



Vaasan yliopisto  
UNIVERSITY OF VAASA

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**The Impact of Geopolitical Risk on the  
International Supply Chain Strategies of  
Bangladesh's RMG Firms**

School of Marketing and Communication  
Master's thesis  
Master's Degree Program in International Business

Vaasa 2025

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**UNIVERSITY OF VAASA****School of Marketing and Communication**

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**Title of the thesis:** The Impact of Geopolitical Risk on the International Supply Chain Strategies of Bangladesh's RMG Firms  
**Degree:** Master's Degree program in Marketing and Communication  
**Discipline:** International Business  
**Supervisor:** Sadia Tangem  
**Year:** 2025      **Pages:** 73

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**ABSTRACT:**

Geopolitical risk (GPR) has become one of the most critical challenges for global supply chains, particularly in developing economies where industries depend heavily on international trade and imported inputs. Bangladesh's Ready Made Garment (RMG) sector which contributes over 80 percent of national exports, remains acutely vulnerable to external shocks such as tariffs, sanctions and political conflicts. The recent U.S. tariff measures, coupled with growing U.S.-China tensions and regional conflicts, have intensified uncertainties across sourcing, logistics and buyer relationships for Bangladeshi exporters.

This thesis investigates how geopolitical risk influences the international supply chain strategies of Bangladesh's RMG exporters. Using a qualitative multiple case study approach, primary data were collected through semi structured interviews with eight merchandising professionals representing export oriented factories. The analysis employed thematic analysis supported by Resource Dependence Theory (RDT) and Institutional Theory (IT) to input firm behaviour and adaptation strategies under external pressure.

The findings reveal that Bangladeshi RMG firms face dual dependencies on Chinese suppliers for raw materials and on U.S. and EU buyers for demand, making them especially susceptible to geopolitical disruptions. Firms adopt several coping mechanisms, including market diversification, sourcing from alternate countries, logistics flexibility and buyer relationship management. Institutional compliance and digital transformation (ERP, traceability, AI based forecasting) also emerged as key enablers of resilience, though adoption remains uneven due to resource constraints. The analysis shows that while Resource Dependence Theory (RDT) explains firms' strategic efforts to manage dependence, Institutional Theory (IT) highlights their need to maintain legitimacy under global compliance pressures.

This study contributes to international business literature by integrating RDT and IT to explain firm adaptations in a labour intensive, developing country context. It provides practical insights for managers on enhancing resilience through diversified sourcing and digital tools, and for policymakers on the need for proactive trade diplomacy, backward linkage development and SME support. Overall, the research underscores that geopolitical risk is now a structural factor in the competitiveness and sustainability of Bangladesh's RMG industry.

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**KEYWORDS:** Geopolitical Risk, Supply Chain Resilience, Ready Made Garment, Resource Dependence Theory, Institutional Theory,

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# 1 Introduction

## 1.1 Background of the thesis

In an increasingly interconnected global economy, the ready-made garments (RMG) industry of Bangladesh operates within complex cross-border production and distribution networks that make it highly susceptible to external shocks. Geopolitical risks arising from wars, diplomatic tensions, sanctions, trade disputes, and territorial conflicts pose substantial challenges to the stability of global supply chains by disrupting material flows, raising operational costs, and creating uncertainty in sourcing and distribution (Smyrnov et al., 2025). According to CIN7 (2024), such risks frequently materialize through export bans, sanctions, or political instability that directly affect shipping routes and supplier relationships, compelling firms to reassess sourcing strategies and diversify supply networks. These disruptions not only delay deliveries and elevate transportation costs but also force companies to strengthen their resilience frameworks to mitigate future shocks. Furthermore, Corsetti et al. (2025) observe that sanctions compelling existing exporters to curtail or cease sales in targeted countries can simultaneously create new profit opportunities within those markets, illustrating how trade wars and restrictions drive significant reallocations of imports and exports as firms and nations adapt to evolving geopolitical dynamics. Bangladesh represents one of the most exposed developing economies to such risks (EKN, 2024). The RMG sector remains the cornerstone of the national economy, accounting for more than 80 percent of total exports and employing over four million workers (GIZ, 2015). According to the International Labour Organization (ILO, 2020), the industry has evolved from a modest export base in the 1970s into a sector generating approximately USD 30 billion in 2017–2018 and contributing about 83 percent of total export earnings. The sector's expansion has also played a critical social role by supporting national employment and raising women's participation in the labour force to 36.4 percent in 2017.

On the supply side, Chinese textile and garment investors continue to view Bangladesh as a leading global apparel production hub, supported by strong international demand. China has become Bangladesh's largest supplier of fabrics, yarns, dyes, chemicals, and machinery, with import values nearing USD 20 billion annually (The Daily Star, 2024). Due to limited domestic production capacity, which meets only about 40 percent of woven fabric demand, Bangladesh relies heavily on imports mainly from China and India to meet the remaining 60 percent. On the demand side, nearly 67 percent of total exports are concentrated in two key markets: the European Union (49 percent) and the United States (18 percent) (Ministry of Commerce, Government of Bangladesh [GoB], 2022). This dual dependence on a narrow supplier base and limited export destinations heightens structural vulnerability to external disruptions. Recent U.S. trade policy actions have intensified these risks. The Office of the United States Trade Representative (USTR, 2025) reported that Bangladesh remains under enhanced scrutiny concerning labour rights practices. Earlier, the suspension of the Generalized System of Preferences (GSP) in 2013 exposed the fragility of Bangladesh's dependence on preferential market access (Kibria et al., 2014). Given this overreliance on the RMG sector, diversification of products, markets, and services has become imperative to mitigate exposure to global economic and political uncertainties. As noted by Debapriya Bhattacharya in *The Financial Express* (2008), Bangladesh must strengthen its trade infrastructure, expand agricultural exports, and leverage regional markets such as India and South Asia to sustain growth and capitalize on its Least Developed Country (LDC) privileges in future World Trade Organization (WTO) negotiations.

Beyond external geopolitical pressures, domestic constraints further exacerbate supply chain vulnerabilities. Persistent political unrest, inadequate port infrastructure, and recurring labour disputes have added to the sector's challenges. The World Bank (2016) report highlights that extended dwell times at Chittagong Port averaging four days for exports and eleven days for imports substantially raise logistics costs and congestion. Reducing port dwell times by just one day and improving transport efficiency could lower logistics costs by up to 26 percent and increase export performance by 19 percent. These

combined external shocks and internal inefficiencies place Bangladesh's RMG sector at a critical juncture, where understanding the influence of geopolitical risks on global supply chain strategies is essential for sustaining competitiveness, ensuring resilience, and guiding long term industrial policy.

## 1.2 Research Gap

Although the literature on geopolitical risk is expanding, much of it focuses on advanced economies or multinational corporations. For instance, Khraiche et al. (2023) demonstrate that rising geopolitical risk significantly inhibits stock market development, particularly in North America and Europe, and that its effects are stronger in economies with higher levels of investment. Similarly, Corsetti et al. (2025) investigate how sanctions and conflict driven trade restrictions lead to major reallocations of imports and exports, as firms and countries adjust to evolving geopolitical tensions in Europe. However, studies on Bangladesh's ready made garment (RMG) sector have primarily concentrated on internal challenges rather than external geopolitical shocks. Choudhury and Rahman (2017) largely focus on labour unrest, wage protests, and compliance issues related to workplace safety and ethical standards, highlighting the internal socio political dimensions of the industry rather than its exposure to global political risks. Likewise, Tusher (2021) explores Bangladesh's RMG supply chain vulnerabilities, including infrastructure deficiencies, labour unrest, import dependence, and lack of market diversification, but does not examine how international political events or conflicts reshape firm level strategic decisions. This gap underscores the need for further research into how geopolitical risks influence the international supply chain strategies of RMG firms in developing economies like Bangladesh.

Policy oriented studies on Bangladesh's trade relations do exist such as Bhattacharya and Rahman (2019), who examine the implications of the country's graduation from Least Developed Country (LDC) status—but these analyses rarely connect external geopolitical disruptions to firm level supply chain responses. D'Ambrosio and Lavoratori (2025) highlight that firms operating under geopolitical pressure increasingly respond by

diversifying suppliers and reshoring production to mitigate exposure and ensure survival amid global uncertainty. However, empirical evidence on how exporting firms in developing economies like Bangladesh adapt their sourcing, production, or strategic decisions in response to such geopolitical shocks remains limited.

Recent developments underscore this gap. Reuters (2025) reported that U.S. retailers held back orders from Bangladeshi suppliers during months of uncertainty, illustrating how abrupt trade policy shifts can disrupt sourcing strategies and buyer relationships. Existing academic research predates these events and thus cannot for their consequences on firm competitiveness.

Furthermore, theoretical framework such as Resource Dependence Theory (RDT) and Institutional Theory (IT) has rarely been applied to labour intensive industries in developing economies. Pfeffer and Salancik (1978) asserted that organisations depend on external actors, for critical resources, while Scott (2014) explained that institutions provide the rules, norms, and cognitive structures that guide organizational behaviour. Despite their relevance, these perspectives have not been sufficiently employed to understand how Bangladeshi firms adapt to geopolitical pressures.

In summary, there exists a significant research gap in understanding how geopolitical risk influences the supply chain strategies of Bangladeshi RMG exporters. This thesis aims to fill that gap through an integrated application of RDT and IT.

### **1.3 Research Question and Objectives**

In an increasingly uncertain global environment, geopolitical risks have become a major concern for industries that rely on international trade and complex supply chains. The ready-made garment (RMG) sector of Bangladesh, being export oriented and globally integrated, is particularly vulnerable to such disruptions.

Research Question: *How does geopolitical risk shape the supply chain strategies of RMG exporters in Bangladesh?*

Sub Questions:

To gain a deeper understanding of the main research question, this study explored specific aspects of how geopolitical risks influence the operations and strategies of ready-made garment (RMG) firms in Bangladesh. The following sub-questions guide this investigation.

