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Second wave already causing damage to our RMG sector

BGMEA and garment owners should take pre-emptive steps to cushion the blow

JUST when Bangladesh's apparel sector had begun to recover from the shocks of the pandemic, a second wave of coronavirus has already started inflicting damage on the sector again. According to the preliminary findings of a survey carried out last week among 50 out of 350 major factories by the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), international clothing retailers and brands have placed 30 percent fewer work orders for the next four months starting this December. Since the fear of contracting Covid-19 has kept buyers from travelling freely, they cannot come to Bangladesh to visit the factories as usual to check the product quality, compliance and whether or not there is a proper work environment at the factories. The result is, buyers have reduced the volume of work orders for factories here which spells disaster for the coming months.

The Daily Star spoke to some leading garment exporters and learned that all of them received 20 to 30 percent fewer work orders compared to the previous season. What is even more worrying, some buyers are even renegotiating prices in work orders that have already been placed. Then there are those who did not even pay the factories for the products they have supplied. Will they pay up at all? In these trying times, our garment suppliers and international retailers need to build a relationship which is sustainable and based on transparency, trust and mutual benefit.

Data from the July-September 2020-21 period shows that exports to non-traditional markets suffered the most while those to the European Union and the US maintained stable growth, which actually helped Bangladesh make a turnaround in its exports. So, the fresh wave of Covid-19 in Europe particularly worries us since Europe is our major market.

Under the circumstances, the BGMEA should negotiate with the international retailers and buyers so that they do not make delays in placing orders because the factories will have to keep the capacity idle if there is no work orders from buyers. If the situation continues, workers might also face the risk of losing their jobs. Our garment owners should also be very cautious in signing deals with international brands so they do not face work order cancellations and non-payment from buyers. Although many buyers are promising to come back with work orders with improvements to the pandemic situation, the gap in production and sales faced by suppliers in the meantime would pose a danger to the sustenance of businesses, with small and medium enterprises suffering the most.

While safety and health guidelines such as wearing masks and using hand sanitisers must continue to be followed by factories, the government and the garments sector must find ways to help workers during possible lean periods. Stimulus packages for the sector may have to be considered for the factories and workers to survive during the second wave.

Our antiquities being sacrificed at the altar of greed

Is the administration doing anything to protect them?

IT is a pity that our historical heritage whose physical manifestation is in the many structures and edifices are being destroyed—victims of a combination of ignorance, a lack of sense of history, pride in our heritage and historical legacy, apathy of the relevant agencies, and last but perhaps most important, an unmitigated greed that has overtaken all other considerations.

The media has been crying hoarse to draw the attention of the administration to the need for protecting and preserving these priceless buildings. Nothing more than mere articulation of honest intentions is palpable. A large number of historical sites in Bangladesh have been included in UNESCO's list of World Heritage Sites, and a good many of them are in the capital itself that have been destroyed without any compunction, thanks to the indifference of the authorities. The list of historical sites varies greatly between the one prepared by Rajuk and that by the civil society organisations. We wonder whether the Department of Archaeology has a list of its own, and what that might show in terms of the endangered edifices.

And of course political clout plays a big part in wrecking irreversible damage to history. According to a report in this paper on November 22, the MP of Dhaka-7 has not only abdicated his responsibility as member of the parliament to preserve and protect our relics but played a leading role in their destruction during his long tenure as an elected representative. Haji Selim's beat, once the prime areas of Dhaka City had contained hundreds of antique structures, but no more, because of him. No one knows exactly how many of these sites and buildings have been destroyed over the last few years.

We wonder what the relevant agencies have been doing so long or will be doing to save whatever is left of our antiquities. Have they all surrendered to political power? We wonder if the MP's misdeeds, which include not only the destruction of the old historical buildings but also occupying private and public property illegally, would have ever come to light but for his son's arrest for attempted murder. Whatever has been lost cannot be retrieved, but the administration should wake up and save whatever is left. These are the surviving links with our history whose elegant features enrich our culture. We owe it to our future generations to preserve them, but also to severely punish those who are part of this tragic erasure of our history.

