Third, in the apprehension of possible annihilation in global competition, exporters modernised their supply chain management using ITC and other modern management tools and also adopted more advanced technology and production techniques to increase productivity in their factories. Productivity also increased as the workers' skills improved, in most cases through "learning by doing."

Last but not the least, workers fearful of losing jobs worked very hard and fully cooperated with the factory management by working late hours, and sometimes seven days a week.

The way ahead

However, despite the remarkable RMG export growth since the phase-out of the MFA the time has not come yet to declare Bangladesh a winner. The EU and the US, taking advantage of a particular clause embodied in the protocol of China's accession to the WTO, negotiated trade restraints on Chinese exports after the removal of MFA quotas on January 1, 2005, which will expire in December, 2008. The restrictions on RMG exports from China became effective from July 2005 and, consequently, only the January-June 2005 period could be considered as a truly quota-free period. During this period, China increased its exports to the EU by 40 percent in value and by 34 percent in volume, while the corresponding figures for the US market were 54 and 43 percent, respectively. Since then, the safeguard measures retarded Chinese export growth.



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The safeguard measures taken against China benefited other Asian suppliers, particularly Bangladesh. The EPB's data did not reveal the worrying fact that during the first year of quota phase out Bangladesh's exports to the EU actually declined from 3.9 billion Euro to 3.7 billion, i.e. a growth rate of minus 5.1 percent. Bangladesh staged a strong recovery, posting a growth rate of 38 percent, during January-July 2006. Restricted supplies from China and the resultant rising prices possibly contributed, to a large extent, to this encouraging development.

Other exporters, such as Cambodia, India, Indonesia, the Philippines, Sri Lanka, and Vietnam also attained high rates of export growth. In the case of the US also, after the imposition of restrictions in the latter half of 2005, China's export growth in 2006 somewhat stagnated, while imports from Bangladesh and others recorded high growth.

Another cause for concern for Bangladesh is the relatively weak growth performance of woven garment export. The recent export growth in RMG has principally been driven by knitwear products. Historically, the US has been the main market for woven garments, and the EU a destination for knit products. After the quota phase out, there have been an enlarged exporting opportunities for knitwear in the US, along with an expansion in woven garments in both the markets. However, EU imports of woven garments from Bangladesh declined by about 12 percent in 2005. However, the situation improved last year.