

RMG industry in Bangladesh: An imminent earthquake?

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THE Agreement on Textile and Clothing, negotiated in the Uruguay World trade round, came into force in 1995. The ATC had committed the WTO members to eliminate all quotas by January, 2005, and provided for progressive liberalisation leading up to the deadline. In just about four months from now the garment, clothes and textile industry will face a global shake-up as the quotas end. Bangladesh and 30 other countries are going to be confronted with an upheaval of huge proportions, as the country quota system that characterised a complex and regulated trade flow in garments, clothes, and textiles comes to an end after over ten years in operation.

Experts predicted, and the industry itself and the authorities in Bangladesh, realise most painfully, that the resultant restructuring and process of adjustment in a free trade framework, would be exceedingly difficult, even with the best of strategies and policies in place. And, to the best of our knowledge, it is not so in the case of Bangladesh, despite the timetable of quota withdrawal being known for quite some time. It may be pertinent to mention here that about two years ago, a longish article written by this author and published in Financial Express, analysed the possible scenario for our RMG industry and indicated certain preparatory courses of action to strengthen its performance and potential.

Global perspective

The restructuring and renewal of linkages in the basic manufacturing industry relating to textiles and clothing and their global exports/imports would be a huge phenomenon as this sector employs at least 40 million workers worldwide and generates trade worth more than \$350 billion a year. More than 30 countries' exports are controlled by quotas.

Among the potential losers in gaining access to the US market when

the MFA quota ends, Bangladesh falls from the present 4 percent to 2 percent. Similarly, Indonesia and the Philippines go from 4 percent to 2 percent, Mexico from 10 percent to 3 percent, rest of Americas from 16 percent to 5 percent. The potential winners include by a wide margin China from the current 16 percent of the US market to 50 percent in the post-quota, free trade regime from 2005. India is also anticipated to push its share from the present 4 percent to 15 percent from 2005.

The foremost country to gain is predicted to be China. It is to be specially noted that in many areas of manufacturing sector, clothing in particular, its efficient, large-scale production and low costs are the factors that give it a decisive advantage. Experts say that there should be a huge shift in demand in favour of China, even to the extent that the strong demand once the quota ends may swamp China's production capacity. As mentioned earlier China is expected to garner 50 percent of the US market, increasing from its already impressive share since it joined the WTO in 2001. Later China's strategy and performance will be analysed in some detail, as a possible study in success that our RMG industry could learn from. Some comments on India's prospects to almost quadruple the present share of 4 percent, will also be helpful for Bangladesh to improve her performance.

In Bangladesh, RMG accounts for almost 75 percent of merchandise exports and generates an amazing 3 million jobs. Overall earnings annually have gone beyond \$4.8 billion. More significantly, RMG industry has touched on the socio-demographic parameters so effectively in terms of female employment, with all its concomitant benefits that are well known. It is more perhaps for the latter reason Bangladesh must seek to retain, and indeed build upon, the production-export performance in this vital sector, in spite of the daunting challenges that MFA quotas withdrawal pose.

Rich economies such as the EU, where 2.7 million people work in clothing and textiles, are also facing these challenges. Employment in this sector in Britain and in Germany is expected to fall 16 and 13 percent respectively. Even the US garment trade is lobbying hard with the Bush administration to ensure protection against China. However, they may have recourse to "special provisions" and "safeguard restrictions" to give support to their own industries while the smaller producers and exporters will be unable to stand up to the rigours of intense free competition to enter the larger markets.

Bangladesh and Mauritius have

also estimate the cost to developing countries at \$40 billion in the lost export revenues and 27 million jobs are gone -- or 35 jobs for every job saved in the rich nations.

Despite such a scenario that led to MFA's proudest achievement in the Uruguay round to secure a commitment to its removal, in practice, the system did suit many poor nations who were shielded from stronger competition. China and India are poised to grab the lion's share of the world markets where US textile producers are now frantically lobbying for a bill to guarantee a fixed share of the US textile and clothing markets due to the imminent end of a quota system that pro-

Commerce Department will be making a decision on restricting imports (starting with socks) from China. Reports also claim that it is hard to compete with China when the wages there are so low and worker protection almost non-existent and that if no action is taken by the US government, 60-70 percent of US textile industry will disappear before the end of the decade.

