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Prospects for the textile and clothing industry in Bangladesh, 2019

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Abstracts

Bangladesh is the world's second largest clothing exporter. Furthermore, it is the second biggest clothing supplier to the EU and the third biggest clothing supplier to the USA. Between 2011/12 and 2017/18, Bangladeshi clothing exports grew by more than 60% to reach almost US$31 bn, which accounted for almost 85% of the country's total exports. The clothing industry's development has been aided by government policies aimed at encouraging foreign investment and allowing private enterprise to take the leading role. The industry has set an ambitious clothing export target of US$50 bn for the country's 2020/21 financial year. But to achieve this target, it will have to continue to tackle issues of occupational safety, regulatory compliance and labour rights. Looking further ahead, Bangladesh could lose its tariff-free access to European, Canadian and Australian markets if, as expected, it graduates from least developed country (LDC) status and becomes a middle income country in 2021. If this were to occur, imports from Bangladesh into a number of major markets could become subject to additional tariffs and this could result in a loss in export earnings. On the positive side, labour costs in Bangladesh remain very low, problems of occupational safety are being addressed and the country's clothing industry has strong links with many leading Western retailers. This report looks at the development of the textile and clothing industry in Bangladesh, its size and structure, and production and consumption. The report also features: a geographical, political and economic profile; a detailed look at the country's imports and exports; a review of government policies, investment incentives and foreign investments; a look at Bangladesh's infrastructure and human resources and how these affect the textile and clothing industry; and an analysis of its strengths, weaknesses, opportunities and threats (SWOT).

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About

The clothing industry in Bangladesh needs to improve its image in order for the country's long-term prosperity to be guaranteed, according to Issue No 163 of Textile Outlook International from the global business information company Textiles Intelligence.

The collapse of Rana Plaza in Dhaka, Bangladesh, in April 2013 sent a shockwave through the textile and clothing industry. More than 1,100 lives were lost in the incident, and Bangladesh's reputation as a reliable low cost location in which to manufacture clothing suffered a severe blow in the eyes of consumers and the major brands. In addition, the industry has received a high level of
bad publicity with regard to employment practices.

Retailers and brands are, for good reason, increasingly sensitive about their reputations in the eyes of the media, consumers and lobby groups. It is not surprising therefore that some Western buyers have cancelled orders in the aftermath of the Rana Plaza collapse and placed them elsewhere. Moreover, a number of Bangladesh factories have been "blacklisted".

Furthermore, sales in the US import market could be negatively affected following a decision by the US government to suspend Bangladesh's preferential duty treatment under the USA's Generalised System of Preferences (GSP) scheme, and Bangladesh's preferential access to the EU could also be revoked if the Bangladeshi government does not take the necessary steps to significantly improve building safety standards and overall labour conditions in the country.

These issues are made especially acute by the fact that the Bangladeshi economy is heavily dependent on the USA and the EU -- which together take 84% of the country's total textile and clothing exports.

Bangladesh can ill afford to lose the momentum its clothing industry has built up over the years. However, there is a danger that retailers and consumers will view cheap clothing from Bangladesh as coming at too high a cost in human terms, and that they will prefer other countries where costs are low but where similar tragedies have not occurred -- such as Cambodia and Vietnam.

The threat of shunning Bangladesh's clothing industry is real but is being eased by a

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series of initiatives set out by Western retailers, non governmental organisations (NGOs) and a number of apparel unions.

The Ethical Trading Initiative (ETI) has announced a health and safety plan for Bangladesh's garment sector while IndustriALL and UNI Global Union have set out an agreement for addressing the issue of fire and building safety in the industry.

The spotlight is being focused in particular on the responsibility of the leading brands and retailers as it is they who source the goods in question and, at the same time, drive down prices so that they can maximise their margins and satisfy consumer demand for cheap clothing.

The brands are in an especially strong position to improve working conditions as they can insist that safety inspections take place and that essential work is carried out to make factories fit to work in.

Governments and major brands need to work together with suppliers to change the apparel industry into one in which there are safe factories, decent wages and respect for workers' rights.

However, it is important to note that gains will only be sustainable if the added labour costs are absorbed by buyers as well as manufacturers.

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