

BANGLADESH TEXTILE EXPORTS: HANGING BY A THREAD

R.C.Sabatier

The exports of textiles and garments from Bangladesh tripled from about \$ 9 million in 1982 to \$ 26 million in 1984, and her exports of shirts rose from 16,000 in 1983 to 750,000 by June 1985. It appeared, however, that those very successes posed a threat to this country's fledgling industry as Canada, in an act of calculated self interest pressured Bangladesh to scale down exports in order to placate its established Asian suppliers South Korea, Hong Kong and Taiwan where market prospects for its own exports are much brighter. Sabatier, a Canadian national and Senior Editor of 'Earthscan' discusses some of these issues here.

Bangladesh, the world's fifth poorest nation, has built up a thriving textile industry. Having rapidly expanded its volume of export sales, the country is suddenly faced with punishing trade restrictions.

The story of Bangladesh's textile trade ought to be one of smooth sailing. Bangladeshis are producing shirts of good quality, which consumers in other countries want to buy, for less than their competitors.

But the Canadian government's talk of quotas has raised fundamental questions: about the fairness of the international trade regime; the contradictions between Canada's aid and trade policies; the exploitation of cheap Third World labour; and the conflicts of interest which can arise between better and less well-off developing countries.

Although its share of the huge global garments market is still small (less than 0.5 % in terms of dollar value), in 1984, textiles earned Bangladesh 777 million taka (\$ 26 million) in foreign exchange. This figure represents a trebling of exports since 1982, in an industry vital to the Bangladeshi economy.

Unable to grow enough food to support its rapidly expanding population, Bangladesh has relied heavily on its only big export jute. But international jute prices have plummeted through competition from synthetic fibres.

Bangladeshi journalist Alamgir Hossain puts the number of people employed in his country's textile industry at 70,000, which at the current rate of expansion, is expected to reach 170,000 by the end of the year. Most of these workers are women, working long hours for low wages.

Garments from Bangladesh have become popular in the United States (which spends \$ 9 million a year on them), Europe and Canada. According to Denis Comeau, a spokesman for the Canadian Minister of International Trade, exports of shirts from Bangladesh rose from 16,000 in 1983 to 750,000 thus far in 1985. "We are concerned at the level of growth of these exports," he said in June this year.

For 12 months the Canadian government has been unsuccessfully pressuring Bangladesh to cut back its textile exports to Canada by two thirds. Now it is proposing to institute an annual quota of 200,000 shirts.

Canadian shirt makers responded by saying that they did not share the government's concern, since the shirts in question amount to only 2% of the Canadian market. Rod Mercereau of the Canadian Textile Importers Association told the press that Bangladeshi shirts do not really compete with those manufactured in Canada, whose quality, design and price are different.

Bangladesh's problems, as a newcomer to the textile trade, start closer to home. Its rapidly industrialising Asian neighbours - chiefly South Korea, Hong Kong and Taiwan - do not want any new products upsetting their quotas of export shirts bound for Canada. Their shares of the Canadian textile market are protected by the 10 year old International Multi-Fibre Agreement (MFA). Bangladesh has been underselling these countries, with cheap labour its main advantage.

According to Hossain, Hong Kong pays an average monthly salary of \$ 200 per worker. Bangladesh pays less than a tenth of this. Though the Hong Kong worker may have a higher output, the greater productivity is not enough to offset the wage savings made on Bangladesh's low paid women workers.

The MFA was designed to exempt textile industries from trade liberalising measures which were taken a decade ago under the General Agreement on Tariffs and Trade (GATT). The countries which were exporting textiles to Canada at that time were allowed a fixed share of the Canadian market. This arrangement protected the antiquated domestic textile industry from foreign competition, while at the same time assuring the countries with quotas of a stable market.

Canadian trade officials, sensitive to their country's interest in expanding

trade with Pacific nations, are reluctant to jeopardise relations with Hong Kong, South Korea or Taiwan. This is a matter of calculated self-interest, since potential sales to poverty-stricken Bangladesh are unlikely to amount to much income for Canada, whereas sales to these countries are already significant.

According to a report in the Toronto Globe and Mail, when Indonesia was faced with similar Canadian trade restrictions last year, it fought back by threatening to cancel its contracts to buy a number of expensive Canadian boilers. The Canadian government was forced to soften its position - but Bangladesh as yet does not have this kind of bargaining power.

Ironically, it is Canadian aid which has given the Bangladesh textile industry much help in reaching its present level of success. Data from the 1984 OECD Review of Development Cooperation shows that Bangladesh is the biggest single beneficiary of Canadian aid, receiving a total of \$ 170 million last year.

Peter Dawson of the Canadian International Development Agency says that \$ 41.5 million was spent on economic assistance, including aid to Proshika, an organisation which trains rural women to be textile workers.

In May and June of this year, Bangladesh was struck by a cyclone and massive flooding. The tragedy of lost lives, homes and crops forced the Canadian government to delay imposing the threatened quota. But pressure from Bangladesh's rival textile exporters is unlikely to abate, and it seems only a matter of time before the restrictions take effect.

Canadians are questioning whether it makes sense to have aid and trade policies which work in opposition to one another. As one aid agency official put it, "First we spend a lot of money and effort helping Bangladesh to develop a new industry - then we rob the shirt off their backs by refusing to buy the products they've made so well and cheaply."

For the 63,000 Bangladeshi women who work in the country's 300 garment factories, at this stage in development, a low wage is better than the likely alternative - no wage at all.

It is their livelihood which the quota threatens, and in this instance their real competitors are their sister workers in the textile factories of their southeast Asian neighbours.

Courtesy: Earthscan