There is a huge pressure of expectation of falling prices of all the clothing textile items barring a very few very top range products. The questions how much less and how quickly so, could prevent extensions of quota very much beyond this year end. Retailers will source their supplies from the best and

and so on. Consumers in the West would also welcome a sharp fall in prices of these products. And hence, promote further the free, unhindered trade worldwide. The US importers' association expects its members to buy most of their needs from only five or six countries by 2007 instead of about 50 sources they use now.

Threats from China and India

Interestingly, their choice starts with China, followed by India, with a large vertically-integrated industry, and Pakistan. China does not compete just on price, indeed it is not always the lowest cost producer in some clothing

Bangladesh must use the LDC platform more actively with an urgent and highly articulate call for such concessions and special treatment for at least a 5-year transition/adjustment period from 2005. An effective and continued lobbying with all the arguments, facts and figures regarding the brutal impact on LDC economies forcing them to go the wrong way should mounted in all seriousness.

campaigned to get the MFA extended, while protectionist US and EU industry lobbies have joined respective legislative authorities to fight to preserve the barriers.

However, these moves apparently have come too late, experts believe. Even the Mauritius request for a formal emergency WTO meet to consider the issue on behalf of the adversely affected smaller, vulnerable countries, may not produce any significant move. A WTO agreement to extend MFA beyond January 2005 seems unlikely, because all its 148 members have to approve it.

The rationale for removal of protectionist barriers allowing freer trade comes from the fact that severe distortion to trade and production on the basis of comparative advantages and factor endowments, puts enormous cost on western consumers and developing economies in general. World Bank and IMF say barriers to textile and clothing trade have reduced world income by \$137 billion annually. They

tected them over the last 4 decades. In 2002, Uruguay Round agreement saw US release 29 categories of clothing from quotas. China's share in those very categories rose from 9 percent to 65 percent and China dropped prices by an average of 48 percent. The losers are not only the US companies but all others that export to the US. The fear in 2005 is that situation will be magnified by 100 times, as predicted by Amtac, the actions coalition of US manufacturers.

In Brussels last June, 47 countries' textiles and clothing associations, including Bangladesh, Cambodia, and Turkey called for a 3 year extension of quotas and an emergency meeting of WTO to identify solutions to the crisis when the quotas end. Mauritius has made a formal request that the WTO convene such a meeting. Large US apparel makers Kellwood and Levy Strauss have now adopted global strategies moving lower wage jobs to Mexico or Central America which enjoy tariff free access to US markets. US

most productive sources in a small group of countries. And competition will force them to pass on the price benefits to consumers. Merrill Lynch analysts predict that "the end of quotas is likely to exacerbate deflationary pressures." Gap's choice of suppliers (maybe true with other retailers) would come down to not only price, but to scale, quality, innovation and respect for international labour standards.

That and also whether China would devalue its currency and adopt safeguard measures on its imports, might prevent her from the kind of dominance as predicted. In Prof. Gary Ciereff's (of Duke University) view, "ultimately China and half a dozen or so countries, including India, Pakistan, Vietnam, Indonesia and Bangladesh as well as Mexico and one or two from Central America, are likely to supply virtually all American clothing." Retailers are raring to import from only a handful of countries guaranteeing high quality, low price, assured flow of supplies with efficient adaptability,

categories. It needs to be noted that the US, EU and other large consumer markets put a premium on China's rapid response, reliability, and business-like attitude and keen understanding of customer demand. Analysts are also prompt to point out that China will continue to face many political and commercial hurdles in the coming years.

One, China's WTO accession agreement entitles other countries to reimpose quotas on its exports until 2008. The US has already activated some curbs on Chinese clothing products in addition to the well known anti-dumping measures against China by many of her trading partners. It is expected that the US Congress would sympathise with the internal industry lobby and impose further temporary restrictions, especially due to this year's presidential elections, generating quite a lot of lobby pressures.

Second, there are good possibilities that western protectionist lobbies

How (not) to catch terrorists

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IMAGINE that there are indeed "sleepers cells" burrowed deep inside America. Through e-mail, cell phone and fax, they have selected key targets. A week before their attack date, a key Al Qaeda operative is captured in Pakistan. Any intelligence from the Pakistanis is suspect, as they need to provide a constant stream of tidbits to stay in the good graces of the White House. But if the new information is accurate, the latest capture has yielded a mother-lode of information, including a computer with detailed attack plans.

