



UNIVERSITI PUTRA MALAYSIA

**EXPORT PERFORMANCE OF TEXTILE AND APPAREL
PRODUCTS: A COMPARATIVE STUDY OF
BANGLADESH AND MALAYSIA**

A. K. M. AHASANUL HAQUE

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By

A. K. M. AHASANUL HAQUE

**Thesis Submitted in Fulfilment of the Requirement
for the Degree of Doctor of Philosophy in the
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Universiti Putra Malaysia**

January 2001



***DEDICATED
TO
MY BELOVED PARENTS
AND
MY NEPHEW SHAFIN BIN AHSAN***

Abstract of dissertation presented to the Senate of Universiti Putra Malaysia in fulfillment of the requirement for the degree of Doctor of Philosophy

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The textile and apparel industry provides the major source of foreign exchange earnings of Bangladesh and Malaysia. Impressive export growth and upward performance continuously turn the industry into a viable contributor to the national economy. The objectives of the study are: firstly, to examine the export competitiveness of textile and apparel products of Bangladesh and Malaysia, using economic indicators like Revealed Comparative Advantage (RCA) and Constant Market Share (CMS) analysis. Secondly, to examine the potential export markets using Shift-Share technique.

The RCA calculations clearly show an increasing strength of comparative advantage to Bangladesh for the export of textile as well as apparel products. This is mainly due to the negligible import for textile and apparel products. In the case of Malaysia, the RCA calculations also show an increasing strength of comparative advantage of export performance ratio for the export of textile and apparel products. The net export/total trade ratio shows an increasing strength of RCA only for the

apparel products, but for the export of textile products, the RCA is shown negative ratio. This is mainly due to the excessive import of textile products.

The CMS results suggest that export gains of both countries for textile and apparel products are largely attributed to the size of the market effect and also to their competitiveness effect. Regarding the export growth of selected textile products for both countries, the CMS results demonstrate that, in most cases, Malaysia shows better competitive performance than that of Bangladesh. For commodity composition and market distribution effects, Malaysia shows better performance in most of the cases and has attained advantage in world trade for overall textile articles compared to Bangladesh. In the case of apparel products, both countries show negative export performance of commodity composition and market distribution effects. CMS analysis depicts that the competitiveness effects of both countries for these apparel products subsequently improved in general during the period 1992-1996 as compared to those for periods of 1982-86 and 1987-91. During the period of the study, Bangladesh registered on average better performance with regards to commodity composition and market distribution effects for apparel products as compared to Malaysia.

The results of shift share analysis indicate that market opportunities for the export of textile and apparel products of Bangladesh are mainly offered by the USA, Canada and EU countries. However, Asian countries have shown a negligible role in this respect. On the other hand, USA, Canada and EU countries have also been identified as potential markets for Malaysia for textile and apparel products. In addition, the Asian region also offered better market opportunities to Malaysia.

dan pakaian. Nisbah (Eksport Bersih/Jumlah Niaga) menunjukan RCA yang semakin kukuh untuk produk pakaian sahaja, namun untuk eksport bagi produk tekstil, RCA menunjukkan nisbah negatif. Ini adalah terutamanya disebabkan import yang berlebihan bagi produk tekstil.

Keputusan CMS mencadangkan bahawa keuntungan eksport kedua-dua negara adalah pada keseluruhannya disebabkan saiz pasaran serta juga kebersaingannya. Tentang pertambahan eksport produk tekstil terpilih bagi kedua-dua negara, keputusan CMS menunjukkan bahawa dalam kebanyakan kes, Malaysia mempamerkan prestasi bersaing yang lebih baik berbanding dengan Bangladesh. Dalam hal komposisi barangan dan kesan pengagihan pasaran Malaysia memperlihatkan prestasi lebih baik dalam kebanyakan kes dan telah memperoleh kelebihan dalam perdagangan dunia bagi keseluruhan artikel tekstil berbanding dengan Bangladesh. Dalam kes produk pakaian, kedua-dua negara menunjukkan prestasi eksport negatif bagi komposisi barangan dan kesan pengagihan pasaran. Analisis CMS menggambarkan bahawa kesan kebersaingan kedua-dua negara bagi produk pakaian ini kemudiannya secara keseluruhan menjadi lebih baik dalam jangka masa 1992-1996 berbanding dengan dalam jangka masa 1982-86 dan 1987-91. Dalam jangka masa kajian ini Bangladesh mencatatkan prestasi purata yang lebih baik bagi komposisi barangan dan pengagihan pasaran untuk produk pakaian berbanding dengan Malaysia.

