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Apparel Export Prices: A Quality-Adjusted Analysis of the EU and US Markets

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Abstract

Export data shows that in the EU and in some cases USA as well, Bangladesh receives lower prices for its products compared to its rivals like Vietnam and China even when adjusted for quality. This study explores factors such as product quality, market share, and tariff preferences, that might be contributing to this relatively low export unit value price (UVP) for Bangladesh in these markets using data from EU Comtext, US ITC, and WITS. The research findings identified not just a difference in quality, but also high market share in exporting country and reliance on trade preferences with exporting countries, among other factors, as the major factors influencing Bangladesh's lower UVP in leading export destinations. The study recommends investing in product upgrading, diversifying export markets, and negotiating balanced trade agreements to enhance Bangladesh's apparel export prices in the future.

Keywords: Export, Apparel export, Unit Value Prices (UVP), Price, Quality adjusted price

I. Introduction

Export unit value prices (UVP) commonly exhibit substantial variation across countries, even for narrowly defined product categories. Extant literature attributes these differences primarily to product quality, which plays a critical role in determining why prices diverge so significantly across borders (Hallak & Schott, 2011; Hummels & Klenow, 2005; Schott, 2004). Additionally, empirical evidence suggests that higher-income countries secure greater export prices. Two main factors account for this disparity: first, products from wealthier nations are often perceived as being of superior value (Fajgelbaum et al., 2011); and second, these economies tend to wield stronger market power, thereby negotiating more favourable terms with importers (Hallak & Schott, 2011).

Bangladesh's apparel sector faces a persistent challenge of lower UVP in comparison to its competitors (International Trade Centre, 2022; Razzaque et al., 2024; Razzaque & Islam, 2025). The central objective of this study is to determine the reasons behind Bangladesh's relatively low prices, focusing on apparel exports to the European Union (EU) and the United States (US). To capture the nuances of price formation, this analysis decomposes UVP into two components: (i) *relative product quality*, capturing the extent to which an exporter's goods are considered higher (or lower) quality, and (ii) *quality-adjusted price*, representing the price a country would receive if all exporters offered identical quality and branding. This approach isolates whether Bangladesh's lower UVP stems from factors such as inferior quality, large market share, or reliance on tariff preferences.

In particular, Bangladesh benefits from unilateral trade preferences extended by developed countries, such as the Generalised Scheme of Preferences (GSP) under the EU's Everything but Arms (EBA) initiative. While these preferences often enhance export competitiveness for less-developed nations, they can also lead to low valuations. At the disaggregated Harmonised System (HS) 8-digit level, for example, Bangladesh's UVP for boys' cotton t-shirts (HS 61091000) stands at USD 2.2—significantly lower than China's USD 4 and Turkey's USD 5. Such discrepancies highlight how importers in wealthier markets may leverage tariff concessions to acquire low-cost goods. Moreover, although preferential access under EBA has helped Bangladesh capture a large share of the EU apparel import market—22 per cent of extra-EU apparel imports in 2023—this market penetration has not translated into higher export prices, motivating a closer analysis of the underlying causes.

II. Data and Methodology

This study utilises two main datasets: EU Comext, which provides comprehensive import data for the European Union, and US ITC, offering similarly detailed import data for the United States. Tariff information at the 8-digit HS code level was collected from the World Integrated Trade Solution (WITS) database. Following the methodological approaches of Hayakawa et al. (2022) and Khandelwal et al. (2013), two-panel regression analyses were employed for separate markets to estimate the demand function of apparel imports (equation I). The central idea of estimating this equation is to observe how much of a product an importing country purchases at a given price from a specific exporter in a given year. A higher imported volume at a particular price suggests that the exporter's goods enjoy relatively higher perceived quality.

$$\text{I.} \quad \ln Q_{ijkt} + \sigma_{ik} \ln\left(\left(1 + \text{Tariff}_{ijkt}\right) \times p_{ijkt}\right) = u_i + u_{kt} + \varepsilon_{ijkt}$$

$$\text{II.} \quad \widehat{\ln z_{ijkt}} = \frac{\widehat{\varepsilon_{ijkt}}}{\sigma_{ik} - 1}$$

$$\text{III.} \quad \ln p_{ijkt} - \widehat{\ln z_{ijkt}}$$

Once this relative quality component is isolated from the demand equation and subtracted from the actual UVP, the residual price is considered the quality-adjusted UVP, which is done in equation II to equation III. By adopting this lens, the study estimates how the EU and US markets value Bangladesh's apparel exports when quality factors are equalised across competitors.

