> <li>• Insecurity for 2008</li> <li>• Mr. Razi no fear</li> <li>• Continue to grow</li> </ul>

## 7.9 Overall analysis

Bangladesh, as all developing nations, has major social and political problems such as corruption, extremely low living standards and widespread illiteracy. These are problems that the government has to resolve to get out of the poverty position the country is in as well as developing the textile and clothing industry. However, to become a great exporting nation of textile and clothing these problems are not the only ones to be resolved. It is very important that specific measures are taken to improve the textile and clothing industry specifically. A nation like Bangladesh with poor overall infrastructure need to focus on building it up to accommodate the industry that can help the entire nation to get out of its extremely poor state. An important stage in developing the nations ability to export in large amounts is port development. This to shorten lead-time, which is of high importance for international importers when choosing countries to buy from. Lead-time is, and is going to be even more significant

after the total abolishment of the textile and clothing quotas in 2008. China already has a very competitive position with their short lead-time and they are also very resourceful when it comes to ideas of shortening it even further. An example of China's creativity was when a large order from the US was placed, but only under the condition of delivery time in three weeks. Normally it would take three weeks to produce the items and another three weeks to deliver them. Thanks to good creativity and great governmental support the Chinese managed to do what the Bangladeshis did not. The government provided a large ship, placed sewing machines, material and workers on it and sailed off on the three-week journey to the US. When arriving in the US harbour the order was completed, ready to deliver. This would not have been possible without tremendous governmental support and great resources. This was an order Bangladesh had to turn down because of the lack of necessary resources.

Bangladesh has all the basic components of a prosperous textile and clothing industry, with their comparative advantages in low wages, reasonably good quality and skilled workers. These components are essential when producing items in the low-value, mass production textile and clothing sector, which is the area where Bangladesh are specialised in. Bangladesh is the number one exporter of shirts and sweaters to the EU and the fourth in the world with these two items following China, Turkey and Romania. Bangladesh is also very competitive with trousers and t-shirts and with these four items the country is among the top five exporters in the world. The textile and clothing industry in Bangladesh should focus their efforts on improving all aspects that are concerned when producing these items. They should aim to become the number one exporter of these four items worldwide. When the nation has accomplished this then it is time to expand the items produced and work on becoming world leader in more than these four items. It is better to become number one in a more specific area than being only average in many, because success gives birth to further success.

It was the quotas twenty years ago that helped the textile and clothing industry in Bangladesh to get started. Today there are still long-lasting relationships that were established already twenty years ago, and continuously during this period. These relationships are essential components for this industry in Bangladesh. It is the long-lasting relationships that give Bangladesh a secure market share and the risk of losing a large quantity of foreign buyers is reduced. In long-lasting relationships the parties do not easily leave one another unless drastic changes for the worse occur. International buyers such as H & M have had a long relationship with practically the same industries since they came to Bangladesh twenty years ago. H & M feel that the chosen industries in Bangladesh are good at what they are producing and will continue using them. Even if there are ups and downs within this industry in Bangladesh they will stand by their side unless the industries stop complying with their requirements or if the entire situation within the country decreases radically. When experts predicted that Bangladesh would be a major loser after the abolishment of the WTO textile and clothing quotas, the aspects of long-lasting relationships might not have been fully appreciated. International buyers know what they are going to get when staying in Bangladesh and are not willing to leave something that they know is good, because "the grass may not always be greener on the other side". Furthermore, building up such new relationships all over again are time consuming, demanding and risky and experts did not look at the whole picture when predicting the future after the MFA phase-out.

With the newly opened global market it is becoming more of a consumers and buyers market and the industries must be very sensitive to their demands. The north Europeans are becoming increasingly aware to what conditions products are produced in and certain standards must be

reached for luring these buyers. Nannu Textile Mill Ltd. is considered to be a model factory in Bangladesh with their working conditions. On a personal note these conditions are not nearly as high as the standards we set on our local industries in Sweden. The noise level is unbearable and no ear protection is used and neither is any safety attire what so ever. Of course the same standards as in Sweden cannot be applied in Bangladesh because of several factors such as high costs, cultural differences and different over all standards. However, if model industries are continuously hired and constant demands are set upon them, other factories will follow in their improving footsteps to increase their competitiveness to attract buyers. As mentioned in the empirics in several interviews these improvements are costly, but in the end they are going to be worth it because of the stronger buyers market. Bangladesh should and have the opportunity to become global leaders in this development and their competitive advantage will then become even stronger.

Backward linkage is mentioned over and over again by the different groups interviewed as an extremely important issue that everyone in Bangladesh has to work on. If backward linkage is developed even further the important component lead-time will greatly improve as well. Another aspect of backward linkage is the demand of the two-step process from the EU where at least two steps of the production line must be produced within the country. Bangladesh together with six other South Asian nations are together trying to settle an agreement with EU where they want to be considered as “one nation”, meaning that the two steps can be conducted in any of the seven countries and still be a two-step process. However it is not the entire textile and clothing industry that feel that this agreement would be a positive development for the local industries. For example, if Bangladesh would be allowed to import yarn BTMA fear that the local industry would severely be damaged and they therefore do not look fondly upon this seven-nation agreement. The three major textile and clothing organisations in Bangladesh, BGMEA, BKMEA and BTMA do not always see eye to eye with each other. More specifically the BTMA’s work is only oriented toward the backward linkage while the other two association’s focus is both on the forward as well as the backward linkage, which sometimes creates conflicts of interest between them. For the nations good these organisations have to learn how to work together, compromise and not try to ruin each other’s work, or no progress will occur. They have to see what is best for the nation’s textile and clothing industry at large, not only look at the own sectors well being.