Keputusan analisis syer-alih (Shift-share) menunjukkan bahawa peluang pasaran bagi eksport produk tekstil dan pakaian dari Bangladesh kebanyakannya ditawarkan oleh Amerika Syarikat, Kanada dan negara-negara EU. Walau

bagaimanapun dari segi ini negara-negara Asia telah menunjukkan peranan yang boleh abai. Sebaliknya Amerika Syarikat, Kanada dan negara-negara EU telah juga dikenal pasti sebagai pasaran berpotensi untuk Malaysia bagi produk tekstil dan pakaian. Disamping itu rantau Asia juga menawarkan peluang pasaran yang lebih baik bagi Malaysia.

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LIST OF ABBREVIATIONS

AFTA	ASEAN Free Trade Area
ASEAN	Association of South-Asian Nations
BBS	Bangladesh Bureau of Statistics
BGMEA	Bangladesh Garment Manufacturers and Exporters Association
BIDS	Bangladesh Institute of Development Studies
CAD	Computer Aided Design
CB	Caribbean Basin
CEFT	Common Effective Preferential Tariff
CMEA	Common Market Exporting Association
CMS	Constant Market Share
CWAD	Canadian Western Amber Durum
CWRS	Canadian Western Red Spring
DOS	Department of Statistics
EEC	European Economic Community
EFTA	European Free Trade Area
EPB	Export Performance Benefit
EPBB	Export Promotion Bureau of Bangladesh
EPL	Export Performance Licensing
EPR	Export Performance Ratio
EU	European Union
FDI	Foreign Direct Investment
FOB	Free of Board

FRG	Federal Republic of Germany
FTZ	Free Trade Zone
GC	Grameen Check
GDP	Gross Domestic Product
GNP	Gross National Product
GSP	Generalised System of Preference
GTC	General Trading Company
HAD	Hard Amber Durum
HRS	Hard Red Spring
HRW	Hard and Red Winter
IAE	Industrially Advanced Economics
IMP	Industrial Master Plan
IT	Information Technology
ITT	Intra-Industry Trade
LDC's	Less Developed Countries
LMW	Licensed Manufacturing Warehouse
MATRADE	Malaysia External Trade Development Cooperation
MFA	Multifibre Arrangement
MIDA	Malaysian Industrial Development Authority
MITI	Ministry of International Trade and Industry
MSC	Multimedia Super Corridor
MTMA	Malaysia Textile Manufacturer Association
NAFTA	North-American Free Trade Area

NE	Net Export
NEP	New Economic Policy
NIP	New Industrial Policy
NR	Natural Rubber
OBN	Own Brand Name
OECD	Organisation for Economic Cooperation and Development
R&D	Research and Development
RCA	Revealed Comparative Advantage
RIP	Revised Industrial Policy
RMG	Readymade Garment
SCP	Structure Conduct Performance
SITC	Standard International Trade Classification
SMEs	Small and Medium Enterprises
TAM	Textile Association of Malaysia
TT	Total Trade
UK	United Kingdom
UN	United Nation
UNIDO	United Nation International Development Organisation
USA	United States of America
USD	United States Dollar
WTO	World Trade Organisation

CHAPTER 1

INTRODUCTION

World trade in textile and apparel grew considerably for almost 18 percent between 1970s and 1980s, amounting to about USD 97.4 billion. However, the world-wide economic recession that began in the early 1980s had a serious impact on consumer demand for all products and severely affected global trade in this sector. Textile and apparel trade grew slowly during the first half of 1980s but accelerated considerably by 1986. By 1996 textile and apparel trade increased to USD 313.5 billion, which was more than 69 percent over 1980 and 28.5 percent over in 1990. In 1996, apparel was the tenth largest trade category as a share of world merchandise export and textile was the ninth largest trade category (Dickerson, 1999).

About 80 percent of textile and apparel export originate from three regions such as North America, Western Europe and East Asia. Western Europe and East Asia exporters contribute about 76 percent of world exports, while 80 percent of Western Europe are involved in intra-regional trade and 92 percent of East Asian exporter trade is with other regions. Thus East Asian exporters are the most important extra regional sources of export. North America exports only 2 percent of world export of which 74% goes outside the region. Half of this goes to Latin American countries and only to Western Europe, Middle East and Asia. About 50 percent of Western Europe's extra regional exports go to North America and the remaining 50 percent spreads throughout the world. In the case of East Asian

exporters, 53 percent of their exports go to North America, 18 percent to Western Europe, 11 percent to Asia and the rest to the Middle East and Eastern Europe (Chowdhury, N. 1988).