1. What forms of geopolitical risks most critically affect Bangladesh's RMG sector? Caldara and Iacoviello (2022) note that wars, sanctions and terrorist acts generate risks that disrupt trade flows and increase uncertainty.
2. How do RMG firms adapt their sourcing, logistics, and market diversification strategies in response?
3. What institutional and technological factors enable or constrain resilience under geopolitical uncertainty?

Scott (2014) explains that institutions provide the rules, norms, and cognitive structures that guide organizational behaviour.

Objectives:

In response to the research question and sub-questions, this study aims to provide a comprehensive understanding of how geopolitical risks influence the supply chain strategies of Bangladesh's ready-made garment (RMG) exporters. The objectives are designed to systematically explore the sources of geopolitical risk, examine firm level adaptive mechanisms and identifying the institutional and technological factors that contribute to resilience. The study also seeks to develop theoretical and practical insights relevant to both academic and industry stakeholders.

1. Identify and categorize the major geopolitical risks facing Bangladesh's RMG sector.
2. Analyse firm adaptation strategies in sourcing, logistics, and market management.
3. Evaluate the institutional and digital enablers of resilience.
4. Theorize firm behaviour using RDT and IT in a developing country context.
5. Provide policy and managerial recommendations for mitigating geopolitical disruptions.

## **1.4 Definition of Main Concepts**

### **1.4.1 Geopolitical Risks**

Caldara and Iacoviello (2022) define geopolitical risk as the threat of adverse events such as wars, terrorism, and tensions among states that affect the regular course of international relations. Corsetti et Al., (2024) add that sanctions and trade disputes create incentives for firms to redirect trade flows, illustrating its disruptive economic impact.

### **1.4.2 Supply Chain**

Christopher (2011) defines a supply chain as a network of organizations that are involved, through upstream and downstream linkages, in the different processes and activities that produce value in the form of products and services.

### **1.4.3 Supply Chain Vulnerability**

Wagner and Bode (2011) describe supply chain vulnerability as the susceptibility of a supply chain to the negative effects of risks events. For Bangladesh, vulnerabilities include port congestion, labour strikes, and overdependence on limited buyer and suppliers.

#### **1.4.4 Supply Chain Resilience**

According to Pettit et Al., (2019), resilience is the capacity of a supply chain to survive, adapt, and grow in the face of turbulent changes. Resilient strategies include supplier diversification, nearshoring, and digital adoption. Sutton (2019) adds that resilience is not only about bouncing back but also learning and transforming to better prepare for future disruptions.

#### **1.4.5 Ready-Made Garment (RMG) industry of Bangladesh**

The ready-made garment (RMG) sector contributes around 85 percent of Bangladesh's total exports and employs over 04 million workers (IFC, 2021). Ahsan (2020) highlight that Bangladesh imports more than 50 percent of raw materials and around 40 percent of the machinery and spare parts from China, while Taslim and Haque (2011) notes that exports are increased in EU and US markets during the global recession time. This dual dependence makes the industry central to the economy but extremely vulnerable to global shocks.

### **1.5 Delimitations of the study**

This thesis focuses exclusively on the ready-made garment (RMG) industry of Bangladesh, which is the country's most critical export sector. While geopolitical risk (GPR) affects multiple industries, the RMG sector provides a relevant and urgent case for study due to its high dependence on imported raw materials and export concentration of few developed markets.

The geographical scope is limited the Bangladeshi exporters, particularly firms that supply to the United States and European Union. Although other export destinations such as Canada, Japan, and emerging Asian economies also exist, these remain outside the core focus of the analysis. Similarly, while geopolitical risk can stem from diverse factors such as terrorism, financial instability, and domestic political unrest, this concentrates

on trade related risks such as tariffs, sanctions and regulatory measure, that directly influence supply chain decisions.

Methodologically, this study adopts a qualitative case study approach based on semi structured interviews with selected RMG exporters. The findings are therefore not statistically generalizable to the entire industry. Instead, they provide in depth insights into firm level strategies under geopolitical uncertainty. By narrowing the scope, the thesis ensures coherence and feasibility, while also emphasizing its specific contribution to the highlight how Bangladeshi RMG exporters perceive and respond to external political shocks that reshape their supply chain strategies.

## **1.6 Structure of the thesis**

The structure of the thesis is divided into six chapters. Each chapter is designed to build logically on the previous one, guiding the reader from background and conceptual framing to the empirical findings and final conclusions.

The first chapter introduces the research topic, explains the background of the study, outlines the research gap, and presents the research questions and objectives. It also defines the main concepts, states the delimitations of the study, and illustrates the overall organization of the thesis.

The second chapter presents the literature review. This section provides a comprehensive overview of existing research on geopolitical risk, supply chain management, and the vulnerabilities of the Bangladeshi RMG industry. It also examines the theoretical frameworks applied in the study, Resource Dependence Theory (RDT) and Institutional Theory (IT) highlighting how they contribute to understanding firm level adaptation under geopolitical uncertainty.

The third chapter discusses the methodology. It outlines the research philosophy, strategy, and data collection methods, as well as the sampling process and the analytical

approach used in interpreting the empirical data. The chapter also addresses validity, and reliability concerns to ensure academic rigor.

The fourth chapter presents the findings. Based on case studies of Bangladeshi RMG exporters, it describes how firms perceive geopolitical risks and strategies they adopt to mitigate disruptions. The chapter highlights both common practices and firm specific approaches.

The fifth chapter engages in a discussion of the findings in relation to the theoretical frameworks and prior literature. It explains how the empirical results confirm, extend, or challenge existing knowledge on supply chain resilience and geopolitical risk in international business.

The final chapter concludes the thesis. It summarizes the main findings, identifies theoretical and managerial contributions, and discusses the limitations of the research. The chapter also offers recommendations for policymakers and managers and suggests directions for future studies.

## **1.7 Thematic Map of the thesis**

To provide a visual overview of the study's logic, a thematic map is included. It illustrates how the research flows from background and theory to empirical findings and conclusions.

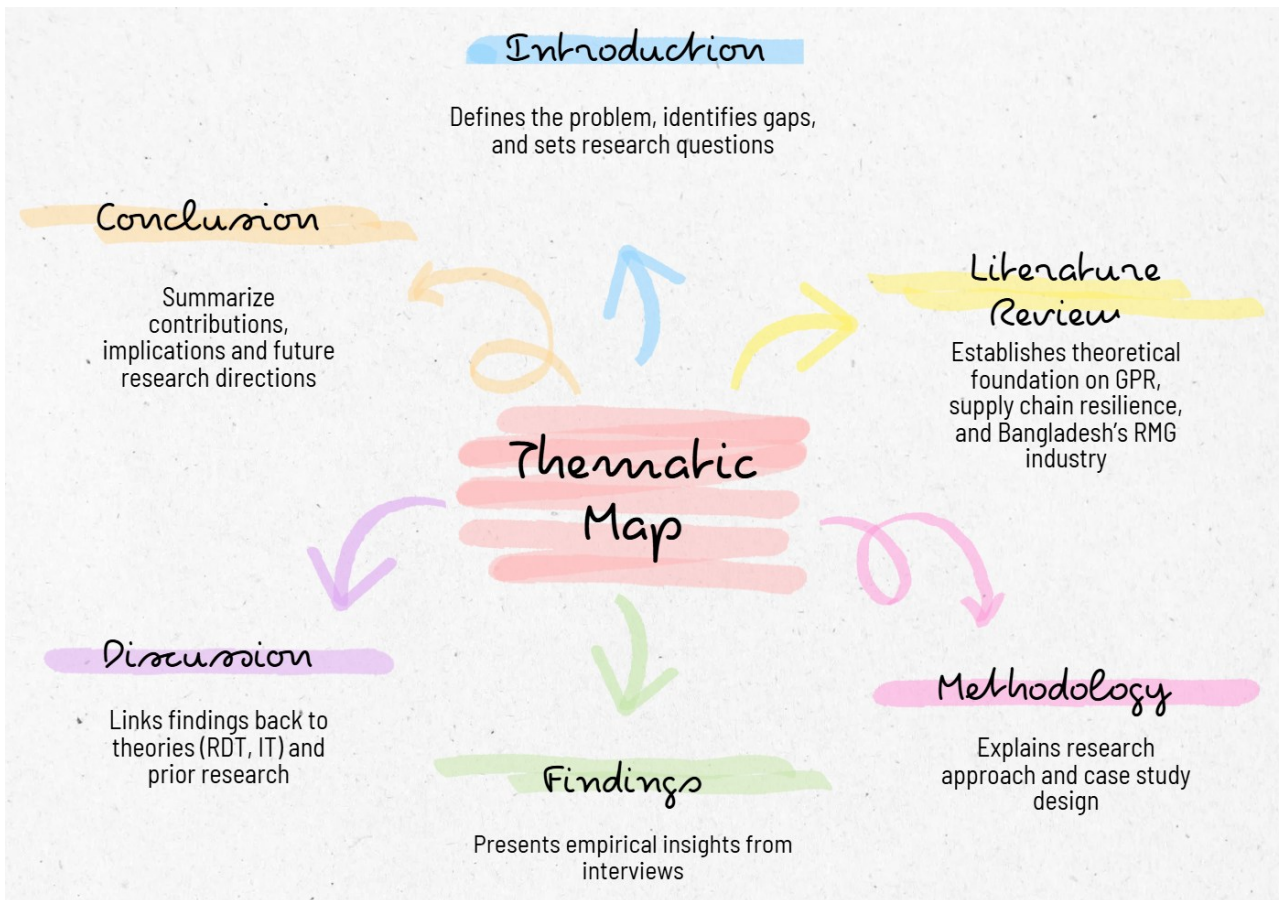


Figure 1: Thematic Map of the Thesis (Created by the author using Canva)

## **2 Literature Review**

The literature review provides the theoretical and empirical foundation for the thesis. It begins with an examination of geopolitical risk and its effect on international trade, then explores its implications for global supply chains, and finally discusses the specific vulnerabilities of Bangladesh's ready-made garment (RMG) industry.