Another view is that the development of the textile and clothing industry has opened up an opportunity for women to enter the labour market. Before the widely spread industry women practically never worked outside the home with anything else but housekeeping. The majority of workers within the textile and clothing industry in Bangladesh are women. However there is a long way to go before there is equality between the sexes within the industry were females have the lowest positions and the worst paid jobs. To develop the entire nation that at the same time develops the textile and clothing industry it is important to give women economical power. Women receive economical power when working outside the home earning their own living, which leads to a broader perspective resulting in higher education followed by fewer children per family. In an overpopulated nation like Bangladesh this is crucial in all aspects.

The textile and clothing industry of Bangladesh have to improve their negotiation skills significantly to increase their opportunities on the newly open global market. In the beginning of the 20th century a network of trade agreements arose where Great Britain, Germany and France were the main players. Several undeveloped countries were not included in this network, and were from the start excluded from these trade agreements, which made them fall

back even further since they were undeveloped already. To evolve out of the inferior situation strong efforts must be taken. The textile and clothing industry in Bangladesh has already started working with these issues. They are for example trying to get through a TRADE-bill act in the US that will allow them tariff relief on the US market and as mentioned earlier, an agreement concerning the two-step process with the EU. However, it is not only agreements such as these that have to be made, but also the ability to negotiate good and prosperous business deals are of the utter most importance to capture large parts of the international market. The entire negotiation process within the country has to be modernized since the current situation is too bureaucratic and not effective enough. If all levels in the textile and clothing industry of Bangladesh learn how to be more forceful in their negotiations better deals and more international buyers will chose to import from Bangladesh.

If all the previously mentioned improvements are successfully completed the next evolutionary step in the textile and clothing industry of Bangladesh would be to diversify their market even further. The industry should continue working within the low-value, mass production sector but be more active on the market. If the industries are able to present proposals of for example new fabrics and innovative designs in a catalogue with what they have to offer instead of just working from buyers' orders, they will become more desirable on the open global market. Since the textile and clothing industry is widely spread and well established in Bangladesh, the Bangladeshi export has the possibility to be very competitive globally.

The expected negative effects with mass loss of jobs and total deterioration of the textile and clothing industry of Bangladesh at large did not occur after the abolishment of the WTO textile quotas. However, everyone did not forecast these predictions; it was all depending upon the person's initial overall perspective. The main pessimists for Bangladesh's future in the textile and clothing industry were experts with a more west point of view, and these western experts are often the ones heard the most. Bangladesh together with other developing countries have had a positive attitude toward the abolishment of the textile quotas, something that has surprised western experts since they expected great losses for these nations and particularly Bangladesh. Two Bangladeshi experts, Professor Rahman, Dhaka University professor and Research Director for Centre for Policy Dialogue, and Mr. Razi, Trade Officer at the Delegation of the European Commission to Bangladesh, predicted that Bangladesh would not suffer severe negative effects after the abolishment and their predictions have shown to be correct. They were confident with the strong and competitive textile and clothing market of Bangladesh, and saw it from a more native point of view with more local knowledge. Concluding, it is not possible to generalize, meaning that the conclusions and expectations of the abolishment cannot include all developing nation's textile and clothing industries. Even though some countries loses because of the abolishment others will gain more, and the predictions are that the total global welfare will increase as a result of the removal of the textile and clothing quotas. Some analysts see the developing countries as the main winners, while others expect them to lose. It is all depending upon how measures of data are used and what the experts expect the final result to be. Last but not least, it is possible to say that well working industries in both developed and developing countries is a positive progress for both parts and for the textile and clothing industry as a whole.

## 8. CONCLUSIONS

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Bangladesh was predicted by most experts to be one of the big losers after the abolishment of the WTO textile and clothing quotas on January 1<sup>st</sup> 2005. After conducting interviews with several individuals from numerous groups of interests with different viewpoints in the textile and clothing industry, it is visible that the predicted scenario has not occurred. Concluding from the interviews one can almost dare to say that that the opposite has occurred. Most find the market share to be stable and some have even seen an increased market for the textile and clothing products of Bangladesh. The opinions concerning the future, and most of all after the total abolishment of all quotas in 2008, go apart. However most see a bright and promising future for the textile and clothing industry of Bangladesh.

The problems for the textile and clothing companies in Bangladesh after the abolishment of the textile quotas are that the newly opened global market has become more competitive, and therefore they have to compete with many more companies and nations to maintain and increase their market share. Individual companies have to become more buyer and consumer oriented, improve their negotiation skills and also their product and production lines further to improve their market situation on the newly more competitive market. Lobbying organizations of the textile and clothing industry, as well as the government of Bangladesh have to take several measures to develop the textile and clothing business within the country. The entire nations infrastructure as well as the major ports of the country has to be greatly developed. Otherwise international buyers may be hesitant to import from them since the buyers may fear that lead-time and the delivery will be delayed because of poor overall infrastructure. Bi- and multilateral agreements have to be negotiated with importing markets worldwide to strengthen the textile and clothing industry of Bangladesh globally. The social standards of the nation are also of great need of improvement; with a healthy nation business will continue blooming and the voice of the people will become stronger. As a result corruption will go down and so will the bureaucratic processes, which will lead to a more attractive country for international buyers.

The concerned parties of the textile and clothing industry of Bangladesh generally support the abolishment of the textile quotas. They all see the abolishment as an opportunity to become even more successful on the global market. Of course they all see more or less threatening situations ahead, however the nation cannot fully bloom if it is under constant protection and therefore the abolishment was a positive development. The textile and clothing industry of Bangladesh is the largest industry in the country, and the nation is very dependent upon it, therefore extremely vigorous actions are taken to take advantage of the new situation.