The total export of textile increased significantly against the world total manufacture export in general. In 1990 total world textile export constituted USD 104.8 billion. It increased steadily in 1992 to USD 116.8 billion and to USD 150.2 billion in 1996 (UN Trade Statistics, 1996, Dickerson, 1999). The increased textile production capacity of developing countries an accounted for significant shifts in trade. Textile export both in value and trade share from developing countries grew at a faster rate than export from developed countries. As a result, developed countries lost in their combined share of world trade and accounted for nearly 53 percent of all textile exports in 1992. This is a decline of 70 percent from 1980 and 60 percent from 1992. Developing countries increased textile trade from USD 37.9 billion in 1990 to USD 46.7 billion in 1992 and USD 66.82 billion in 1996 (Dickerson, 1999).

About fifteen countries played significant role in world textile trade. In 1970 and 1980, except for India and Hong Kong, the top ten textile exporters were from developed countries. From 1990 to 1996, only four of the top ten countries were traditional developed countries. For a period in the late 1980s, the United States of America was no larger among the top ten textile exporters, but by the early 1990s it was in the tenth place. The growing importance of the major East Asian countries became quite apparent as Hong Kong, China and Korea (the top five) and Taiwan entered into top ten. All four of these newer East Asian exporters had surpassed the United States, Japan and United Kingdom, the earlier textile powers.

On the other hand, labour intensive characteristics of apparel, along with the minimal technology and capital requirements for its production, fostered expanded apparel trade in ways that differed from textile trade. The export shift favouring developing countries reflected those nations' dependency on the apparel sector for export earnings and their ability to produce apparel an attractive price for the global market.

As against the world manufactured exports, world apparel exports constituted USD 49.2 billion (4.11% of world manufactured exports) in 1985. Over the years, world apparel exports have increased very rapidly. Apparel export rose from USD 106.5 billion in 1990 to USD 131 billion in 1992 and to USD 163.32 billion in 1996 (UN Trade Statistics, 1996). Region wise in 1986, about 46 percent of world apparel exports came from developed market economics, 41 percent from developing countries and 13 percent from the centrally planned economics (CPEs). The share of developing countries in total world apparel export has been increasing secularly while that of the developed has been decreasing in world apparel export. The share of clothing export from developed countries decreased from 56 percent in 1986 to 49 percent in 1992 and to 45 percent in 1996. While for the developing countries, the share increased from 41 percent in 1986 and to 49.3 percent in 1992 and to 51.3 percent in 1996 (Dickerson, 1999). The major actors in the world export trade of apparel are Hong Kong, Italy, Korea, Taiwan and China. These five countries together accounted for about 47 percent of total world apparel exports in 1980s and increased to 57.9 percent in 1990s. From the growth rate of 22.2 percent in 1970s, the growth rate of these five countries lowered to 10.6 percent in 1980s. Reviewed

over the full period in 1973 to 1986, their export growth rate was 15.8 percent (Chowdhury, N. 1988). Other important apparel exporters are Germany, France, UK, Turkey and Portugal. These ten major exporters supplied about 60 percent of world apparel exports in 1986 and to about 67.8 percent in 1995 (Haque, 1998). In general, all major exporters of apparel experienced positive trends of growth. Considerably it is reported that developing countries have significant comparative advantage in textile as well as apparel trade. Even with the recent deceleration, these growth rates are pretty buoyant and there was about 5.6 percent annual compound growth rate in 1990 to 1996. There is a variation, though among these countries, as regards to export growth. High growth rates have been registered in those countries from Asia, which have a highly developed textile trade such as Hong Kong, Korea, China and Taiwan. These four countries accounted for about 26.1 percent in 1990 and increased to 33.6 percent in 1996 of the total world export. Their textile and apparel trades are characterised by generally higher productivity and export growth than other countries as well as by better developed infrastructure elements, strong linkages, economic scale through mass export and a well entrenched position in the world market.

In contrast, Bangladesh and Malaysia effectively entered in the world market of textile and apparel trade in 1980s. The world market share of Bangladesh for textile export is very negligible as compared to apparel export. The apparel export from Bangladesh has grown quite dramatically over the last ten years. This represents a major breakthrough in the export structure. In 1990, the share of textile and apparel exports in Bangladesh jointly accounted for 0.80 percent of total world export. It has increased to 1.4 percent in 1996 (UN Trade Statistics, 1996). This is