

Globalization and its impacts on Garments Sector in Bangladesh

Md. Altap Hossen

Department of Economics, Jatiya Kabi Kazi Nazrul Islam University, Trishal, Mymensingh-2220

E-mail: lalon.altap@gmail.com

Abstract

Globalization created quick interactions among the world economies. Globalization is a great opportunity, but the weaker players can become genuine players and seize the opportunities it offers only if there is a new mindset and a fresh approach that is universal and pluralistic, and is operationalized in the context of global frame work that establishes justice, mutual cooperation and supremacy of law and ensure equality of opportunities for all. Globalization is marked by liberalization, free trade, deregulation of tariff barriers, capital movement, latest IT etc. Most importantly, globalization has come to signify 'deterrotorialization' and geography which has become less relevant to how people live in and interact. Bangladesh opened for world and the process of privatization started after 1975. The central thrust of this paper is inextricably connected with the process of globalization and its multi-dimensional positive and negative impacts on the garments sector of Bangladesh economy. The study focuses new opportunities, threats and meets challenges of the future and how to play its rightful role in a competitive global market.

Keywords: Challenge, Globalization, Garments, Unrest, Development, Women Empowerment.

1. Introduction

Globalization is a multifaceted phenomenon. The notion of globalization has become one of the most potent subjects of concern for contemporary social/political scientists. Globalization is marked by liberalization, free trade, deregulation of tariff barriers, global movement of capital, information and technology, increased activities of economic and political organizations and rapid growth in globalized social movements. Most importantly, globalization has come to signify 'deterrotorialization' and geography has become less relevant to how people live in and interact. Globalization has enriched the world scientifically and culturally, and benefited many people economically as well (Amartya Sen).

Thus, we can say that a globalized world is one in which political, economic and cultural and social events become more and more interconnected.

2. Literature review

Many researchers have investigated working conditions in the Bangladesh garments industry. In fact working conditions in the garments sector are below standard and do not meet the ILO standards. Labour standards and rights are commonly ignored in the RMG factories in Bangladesh: poor practices include the absence of trade unions. There are several studies including the Bangladesh Institute of Development Studies (BIDS) study by Chowdhury S, and Mazumdar P. (1991) and the Bangladesh Unnayan Parisad (1990) study on this topic. Both of these studies use accepted survey and research methodology to analyze a wealth of data on the social and economic background, problems and prospects of female workers in the RMG sector. Commission under the Trade and Industrial Policy(TIP) project also commissioned several studies on the industry. Sultana S. and et al (2011) presents results from a survey of "Likely Impacts of Quota Policy on RMG Export from Bangladesh: Prediction and the Reality" which indicates that despite the concern and fear of negative impact on in the aftermath of quota removal of RMG sector in Bangladesh appears with positive trends along with the substantial increasing rate of export amount, the number of jobs and industries and GDP's growth. Zafar (2012) found that there are job insecurity, lack of training and accommodation facilities and lack of recreation for the worker of garments. Chowdhury et al (2014) found that it has great opportunity to earn a great foreign currency through developing readymade garments industry in Bangladesh.

3. Objectives

The aim of the research is to identify the globalizations' impacts on garments sector of Bangladesh by showing export and employment performance in the post quota free globalized market.

The objectives of the research are:

1. The prospects of Bangladesh RMG industry since the abolition of MFA
2. To critically examine the recent policy formation
3. To explore the export potential of the industry in future

4. Methodology

The research is descriptive in nature. The research technique has relied on secondary data, collected through

Literature review, Case studies in other countries, Journals, Research articles, Thesis papers, Newspapers, Online news and survey reports, garments Manufacturing Industries Annual reports, BGMEA Yearly report and Files. The data was collected through a number of techniques. This study mainly focused on three aspects: firstly, trend analysis and secondly, policy formation and finally recommend some overcome strategies in the globalised market.