## 9. CRITIQUE TO THE STUDY

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The results of the research conducted are fully satisfying after complete review of the empirics as well as the analysis and conclusion. However, there are naturally numerous aspects that can be criticised in a research and a thesis such as the written one. After the thesis is written many new approaches arise that show one what could or should have been done differently. To assist future researchers in their studies some of the aspects will be mentioned in the following section.

The abolishment of the textile and clothing quotas occurred in January 1<sup>st</sup> 2005 and this research was conducted only ten months later and therefore the full effects of the abolishment are hard to see. Future research should be conducted continuously during the “middle period” until 2008. During this period the effects of the abolishment will fully evolve and therefore it is of highest interest to examine the effects of the removal of the textile and clothing quotas further. The possibility to examine this during a longer period of time than the fall of 2005 would have been beneficial for both this and future research studies in this category. When the purpose of the thesis was chosen the aspect of the EU, US and others using the safeguard quotas was not fully considered, therefore it is of highest importance and an absolute must that further research studies are conducted within this area after 2008 when the safeguard quotas supposedly will be fully abolished.

There are numerous ways to conduct a research study where effects of major events are examined. The choice of method in this research could have been made differently if one would have chosen a different viewpoint of the problem. The most obvious criticism is of course that additional companies, buyers, professors and organisations could have been interviewed. This to even more thoroughly enlighten the effects that the abolishment of the textile and clothing quotas have had on the textile and clothing industry of Bangladesh. Another viewpoint would have been to increase the number of individuals in only one level. When deepening the information from only one level the effects of the abolishment of the quotas become more specified. To only specify one level the time consumption will be less than if the entire study would have been deepened and the knowledge in this area will be more complete.

The interviewed importers in this research are already established importers from Bangladesh. If research would have been conducted with importers that are not already established in the country the answers may have been different. The reason being that a non-established importer may have a completely different viewpoint since they are on the lookout for prosperous offers and possible import countries. Further they do not have already established long-term relationships which otherwise can cloud their minds and colour the answers given when discussing their involvement of the effects of the abolishment of the textile and clothing quotas in Bangladesh.

The companies interviewed in this thesis originate solely from Sweden. This can give a somewhat one-sided point of view since companies from Sweden and northern Europe have a different attitude than other nations worldwide. Attitudes differ greatly between different parts of the world in matters such as codes of conduct, work ethics, morale, culture viewpoints, etc. Different attitudes can be seen when deciding country and company to import from were Swedish companies often choose industries that fulfil requirements such as no child labour, working hours and working environment, while companies from for example the US are more focused on low production costs. The more nations represented in the research from the importers point of view the more diversified and accurate the result will be.

All interviewed parties are very optimistic concerning the future of the textile and clothing industry of Bangladesh. However, this extremely optimistic standpoint may be somewhat misleading and there may be a risk that this optimistic view is more prosperous than reality. This optimistic view may be a result of a fear of losing their face since the textile and clothing industry of Bangladesh from the start has been very optimistic toward the abolishment of the quotas. During time and the closer one came to the date of the abolishment of the textile and clothing quotas the more the industry of Bangladesh realised that this change would have a major impact of the local industry as well as the country at large. When realising what possible major negative effects that this may have on the textile and clothing industry of Bangladesh, the involved parties in the industry continued to show an external optimistic view to maintain the facade that the situation were under control. The industries in large give the appearance of optimism to make others believe that everything is great, since the appearance of optimism from the “source” provides a believed reliable impression, and success gives birth to further success.

Since the quotas were not fully removed in January 1<sup>st</sup> 2005, because of newly placed safeguards, further research within this subject should be conducted after 2008 when quota restrictions are no longer applicable. After 2008 the full of Chinas resource capacity will be visible and the world will be greatly effected of this nations huge capability. Bangladesh as well as other developing nations that are dependent upon their textile and clothing industry will then stand before even greater difficulties, and the question is will Bangladesh then once again be able to keep the optimistic appearance visible? This thesis could be a good foundation to work from when further research is conducted, and the previous criticism in this sector should then be considered to obtain an even more precise, accurate and striking research study that will enlighten the world of the textile and clothing industry of Bangladesh.

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## 11. APPENDIXES

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### 11.1 Additional information about Bangladesh

#### 11.1.1 Population

Because of the 140 million inhabitants on such a small area, starvation is a large threat to Bangladesh. Practically all of the land is already cultivated and only a few are landowners because of the lack of soil. It is only through better family planning, effective agricultural methods, better usage of water and a quick industrialization that the country will get out of the underdevelopment and extreme poverty that is calculated to aggravate.<sup>80</sup>

#### 11.1.2 Geography, religion, language and education

Bangladesh is located by the Bengal bay in between India and Burma. Bangladesh is one of the countries with the largest amount of Muslim inhabitants in the world. About 88 per cent of the inhabitants are Muslims, most of them Sunni Muslims. The rest of the population are mainly Hindus, but there are also smaller groups of Christians and Buddhists. The Muslim fate in Bangladesh was developed fairly isolated from the Islamic movements on the Indian peninsula and has therefore a distinctive design, often with elements of both Hindu and Buddhist traditions.<sup>81</sup>

Bangla is the state language, but about 60 per cent of the population is illiterate. Only about one fourth of the women and half of the men can read. In general the education is poor because there are few competent teachers, hardly any education facilities and a small number of textbooks and teaching aids. There is a lack of pretty much everything in the country and the State is highly dependent on aid from abroad.<sup>82</sup>

#### 11.1.3 Dhaka

Dhaka was founded in 1608. The population of Dhaka is almost 10 million people and they are spread over an area of 1353 square km. The University of Dhaka is the oldest and biggest university in Bangladesh and was established in 1921. There are about 30 000 students and 1500 faculty members at the university.<sup>83</sup>

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<sup>80</sup> Carlson, 2001

<sup>81</sup> Johannesson, 1994

<sup>82</sup> Ibid.