### **2.1 Geopolitical Risk and international Trade**

The World Bank (2025) reports that the spikes in geopolitical risk have a significant and uneven negative impact on trade, reducing overall trade by 30-40 percent, equivalent to a global tariff increase of up to 14 percent. Services are the most affected, followed by agriculture, while manufacturing experiences moderate effects. Factors such as cultural and geographic proximity, along with trade agreements, help partially mitigate these adverse effects. The Bank of England notes geopolitical risk as a massive threat to business economics that can be kept in the uncertainty circle together with political and economic uncertainty (Carney, 2016). Additionally, Wells Fargo's (2017) survey states that 75% of the investors (from more than 1,000) fear possible diplomatic and military tensions worldwide. These issues demonstrate awakened consciousness of the geopolitical risks among the market participants.

Empirical evidence indicated that geopolitical tensions and sanctions can significantly reshape global trade flows. Corsetti et al., (2024) note that sanctions forcing existing exporters to discontinue or reduce their sales in target countries create profit opportunities in these markets, illustrating how trade conflicts and sanctions lead firms and countries to reallocate exports and imports to reduce exposure to political instability. During the U.S.-China trade war, BBC (2019) reports that rising tariffs on Chinese exports incentivized manufacturers to relocate production to countries do not subject to these tariffs, with Vietnam emerging as a major beneficiary due to its business-friendly environment. India also gained some advantages from this trade war (Deshmukh, 2021). These

examples demonstrate the trade frictions trigger rapid reconfiguration of global production and sourcing networks.

The World Bank (2022) found that, the war in Ukraine disrupted global energy and agricultural trade, producing ripple effects far beyond the immediate region, confirming that political conflicts can cascade through global supply chains. For developing economies, the consequences are particularly severe due to their dependency on a few markets and imported intermediate goods. The World Trade Organization (WTO, 2023) emphasizes that Bangladesh derives more than 80 percent of its total exports from the RMG sector leaving the country highly exposed to trade policy shifts in key markets. Supporting this, Reuters (2025) reported that U.S. retailers held back orders from Bangladeshi suppliers during months of uncertainty following tariff announcements. Such policy shocks highlight how geopolitical risks can directly affect exporters' order volumes and market access, often without warning.

## **2.2 Geopolitical Risk and Global Supply Chains**

Global supply chains are inherently vulnerable to geopolitical disturbances due to their cross-border complexity and interdependence. The OECD (2025) emphasizes that while these interconnections enhance economic efficiency, they also create concentration risks, strategic dependencies, and exposure to geopolitical pressures. This underscores the need for diversification, transparency, and strategic resilience to mitigate disruptions in critical sectors. Martin and Holweg (2016) observed that the complexity of global supply chains make them inherently fragile when exposed to external disruptions. When political tensions escalate into trade restrictions, sanctions, or conflicts, these networks face significant strain.

In response, firms adopt adaptive strategies to maintain continuity and competitiveness. Recent geopolitical and economic shocks have accelerated structural changes in supply chain strategies. For example, McKinsey (2023) found that almost two thirds (64 percent) of respondents tell us they are currently regionalizing their supply chains, up from

44 percent last year, significantly a shift towards near or regional shoring of production and sourcing. Meanwhile, Deloitte (2024) observes that companies are diversifying their suppliers and seeking new agreements by enhancing their hardware and software solutions to help enhance operational resilience and increase visibility across the value chain, highlighting investments in digital visibility tools and supplier base diversifications. Together, these findings illustrate that firms are diversifying supply bases, near shoring production and investing in digital visibility to manage an increasingly uncertain risk.

Resilient supply chains are also understood as systems capable of withstanding and adapting to disruptions through diversification, flexibility, and redundancy. Kamalahmadi et al., (2022) emphasizes that both practices (flexibility and redundancy) reduce expected lost sales, reduce expected total loss, and increase the expected service level, demonstrating their combined impact on operational resilience. Similarly, Yang et al., (2024) conclude that, redundancy and flexibility are important key drivers for achieving supply chain resilience, reinforcing their complementarity in maintaining stable supply performance during shocks. Extending this perspective, a study published in *Sustainability* (2022) highlights that flexibility, redundancy and other methods can help firms to establish a certain degree of resilience, further noting that supply chain diversification belongs to the scope of flexibility and redundancy. Collectively, these studies reveal that supply chain resilience is achieved through a multidimensional approach, where diversification provides alternative sourcing options, flexibility enables adaptive response, and redundancy ensures the capacity to absorb unforeseen disruptions.

Historical episodes illustrate this mechanism clearly. During the U.S-China trade war, BBC (2019) reports that rising tariffs on Chinese exports incentivized manufacturers to relocate production to countries do not subject to these tariffs, with Vietnam emerging as a major beneficiary due to its business-friendly environment. Similarly, sanctions imposed on Russia following its invasion of Ukraine severely disrupted Europe's access to critical energy and raw materials, compelling industries to seek alternative suppliers. Jagtap et al., (2022) explain that restrictions on Russian exports caused shortages in essential

commodities and forced to reconfigure their sourcing strategies. Perdana et al., (2022) show that embargoes on Russian energy sharply increased costs and pushed European firms to diversify imports toward non-Russian markets. Vlaskamp (2024) further notes that interruptions in metal and mineral flows exposed Europe's dependency on Russia and Belarus, leading to supplier substitution and new strategic sourcing policies. Collectively, these studies demonstrate that geopolitical shocks accelerate the shift toward supply base diversification and resilience-oriented sourcing.

While large multinationals often have the resources to adjust, firms in developing economies face greater constraints. The capacity of firms to respond effectively to global shocks depends not only on internal resources but also on the institutional environment in which they operate. Kannan and Ungureanu (2025) emphasized that firms' ability to adapt to environmental turbulence is significantly influenced by both their internal capabilities and the institutional context in which they operate. Li (2025) similarly notes that firms with robust internal resources and supportive institutional environments are better positioned to implement effective adaptation strategies in response to physical climate change exposures. Busch (2011) also highlights that organizational adaptation to environmental disruptions is contingent upon both the internal capabilities of firms and the regulatory and normative pressure exerted by the institutional environment. Collectively, these studies demonstrate that successful adaptation requires a combination of strong internal resources, and an institutional dependency is especially relevant to the Bangladeshi RMG sector, which operates under narrow margins and limited institutional support.

### **2.3 The RMG Industry of Bangladesh and Supply Chain Vulnerabilities**

The ready-made garment (RMG) industry is Bangladesh's economic backbone but also its most vulnerable sector. The RMG sector is heavily reliant on a limited number of suppliers for critical inputs such as yarn and fabrics, exposing the industry to supply chain disruptions. The U.S. Department of Agriculture (USDA, 2025) reports that India supplied 84.9 percent of Bangladesh's total yarn imports in 2024, followed by China 6.9 percent.

Fibre2Fashion (2024) further noted that China accountable for 37.42 percent of Bangladesh's imports in 2024, while India was the top supplier with a market share of 53.66 percent. Additionally, Fibre2Fashion (2024) highlights that China supplied 95.62 percent of yarn in Bangladesh's total imports worth USD 257.492 million in January-February 2025. These figures, collectively reported by USDA and Fibre2Fashion, underscore the concentration risk in Bangladesh's supply chain, making the sector highly vulnerable to geopolitical shocks, trade restrictions, or supply disruptions. Accordingly, desensitisation of suppliers and strategic sourcing are critical for enhancing resilience In Bangladesh's RMG sector.

Bangladesh's export sector exhibits high demand side concentration, with a substantial share of goods directly toward a few key markets. The Export Promotion Bureau (EPB, 2020) reports that nearly 80 percent of exports are destined for the European Union and the United States, reflecting the country's reliance on these markets. Supporting this, Wikipedia entries on Bangladesh-United States Relations (2025) and Bangladesh-European Union Relations (2025) highlight the importance of the U.S. and EU markets as primary destinations and major contributors to national foreign revenue. This concentration further underscores the vulnerability of Bangladesh's trade sector to policy shifts, geopolitical tension and market fluctuations.

The RMG sector's overreliance on a limited number of input sources and concentrated export destinations amplifies its exposure to global uncertainties. Tusher (2021) emphasizes that the sector's high dependency on imported materials particularly fabrics and accessories from a few countries combined with inadequate product and market diversification, heightens its vulnerability to supply disruptions under external shocks. The study further identifies that the RMG industry faces multiple risk dimensions, including strategic, operational, financial, and infrastructural challenges, which collectively underscore the need for supplier diversification and market expansion to strengthen resilience.

Infrastructural deficiencies compounded the sector's vulnerability. Chittagong port, which handles approximately 92-98 percent of Bangladesh's seaborne trade, suffers from significant operational inefficiencies that adversely affect export competitiveness. The Journal of Commerce (JOC, 2025) reports that these inefficiencies cost Bangladesh USD 1.1 billion annually, roughly 2 percent of GDP. Inside Bangladesh (2025) highlight that vessel turnaround times average 3-4 days at Chittagong Port compared to 12014 hours at benchmark ports like Singapore, while cargo clearance takes 7-10 days verses 2-3 days at world class ports. Export delays, particularly during peak seasons, exacerbate these challenges. The Daily Star (2024) reports that apparel retailers have expressed concern about shipment delays, which threatened timely delivery, and increase costs for exports emphasizing the operational pressure and the need for efficient logistic management.