III. Research Results

EU Market

Table 1 presents an analysis of Bangladesh's top ten apparel export items to the EU at the HS 8-digit level, focusing on quality-adjusted UVP comparisons with China and Vietnam. The findings indicate that Bangladesh's quality-adjusted prices average roughly 18 per cent of China's valuations and 21 per cent of Vietnam's for identical product categories. Although Bangladesh dominates the market in these product lines—often exceeding a 40 per cent extra-EU market share—the lower quality-adjusted valuations suggest two possible drivers:

1. **Trade-off between market share and price**: While capturing a large share can boost total export volumes, it may also depress per-unit prices if importers treat Bangladesh as a reliable but low-cost supplier.

2. **Over-reliance on GSP preferences**: Preferential market access may encourage importers to extract lower prices from Bangladesh, effectively using tariff concessions as leverage. Even after controlling for relative quality, the data reveal substantial price gaps vis-à-vis China and Vietnam, underscoring the limitations of preferential schemes in achieving higher apparel export values.

Table 1 | Bangladesh's quality-adjusted UVP relative to China and Vietnam in the EU market

Product HS code	Quality-adjusted UVP (BD relative to CN) (%)	Quality-adjusted UVP (BD relative to VN) (%)	Products' market share in the EU (%)		
			Bangladesh	Vietnam	China
61091000	18	8	50.46	2.48	5.33
61051000	24	8	45.64	5.53	8.47
62034990	10	7	42.99	1.08	17.74
61072100	15	13	42.35	0.29	8.08
61083100	21	14	41.79	0.64	8.15
61061000	18	9	40.03	2.64	8.90
61044200	15	10	39.25	1.16	14.38
62071100	18	41	30.55	1.49	27.71
62072100	31	25	30.54	2.64	21.08
61071100	39	41	29.57	3.22	31.79

US Market

Table 2 shows a parallel analysis for the US market, where Vietnam holds an 18 per cent apparel import share, exceeding Bangladesh's 9 per cent. Interestingly, when Bangladesh's market share in specific products is relatively smaller than Vietnam's, Bangladesh often achieves higher quality-adjusted valuations. This finding resonates with the notion that larger market shares can be associated with lower per-unit prices, consistent with the EU observations. Nevertheless, Bangladesh's relative valuations fare better against China in certain categories such as cotton sleepwear and underwear, indicating that product differentiation and niche specialisation can yield enhanced prices.

Overall, these results imply that Bangladesh's lower UVP transcends mere quality differentials. High market share, the pricing dynamics of unilateral preferences, and possibly weaker brand power converge to produce subdued per-unit export values.

Table 2 | Bangladesh's quality-adjusted UVP relative to China and Vietnam in the USA market

Product HS code	Quality-adjusted UVP (BD relative to CN) (%)	Quality-adjusted UVP (BD relative to VN) (%)	Products' market share in the USA (%)		
			Bangladesh	Vietnam	China
61091000	40	48	8.47	5.58	6.03
61051000	33	55	12.69	4.24	12.52
62034990	73	120	15.67	18.52	13.01
61072100	78	142	3.53	18.86	24.17
61083100	131	139	4.23	15.39	18.54
61061000	35	114	4.95	5.77	28.66
61044200	48	118	6.90	15.40	25.60
62071100	187	477	15.98	4.44	31.35
62072100	103	194	7.49	18.86	24.17
61071100	31	182	14.18	4.86	57.70

IV. Policy Implications

The evidence presented here underscores Bangladesh's challenge in securing higher apparel export prices, even where product quality is similar to that of its competitors. Unilateral trade preferences, particularly from the EU, have facilitated substantial market penetration but may also inadvertently depress price realisation. This study's quality-adjusted approach confirms that the pricing gaps are not purely a reflection of inferior product quality; instead, they are shaped by multiple interacting factors, including market share considerations, bargaining asymmetries, and limited brand differentiation. From a policy perspective, four key recommendations emerge:

- Product upgrading and brand development: Policymakers and industry stakeholders should invest in value addition, branding, and design innovation to reduce over-reliance on basic, low-value segments.

- Diversification of export markets: Exploring emerging and niche markets may lessen the dependence on preference-heavy destinations, thereby enhancing exporters' pricing power.

- Promotion of technological upgrading: Enhancements in production processes and quality control can reinforce Bangladesh's reputation for reliable, higher-value goods.

- Negotiation of bilateral or regional agreements: Beyond unilateral preferences, concluding balanced trade agreements could secure more equitable conditions, mitigating the downward pressure on export prices.

By implementing these strategic initiatives, Bangladesh can bolster its apparel sector's resilience, capture better unit values in global markets, and ultimately foster sustainable export-led growth.

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