Following the pattern of classic police procedures, you would expect FBI, CIA, and Homeland Security to set up a sting to capture the "sleepers cells," if they do exist. Instead, in a surreal montage, first Tom Ridge, then New York Mayor Bloomberg went on air for a full-dress press conference explaining which targets Al Qaeda was planning to attack. Monday morning I woke up to a city in full Orange Alert mode, with helicopters circling my Brooklyn neighbourhood, and dire warnings on television. Once again, Ryder trucks were being searched on Manhattan and Brooklyn Bridges. The frenzy was capped by the New York One (TV station) reporter telling breathless audiences that there were numerous TV camera crews on Wall Street -- perhaps as many as there were police officers! As I turned off my television, I wondered what terrorist in his right mind would now seek to ram a truck into Wall Street, after watching all law enforcement plans detailed on the TV screen. Or do we think terrorists are holed up in a cave somewhere and don't watch CNN?

Walking to the subway, I noticed many people reading the free Metro newspaper with more than usual interest. Picking it up, I saw a list of potential targets, including Citigroup and Prudential (a three year old list, by the way!). A few minutes after I reached my morning meeting, my cell phone rang. It was a call from a BBC Radio show in London where I was a frequent guest. They were doing a show on the Terror Alert in New York and wanted me to comment on the "feeling on the streets."

"Tell me," asked the show's host, "How are people coping?" Coping? Most people seemed to be going about their business, blasé about all the warnings. A case of the boy who cried wolf -- people are getting numb to terror alerts.

The issue continued to bother me all day. Why is Homeland Security broadcasting all their plans, instead of working covertly and quietly to capture terrorists? There are two possible and overlapping explanations. First, there is cover-my-behind syndrome. Since the massive intelligence failure that led to 9/11, all agencies have been scrambling to escape blame. Repeated terror alerts accomplish this -- should anything actually happen, we'll hear the chorus of "We Told You So." But telling us so is not the same as preventing attacks!

Second, there is a belief that ordinary citizens will be able to "spot" terrorists and alert the authorities. But other than scrutinising any brown person on the trains, what else is an ordinary citizen really equipped to do? Remember the alert to look out for "Pakistanis with bruises"? What were Americans sup-

posed to do with this random piece of information? The recent hoopla by Annie Jacobsen on the Northwest flight with Syrian musicians illustrates the average person's inability to differentiate between legitimate concern and racial profiling.

On the same day as the Orange Terror Alert, President Bush endorsed the idea of a single Intelligence Czar. This left me even more puzzled. Isn't that Tom Ridge's job, and if not, what is the difference? In spite of increasing surveillance and detention power, the sum results of the last three years seem close to nil. 5,000 Muslim men were detained after 9/11, but as per media reports no terrorists were identified in these sweeps. The Special Registration Program to register Muslim men ran for a year and then shut down amidst protests. The CAPPS program for risk-coding airline passengers was similarly shuttered after privacy advocates cried foul. Meanwhile, really common-sense steps (like eliminating trash cans from airports, as has happened in some European airports) are neglected in favor of adrenaline-pumping exercises that alarm people but bring few results.

We are still in the era of "failure of imagination." Much anti-terror activity is focused on following past tactics, while terrorists will surely come up with new methods. Does anyone really believe that shoe-bombs will be tried again? Fighting terrorism requires law enforcement doing their job without fanfare. It does not require constant terror alerts, or new powers to arrest people without due process.

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Cheaper availability of agricultural inputs

A requirement for sustainable agriculture

DR. MD. SHAHJAHAN ALI

THERE has been a recent report in the media (The Daily Star 3-7-2004) regarding availability of fertiliser, farm machinery and other inputs to the farmers at a cheaper rate with the doubling of farm subsidy this fiscal year. This will no doubt bring some relief to them and enhance agricultural output in order to turn the predominantly subsistence farming into a commercially viable one. It is also learnt that the newly passed national budget for fiscal 2004-05 raised farm subsidy to 600 crore from Tk 300 crore last year. The cost-cut will come in terms of subsidy for various chemical fertilisers like triple superphosphate (TSP), Muriate of potash (MP) and diammonium phosphate to bring their market prices at par with the already subsidised urea fertiliser.

It was a matter of satisfaction to note the hon'ble Minister for Agriculture observe that the soil fertility in the country had declined to a dangerous level partly because of imbalanced application of chemical fertilisers. This is true that our farmers, due to lack of knowledge stress on application of too heavy doses of subsidised urea greatly harming the nutrient balance in soil and another reason may be that the availability of non-urea fertilisers is not at par with urea fertiliser. Under constant cultivation our soils are losing organic matter faster than it can be replaced. A decrease in soil organic matter results in compact soils. Shallow roots are developed in draught and cloudy soils. Soil organic matter can be replenished by liberal use of farm yard manure (FYM), cow-dung, poultry manure and compost etc.