What the new trade bloc means for Bangladesh

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MIXED opinions followed after the signing of the new trade bloc—the Regional Comprehensive Economic Partnership (RCEP) on November 15, 2020. Negotiated over a period of eight years since 2012, this is termed as the world's largest free trade agreement (FTA). Fifteen economies of the deal—Australia, China, Japan, New Zealand, South Korea, plus 10 members of the Association of Southeast Asian Nations (Asean) that include Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam—cover about 30 percent of global gross domestic product and almost one third of the global population.

Its geo-economic-political significance is high

As the global economy is facing unprecedented challenge in terms of low economic and trade performances due to the Covid-19 pandemic, RCEP looks promising for the signatory countries. However, the trade deal is also viewed as a step towards a new world order which is predicted to be dominated by Asia.

The timing of the signing of RCEP deal is of great significance. The world is currently ravaged by the coronavirus pandemic. At the same time, one of the mighty countries of the world, the USA is busy with extraordinary domestic political crisis since Donald Trump refuses to concede his defeat in the presidential elections held in early November this year. Ironically, the USA has failed to show any leadership both in tackling the pandemic and dealing with the associated economic fallout.

So, RCEP is thought to be a vehicle of strengthening China's influence in the Asia-Pacific region in the absence of the USA in similar trade deals in the region. The Trump administration had earlier abandoned the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) in January 2017. The 12 countries of the CPTPP were—Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, Vietnam, and the USA. Six countries—Australia, Japan, Malaysia, New Zealand, Singapore and Vietnam—are common in both the agreements. Hence TPP could be a balancing factor over China's leadership in the region.

Though TPP is much more ambitious than RCEP as it covers issues such as environmental and labour standards, RCEP provides enormous opportunities for its members to grow more. With India's withdrawal from the pact in November 2019, China will gain influence through further value chain integration in the 14 RCEP markets.

Bangladesh may not face immediate challenge

The pattern of Bangladesh's exports to RCEP countries indicates that Bangladesh may not worry too much at this moment for a few reasons. First, Bangladesh's exports to these countries is about 10 percent of total exports. Second, as a least developed country (LDC), Bangladesh enjoys various types of preferential treatments to a number of RCEP countries including Australia, China, Japan, New Zealand, South Korea and Thailand.

Asean leaders pose for a group photo during the 3rd Regional Comprehensive Economic Partnership Summit in Bangkok on November 4, 2019, on the sidelines of the 35th Asean Summit. PHOTO: MANAN VATSYAYANA/AFP

Within RCEP region, Bangladesh's exports to these countries are more than 80 percent.

Third, realisation of benefits from such multi-country trade deals takes time. Indeed, elimination of 90 percent tariffs in RCEP economies will take two decades from the time it comes into force. Most importantly, the agreement has to be approved by at least six Asean countries and three non-Asean partner countries. However, experts say it might take the whole of 2021 to complete this process.

But Bangladesh's worry is on its way

Three LDCs such as Cambodia, Laos and Myanmar are members of the new pact. Among them, both Laos and Myanmar have gained eligibility to graduate from the LDC category in 2018 along with Bangladesh. By being part of the new trade bloc, these LDCs will continue to enjoy preferential market access even after their graduation. However, once Bangladesh graduates in 2024 and finishes the three-year grace period after graduation in 2027, it will lose preferential treatment in RCEP markets which are now providing such facility to Bangladesh.

So, at present import restrictions may benefit some domestic companies, but in the long run Bangladeshi exports will suffer.

Bangladesh's biggest worry will be how to compete with Vietnam. Despite several challenges, Bangladesh has been able to keep its position in the global market in the case of readymade garments (RMG) exports. Though Bangladesh gets duty free quota free (DFQF) market access in the EU market, this will cease after 2027. However, Vietnam has signed bilateral FTA with the European Union (EU) which will guarantee its preferential market access for its exports to the EU markets. Vietnam is also a member of the US-led TPP which is currently stalled. As the USA sees a regime change, the revival of TPP agreement by the president-elect Joe Biden is a possibility. Now with the membership in RCEP also, Vietnam will put Bangladesh into a disadvantageous position.