5. Globalization and garments sector in Bangladesh

Globalization in Bangladesh broadly started with changing political plot in 1975. After the political plot, government withdrew from his predecessors' affinity with the Soviet bloc, developing closer relations with the United States, Western Europe, Africa, the Middle East, the People's Republic of China and other Islamic nations. Bangladesh opened for world and the process of privatization started after 1975.

The RMG industry in Bangladesh has developed from outside pressure rather than emerging to meet local demands. The increasing wages in the clothing producing countries paved the way to establish RMG industry in Bangladesh, as the countries started looking for low-wage situation of factories. The industry is the most prominent export oriented industry of the country which has achieved very significant growth during last 25 years. 1950 was the beginning of RMG in the Western world. In order to control the level of imported RMG products from developing countries into developed countries, the Mutli-Fibre Agreement (MFA) was made in 1974. The MFA agreement imposed an export rate 6 percent increase every year from a developing country to a developed country. In the early 1980s Bangladesh started receiving investment in the RMG sector. Some Bangladeshis received free training from the Korean Company Daewoo. After these workers came back to Bangladesh, many of them broke ties with the factory they were working for and started their own factories.

In 1980, there were 50 garment factories in the country and they employed a few thousand. At present there are 5,600 factories in the country and almost four million workers, of whom 85% are women. For this reason, the sector is called the single largest employer of women in the country. The New Industrial Policy (NIP) declared by the government in June 1982, played an effective role in important policy reforms in the industry sector. At that time the government opened up duty-free import of machineries, accelerating the growth in the number of factories. In 1986, industry development and market expansion by private initiative accelerated even further. The industrial policy adopted in 1991 maintained the objectives of the previous policy and the government provided various incentive packages to move towards a competitive market economy. With the establishment of SAARC in 1985 the pace of globalization in Bangladesh became stronger. Bangladesh became member of WTO in 2005 and global trade and transit was facilitated after that. Moreover, export processing zones (EPZ) were created to encourage foreign direct investment. But the recent accidents, death and maiming of thousands of workers, worker unrest and instability has created a negative situation for the readymade garment sector in the global market such as cancellation of GSP facilities by the USA and the threat of the European Union to do the same, consumers' movement to boycott Bangladeshi products etc.

6. Positive Impacts of globalization on garments sector in Bangladesh

The Ready-Made Garments (RMG) industry contributes to the Bangladesh economy in a distinctive manner. The impact of globalization has brought massive positive changes on garments sector in Bangladesh. Some of the sectors have been discussed as under:

6.1 Increasing the number of garments factories

We know that over the past twenty seven years, the number of garment factory has grown from 384 to over 5600(Appendix-1). The factory growth rate was 3.70% in Fiscal year 2012-2013. It was also mentionable that factory growth rate was never negative in past. The major advantage of RMG sector is its cheap labor force which provides a competitive advantage over its competitors.

6.2 Increasing trend in employment

It clear that in synonymous of factory establishment(Appendix-1). In FY 1984-85 the total employment was 0.12 million which has increased to 4 million in FY 2013-14. The growth rate of worker was 66.67% in FY 1984-85 and shows the positive trend continuously. It is also mentionable that 90% of the workers are female. This sector opened up employment opportunities for many more individuals through direct and indirect economic activities which eventually helps the country's social development, woman empowerment and poverty alleviation.

6.3 Increasing the export earnings

It can be observed that the export is in upward trends which indicates that the value of export is increasing day by day(Appendix-1). Despite the concern and fear of negative impact on in the aftermath of quota removal, the whole scenario of RMG sector in Bangladesh appears with positive trends. Bangladesh mainly

exports garment, knit and woven goods including shorts, trousers, shirts, sweaters, blouses, skirts, tea-shirts, jackets, sports attire and many more casual and fashion items with the changing times. In FY 1984-85 the value of export was 116.20 million which is continually increases up to FY 2013-14. The value of export was 22170.00 million in FY 2013-14. Despite removing privileged quota system, the number of RMG industries rose up over the periods. RMG export of Bangladesh was 3.89% of total export in 1983-84 while in 2013-14 it was about 82%. After quota removal in 2004 average more than 16% growth were observed from 2004-05 to 2008-09 and during this period total export growth rate were also more than 15%. There were negative growth rate in 1985-86, 1990-91 and 2001-02. In 1985-86 and 2001-02 growth rate was negative due to decrease in RMG export while in 1990-91 negative growth was due to decrease in total export and this was probably due to severe flood in 1988.