<sup>83</sup> Dhaka tourist map

### 11.1.4 Bangladesh Independence

Bangladesh became independent in December 1971 after a short, but extremely bloody war of liberation. The liberation was a two-stepped process. The area that is Bangladesh today was a part of the British India until 1947 and was during 1947-71 a part of Pakistan. When the British left South Asia in 1947 the Muslim State Pakistan was formed and was divided into two parts located on each side of India. The only connecting element between these two parts of the country was Islam, other than that the people in the two separate parts had different languages, cultures and living conditions. Because of this, tensions soon arose and the East Pakistanis were dissatisfied with the domination from the west side. The hostility grew during the years to follow and in the 1960s there was a demand for independence in East Pakistan.

A triggering factor for independence was a natural disaster 1970 in East Pakistan with hundreds of thousands of people dying. The Bengalis blamed the Pakistanis for not helping the victims enough. That year the Bengali nationalists in the Awami association with Mujibur Rahman in the front, won a great victory and took almost all seats in the Parliament in Bengali and became the largest party in Pakistan. Strengthened by the electorate the party demanded regional autonomy and when this was denied Mujibur Rahman proclaimed Bangladesh as an independent State on March 1<sup>st</sup> 1971. However Pakistani army then took control over Bangladesh and that was the start for a bloody liberation war. Millions of Bengalis fled over the border to India. In December 1971 Indian troops were set in to settle the war. After two weeks of fighting the Pakistani troops surrendered and the independent State Bangladesh was a fact.

Several military coups and clashes of political opinion occurred and the first two presidents were murdered during that time and corruption was also widely spread. Bangladesh was a country in between dictatorship and democracy. In 1990 was president Mohammed Ershad forced to resign from his presidency after pressure from two of the big parties, where two women surprisingly enough were leaders. These two women were Hasina Wajed, daughter to the murdered president who led the country to liberty, and Khaleda Zia, the wife of the second murdered president. In February of 1991 public elections were conducted and Khaleda Zia's party won the most seats in the parliament. However this did not end the differences between the several parties in the country and there was not a real democracy in the nation. The opposition in the country carried out several strikes and there was instability in the nation. The opposition boycotted the parliament election in February of 1996 and there were bloody fights during the election and the election participants were few. There was a demand for new elections, which were held in June of 1996. This time Hasina Wajed's party won and she now became the prime minister. She and her party stayed in power all during their five-year period.<sup>84</sup> The summer of 2001 new elections were conducted and also in this election there was violence between supporters for different parties. Khaleda Zia once again became prime minister. The next election will occur in 2006.<sup>85</sup>

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<sup>84</sup> Carlson, 2001

<sup>85</sup> [http://www.swedishtrade.se/i\\_utlandet/landrappporter/banglad.htm](http://www.swedishtrade.se/i_utlandet/landrappporter/banglad.htm) 2005-09-19

## 11.2 Current media debate, in short

### ***2004-12-18, Slopade importregler för textilier stavar om världen – Kina vinnare med frihandel – billiga kläder men massuppsägningar troliga följer***

North Africa, Cambodia, Laos, Sri Lanka, the Philippines and Malaysia are believed to be in danger of losing their textile industries with the abolishment of the textile quotas. Other big losers against China are believed to be Macao, South Korea, Hong Kong, Nepal, Mauritius, Mexico, Middle and South America as well as Bangladesh. However, Bangladesh is not predicted to lose their already existing importers, this because companies are not willing to “place all their eggs in the same basket”.<sup>86</sup>

### ***2004-12-29, Fri handel med kläder men vissa hinder mot Kina***

There is a premonition regarding trade barriers from America and Europe, which indicates that the textile trade will not be truly free. It is only the United States and the European Union that potentially will place barriers toward China. This will limit China's textile exports, and the barriers will only be aimed toward China.<sup>87</sup>

### ***2004-12-30, Avskaffade kvoter släpper lös Kina – Kina väntas ta 50 procent av avreglerad textilmarknad***

By the turn of the year Bangladesh might be hit by an economic shock, a million textile jobs may be threatened. The quotas for textile import that have existed for decades will then be abolished. The textile quotas have been an obstacle against China's dominant position in the world trade of textile. China's current market share is 17 per cent, however experts believe that the market share will increase up to 50 per cent when the market has adjusted. India is another expected winner.<sup>88</sup>

### ***2005-06-12***

*“The EU and China have agreed a deal that will manage the growth of Chinese textile imports to the EU until 2008. The agreement on 10 product categories of concern limits the rate of imports while allowing fair and reasonable growth for Chinese exports. By finding a wide and balanced agreement, the EU and China ensure a period of adjustment textile industries in the EU and developing countries, provide greater predictability for importers and retailers, and preserve the price of market liberalisation for China.”<sup>89</sup>*

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<sup>86</sup> Svenska Dagbladet, 2004-12-18

<sup>87</sup> Göteborgs-Posten, 2004-12-29

<sup>88</sup> Svenska Dagbladet, 2004-12-30

<sup>89</sup> [http://europa.eu.int/comm/trade/issues/sectoral/industry/textile/memo100605\\_en.htm](http://europa.eu.int/comm/trade/issues/sectoral/industry/textile/memo100605_en.htm) 2005-06-12

**2005-09-04, EU-Kina i nya samtal om textilkvoter**

Many of the Chinese garments that are stuck in European harbours, because of the newly placed safeguard quotas against China, are hoped to reach their buyers. Germany and the Nordic countries have demanded a quick resolution, since they are the nations with the largest stock of Chinese garments.<sup>90</sup>