Bangladesh will be challenged by the new trade bloc in other ways also. These types of mega trade deals are not confined within trade only. It creates opportunities for investment and strengthening supply chains. RCEP countries will also enjoy a liberal "rule of origin". To put simply, rules of origin are the criteria which determine the share of local content of product to benefit from lower tariff when exported to another country. RCEP members can avail the preferential tariffs on products on a more flexible rules of origin. This will also attract investment among the member countries and increase exports to its members under preferential trade arrangements. To them, Bangladesh or other non-RCEP countries will not be attractive investment destinations.

Preparing for the new reality

Since the Doha Round trade negotiations of the World Trade Organisation is still mired in stalemate, countries have fallen back on FTAs and regional trade agreements (RTA). Bangladesh's loss due to RCEP and other RTAs can be mitigated to some extent through active participation in the FTAs. Bangladesh as a member of a number of FTAs including the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), can effectively utilise these platforms to benefit more from regional trade integration.

The apprehension of losing the export markets to competing countries through RCEP has led to the idea that Bangladesh should join the pact, if approached by RCEP members or even proactively. This will require development of Bangladesh's negotiating capacity to deal with the complex nature of these agreements. This should also be complemented with a comprehensive assessment of the implications of the agreement on investment and revenue earned through duties.

This is because firstly, RCEP is a reciprocal agreement. This means in exchange of getting preferential market access into RCEP countries, Bangladesh will also have to provide the same to all RCEP members. This is not the case with the EU. The EU provides non-reciprocal DFQF market access. Therefore, the consequences on the domestic market will have to be properly evaluated before entering into such deals.

Second, benefiting from such deals also require a lot of groundwork. Such deals set high standards for trade and investment. The deal also includes provisions on intellectual property rights, e-commerce, telecommunications, and financial and professional services. Bangladesh will have to undertake major regulatory and economic reforms to meet those stringent requirements. The efficiency level has to be improved to compete in a tougher trade regime. Such preparation will also help Bangladesh's smooth and sustainable graduation.

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Covid-19 compounding inequalities

JOMO KWAME SUNDARAM *and* ANIS CHOWDHURY

THE United Nations' renamed *World Social Report 2020* (WSR 2020) argued that income inequality is rising in most developed countries, and some middle-income countries, including China, the world's fastest growing economy in recent decades.

Inequality dimensions

While overall inter-country inequalities may have declined owing to the rapid growth of economies like China, India and East Asia, national inequalities have been growing for much of the world's population, generating resentment.

In 2005, when the focus was on halving poverty, thus ignoring inequality, the UN drew attention to *The Inequality Predicament*. Secretary-General Kofi Annan warned that growing inequality within and between countries was jeopardising achievement of the internationally agreed development goals.

"Leave no one behind" has become the rallying cry of the 2030 Agenda for Sustainable Development. Reducing inequality within and among countries is now the tenth of the Sustainable Development Goals (SDGs) adopted in 2015.

Uneven and unequal economic growth over several decades has deepened the divides within and across countries. Thus, growing inequality and exclusion were highlighted in earlier WSRs on *Inequality Matters, The Imperative of Inclusive Development* and *Promoting Inclusion Through Social Protection*.

The UNDP's *Human Development Report 2019* (HDR 2019) drew attention to profound education and health inequalities. While disparities in "basic capabilities" (e.g., primary education and life expectancy) are declining, inequalities in "enhanced capabilities" (e.g., higher education) are growing.

Meanwhile, inequalities associated with social characteristics, e.g., ethnicity and gender, have been widening. The January 2020 Oxfam Davos report, *Time to Care*, highlighted wealth inequalities as the number of billionaires doubled over the last decade to 2,153 billionaires, owning more than the poorest 60 percent of 4.6 billion.