6.4 Garments industry contribution to different sectors

Growth of RMG sector has spawned a whole new set of linkage industries and facilitated expansion of many service sector activities. The RMG industry not only propelled the growth of spinning, weaving, dyeing and finishing industries, production of accessories and spare parts, but also rendered large externalities by contributing to other economic activities in such areas as banking, insurance, real estate, packaging, hotels and tourism, recycling, consumer goods, utility services and transportation. RMG sector has overwhelmingly high backward linkages. It has important backward linkage with utilities such as electricity, gas, and machinery and spare parts supplying.

Other advantages of globalization on garment sectors are as follows-

- ✓ Increase savings,
- ✓ Population Control
- ✓ Access to large international market,
- ✓ Fostering healthy competition,
- ✓ Increase the flow the inward investment,
- ✓ Invention and innovation,
- ✓ Increase labor productivity and skillness,
- ✓ Specialization of product.

7. Negative impacts of globalization on garment sectors in Bangladesh

The impact of globalization has brought a little negative impact on garments sector in Bangladesh. Some of the sectors have been discussed as under:

Environmental issues

In lieu of globalization, more factories are setting up with other different sub-sectors. Moreover, there is no ETP in the most of the factories. These are producing much more waste to the environment. It is an ample challenge for the sustainable development of Bangladesh. As consequences, the cost will be increased both in private and public to mitigate the environmental problem as a whole.

Other disadvantages of globalization on garment sectors are as follows-

- ✓ Over specialization and over standardization,
- ✓ Diseconomies of scale,
- ✓ Increase power and influence of multinational companies (MNCs),
- ✓ Risk on global geo-politics.

8. Policy Reformation

Major stakeholders have taken many steps which will prove effective in medium to long term in assessing developments in garment sector over the past one year.

The country's garment industry witnessed broad reforms after the *Rana Plaza* collapse, which the industry insiders and experts noted would have a bigger positive impact on the sector in the future.

8.1 Bangladesh Labour (amended) Act 2013

The readymade garments sector had been regulated by the Bangladesh Labour Act 2006, which was amended in 2010 (Bangladesh Labour Law (Amendment) 2010). The government amended the law again on 22 July, 2013 due to national and international pressure following the workers' deaths in Tazreen Fashion fire and the Rana Plaza collapse. Although some positive changes were made through this amendment, there still exist some limitations. The positive measures include group insurance policy, the compulsion of setting up of a permanent healthcare centre and appointing a Welfare Officer in each factory, increased financial penalty for the owner for creating barriers to maternity benefits, cancelation of the provision of copy of the application for trade union

registration to the factory owner.

Key stakeholders including the government, various government agencies, the BGMEA, factory owners and buyers made significant progress to cope with the multi-dimensional challenges of governance and corruption that exposed the sector to unprecedented vulnerabilities.

The National Tripartite Plan of Action on Fire, Electrical Safety and Physical Integrity in the Readymade Garment Sector of Bangladesh (NAP) is the key initiative under which the government authorities and supporting organizations committed to various activities. The administrations has allowed three agencies – two international and a national – to inspect factories for ensuring workplace safety. The agencies are: the Accord on Fire and Building Safety in Bangladesh, Alliance for Bangladesh Worker Safety and Bangladesh University of Engineering and Technology (BUET).