Bangladesh's RMG sector also faces disadvantages relative to regional competitors. The Friedrich-Ebert-Stiftung (FES, 2024) notes that Vietnam benefits from preferential trade agreements, such as EU-Vietnam Free Trade Agreement (EVFTA), enhancing access to major markets and strengthening export competitiveness. Similarly, the World Bank (2022) reports that Bangladesh's logistical and port infrastructure lags regional competitors like Vietnam and Cambodia, increasing costs and reducing efficiency. These institutional and compliance related disadvantages, combined with concentrated export markets and dependencies on limited suppliers, highlighted Bangladesh's exposure to external trade disruptions such as tariffs, sanctions and geopolitical shock.

In summary, the literature identifies Bangladesh's RMG industry as both economically vital and geopolitically exposed. Its dependence on China inputs and western buyers, compounded by infrastructural and institutional constrains, renders the sector particularly susceptible, market expansion, and infrastructure improvements.

## 2.4 Supply Chain Resilience and Strategic Responses

Supply chain resilience refers to a supply chain ability to anticipate, adapt to, and recover from disruptions, such as disasters, pandemic, or other unexpected event, while maintaining continuity of operations. According to IBM (2025), this capability enables firms and networks to adsorb shocks and minimize the impact of disruptions, ensuring that operations continue smoothly and efficiently. Key pillars of supply chain resilience include contingency planning, flexibility, visibility, and collaboration which allow businesses to address vulnerabilities and adapt quickly to evolving circumstances. Ponomarov and Holcomb (2009) define resilience as supply chain resilience is the adaptive capability of the supply chain to prepare for unexpected events, respond to disruptions, and recover from them by maintaining continuity of operations at the desired level of connectedness and control.

Early work by Sheffi (2007) highlights that resilience goes beyond recovery, it is not merely about bouncing back but about learning and transforming to prepare for future disruptions. This transformative dimension has become increasingly important under the growing uncertainty created by geopolitical tensions, trade wars and sanctions.

Supply chain resilience is increasingly recognized as a strategic capability that enables firms to anticipate, absorb, and recover from disruptions while maintaining operational continuity. Pettit et al. (2019) emphasize that resilient supply chains are characterized by flexibility, redundancy and adaptability allowing firms to continue operations effectively under stress. These structural attributes not only mitigate the immediate impact of disruptions but also strengthen long term competitiveness by embedding agility into organizational design. Similarly, Tang and Tomlin (2008) argue that resilience can be enhanced through diversification and flexibility in sourcing and production, specifically by engaging multiple suppliers, adopting flexible contracts, and maintaining inventory buffers. Together, these studies highlight that a combination of flexibility, redundancy, and diversification forms the foundation of a robust and adaptive supply chain system capable of withdrawing geopolitical shocks and market volatility.

Empirical research following the U.S.-China tariff conflict demonstrates how firms responded to geopolitical shocks. BBC (2019) reports that raising tariffs on Chinese exports incentivized manufacturers to relocate production to countries do not subject to these tariffs, with Vietnam emerging as a major beneficiary due to its business-friendly environment. India also gained some advantages from this trade war (Deshmuck, 2021). Recent research indicates that global firms are strategically reconfiguring their supply chains to enhance resilience amid increasing geopolitical and economic uncertainty. Yin et al. (2022) highlight that diversification and digital transformation jointly strengthen supply chain resilience, noting that flexibility, redundancy, and that supply chain diversification belongs to the scope of flexibility and redundancy. Their study underscores how digitalization through improved visibility, traceability, and data driven management complements supplier diversification in reducing vulnerability to disruptions. Similarly, Nagy et al. (2025) observe that supply chains are shortening worldwide as firms pursue the domestication of new industries and the repatriation of industries previously outsourced abroad, typically to East Asia. This trend toward nearshoring reflects a broader reorientation from cost optimization to risk mitigation, combining diversification, digital traceability, and geographic proximity as interdependent strategies for building resilient global production networks.

From a financial standpoint, Wakolbinger and Cruz (2011) emphasize that risk sharing contracts and strategic information exchange can significantly mitigate the financial consequences of supply chain disruptions by defining how disruption costs are distributed across partners. On a relational level, Yang et al. (2022) provide empirical evidence that trust based collaboration and transparent information exchange with suppliers strengthen manufacturers' preparedness and recovery capabilities, particularly under crisis conditions such as the COVID-19 pandemic. This finding aligns with Dyer and Singh (1998) who argue that inter firm trust, joint problem solving, and relational routines from critical sources of resilience and competitive advantage beyond purely transactional ties. Collectively, these studies demonstrate that both contractual risk sharing and

relational collaboration are complementary pillars of supply chain resilience, enabling firms to balance financial stability with adaptive capacity during uncertainty.

In recent years, digitalization has become a central component of resilience. Ivanov et al. (2019) explain that digital supply chain twins and advanced analytics enable real time visibility and dynamic reconfiguration during inspections. Tools such as ERP, blockchain, and predictive analytics increase the ability to monitor shocks and respond rapidly. However, adoption varies by firm capacity. Fattahi et al. (2017) found that small and medium enterprises often lack financial and technical capabilities to implement advanced resilience measures.

In many developing country contexts, such as Bangladesh, a limitation in infrastructure, finance, and institutional support inhibit the effective adoption of global best practices in supply chain resilience. For example, Bangladesh's export competitiveness is significantly constrained by inefficient logistics networks. The World Bank states that the country's leading seaport, Chittagong Port operates well beyond its design capacity, suffering long vessel turn arounds, and faces customs and port delays that elevate trade costs and extend delivery lead times (World Bank, 2022). On the industrial side, Bangladesh's backward linkage industries remain weak, meaning that apparel and textile manufacture still rely heavily on imported inputs rather than a diversified domestic supplier base. Studies show that the country's backward linkage coefficient remains considerably lower than peer producers and thus deficiency imposes higher cost burdens and longer time horizons from firms seeking to build resilience or switch suppliers (e.g., Mohibullah et al., 2016). Taken together, these structural constraints both in sourcing inputs and moving goods underline the high cost and complexity of implementing resilience strategies in a context where the domestic ecosystem is still underdeveloped.

Overall, the literature suggests the supply chain resilience is multidimensional. It encompasses structural (diversification), operational (flexibility), relational (partnership), financial (contractual), and technological (digitalization) strategies. Yet in context like

Bangladesh's RMG sector, structural dependence and resource limitations often constrain how extensively these strategies can be applied.

## **2.5 Synthesis of Literature and Identification of Gaps**

The literature reviewed in this chapter highlights important insights into the relationship between geopolitical risk, international trade, and supply chain strategies. Scholars widely agree that geopolitical risk has emerged as a defining factor influencing global trade dynamics, investment behaviours and market access in recent years. Caldara and Iacoviello (2022) provide a foundational framework for measuring such risk through their Geopolitical Risk index, demonstrating that heightened geopolitical tensions lead to reductions in investment, employment, and overall economic activity. Their findings underscore that geopolitical uncertainty disrupts trade and production channels, thereby raising operational costs and altering firms' international strategies. Expanding on this evidence, Khalil et al. (2025) of the Deutsche Bundesbank show that sudden increase in geopolitical risk in trading partner countries result in decreased import volumes and increased import prices in both the Euro area and the United States. This suggests that geopolitical disruptions not only hinder global supply chain stability but also reshape cost structures and trade patterns. Collectively, these studies affirm that geopolitical risk has evolved into a central determinant of global trade configuration, compelling multinational firms to re-evaluate sourcing, market diversification, and investment decisions in an increasingly uncertain geopolitical landscape. The evidence from recent events such as U.S.-China tariff conflict and Russia-Ukraine war shows that political actions in one part of the world can create ripple effects across industries and regions, forcing firms to reconsider their sourcing and market choices (Evenett, 2019; World Bank, 2022). At the same time, research on supply chain resilience identifies a variety of strategies that firm adopt to manage disruptions, including diversification, flexibility, strong buyer supplier relationships, and digital technologies (Petti et al., 2019; Ivanov et al., 2019).

However, a closer examination of literature reveals several important gaps. First, most studies have focused on advanced economies or large multinational corporations, while

far less attention has been paid to labour intensive industries in developing countries. The few studies that address Bangladesh often concentrate on operational and structural weaknesses such as infrastructure bottlenecks, labour unrest, or compliance issues (Tusher, 2021). While these factors are important, they do not sufficiently capture the external pressures of geopolitical risk, such as trade wars, sanctions, or tariffs, which increasingly shape the operating environments of exporters.

Second, existing research on Bangladesh's ready-made garment (RMG) sector has predominantly addressed policy level issues such as trade preferences, the potential suspension of GSP schemes, and challenges associated with LDC graduation rather than firm level adaptation strategies. For example, Mustafizur Rahman and Debapriya Bhattacharya (2020) review international support measures for graduating LDCs and focus on policy instruments and transitional arrangements, while the World Trade Organization (WTO, 2020) and the World Bank (2021) analyse the macroeconomic and trade level consequences of graduation and preference erosion. These high-level treatments are valuable for understanding the policy environment facing Bangladesh, but they provide limited evidence on how individual exporters adjust sourcing, pricing, logistics, and market strategies when confronted with geopolitical shocks or preference changes. Only a small and recent set of studies and projects explicitly investigate firm level behaviour, indicating a gap in the literature. The link between policy level changes and micro level supply chain decisions of Bangladeshi exporters remains under explored.

Third, although the global literature highlights the growing role of digital technologies in strengthening resilience, there is very little empirical evidence from Bangladesh on how RMG exporters use such tools in practice. Similarly, the interaction between firm level strategies and institutional frameworks including government policies, trade agreements, and compliance regimes imposed by buyers remains underexplored. This creates a theoretical gap, since Resource Dependence Theory and Institutional Theory suggest that firms both react to and are constrained by external environments, but this relation has not been systematically analysed in Bangladeshi context.