**2005-09-05**

Half of the garment quantity that are caught in harbours around Europe will now be released and counted off toward this years or next years textile quotas.<sup>91</sup>

**2005-10-09, Brazilian textile industry asks for limits on Chinese imports**

During the first eight month of 2005, Brazil has increased their silk import from China with 300 per cent. The Brazilian textile industry is now trying to impose textile quotas on five types of silk and other textiles from China.<sup>92</sup>

**2005-10-12, Post-MFA era, Asia's textile exporters doing better than expected**

Asia's textile exporting countries are doing better than expected after the abolishment of the textile quotas, regarding labour and trade effects. According to the international labour organisation, ILO, China has not taken the large percentage of the market shares that was predicted by the world textile experts.<sup>93</sup>

**2005-10-13, China, US begin new round of textile talks amid doubts**

The United States are trying to impose 13 additional quotas on textiles from China, which will bring the number of restrictions up to 27. Since the abolishment of the quota system Chinas export to the US has rapidly increased with more than 600 per cent, according to US numbers.<sup>94</sup>

**2005-10-14, Latest round of Sino-US textile talks fails to reach accord**

In 2001, when China joined the World Trade Organisation, the United States obtained the right to enforce safeguard quotas on China to the end of 2008. The US has been imposing quotas on individual categories of textile imports from China. At the same time the US is trying to settle an overall agreement, after pressure from its own textile industry. However, this time both parties walked away without a solution or another date to continue the talks.<sup>95</sup>

**2005-10-14 Bangladesh's textile export better than expected, says ILO report**

Bangladesh and Pakistan, anticipated losers after the MFA phase-out, have instead shown an upward trend despite strong Chinese competition. Orders dropped 52 million US dollars in January, but quickly recovered in February when orders went up by 157 million US dollars, and as much as 48 percent in some sectors.<sup>96</sup>

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<sup>90</sup> Dagens Nyheter, 200-09-04

<sup>91</sup> [http://www.svd.se/dynamiskt/naringsliv/did\\_10469404.asp](http://www.svd.se/dynamiskt/naringsliv/did_10469404.asp) 2005-09-05

<sup>92</sup> The Daily Star, 2005-10-09

<sup>93</sup> The Daily Star, 2005-10-12

<sup>94</sup> The Daily Star, 2005-10-13

<sup>95</sup> The Daily Star, 2005-10-14

<sup>96</sup> Ibid.

***2005-10-15, Power outage another threat to woven garments***

It is not only the MFA phase-out that threatens the garment industry in Bangladesh, but also the acute power shortage nation wide. This effects the growth of the entire garment industry negatively, and therefore also effects the foreign exchange to the national economy.<sup>97</sup>

***2005-10-16, Experts gather in Geneva oct 24 to talk global textile***

On October 24-26<sup>th</sup> textile industry experts from around the world will gather in Geneva to discuss strategies for the emergent situation in the global textile industry, subsequent to the MFA phase-out. The environment of the textile industry on a whole is more complex after the MFA phase-out than expected.<sup>98</sup>

***2005-10-23, Reopen land ports for yarn import***

BKMEA is continuously addressing the government to reopen the land ports for import of yarn, since four out of the required seven ships are not enough to import yarn by water. Heavy losses as well as large threats to the entire industry are future consequences if the land ports are not reopened according to BKMEA. However, BTMA is of the opinion that reopening the land ports will damage the local industry and therefore oppose the proposal.<sup>99</sup>

***2005-10-27, RMG makers from LDCs to meet in US next month***

14 LDC nations will join together on November 7<sup>th</sup> 2005 to intensify the lobbying for duty-free access for the LDC countries to the US. The final negotiations will take place in Hong Kong in December. The LDCs are trying to pass the US TRADE act 2005, the Tariff Relief Assistance for Developing Economies act, which will be effective until 2014.<sup>100</sup>

***2005-10-28, RMG units kept out of power rationing***

The government of Bangladesh is not guaranteeing electricity to any of the industrial units during the daily peak hours. This can result in loss of importers since delivery times will not be held. The BGMEA has discussed the matter concerning the readymade garment industry, RMG, with the State Minister of Power. The BGMEA is of the opinion that the RMG should be ensured daily power, since it is one of the largest industries in the country. This to be able to keep the industries open, or foreign investors will leave Bangladesh and the entire nation will severely suffer. The Minister agreed and the RMG units will be kept out of power rationing.<sup>101</sup>

***2005-10-29, Knitwear sector production goes down by 10pc in one month***

As a consequence of the yarn prices rising and the shortage of available yarn in Bangladesh, the knitwear industry has decreased their productivity with 10 per cent within the last month. If the situation does not change the knitwear industry is estimated to go down another 25 per cent within the following three month. International buyers have already been lost due to delivering times not being met.<sup>102</sup>

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<sup>97</sup> The Daily Star, 2005-10-15

<sup>98</sup> The Daily Star, 2005-10-16

<sup>99</sup> The Daily Star, 2005-10-23

<sup>100</sup> The Daily Star, 2005-10-27

<sup>101</sup> The Daily Star, 2005-10-28

<sup>102</sup> The Independent, 2005-10-29

***2005-10-30, Sweater manufacturing training centre launched***

Due to the increasing high foreign requirements for Bangladesh's sweaters, a Sweater Manufacturing Training Centre has been opened by BIFT, the Institute of Fashion and Technology, a corporate organisation of BGMEA.<sup>103</sup>