The NAP is one of the notable initiatives undertaken by local and international stakeholders, part of which seeks to ensure long-term enforcement of a globally acceptable fire, electrical and structural safety standard across the garment industry that is harmonized with the standards of the foreign buyers/retailers.

International Labour Organization (ILO) has taken upon advisory and coordinator roles to support the timely implementation of the prescribed activities and minimize duplication of efforts.

Other important steps taken to ensure workplace safety included the establishment of a task force on building and fire safety of the Cabinet Committee for the RMG sector, up gradation of the Department of Inspection for Factories and Establishments (DIFE) to a directorate, the development and introduction of unified fire safety checklist to be used by all relevant government agencies, establishment of a workers' safety hotline through the Fire Service and Civil Defence (FSCD), and lastly, the adoption of a National Occupational Safety and Health Policy.

8.2 Consequences of the policy reformation

- ✓ That several industry stakeholders took a total of 102 initiatives of varying dimensions against 54 out of 63 types of governance challenges. Of the 102 initiatives, 31 percent were implemented completely, 60 percent witnessed varying degrees of progress while 9 percent remained unaddressed (TIB ,2014).
- ✓ The Accord, a platform of 150 retailers and brands mainly from Europe, has so far carried out inspections of 80 factories of 1626. The Alliance, a platform of 27 US-based apparel retailers and brands, inspected 247 out of 626 factories. Meanwhile, BUET has completed inspection at 247 factories out of around 2,000 factories. (Source: TIB And CPD.)
- ✓ 146 trade unions got registration in the last one year against only 38 in the previous eight years.
- ✓ Implemented the minimum wage of Tk 5,300 from Tk 3,000 for a worker at a time when all businesses came to a halt due to political violence. the salary has been increased by 219 percent over the last four years.
- ✓ The building safety, fire safety and electrical safety inspection is being carried out. We did not see building safety inspection before. We saw occupational and health safety inspection in the other time.
- ✓ The capacity of hose pipes is also being checked so that every factory itself becomes a fire system. It's a major improvement.
- ✓ The process to set up all types of upgraded fire safety equipment including fire door and fire detector at factories has begun. so far no factories denied access to the Accord and Alliance for inspection.
- ✓ Apart from the Accord and Alliance, ILO and BUET are also carrying out inspection at factories through the NAP.
- ✓ Building safety inspection at all factories will be completed by December 30 2014.
- ✓ There are also major concerns regarding how small and medium enterprises will adjust restructuring is taking place.

Those initiatives of further strengthening of fire safety department, more recruitment of inspectors will have to be further strengthened over the next 2015 so that we can have an export-oriented readymade garment in Bangladesh, which is tuned to the demand of a changing global circumstances and global demands. We are passing through a window of opportunity and everyone is talking about *China plus one*. Bangladesh is very well positioned and placed to take opportunity of this growing global market for apparels but in order to do that we have to project Bangladesh as a compliant country.

9. Policy Recommendation

In order to sustain the smooth growth and development of the garment industry of Bangladesh, Government should play a key role to offer a good export policy. Otherwise the production, employment, earning of foreign currency and economic development of the country will be affected seriously. Some recommendations have been

offered to face the problems of the garment industry of Bangladesh. Regarding the problem of RMG sector we have identified some recommendation for the betterment of this sector. The recommendations are as follows:

- ✓ The Government of Bangladesh should play a key role for the expansion of the market of garment by diversified items for manufacture and export. There are numerous items not yet touched by our entrepreneurs.
- ✓ Government also has some responsibility to improve the situation by providing proper policy to protect the garments industries, solve the license problem, quickly loading facility in the port, providing proper environment for the work.
- ✓ Keep the industry free from all kind of political problem and the biasness.
- ✓ Make sure that they can deliver the products by the due date.
- ✓ the main raw material of this sector (cotton) can be produced domestically to reduce the cost of production.
- ✓ The labour should be given proper training.
- ✓ Improve the working environment.
- ✓ To boost up the managerial knowledge.
- ✓ Loan must be eased. Credit must be provided when the industry fall in need.
- ✓ Accommodation facilities should be increased.
- ✓ Creating the favored environment to attract the FDI.
- ✓ To ensure any kinds of the security of the foreign buyers the RMG companies have to take any necessary steps which the buyer say them.
- ✓ Entrepreneurs will have to change their mindset towards trade union rights at their respective factories.
- ✓ Go for Globalization which helps specialization.
- ✓ Economic diplomacy and annual business targets for foreign missions.
- ✓ Developing countries should be out-ward looking than in-ward looking.
- ✓ Business Executives should be employed as ambassadors.
- ✓ Patriotic zeal of the importers and consumers must to avoid unnecessary imports.
- ✓ Services exports be increased substantially.
- ✓ Globalization Council Should be formed.
- ✓ Export Development, Research and Training Institute should be instituted .
- ✓ Expansion of Export Development Fund with simplification of export procedures.
- ✓ Drastic reduction of cost of doing business.
- ✓ Ensure anti-dumping and countervailing duty measures.
- ✓ Tariff Commission should be strengthened with logistics and trained personnel to play appropriate role in the global regime.
- ✓ Control the corruption.
- ✓ Ensure good governance at all levels.

But it will take time. It is not possible overnight because different brands are suggesting different types of suggestion. We want to solve the problem through the Accord, Alliance and National Action Plan.

10. Conclusion

The Ready-Made Garments (RMG) industry occupies a unique position in the Bangladesh economy. Bangladesh needs to remove all the structural impediments in the transportation facilities, telecommunication network, and power supply, management of seaport, utility services and in the law and order situation. The government and the RMG sector would have to jointly work together to maintain competitiveness in the global RMG market. Given the remarkable entrepreneurial initiatives and the dedication of its workforce, Bangladesh can look forward to advancing its share of the global RMG market. Globalization syndromes generate a major policy challenge for the people and government of Bangladesh. Neo institutionalism is a right kind of approach for Bangladesh, which takes in to consideration the critical issue of national capacity building and competitiveness. The pursuit of transnational integration and convergence will have to be associated with adequate domestic preparedness for competitiveness. The *social business* may be the ultimate solution to solve the problems of garments sector in Bangladesh.

However, to be an upper position holder in the world Garments Sector there is no way except follow the above recommendations. We hope by maintaining proper management and policy strategies our country will take the apex position in future

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Appendix-1 (Data of export of RMG (in million US \$), number of garment factories and employment (in million workers)

YEAR	EXPORT OF RMG (IN MILLION US\$)	NUMBER OF GARMENT FACTORIES	EMPLOYMENT IN MILLION WORKERS
1984-85	116.2	384	0.12
1985-86	131.48	594	0.20
1986-87	298.67	629	0.28
1987-88	433.92	685	0.31
1988-89	471.09	735	0.32
1989-90	624.16	759	0.34
1990-91	866.82	834	0.40
1991-92	1182.57	1163	0.58
1992-93	1445.02	1537	0.80
1993-94	1555.79	1839	0.83
1994-95	2228.35	2182	1.20
1995-96	2547.13	2353	1.29
1996-97	3001.25	2503	1.30
1997-98	3781.94	2726	1.50
1998-99	4019.98	2963	1.50
1999-00	4349.41	3200	1.60
2000-01	4859.83	3480	1.80
2001-02	4583.75	3618	1.80
2002-03	4912.09	3760	2.00
2003-04	5686.09	3957	2.00
2004-05	6417.67	4107	2.00
2005-06	7900.80	4220	2.20
2006-07	9211.23	4490	2.40
2007-08	10699.80	4743	2.80
2008-09	12347.77	4925	3.50
2009-10	12496.72	5063	3.60
2010-11	17914.46	5150	3.60
2011-12	19089.69	5400	4.00
2012-13	21515.73	5600	4.00
2013-14	22170.00	5600	4.00

(Source: www.bgmea.com.bd)

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