Drivers of inequalities

WSR 2020 shows that the wealthiest generally increased their income shares during 1990-2015. With large and growing disparities in public social provisioning, prospects for upward social mobility across generations have been declining.

HDR 2019 found that growing inequalities in human development "have little to do with rewarding effort, talent or entrepreneurial risk-taking", but instead are "driven by factors deeply embedded in societies, economies and political structures". "Far too often gender, ethnicity or parents' wealth still determines a person's place in society".

Capture of the state by rich elites and commensurate declines in the bargaining power of working people have increased inequality. Real wage rises lag behind productivity growth as executive remuneration sky-rockets and regressive tax trends favour the rich and reduce public provisioning, e.g., healthcare.

Polarising megatrends

HDR 2019 identifies climate change and rapid technological innovation as two megatrends worsening inequalities, with the WSR adding urbanisation and international migration. Technical change not only supports progress, creating more meaningful new jobs, but also displaces workers and increases income inequalities.

Meanwhile, global warming is negatively impacting the lives of many, especially in the world's poorest countries, worsening inequality. While climate action will cause job losses in carbon-intensive activities, energy saving and renewable energy are likely to increase net employment.

International migration benefits migrants, their countries of origin (due to remittances) and their host countries. But immigrant labour may increase host countries' inequalities by taking "dangerous, dirty, depressed" and low-skilled work, pushing down wages, especially for all unskilled, while professional migrations are "brain drains", creating new inequalities and worsening existing ones.

Covid-19 and divergence

Covid-19 may worsen divergence among countries owing to its uneven economic impacts due to the different costs and efficacy of containment, relief and recovery measures, influenced by prior health and healthcare inequalities as well as state capabilities.

Low-income countries have poorer health conditions, weaker health care and social protection systems, as well as less administrative and institutional capacities, including pandemic preparedness and response capabilities. Hence, they are more vulnerable to contagion, while lacking the means to respond effectively.

Rising protectionism and escalating US-China trade tensions have aggravated challenges faced by developing countries which also face declining trade, aid, remittances, export prices and investments. "Vaccine nationalism" will worsen their predicament.

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Covid-19 and inequality

The Covid-19 pandemic has highlighted many existing inequalities, and may push 71 million more people into extreme poverty in 2020, the first global rise since 1998, according to the 2020 UN SDGs Report.

As 55 percent of the world's population do not have any social protection, lost incomes mean poverty and hunger for many more. Before Covid-19, 690 million were chronically food insecure, or hungry, while 113 million suffered severe acute food insecurity, or near starvation, mainly due to earlier shocks.

While those in the informal sector typically lack decent working conditions and social protection, most of the workforce do not have the means or ability to work from home during "stay in shelter lockdowns" as most work is not readily done remotely, even by those with digital infrastructure.

Most have struggled to survive. Relief measures have not helped many vulnerable households, while recovery policies have not done much for liquidity-constrained small and micro-enterprises facing problems accessing capital, credit and liquidity, even in normal times.

Meanwhile, many of the world's billionaires have done "extremely well" during the coronavirus pandemic, growing their already huge fortunes to a record USD 10.2 trillion, according to a UBS-PwC report.

Widespread school closures are not only disrupting the education of the young, but also school feeding and child nutrition. Poor access to health services is making matters worse, as already weak health systems are further overstretched.

Unexpected crossroads

UN and Oxfam reports show that growing inequality is not inevitable. The world saw sustained growth with declining inequality in the Golden Age of the 1950s and 1960s. With the neoliberal counter-revolution against development and Keynesian economics, government commitments to development and tackling inequalities have waned.

A 2020 Oxfam report notes, "only one in six countries… were spending enough on health, only a third of the global workforce had adequate social protection, and in more than 100 countries at least one in three workers had no labour protection… As a result, many have faced death and destitution, and inequality is increasing dramatically".

Governments must adopt bold policies to radically reduce the gap between rich and poor and to avoid a K-shaped recovery. Internationally, improved multilateralism can help check vaccine nationalism, rising jingoist protectionism and debilitating neoliberal trade and investment deals.

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