***2005-11-03, US, China inching closer to textile deal***

China and the US are coming closer on an agreement concerning Chinese textile exports to the US market. The two major questions remaining in the discussion are product coverage issues and growth rates. Large Chinese manufacturers are now considering moving parts of their production abroad to be able to avoid further restrictions on the US market.<sup>104</sup>

***2005-11-07, Dhaka gets duty-free access to ROK, Chinese markets***

The newly adopted Asia-Pacific trade agreement, APTA, awards Bangladesh duty-free or duty reduced market access on several items to South Korea and China. Items such as knitwear and woven are some of the products included in the agreement.<sup>105</sup>

***2005-11-07, Woven garments export decreases by \$299m***

After the MFA phase-out unit price of woven substantially dropped as well as the total export of woven. According to the CPD research professor Mostafizur Rahman this as a consequence to major competition in the EU market by China and Vietnam.<sup>106</sup>

***2005-11-08, EU sanctions on import of Chinese apparels: Implications for Bangladesh***

Bangladesh and China are competitors when it comes to particular categories of textiles to the EU. The agreement between China and EU concerning these items are highly interesting for Bangladesh since it has implications on their textile industry, and give prospects of coming opportunities that must be considered in the long-term planning. Chinas entrance in the WTO and the abolishment of the textile quotas increased tough competition for developing nations in both textile and apparels. The agreement between EU and China allows developing countries some breathing space to adjust to the situation and plan their coming strategies. The settlement did not go as smoothly as planned because the new set quotas were filled only shortly after they were set and many Chinese items were stuck in European harbours because of it. *To be continued.*<sup>107</sup>

***2005-11-09, EU sanctions on import of Chinese apparels: Implications for Bangladesh***

China has already filled up their product restrictions for 2005 and even started borrowing from next year's quotas to resolve the situation with Chinese apparels stuck in European harbours. Bangladesh should be prepared to take advantage of the situation, since it will leave a gap to fill with import from other nations. The categories China has already filled are the kinds of products that Bangladesh and China are competitors of. Therefore Bangladesh should thoroughly follow the situation to quickly be able to benefit from it, according to Professor Mustafizur Rahman and Asif Anwar.<sup>108</sup>

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<sup>103</sup> The Independent, 2005-10-30

<sup>104</sup> The Daily Star, 2005-11-03

<sup>105</sup> The Bangladesh Observer, 2005-11-07

<sup>106</sup> Ibid.

<sup>107</sup> The Daily Star, 2005-11-08

<sup>108</sup> The Daily Star, 2005-11-09

***2005-11-09, US, China reach deal on textiles***

The US and China has finally reached an agreement concerning Chinese export of textile and clothing to the US market. 34 categories of textile and clothing are restricted by the agreement and will last until the end of 2008.<sup>109</sup>

***2005-11-10, Sino-US textile to stabilise trade but industry sceptical***

The objective of the agreement between US and China is to create a more stable and predictable market, however experts are sceptical. At the same time China points out that quota restrictions are inappropriate and free trade is the overriding trend, something that developed countries should understand.<sup>110</sup>

***2005-11-16, BGMEA pushes for RMG ministry***

The Bangladeshi government is urged by the BGMEA to establish a separate ministry for the readymade garments industry to take care of the various problems after the quota phase-out. The government should also efficiently prepare for the upcoming WTO ministerial meeting to receive attention from the US representatives concerning the TRADE bill.<sup>111</sup>

***2005-11-17, Knitwear expo starts in NY to double exports***

To attract American buyers Bangladeshi knitwear manufactures showcased their products in New York City. Most American buyers were impressed by the products seen, however before signing any agreements they want to visit the factories to ensure that they live up to the necessary standards. During the first eight month of the quota phase-out the Bangladeshi knitwear export to the US grew by 118 per cent, an opposite scenario of what was predicted.<sup>112</sup>

***2005-11-17, RMG unit owners slate govt inertia on backward linkage***

The BGMEA feel that the government has not accommodated their demands concerning the backward linkage. The central bonded warehouse facility that according to the BGMEA would develop the backward linkage that is necessary after the quota phase-out, has not yet been taken care of by the government.<sup>113</sup>

***2005-11-20, Pak textile makers keen to relocate factories to Bangladesh***

Pakistani home textile manufacturers are interested in investing in Bangladesh by relocating parts of their units there. This will provide the Pakistanis easy market access to Europe since Bangladesh has duty-free access thanks to their LDC status, and also take advantage of the available, cheap and skilled workforce. Pakistani businessmen suggest working for a direct road link between Dhaka, Bangladesh and Karachi, Pakistan, to assist the relationship further.<sup>114</sup>

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<sup>109</sup> The Daily Star, 2005-11-09

<sup>110</sup> The Daily Star, 2005-11-10

<sup>111</sup> The Daily Star, 2005-11-16

<sup>112</sup> The Daily Star, 2005-11-17

<sup>113</sup> Ibid.

<sup>114</sup> The Daily Star, 2005-11-20

### **11.3 Presentation of the companies/organizations and the individuals interviewed**

#### **Nannu Textile Mills Ltd.**

Nannu Textile Mills Ltd. is one of the companies in the concern BEXI Fabrics, owned by Mr. Hajee Mohammad Nannu Miah, Chairman, who was partly involved in the interview together with the Director Mr Jahangir Alam. Nannu Textile Mills Ltd. is a medium size company in this industry, with its 44 synthetic machines and 224 cotton machines. The company produces cotton and synthetic fabrics. Nannu Textile Mills Ltd. has existed for five years, however, the concern was founded 20 years ago. The mill employs 400 people, of which 80 per cent are men and the rest are women. Five times a day the factory shuts down for prayers in the common prayer room. Most of the employees live in the workers residence that is located on the company's premises.