Fourth, the literature has not yet incorporated the most recent and large-scale changes in trade policy introduced by the United States in 2025. The White House's April 2025 fact sheet and subsequent executive actions established a universal baseline tariff and authorised higher country specific "reciprocal" duties, measures that were implemented and adjusted through the summer of 2025 (White House, 2025). Journalistic reporting and policy briefs document that these measures quickly produced country specific duties including a negotiated U.S. tariff outcome for Bangladesh that resulted in a 20 percent reciprocal duty on many apparel shipments to the U.S. (Reuters, 2025; The Daily Star, 2025). Industry coverage and trade commentators (e.g., Tax Foundation, Avalara) emphasise the immediate commercial consequences. Higher landed costs for U.S. buyers, pressure on Bangladeshi exporters to absorb or share tariff burdens and rapid re-pricing and sourcing conversations among global buyers. Because these policy moves occurred very recently, the academic literature has not yet produced, peer reviewed, firm level studies examining how Bangladesh's RMG exporters are strategically responding in terms of sourcing, pricing, logistics and buyer relationship management. This lack of scholarly treatment of the 2025 tariff measures despite clear and widely reported short term effects leaves an important empirical gap that this thesis seeks to address.

In summary, the existing literature provides valuable knowledge about the global effects of geopolitical risks and about the structural vulnerabilities of Bangladesh's RMG industry, but it falls short in linking these two areas together. There is limited empirical evidence on how Bangladeshi exporters adapt their supply chains under geopolitical pressures, particularly in response to tariffs and trade policy shifts. Moreover, the enabling or constraining roles of institutional framework and digital technologies remain poorly understood. Addressing these gaps is the central motivation of this study, which seeks to contribute both theoretical insights and practical recommendation for managing geographical risk in Bangladesh's export sector.

## **2.6 Theoretical Framework**

This thesis draws on two complementary theoretical perspectives, Resource Dependence Theory (RDT) and Institutional Theory (IT) to interpret how Bangladeshi RMG exporters respond to geopolitical risk. Together, these frameworks explain both the strategic and institutional dimensions of firm's behaviour under external uncertainty.

### **2.6.1 Resource Dependence Theory (RDT)**

Resource dependence theory (RDT) provides a powerful lens for analysing how organizations manage external constraints and uncertainties. Pfeffer and Salancik (1978) argue that organizations depend on external actors for critical resources, and this dependence influences their behaviour and structure. RDT posits that firms are not autonomous but embedded within environments that control vital inputs such as materials, capital and information.

To reduce dependence and uncertainty, firms pursue strategies such as diversification, alliances, and vertical integration. Hillman et al. (2009) explain that dependence creates both constraint and motivations. Firms respond by building alliances, diversifying resource channels, and influencing external actors to stabilize access.

Applied to global supply chains, resource dependence theory suggests that geopolitical shocks such as tariffs, sanctions or trade restrictions intensify firms need to reconfigure their external dependencies. For Bangladesh's ready made garment exporters, this means diversifying sourcing beyond China, cultivating alternative buyer relationships and building local backward linkage industries. These actions align with Casciaro and Piskorski's (2005) insight that the balance of dependence and power determines how organizations adapt to external uncertainty. In the context of Bangladesh's RMG sector, the introduction of U.S. tariffs in 2025 exemplifies such external uncertainty, compelling firms to reassess and adjust their strategies to maintain competitiveness and mitigate risks.

### 2.6.2 Institutional Theory (IT)

Institutional theory complements resource dependence theory by emphasizing how firms are shaped not only by resource dependencies but also by societal and regulatory expectations. Scott (2014) defines institutions as regulative, normative, and cultural cognitive structures that provide stability and meaning to social behaviour. This framework suggests that firms, including Bangladesh's ready-made garment (RMG) exporters, are influenced by these institutional pillars in the strategic decisions. For instance, the introduction of U.S. tariffs in 2025 may compel firms to navigate not only market forces but also the regulative pressures imposed by new trade policies, the normative expectations of fair-trade practices, and the cultural cognitive perceptions of global supply chain ethics. Understanding these institutional dimensions is crucial for comprehending how firms adapt to external shocks and reconfigure their strategies accordingly.

According to DiMaggio and Powell (1983), organizations face institutional isomorphism a process by which organizations become more similar over time as they respond to coercive, mimetic, and normative pressures. In the context of global supply chains, coercive pressures arise from trade regulations, buyer audits, and government oversight; normative pressures stem from industry standards and buyer expectations and mimetic pressures lead firms to emulate successful competitors. For Bangladesh's ready-made garment (RMG) exporters, these isomorphic pressures manifest as the need to comply with international labour standards, adopt best practices in sustainability, and align with sourcing strategies of leading global buyers. These dynamic underscores the importance of understanding how institutional isomorphism influences strategic decisions in the RMG sector.

For Bangladesh's ready-made garment (RMG) sector, institutional pressures manifest through compliance requirements from western buyers, international labour standards, and sustainability certifications. The United States Trade Representative (USTR) (2023) underscores that Bangladesh remains under enhanced scrutiny regarding labour rights and supply chain transparency reflecting coercive institutional pressure. Similarly, the

European Commission (2024) reports that new corporate due diligence legislation will require importers to trace environmental and human rights impacts across global value chains, intensifying normative demands on exporters. These developments highlight the increasing regulatory expectations that shape strategic decisions in Bangladesh's RMG industry.

Institutional theory thus helps explain why firms adopt costly compliance and digital traceability measures even when yield limited immediate financial returns, legitimacy in global markets becomes as critical as efficiency.

### **2.6.3 Integrating RDT and IT**

Combining RDT and IT offers a comprehensive framework for understanding how firms in politically exposed environments adapt. Oliver (1991) observes that organizations respond strategically to institutional pressures, balancing the pursuit of legitimacy with the management of resource dependence.

In this thesis, RDT elucidates the strategic actions firms undertake to manage external dependencies such as diversifying suppliers, negotiating with buyers and investing in digital tools while IT explains why these actions are constrained or shaped by institutional legitimacy requirements. The integration of these theories enables a richer analysis of how Bangladeshi ready-made garment (RMG) exporters navigate geopolitical risks in a resource limited and highly regulated context.

### **3 Methodology**

This chapter outlines the methodological design employed to investigate how geopolitical risk influences the supply chain strategies of Bangladeshi ready-made garment (RMG) exporters. It explains the research philosophy, design, sampling procedures, data collection methods, analytical approach and measures undertaken to ensure validity, reliability and ethical integrity.

#### **3.1 Research Philosophy and Approach**

This study adopts an interpretivist research philosophy, which emphasizes that reality is socially constructed and any understanding is achieved through the meanings people assign to phenomena. According to Saunders et al. (2019) interpretivism emphasizes that reality is socially constructed and that understanding is achieved through the meanings people assign to phenomena. This paradigm is particularly suitable for exploring managerial perceptions and strategic responses to geopolitical risks, as such behaviours are context dependent and value laden.

In contrast to positivism, which seeks casual generalization, interpretivism aims for a deep understanding of specific contexts. Creswell and Poth (2018) note qualitative researchers explore how participants make sense of their experiences within specific social and cultural settings. Therefore, this philosophy allows the study to capture the nuanced decision-making processes of ready-made garment (RMG) managers in Bangladesh as they navigate global uncertainties.

#### **3.2 Research Design**

Aligned with this philosophical stance, the study employs a qualitative, exploratory research design to generate risk, contextual insights into supply chain strategies under geopolitical stress. A multiple case study design was adopted to facilitate comparative analysis across several RMG exporters and allow for analytical rather than statistical

generalization (Eisenhardt, 1989). The case study approach well suited for examining contemporary phenomena in real life contexts, especially when the boundaries between the phenomena and context are not clear (Yin, 2018). By examining multiple cases, the research captures both the diversity and commonalities of firm level strategic responses in the sector.

Case selection follows a purposive sampling strategy to ensure representativeness across key characteristics such as firm size, export market orientation and sourcing structure (Patton, 2015). This approach enables the study to examine variations in strategic behaviour while maintaining focus on the central research question: *how do Bangladeshi RMG exporters adapt their supply chain strategies in response to geopolitical shocks, including tariffs, trade restrictions and regulatory changes?*

Collectively, the integration of an interpretivist philosophy with a multiple case study design allows for a rich, in depth understanding of managerial perceptions and strategic actions. This methodology provides the flexibility to capture both the contextual specificity of individual firms and broader patterns of response across the sector, offering a comprehensive perspective on how firms navigate geopolitical risk in a resource constrained and highly regulated environment.

### **3.3 Data Collection Methods**

Primary data were collected using a semi structured interview protocol developed from the study's research questions and a comprehensive literature review. The interview guide (**Appendix A**) addressed key topics, including perceptions of geopolitical risk (e.g., tariffs, sanctions, political tensions), specific impacts of the recent U.S. tariff measures, firm level adaptations strategies (sourcing, logistics, and market diversification), institutional and buyer driven compliance pressures. Adoption of digital tools, and policy recommendations.

The semi structured format offered a balance between consistency and flexibility. While ensuring that the same core topics were explored with each participant, it also allowed respondents to elaborate on contextual details and raise unanticipated issues (Bryman & Bell, 2019; Kallio et al., 2016). This approach is particularly suitable for capturing managerial perceptions and strategic decision making in complex and dynamic environments such as the RMG sector in Bangladesh.

Interviews were conducted between 28 September 2025 and 04 October 2025, with a total of eight respondents. The data were collected using a self-administered questionnaire (SAQ) in which respondents were invited to complete a 19-item instrument in their own time. This approach is appropriate when respondents can reflect and respond at convenience, without the presence of the interviewer, thereby reducing interviewer bias and supporting respondent anonymity. According to Sage Research Methods, a self-administered questionnaire refers to a format designed to be completed by respondents without interviewer assistance. As the University of Michigan's Center for Survey Research (2016) explains, self-administered modes remove the interviewer component, which may improve privacy and honesty in responses but also increases the need for careful questionnaire design because misunderstanding cannot be addressed in real time. Furthermore, empirical research shows that while self-administered questionnaires offer cost-efficiency and convenience, they also carry higher risks of item non-response, misinterpretation of questions and lower overall response rates compared to interviewer-administered surveys. Given these trade-offs, the method was chosen for its alignment with the study's practical constraints and the respondent group's ability to complete the survey independently. At the same time, survey design measures including clear instructions, invitation reminders and structured question formatting were employed to mitigate typical limitations such as low response rate and lack of clarification. All participants were senior practitioners including sourcing merchandisers, production merchandisers, senior merchandisers, assistant managers who are directly responsible for sourcing, buyer negotiation, and order fulfilment. To ensure confidentiality and

comply with ethical standards, all respondents were anonymized and are presented using codes such as R1, R2, etc.

