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# INNOVATION KEY FOR THE FUTURE

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Incentives for the apparels sector will need to be recalibrated to stimulate technology upgradation and skills development.

PHOTO: STAR

## Intra-RMG diversification: The next frontier



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beyond the e-o RMG sector, was crucially important for the Bangladesh economy, and consequently this needs to be pursued in all earnest.

However, what is argued in this write-up is that, in emphasising the need for export diversification, away from and beyond the RMG, one should not ignore the opportunities that lie, and significant benefits

FY2024 (July-December) was a lowly 1.7 percent compared to the matched period of FY2023. To note, non-RMG exports have also experienced a negative growth of (-) 3.8 percent over the corresponding period.

There is no denying the fact that Bangladesh's strong presence in global apparels market is a testament to the country's success in terms

and Textile Articles belonging to HS Codes 50-63 at two-digit level) accounts for about five percent of all global trade. This testifies to the significantly large market size of this specific group of products. It also speaks of Bangladesh's strength and good fortune that it has been able to have a strong foothold in a market of this formidable size and diversity. While many

point here is not to argue that Bangladesh does not need to vigorously pursue the goal of export diversification, but to stress that the country should do everything to realise the potentials that the global market for apparels items offer, beyond what has been achieved till now. It is to the credit of Bangladesh's policymakers, entrepreneurs and workers that

market through intra-RMG diversification. This should be seen as the next major frontier for expanding Bangladesh's global export.

In view of Bangladesh's export performance in the RMG sector, it is to be noted that even at 6-digit harmonised (disaggregated) level Bangladesh's apparels exports are at present highly concentrated: only five items constitute more than half of Bangladesh's total export earnings from apparels. To compare, there are in total 218 items belonging to the apparels category at the 6-digit level. Out of the aforesaid top five items, four were made of cotton; only one item belonged to the non-cotton (man-made fibre) category.

As may be recalled, Bangladesh currently accounts for about 7.9 percent of global apparels export market (2022). Lion's share of this market belongs to China (31.7 percent); as a group, the EU occupies

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The highly impressive track record of Bangladesh's export-oriented readymade garments (e-o RMG) sector is well-known and well-appreciated. However, in recent times, the growing predominance of RMG in the country's export basket and its overwhelming share in the country's total export earnings have given rise to considerable concerns in Bangladesh's policy circles. And rightly so. RMG's share in the country's earnings from global exports currently stands at about 84 percent, with the share having registered a secular rise over the past several years. True, this overriding dependence on

**Any significant reversal in RMG's export fortune or market volatility could put the country at significant risks. This could consequently have implications for forex reserves, import capacity, debt repayment sustainability, employment generation and the overall growth of the country's manufacturing sector and GDP.**



The spectre of automation has hung over Bangladesh's garment industry for a long time.

PHOTO: REUTERS

a single export product could potentially be fraught with danger. Any significant reversal in RMG's export fortune or market volatility could put the country at significant risks. This could consequently have implications for forex reserves, import capacity, debt repayment sustainability, employment generation and the overall growth of the country's manufacturing sector and GDP. There is thus no denying that diversification of exports,

that could potentially be reaped from, export diversification within the RMG sector. Thus, this particular aspect of the country's export and development strategy deserves equal, and no less attention, on the part of the policymakers in Bangladesh, as also the entrepreneurs of the country. This is particularly needed at a time when Bangladesh's exports are facing significant challenges: growth of export earnings from RMG during the first half of

of export-oriented strategy pursued over the years. Success in the export of this particular item provides Bangladesh with a unique advantage. Through export of apparels Bangladesh has been able to prove its competitive presence in a product that at present has a global export market worth almost \$600 billion. And together with textiles, the total market size is about \$1 trillion. Indeed, trade in textiles-related items (Textile

developing countries do have a more diversified export base compared to Bangladesh, the combined global market size of several of those products would possibly be only a fraction of the global apparels/textile market. Also, compared to many other commodities, demand for apparels is relatively less volatile. All these combines to enable Bangladesh to potentially gain from deeper intra-apparels product diversification.

As was noted above, the

the country has been able to translate its comparative advantages into a competitive advantage in a product that commands such a significant and widespread global demand. It is building on this solid foundation that Bangladesh should explore and exploit the additional export opportunities in global apparels



**The incentive structure enjoyed by the RMG sector should be revisited and restructured to encourage entrepreneurs willing to go for intra-RMG diversification.**

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