#### **M/S Rajion Shakil Textiles**

M/S Rajion Shakil Textiles is a two-year-old spinning company with 575 employees. The workforce ratio is 70/30 with a majority of women. In comparison with others in the industry, this is a small company.

#### **Mohammadi Group**

Mohammadi Group is a medium sized apparel factory, which purchases fabrics from local industries and sew clothes for export to the United States and Canada. The company was founded in 1985 and employs 1150 people with a ratio of 80/20 in favour of women. The company has been expanding every fifth year when it comes to workforce, and is planning on continuing in this rate.

#### **M/S. Haque Textile**

Mr. Aminul Haque is the owner of M/S. Haque Textile, which is an agent company. The company produces fabrics and started in 1997. The company owns 16 machines and rents 44, which make this company a rather small one. The consumers are exclusively foreign buyers, consequently 100 per cent of the products are exported abroad. The fabrics are used for pockets and linings. The buyers are companies such as Hennes & Mauritz, Wool Worth and Disney among others.

#### **Apex**

Apex is one of the three largest hometex industries in Bangladesh and South-east Asia and is 100 % export oriented. The company was established in 1994. They produce hometex products such as sheets, curtains and table and kitchen linen among others. The interview was conducted with Mr. Sazal who has a bachelor of science in textile chemistry from Dhaka University. For six and a half years Mr. Sazal worked at four different dyeing factories as a textile engineer. He is currently working with marketing and merchandising as a Marketing Manager at Apex.

### **Göran Bille, CEO, Lindex**

Göran Bille has under his career worked 25 years at Hennes & Mauritz. Within H & M he has mostly worked in the buying section of the company. He has also been stationed as an office manager in Hong Kong, with responsibility toward the development of suppliers for H & M from the Far East. For the last two years he has worked as the CEO for Lindex.

### **Guarav Mahna, Manager South Asia, Lindex**

Mr. Mahna was educated at the National Institution of Fashion in India, with a focus on garment manufacturing technology. During his studies he worked in three different textile factories where he worked for a total of eight years. He worked his way up in different positions ending up being a finishing supervisor. The following four and a half years he worked as a Merchandise Manager at the American retailer Macy's and then moved on to work for Lindex, two years in Delhi and currently as Manager of South Asia in Dhaka, Bangladesh. The Dhaka office started opening in 1997 and was fully opened by 1999. In 2005 it became the hub for the Indian continent and controls all production in South East Asia. The Dhaka office, being the largest one in South Asia, has 34 employees.

### **Anette Lindström, Product Manager and Product Development/Research Manager, Hennes & Mauritz**

Anette Lindström has worked as a Product Manager and Product Development/Research Manager for H & M in Asia and Europe. Her main responsibility is the entire production line; suppliers, production, development, Human Resources, Corporate Social Responsibility, capacity, prices, quality, shipping, etc. Her background is 16 years within Hennes & Mauritz, both in purchasing and with seven years abroad.

### **Pelle Karlsson, Chief Representative in Bangladesh, Hennes & Mauritz**

Pelle Karlsson has been working for H & M for the last 14 years. The first ten years he worked within the buying department in Sweden, after that he was stationed two years in Jakarta, Indonesia, and for the last 18 months he has worked in Dhaka, Bangladesh. H & M's office in Bangladesh is a fairly large one with its 140 employees, where Pelle Karlsson is the Chief Representative.

### **Professor Mustafizur Rahman, Dhaka University professor and Research Director for Centre for Policy Dialogue, CPD**

Professor Mustafizur Rahman received his Master as well as his PhD in economics from Moscow State University. He has also attended Oxford University in England as well as Yale University in the US. After returning to Bangladesh he became a university lecturer at Dhaka University and later became professor at the same university. Since 1993 he has, parallel to his work at the university, worked as a Research Director at CPD. His speciality lies within trade and globalisation, with a focus on the garment sector generally in South Asia. Professor Rahman is also a part of various garment bodies within Bangladesh.

**Mr. Zillul Hye Razi, Trade Officer, The European Commission, Delegation of the European Commission to Bangladesh**

The Delegation of the European Commission to Bangladesh has several purposes, mainly distribution of developing aid donated by the European Commission. The developing aid is divided into two parts; regular development and trade development. The trade developments mission is to improve Bangladesh's trade capacity during a five-year period. Within the Delegation both Bangladeshis and delegates from the member countries in the European union, with a total of 63 persons, work together to reach these goals.

**Ms. Deena Salwa, Research Officer, Bangladesh Garment Manufacturers and Exporters Association, BGMEA**

In the 1970s the Readymade Garment arose as a promising export-earning sector of Bangladesh. When this sector developed there did not exist an organisation that worked to help the country's foreign exchange earnings to prosper. As a result, BGMEA was founded in 1977 as a non-government organisation. When BGMEA was created the organisation included 19 members, which today has grown into more than 4000 members.<sup>115</sup> The main goal of BGMEA is to:

*“establish a healthy business environment for close and mutually beneficial relationship between the manufacturers, exporters and importers in the process ensuring a steady growth in the foreign exchange earnings of the country.”<sup>116</sup>*

BGMEA is playing a very strong role to lead the industry in concurrence with the government.<sup>117</sup> BGMEA's task is to ensure foreign buyers that the companies within the association follow the criteria that are set up by the importers. BGMEA are responsible for the follow up of how the members implement these criteria. If a member is unable to implement the criteria into their factories they will receive a warning, and if they do not follow the criteria the repercussion will be elimination from the association.