Secondary data sources were used to triangulate the interview findings enhancing the credibility and reliability of the results (Patton, 2015). These sources included BGMEA and BKMEA publications, company reports cited by respondents and publicly available trade and policy documents. Secondary data provided context to firm level narratives and served as a plausibility check; for example, reported shipment declines from participants were cross referenced with national export statistics for the same period. Triangulation ensure that the study's conclusion reflect a robust understanding of both micro level firm strategies and macro level policy and trade environment (Yin, 2018).

### **3.3.1 Summary of Interview Respondents**

The study engaged a group of industry professionals whose experience in the RMG sector ranged from 7 to 15 years, with an average of approximately 10.3 years and a median of 10 years, ensuring that the perspectives collected reflect insights from seasoned practitioners. Respondents collectively reported active export markets as follows (a respondent may report multiple markets): USA mentioned by 5 respondents, EU mentioned by 4 respondents, Mexico and UK by 1 respondent respectively. This distribution confirms that the sample includes firms with strong exposure to the U.S. and EU markets, which are central to the study's focus on geopolitical risk. Regarding digital adoption, five respondents reported using ERP systems, smaller numbers reported use or pilot projects involving AI, forecasting software, blockchain, and traceability systems. This variation in digital maturity is used later in analysis to compare strategies across form capacities.

Table 1: Interview Respondent Details

| Respondent No. | Name                  | Company              | Position / Department                             | Interview Date & Time | Contact (Email / Phone)                          |
|----------------|-----------------------|----------------------|---|-----------------------|--|
| 1              | Shams Chowdhury       | Ha-Meem Group        | Manager/Marketing (Merchandising)                 | 2025-09-28<br>08:17   | shams.chowdhury@hameemgroup.com / +8801673177448 |
| 2              | Dewan Rabbe Hasan     | Casual Garments Ltd. | Merchandising /                                   | 2025-09-29<br>14:50   | dewanrabbe@gmail.com / +8801715437676            |
| 3              | Md. Sarwar Hossain    | C&A                  | Senior Merchandiser / Sourcing /                  | 2025-09-30<br>22:04   | sarwar.hossain@canda.com / +8801718673687        |
| 4              | Ardhendu Shekhar Paul | Echotex Limited      | Senior Merchandiser / Marketing & Merchandising / | 2025-10-01<br>05:38   | shekhar@echotex.com / +8801755664864             |
| 5              | Monirul Islam         | Meghna Denims Ltd.   | Merchandising /                                   | 2025-10-01<br>07:29   | murad@meghnadenims.com / +8801842306532          |
| 6              | Md. Salim Mia         | Ha-Meem Group        | Merchandising /                                   | 2025-10-01<br>08:30   | m_salim@hameemgroup.com / +8801313712653         |
| 7              | Md. Mezba Uddin       | Laila Styles Ltd.    | Merchandising /                                   | 2025-10-04<br>14:01   | mezba@lailastyles.com / +8801676275024           |

### 3.3.2 Illustrative anonymized quotations

To reflect the genuine views of participants, the following anonymized quotations are presented exactly as expressed. These quotations are later used to support the main themes and to show how participants described the impacts and their responses in their own words.

- “Its effect on our export when USA impose tariff. It reduces our export”. (Respondent 3/R3)
- “Tariffs, sanctions, political tensions”. (Respondents 1/R1)
- “We tried to source some fabric from Vietnam and Turkey, but it is more expensive, and lead time is not suitable”. (Respondent 6/R6)
- “ERP helps for tracking and bulk order follow up, but small suppliers cannot afford alike systems”. (Respondent 5/R5)

These quotations are representative examples; many more appear in the dataset and are used selectively in the Findings chapter to support analytic assertions.

### **3.4 Sampling Strategy**

The study employed purposive sampling, targeting firms directly engaged in export production. As Palinkas et al., (2015) explain, purposive sampling is widely used in qualitative research for the identification and selection of information rich cases related to the phenomenon of interest.

Selection criteria included:

- Firms exporting at least 70 percent of output to the EU and U.S. markets.
- Firms managing own procurement and logistics.
- Available English-speaking managerial staff for interviews.

A total of 6 firms were interviewed: 3 large exporters (over 5000 employees) and 3 medium sized firms (1000 to 4000 employees). This sample size aligns with recommendations by Guest et al., (2006) who found that data saturation in homogeneous qualitative studies often occurs within twelve interviews but six to eight can be sufficient when participants share similar roles and contexts.

### **3.5 Data Analysis**

All interview responses were compiled into a single excel dataset. The dataset includes timestamps, the full open-ended answers to each question, and non-identifying administrative fields used for sampling. Responses were reviewed for completeness and cleaned for obvious transcription artifacts. The raw transcripts are stored in a secure folder by the researcher.

The data analysis followed a structured thematic approach. First, the researcher carefully read all interview responses several times to become fully familiar with the content, noting initial ideas and recurring issues. During the open coding stage, each response was divided into meaningful statements and assigned descriptive codes that closely reflected the participants' own words. This process generated several detailed codes capturing the

diversity of respondents' experiences. In the axial coding stage, related codes were reviewed and grouped into broader categories, forming higher-order themes. The main themes that emerged included: (1) geopolitical risk perceptions; (2) direct impacts on exports and buyer behaviour; (3) firm adaptation strategies; (4) institutional and compliance pressures; and (5) digital adoption. The relationships among these themes were then examined to create a thematic map linking geopolitical shocks, supply chain impacts, firm strategies, institutional and technological constraints, and overall outcomes. This mapping guided the structure of Chapters 4 and 5 and supported theory-driven interpretation using Resource Dependence Theory and Institutional Theory. Finally, thematic patterns were compared across respondents to identify variations based on firm capacity and market exposure, and the coding and theme definitions were refined through repeated review to ensure accuracy and consistency.

The analysis was deliberately data driven, grounded in respondents' language and illustrated with direct quotations. Descriptive summary statistics were used only to characterize the samples.

### **3.6 Reliability, Validity and Ethical Considerations**

In qualitative research, trustworthiness is equivalent to reliability and validity. The following steps were applied to ensure trustworthiness of the analysis.

First, transparency and audit trail: All analytic steps were recorded.

Second, triangulation: Interview data were compared against secondary sources such as industry reports and publicly available trade statistics.

Third, reflexivity: the researcher maintained reflexive notes to acknowledge assumptions and potential biases.

Fourth, consistency in data collection: The semi structured interview guide ensured that the same core domains were covered with all respondents; this consistency improves compatibility and reduces measurement error.

Fifth, monitoring: During analysis the researcher assessed whether new interviewer views produced novel themes. After seven interviews the researcher observed the additional interviewee largely confirmed existing themes.

### **3.7 Ethical Considerations**

All participants were provided with an information sheet describing the study purpose and use of data; informed consent was obtained before data collection. Respondents were assured of confidentiality and so on personal name or company identifiers are used in the thesis text or any presentations. The datasheet is stored securely, and only the researcher has access to the file.

## 4 Findings and Analysis

This chapter presents and analysis the empirical findings derived from six semi structured interviews conducted with managers of Bangladeshi RMG export firms. The aims are to understand how geopolitical risk (GPR) influences their supply chain strategies. This analysis follows the thematic structure developed in chapter 3, supported by direct evidence from interview data and scholarly literature.

Table 2: Data Coding

| <b>Thematic coding matrix</b>              |   |  |  |
|--|---|--|--|
| <b>Initial/Open Codes</b>                  | <b>Representative Quotation</b>   | <b>Axial (Conceptual) Codes</b>              | <b>Final Themes</b>                              |
| <b>Trade related disruptions</b>           | Tariff policies from the U.S. directly disrupted our export flow, forcing us to renegotiate prices and explore temporary alternatives | Perceived geopolitical uncertainty           | Perceptions of geopolitical risk and uncertainty |
| <b>Supplier dependency</b>                 | Our dependence on Chinese raw materials often halts production when any shipment is delayed or trade restrictions appear              | Structural fragility in global sourcing      | Supply chain vulnerability and dependencies      |
| <b>Market and supplier diversification</b> | We have begun entering new markets such as Japan and Korea to spread our risks and reduce overreliance on traditional buyers          | Strategic adaptation and resilience building | Adaptive strategies for resilience               |
| <b>Institutional and digital support</b>   | To stay competitive, we need stronger government facilitation, faster customs, and digital tracking systems                           | Policy and technology-driven enablers        | Institutional and technological enablers         |

|   |   |  |  |
|---|---|--|--|
| <b>General risk awareness</b>                     | We constantly monitor political tensions worldwide because any conflict can raise costs and disrupt logistics overnight               | Anticipatory sense-making and preparedness | Perceptions of geopolitical risk and uncertainty |
| <b>Trade disruption; pricing pressure</b>         | Tariff policies from the U.S. directly disrupted our export flow, forcing us to renegotiate prices and explore temporary alternatives | Perceived geopolitical uncertainty         | Perceptions of geopolitical risk and uncertainty |
| <b>Buyer dependence; market concentration</b>     | We rely on European buyers for over 70 percent of orders, so any compliance or policy shift there affects us immediately              | Demand-side exposure                       | Supply chain vulnerability and dependencies      |
| <b>Local sourcing; capacity building</b>          | We are training local vendors to supply accessories so that we are not fully dependent on foreign materials                           | Strategic localization                     | Adaptive strategies for resilience               |
| <b>Supply-chain transparency; buyer assurance</b> | Blockchain systems demanded by buyers ensure transparency, and we see fewer disputes on delivery terms now                            | Trust-building through technology          | Institutional and technological enablers         |

#### 4.1 Theme 1: Perceptions of Geopolitical Risk

“Every time the U.S. or China announce a trade measure, our buyers revise orders or delay shipments. We are caught between policies we cannot influence.” (Respondent 3/R3).

