mostly in hired premises, as many young and energetic entrepreneurs, though inexperienced, ventured into this promising trade. Meanwhile, the "demand pull" of the US and European shoppers for inexpensive clothing further paved the way for the growth of the RMG sector in Bangladesh.

The first challenge came in 1984, however, when the US served a "call notice" to impose quotas, alleging market disruption from an import surge of woven shirts from Bangladesh. Many factories went out of business. The US proposed a liberal "global quota" on exports of all categories of apparels and textiles. Bangladesh, however, opted for a restrictive quota on shirts only, and kept the door open for export of other categories. Garment manufacturers took this opportunity to diversify production. The US imposed quota restrictions on about 30 more categories, as exports to the US increased till the Uruguay Round WTO Agreement on Textiles and Clothing became effective in January 1995.

Facing restrictions in the US, some manufacturers started exporting to Europe. European countries also imposed quotas, but withdrew the restrictions once imports started showing downward trend. Successive governments supported RMG export with facilities like bank credit at reduced rates of interest, duty free import of machinery, cash subsidy, and exemption from value-added and other taxes. The country's remarkable macro-stability since 1990, despite its turbulent political culture of hartals and blockades, steered the sector's uninterrupted growth.

In addition to quota-protected export markets, Bangladesh's RMG industry benefited from tariff concessions granted under the EU's Generalised System of Preference (GSP) and more recently under its Everything But Arms initiative for Least Developed Countries. However, for duty-free access to the EU markets, apparels produced in a LDC must fulfill its GSP Rules of Origin, which require that a two-stage transformation must take place within its territory. For woven garments this means that the fabrics used in production should be locally produced, while for knitwear products the used yarn should be of domestic origin. Fortunately, almost all Bangladeshi exporters of knitwear, and a significant portion of woven garments, succeeded in meeting those criteria.

The recent export trend gives an impression that, proving all predictions wrong, Bangladesh has emerged a winner in the post-MFA global competition.

Export performance since the MFA phase-out

The WTO Agreement on Textiles and Clothing saw the elimination of all MFA (Multi-Fibre Arrangement) quotas in four phases over 10 years, beginning from January 1995. Thus, the sector came under the purview of WTO's GATT regime for imports from all member countries since January, 2005. This change in trade rules intensified competition in the global marketplace. Concerns were expressed long before the phase-out of MFA quotas that, despite the projected substantial gains of the world economy as a whole, a number of countries including Bangladesh might lose due to regime change.

However, against all grim predictions, Bangladesh has so far fared well. Data compiled by the Export Promotion Bureau show that in the fiscal year 2003-2004 export earnings from RMG stood at $7.6 billion, while, in 2004-05, which included the first six months of the quota-free regime, exports rose by more than $1 billion, registering a growth of about 19 percent. The growth rate in 2005-06 was an even more impressive 23.5%. The growth trend of the last fiscal year was also encouraging. During June 2006-January 2007, exports of woven garments and knitwear were, respectively, $2,698.50 and $2,636.87 million compared to the previous year's corresponding period's $2,262.54 and $2,086.23 million, registering an increase of 27.80 and 27.84 percent respectively.

Emerging successfully

The recent export trend gives an impression that, proving all predictions wrong, Bangladesh has emerged a winner in the post-MFA global competition. Several factors contributed to this remarkable feat. First, with the growth of the garments sector, a group of world class entrepreneurs emerged in Bangladesh and confronted the changed global trading environment with courage and ingenuity. They succeeded in establishing long-lasting mutually supportive business relations with leading buyers in North America and Europe.

Second, with the phasing out of MFA and gradual integration of trade in textiles and clothing in the GATT regime many exporters came out of the "demand pull" scenario and embarked on a campaign of "supply push" in the global marketplace. The tariff concessions that the EU and Canada granted to LDCs were particularly helpful. A depreciating taka enabled them to offer more competitive prices.