**Mohammad Hatem, former Vice President, Bangladesh Knitwear Manufacturers and Exporters Association, BKMEA**

In 1986 the BKMEA first received their official permission from the government to establish the Bangladesh Knitwear Manufacturers and Exporters Association. The BKMEA's mission is to promote Bangladeshi knitwear internationally as well as being a lobbying organisation, discussing matters concerning the knitwear sector with the government. The BKMEA and the BGMEA are associations working side by side toward the same kind of goals. One of the important issues for the two associations is the development of the backward and forward linkage of the nation. Both organizations are working for the garment sector, but with different main focuses. There are 950 members of the BKMEA. Mohammad Hatem is one of the original founders of the BKMEA and was during the last tenure the vice president of the association.

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<sup>115</sup> <http://www.bgmea.com/pro.htm> 2005-09-08

<sup>116</sup> Ibid.

<sup>117</sup> Ibid.

**G.K.M Towfique Hassan, Secretary General, Bangladesh Textile Mills Association, BTMA**

The national trade organisation representing yarn, fabric manufactures and textile product processor mills of the country under the private sector is the BTMA, Bangladesh Textile Mills Association. BTMA was founded in 1983 with the membership of 22 mills that today has grown into 730. The associations mission is, among others, to promote and protect trade, commerce and manufacturers of Bangladesh, handle statistics for its members and to take necessary actions for supporting, promoting or opposing legislations that are effecting the members.<sup>118</sup> Mr. Towfique Hassan has studied at several universities around the world. He has a long career in the civil sector and after his retirement two years ago he started working at the BTMA.

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<sup>118</sup> BTMA Members Directory, 2005

## **11.4 Questions to the textile industry owners/managers**

1. What is your name and title?
2. What is the name of your business?
3. What do you produce?
4. How old is this business?
5. How many employees do you have?
6. Who buys your products?
7. Has the buyers changed lately?
8. Has the textile business as a whole changed lately?
9. How big is your industry compared to others?
10. Have you been effected by the abolishment of WTO's textile quotas? If yes, how?
11. If you have been effected negatively, do you have a back up plan of how to go about?
12. Have your customer group/market changed? (Moved from one country to another, etc.)
13. Was it the quotas that made it possible for You to open this business?
14. How do you look upon the future?
15. Why do you think that foreign investors should invest in the textile industry in Bangladesh instead of for example China and India?
16. So, what concretely has happened to your industry after the abolishment of the quotas?

### **11.5 Questions to Göran Bille, CEO at Lindex and to Anette Lindström Product Manager and Product development/research Manager at Hennes & Mauritz in Hong Kong**

1. What is your title and what are your primary work tasks?
2. In short, what is your professional background?
3. Do you have your own industries for production in other countries, or do you import?
4. In what countries do you have your own production?
5. On what terms do you choose what countries to import from?
6. What do you import?
7. Which countries do you import from?
8. How do you choose what countries to import from?
9. Did the WTO textile quotas that existed until January 1st 2005, effect the choice of country that you import from?
10. Have the abolishment of the textile quotas changed the way you chose an import country?
11. Why do you import from Bangladesh? Pros, cons, etc.
12. Who do you not import from Bangladesh?
13. Will, or have, Bangladesh been effected of the abolishment of the WTO textile quotas from your perspective?
14. What do you think about WTO's textile quotas, and what do you think about the abolishment of them?

## **11.6 Questions to the international buyers**

1. What is your name and title?
2. What is the name of your business?
3. Why is your company placed in Bangladesh?
4. How big is your company?
5. How many industries do you use/order from?
6. From how many countries do you import?
7. Does your company have its own industries, or do you outsource your production?
8. Will you move your production to China, India or somewhere else?
9. Pros/cons with import from China, India, etc?
10. Pros/cons with import from Bangladesh?
11. What products does your company produce/import from Bangladesh?
12. Was it the quotas that made you start importing from Bangladesh?
13. How do you look upon the future?
14. So, what concretely has your company changed after the abolishment of the quotas?

## 11.7 Questions to the professor

1. What is your name and title?
2. What do you teach?
3. How long have you been teaching?
4. What is your academic and work background?
5. Has there been a change in the textile- and clothing industry lately? What kind of changes?
6. What suggestions do you have to improve Bangladesh's competitiveness against other countries, mainly China and India?
7. Is the abolishment of WTO's textile quotas positive or negative according to you?
8. Which are the consequences of the abolishment, positive and negative?
9. What makes Bangladesh's textile industry more competitive as regards to China or India?
10. Less competitive?
11. Did the quotas increase the export of textile- and clothing in Bangladesh?
12. Did the quotas increase the companies' sizes or the amount of new companies in the country?
13. How do you look upon the future?
14. To which countries does Bangladesh mainly export textile- and clothing?
15. Which countries have big textile- and clothing production in Bangladesh?
16. So, what concretely has happened to the industry in Bangladesh after the abolishment of the quotas?

## 11.8 Questions to the organizations

1. What is your name and title?
2. What is the name of your organization?
3. What is your organization's purpose?
4. How big is your organization?
5. What power do you have? (create law, regulations, standards)
6. Has there been a change in the textile- and clothing industry lately? What kind of changes?
7. What are your plans to improve Bangladesh's competitiveness against other countries, mainly China and India?
8. Is the abolishment of WTO's textile quotas positive or negative according to you?
9. Which are the consequences of the abolishment, positive and negative?
10. What is your back up plan?
11. What makes Bangladesh's textile industry more competitive as regards to China or India?
12. Less competitive?
13. Did the quotas increase the export of textile- and clothing in Bangladesh?
14. Did the quotas increase the companies' sizes or the amount of new companies in the country?
15. How do you look upon the future?
16. To which countries does Bangladesh mainly export textile- and clothing?
17. Which countries have big textile- and clothing production in Bangladesh?
18. So, what concretely has happened to the industry in Bangladesh after the abolishment of the quotas?