All respondents viewed geopolitical risk as a growing determinant of business continuity. Participants consistently mentioned trade sanctions, tariff volatility and regional instability as significant threats to export operations. This perception aligns with Caldara and Iacoviello's (2022) definition of GPR as the threat of adverse events such as wars, terrorist acts and tensions among states that affect international relations. Respondents also identified logistical bottlenecks as amplifiers of GPR exposure. Firms reported delays in raw material shipments from China due to geopolitical tensions and global shipping disruptions. Similarly, findings are echoed in World Bank (2022) notes that geopolitical conflict and trade restrictions have raised shipping costs and disrupted global supply routes.

Managers emphasized that geopolitical uncertainty creates not only external shocks but also internal anxiety regarding production planning and buyer relations. This sentiment mirrors Evenett's (2019) observation that firms in developing economies face heightened exposure to policy included uncertainty in global trade governance.

## **4.2 Theme 2: Supply Chain Vulnerability and Dependence**

"We depend heavily on Chinese fabrics and western buyers. Any disruption in either side directly affects our production schedule and revenue." (Respondent 1/R1)

This dependency pattern mirrors the structural fragility described by Kano and Oh (2020) in global value chains. The over reliance on limited suppliers and concentrated export markets exposes Bangladeshi RMG firms to trade disruptions.

This statement reflects the structural dependence of Bangladesh's RMG industry on external actors. As reported by Fibre2Fashion (2024), local weavers can meet 40 percent of the demand for woven fabrics while the remaining is sourced through imports, primarily from China and India. This underscores the industry's reliance on foreign raw materials. This dependence on external suppliers is further mirrored on the demand side where export market remains overwhelmingly concentrated in garments. According to OECD (2023), in 2021 around 84 percent of the country's exports were RMG related. The

World Bank (2023) similarly reports that exports are concentrated in the RMG sector, making up 83.6 percent of total merchandise exports in 2022. Together these figures illustrate how disruptions in either supply sources or foreign demand can directly affect Bangladesh's production continuity and economic performance.

The interviews revealed that dependency is not merely economic but institutional, suppliers and buyers impose contractual obligations that limit flexibility. Managers expressed concerns that sudden geopolitical shocks could severely disrupt both inputs and orders. One manager says:

“When the trade war intensifies, our U.S. buyers reduce orders without notice. We had on immediate alternative markets”. (Respondent 2/ R2).

This statement is consistent with Corsetti et al., (2024) who found that sanctions forcing exporters to discontinue sales create both losses and new opportunities.

### **4.3 Theme 3: Adaptive Strategies for Supply Chain Resilience**

All six firms described adopting at least one adaptation strategy to mitigate GPR exposure. The most common responses included supplier diversification, production flexibility, inventory management and buyer diversification.

#### **4.3.1 Supplier Diversification**

Four firms reported efforts to source fabrics and trims from alternative markets such as India, Vietnam and Turkey. This strategic adjustment aligns with Tang and Tomlin's (2008) observation that flexibility in sourcing through multiple suppliers can significantly enhance supply chain resilience and mitigate the impact of disruptions. By diversifying sourcing bases, these firms aim to reduce dependency on single country suppliers such as China and safeguard production continuity. However, respondents also mentioned challenges including cost escalation, inconsistent quality, lead time and logistics delays when working with new suppliers. These observations reflect the limitations identified

by Habib (2009) who notes that although the RMG industry in Bangladesh flourished, there has been little development in the backward linkage sector, emphasizing that the RMG sector needs to develop the backward linkage further in order to reduce dependence on imported raw materials.

#### **4.3.2 Buyer Diversification**

Three firms reported exploring nontraditional markets such as Canada, Japan, Australia to reduce dependence on U.S. and EU buyers. This strategic diversification aligns with industry trends indicating a shift towards emerging markets. For instances, Bangladesh's RMG exports to nontraditional markets including Japan, Australia and India have been showing significant growth with export to Japan increasing by 15.6 percent and to Australia by 38.18 percent in recent periods (The Financial Express, 2025; New Age BD, 2025). Additionally, the EPB reported that exports to nontraditional markets rose by 0.77 percent year on year to USD 1.65 billion during the July-September quarter of FY2025-26, which Japan and Australia among the leading destination (The Financial Express, 2025).

#### **4.3.3 Operational Flexibility**

Half the firms implemented flexible production lines capable of switching between product types and buyers. Respondent 5/R5 remarked:

“We reconfigured our assembly lines to handle small batch orders and shorted lead times especially when major buyers reduce quantities”.

This practice aligns with Sheffi's (2007) principle that resilient enterprises design operational flexibility to adjust capacity and product mix during crises.

#### **4.3.4 Digitalization**

Two large firms adopted ERP systems and supply chain visibility platforms. Respondent 4/R4 noted:

“Digital tracking allows us to anticipate delays in fabric shipments and adjust production schedules early”.

Ivanov et al., (2019) confirms the same.

#### **4.4 Theme 4: Institutional and Technological Enablers**

The findings suggest that institutional support and digital capabilities are critical enablers of reliance. Firms with formal compliance certifications and digitalized logistics reported greater ability to retain buyers during uncertainty.

Scott (2014) explain that institutions provide the rules, norms and cognitive structure that guide organizational behaviour. For RMG exporters, this structure included international labour and sustainability standards that confer legitimacy in global markets.

Several participants mentioned that compliance with Accord/Alliance safety standards and ISO certifications enhanced buyer confidence. Respondent 6/R6 stated:

“When we show compliance certificates, buyer trust us more, even during political tensions”.

This corresponds to DiMaggio and Powell’s (1983) concept of coercive and normative isomorphism, where organizations adopt shared norms to main legitimacy under external scrutiny.

On the technological side, firms implementing digital traceability tools reported better coordination with logistics providers.

#### **4.5 Cross Case Analysis**

Cross Case Analysis reveals both convergence and divergence across firms. Common patterns include high dependence on a narrow supplier buyer base, rising awareness of geopolitical risk, and growing adoption of digital tools. However, large firms exhibit

stronger resilience owing to greater financial capacity, established compliance framework and access to technology.

This finding supports Hillman et al., (2009) who assert that organizations with greater power and resource slack are better positioned to manage external dependence. Conversely small firms remain reactive rather than strategic, lacking the resources to diversify operations.

Overall, the analysis confirms that geopolitical risk compels Bangladeshi RMG exporters to balance resource dependence with institutional legitimacy. Adaptive strategies emerge not only from necessity but also from compliance and reputation management.

## **5 Discussion and Theoretical Integration**

This chapter discusses the empirical findings presented in chapter 4 in the light of the theoretical foundations established in chapter 2. It explains how GPR shapes the supply chain strategies of Bangladeshi RMG exporters by integrating insights from RDT and IT. The synthesis demonstrates how firms simultaneously manage external dependencies and pursue institutional legitimacy to ensure resilience under geopolitical uncertainty.

### **5.1 Revisiting the Research Objective**

The primary objective of this study was to examine how geopolitical risk influences the supply chain strategies of Bangladeshi RMG firms. Findings revealed that exporters face dual pressures: (1) dependence on external resource networks particularly Chinese inputs and western buyers, and (2) coercive institutional pressures from trade regulations, buyer standards and sustainability compliance.

### **5.2 Geopolitical Risk as an External Dependence Driver (RDT Perspective)**

According to Pfeffer and Salancik (1978) organizations are constrained by the environments from which they acquire critical resources. Dependence generates vulnerability when external actors such as governments, suppliers or buyers control those resources. For Bangladeshi exporters, geopolitical risk magnifies this dependence.

#### **5.2.1 Supplier Dependence and Resource Constraints**

Empirical evidence from chapter 4 shows that most firms rely heavily on Chinese inputs, exposing them to trade sanctions and logistical disruptions. This pattern confirms Hillman et al., (2009) who argue that resource dependence motivated firms to reduce uncertainty by diversifying input sources or building alliances. Yet the findings indicate limited diversification due to financial and infrastructural constraints, consistent with the scarcity of domestic backward linkage in Bangladesh.

### **5.2.2 Buyer Dependency and Power Asymmetry**

The study also revealed strong dependence on U.S. and EU buyers who dictate terms of pricing, compliance and delivery. This asymmetry aligns Casciaro and Piskorski (2005) who emphasize that power and dependence are inversely related. Those who controlling critical resources can impose conditions on others. Under trade tensions or tariff changes, buyers exploit their leverage, forcing exporters into compliance adaptations delays.

### **5.2.3 Strategic Responses to Dependence**

RDT predicts that organizations will seek to manage such constrains through strategies of adaptation and buffering (Pfeffer and Salancik, 1978). The diversification, flexible sourcing and collaborative initiatives identified in chapter 4 reflect these adaptive mechanisms. Oliver (1991) supports this interpretation, stating that strategic responses to external pressures vary from acquiescence to manipulations, depending on the firm's resource dependence and strategic capacity.

Thus, geopolitical risk acts as a catalyst that expose structural dependencies while prompting firms to actively renegotiate or reconfigure those dependencies through strategic adaptation.

## **5.3 Institutional Pressures and Legitimacy Maintenance (IT Perspective)**

While RDT explains how firms respond to external constrains, Institutional Theory (IT) elucidates why firms conform to prevailing norms and regulations despite cost implications. Scott (2014) defines institutions as regulative, normative and cultural cognitive structures that provides stability and meaning to social behaviours. In Bangladesh's RMG sector, institutional pressures originate from both international and domestic environment.

### **5.3.1 Coercive and Normative Pressures**

Exporters face coercive pressures through trade policy surveillance, as reflected in the USTR (2023) statement that Bangladesh remains under enhanced scrutiny regarding labour rights and supply chain transparency. Normative pressures stem from global buyer expectations related to sustainability, safety and human rights. DiMaggio and Powell (1983) describe this convergence as institutional isomorphism. Firms adopt similar standards to maintain legitimacy and access to markets.

The findings confirms that compliance certifications serve not only operational but also symbolic purpose. As one manager remarked, compliance builds trust even during political tensions echoing Meyer and Rowan (1977) who argue that formal structures serve as myths that legitimize organizations in institutional environments.

### **5.3.2 Mimetic Pressures and Reputations**

Under uncertainty, firms tend to imitate perceived best practices. DiMaggio and Powell (1983) note that mimetic isomorphism occurs when organizations model themselves after others viewed as successful or legitimate. The diffusion of digital traceability tools and sustainability audits among leading RMG firms illustrates this mimetic adaptation. Adoption enhances credibility with international buyers and mitigates the reputational risks linked to geopolitical controversies.

## **5.4 Integrating RDT and IT: A Dual Lens Interpretation**

The integration of RDT and IT provides a holistic explanation for the behaviours observed. RDT focuses on resource dependencies why firms must adapt to secure essential inputs and market access whereas IT emphasizes legitimacy pressures why firms comply with institutional norms even when adaptation is costly.

Oliver (1991) suggests that strategic responses are shaped by the interplay of these two dimensions: organizations choose between compliance and resistance depending on the level of dependence and the strength of institutional constraints.

In Bangladeshi context, RDT explains how firms diversify suppliers, seek new markets and digitalize operations to reduce exposure to geopolitical disruptions.

IT explains why firms invest in compliance systems and certifications to retain legitimacy with global buyers and regulators.

Together these frameworks reveal a paradox while firms attempt to reduce dependence (autonomy), they simultaneously deepen institutional embeddedness (legitimacy). This dual dynamic defines the strategic reality or developing country exporters operation within politicized value chains.

## **5.5 Practical Implications**

For practitioners, the findings understood the need to:

- Diversify both sourcing and markets to mitigate risks.
- Invest in compliance, digital traceability and sustainability reporting to strengthen legitimacy
- Collaborate with government and industry bodies to develop local backward linkage industries, thereby reducing structural dependences.

## 6 Conclusion & Recommendations

This final chapter brings together the main insights of the thesis. It restates the objectives of the study, summarizes the key findings, and discusses their broader significance. The chapter then outlines the theoretical and practical contributions and reflects on the study's limitations. Finally, it suggests avenues for future research.

The central purpose of this thesis was to examine geopolitical risk affects the international supply chain strategies of Bangladesh's RMG exporters. While earlier research on Bangladesh's RMG sector has emphasized cost competitiveness and labour compliance, limited attention has been given to the ways in which exporters themselves adapt to global political and trade disruptions.

To address this gap, the study applied RDT and IT as analytical lenses. A qualitative case study approach was employed, based on semi structured interviews with eight merchandising professionals from export oriented factories. Respondents represented firms with exposure to major export markets including U.S and EU, UK and Mexico. Their average industry experience exceeded ten years ensuring that insights were based on seasoned professional judgement.

The findings revealed that exporters face multiple geopolitical risks, the 2025 U.S. tariff measures, ongoing U.S.-China rivalry, Russian-Ukraine war and international compliance requirements imposed by buyers. Firms have adopted a range of adaptation strategies including market diversification, sourcing alternatives, logistics flexibility and relationship building with buyers. However, the success of these strategies depends heavily on firm size and resource.

Institutional pressures, especially compliance with labour safety and environmental standards, emerged as decisive in shaping export strategies. At the same time, digital technologies such as ERP, traceability tools, AI forecasting were identified as potential enablers of resilience though adoption remains uneven.

## 6.1 Theoretical Contributions

This thesis makes three contributions to academic knowledge.

**Extending resource dependence theory:** The findings show how exporters attempt to manage dependency on foreign buyers and suppliers through diversification and relational strategies. However, the study also highlights the limit of RDT in resource constrained contexts, where smaller firms cannot diversify or adopt new tools. This extends RDT by demonstrating how structural poverty restricts dependency managed provide.,

**Advancing Institutional Theory:** The results show how compliance requirements function as both institutional pressures and geopolitical risks. Firms must conform to labour and environmental standards not only for legitimacy but also for continued access to global market.

**Integration RDT and IT:** By combining the two theories the study demonstrates the firms responses to geopolitical risk are shared by both strategic resource management and institutional pressure. This dual framework provides a richer explanation of how exporters adapt under political and trade disruptions.

## 6.2 Practical and Policy Implications

The findings carry significant implications for industry practitioners, policymakers and trade associations.

For Firms:

- Diversification is essential. Firms must actively pursue nontraditional markets to reduce dependence on the U.S. And EU.
- Buyer relationships are strategic assets. Long term partnerships can help firms negotiate shared costs and secure stable order during crises.

- Selective digital adoption. Investment in ERP, traceability, and forecasting systems enhance visibility and compliance, though smaller firms need collaborative support to afford these tools.

For Policymakers:

- Proactive trade diplomacy. The government must anticipate trade disputes and engage in early negotiations with major partners to protect exporters.
- Backward linkage development. Investment in local textile and accessories industries is vital to reduce overdependence on Chinese imports.
- Support for SMEs. Targeted subsidies, training and digitalisation programs can help smaller firms comply with global standards and adopt new technologies.

For Industry Associations (BGMEA/BKMEA):

- Collective lobbying. Associations can amplify the industry's voice in global trade negotiations and present a united front in tariff discussions.
- Capacity building programs. Training for compliance, digital readiness and market diversification should be scaled up.
- Shared platforms. Associations can facilitate pooled resources to lower adoption costs for SMEs.

### **6.3 Limitations of the Study**

This study, like all research, has limitations. First, the sample size of eight respondents provides in depth but no statistically generalisable insights. The findings are indicative rather than representative of the entire RMG sector. Second, the study relied on self-reported interview data, which may reflect personal perceptions and biases. While triangulation with secondary sources was used, objective firm performance data was not collected. Third, the study is cross sectional, capturing responses at one point in time (September-October 2025). Longer term adjustments may emerge that this research could not observe.

## 6.4 Recommendations for Future Research

Future studies could build on this thesis in several ways:

- Larger scale surveys across a wider set of factories could test the prevalence of the strategic identified here.
- Comparative studies between Bangladesh and other garment exporting countries such as Vietnam, Cambodia or Ethiopia could reveal whether adaptation strategies vary by institutional context.
- Longitudinal research could track how firms' strategies evolve over time as geopolitical conditions change, especially with shifting U.S. and EU trade policies.
- In depth studies on digitalisation could explore the specific role of blockchain, AI and traceability in enabling supply chain resilience.

## 6.5 Conclusion

In essence, this thesis underscores that geopolitical risk reshapes the strategic and institutional landscape of Bangladesh's RMG sector. Firms are compelled to balance the pursuit of autonomy through diversification with preservation of legitimacy through compliance. The interplay between dependence management and institutional conformity defines the adaptive resilience of developing country exporters in a politicized global value chain.

The integrated RDT-IT framework proposed herein not only enriches academic understanding of global supply chain adaptation but also provides a practical roadmap for policymakers and industry leaders aiming to strengthen resilience in the face of geopolitical turbulence.

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## Appendices

### Appendix 1. Interview Questionnaire

#### Section 1: Background Information

1. Could you briefly describe your role and responsibilities in the company?
2. How long have you been working in the RMG industry, and particularly in export merchandising/supply chain management?
3. Could you describe the main export markets of your company (e.g., USA, EU, other regions)?

#### Section 2: Perceptions of Geopolitical Risks

4. In your experience, what are the major international risks that currently affect your company's supply chain (e.g., tariffs, sanctions, political tensions, trade agreements)?
5. How did the recent U.S. tariff measures impact your company's exports and negotiations with buyers?
6. Beyond tariffs, do you see other geopolitical risks (such as U.S.–China rivalry, Brexit, Russia–Ukraine war, Middle East conflicts) influencing your company's operations?

#### Section 3: Supply Chain Strategies and Adaptation

7. What specific strategies has your company adopted to reduce the risks from sudden tariff changes or trade restrictions?
8. Have you taken steps to diversify your export markets beyond the U.S. and EU? If yes, what challenges did you face?
9. How does your company manage sourcing of raw materials, especially given dependence on imports from China or other countries?
10. Do you use any logistics or inventory strategies (e.g., multiple routes, buffer stocks) to manage risks of disruption?

11. How do you maintain relationships with buyers during periods of uncertainty? For example, do buyers share some of the tariff burden or renegotiate terms?

#### **Section 4: Institutional Pressures and Compliance**

12. To what extent do international compliance requirements (labour rights, safety standards, environmental certifications) shape your company's export strategies?
13. How do you see the role of government policy or trade agreements in supporting your company during geopolitical risks such as tariffs?
14. Do industry associations such as BGMEA or BKMEA provide meaningful support in managing these challenges? If yes, how?

#### **Section 5: Digital Tools and Future Resilience**

15. Does your company use any digital technologies (ERP systems, blockchain, AI forecasting, digital compliance tracking) to strengthen supply chain management?
16. What benefits or challenges have you experienced in adopting such tools?
17. Looking ahead, what strategies or investments do you think are most critical for Bangladeshi RMG firms to remain competitive under future geopolitical risks?

#### **Closing**

18. Is there anything else you would like to share about how geopolitical risks affect your company's supply chain strategies?
19. Do you have any suggestions for policymakers or industry associations on how they could better support RMG exporters in this situation?