No investment is so far required in adding organic waste to the soil, only careful collection and maintenance of it would serve the purpose. But it has been brought to light that use of cow-dung in northern area of the country as fertiliser is decreasing causing fall in the crops production. People in this area have been using cow-dung as fuel due to shortage of fire wood and fuel crisis prevailing in the villages. This is really a very alarming situation and a time will come when every part of our country will face a serious crisis of shortage of cow-dung for direct application as organic fertiliser needed for crop productivity.

This is very true that not only cow-dung but any type of manure helps increase fertility status of soils due to its use at a large scale. Now-a-days the farmers are depending on the use of chemical fertilisers when it is widely felt that the indiscriminate use of agro-chemicals deplete the fertility status of soils and thereby production of crops is affected.

Emphasis should be given on the importance of other manures such as green manures, poultry droppings and huge amount of organic wastes regarded as by-products from mills and factories. If these wastes are properly managed and handled these can be used as organic fertilisers for increasing productivity of the crops and enhanc-

Agriculture with all its branches, viz. crop production, crop protection, livestock production, livestock disease control, fishery, forestry, farm engineering and technology, agriculture economics, communication and agricultural extension concern itself with living organisms. It is itself a living growing scienc.

ing the strength of soils. The farmers be acquainted with the knowledge of management of soil and water to go for modern cultivation by adopting scientific methods with the announcement by the government to supply important agricultural inputs at cheaper rate required for this purpose. It may be mentioned here that Prime Minister Begum Zia also spoke on several occasions regarding qualitative changes to be brought in crop production, management and motivational programmes to induce the farmers to go for modern cultivation.

It must be remembered that soil management is only possible through the application of organic matters which after decomposition are converted into compost regarded as storehouse of plant nutrients. There are various reasons for the low production of food in our country and if the production has to be augmented then due attention should be paid on the availability of agricultural inputs. These include fertilisers, pesticides, qualitative seeds, irrigation and transfer of modern technology (from home and abroad) for the farmers.

Irrigation water must be tested before application to soil as it may contain high amount of heavy metals such as As, Cd, Cr, Hg, etc. which affect the growth and yield of the crop and at the same time the food becomes poisonous. Increased use of bio-fertilisers should be popularised immediately. These bio-fertilisers may be helpful to supply N and P when required by the crops. Sometimes there is possibility of fixation in acid soil and as a result this nutrient remains unavailable to the plants. So phosphate-dissolving bacteria may release P from its fixed position and thereby help plants get it for nutritional purpose. The cultivated crops also remove huge amount of NPK and Ca from the soil.

This is high time to concentrate our ideas on the overall improvement of soil. It is experimentally proved that the bio-fertilisers are best substitutes for supplying N to the crops which help augment crop production and at the same time enrich organic matter in soil and improve its quality. Algae, water hyacinth, water chestnut, azolla are selected for their good productivity and high value components and a low cost technology is possible and desirable for the production of these biomasses. This azolla fixes atmospheric N and reduce the use of inorganic N-fertilisers. There is a recent trend among countries like Japan, Germany, India, Romania, Australia and China to pay attention to recycling of organic matter as a source of manure and energy and also to guard against environmental pollution.

Scarcity of fuel is another problem throughout the world, particularly in

Bangladesh. The fuel is imported from other countries, which involved a huge amount of foreign exchange components. A combustible gas named methane, which is otherwise called biogas, could be used as an alternative to fuel produced from organic matter specially from cow-dung in a bio-gas plant. From these gas plants the digested manure flown out as a slurry might also be used as manure. These slurry or effluent contains higher amount of NPK than the ordinary cow-dung applied as organic fertilisers. The use of dung as biogas and effluent fertiliser should be recom-

would seek to use eco-labelling schemes, labour standard rules, and other regulatory devices to prevent the onrush of Chinese imports. India and several other countries will cash in on these restrictions to enlarge their exports. Third, many importers plan to hedge their bets by sourcing supplies from other countries as well. Fourth, steep tariffs would be used to protect markets from imports. From 12 percent in the EU to a massive 33 percent in the US, and still higher elsewhere, exporters need to be very highly price competitive to have any sizeable entry.

Indian garment manufacturers are preparing for the unprecedented increase in demand for items like trousers, women's outfits, etc. previously in the barred categories for India, with the end of the textile quota system. India is billed to be the biggest beneficiary after China. McKinsey and DHL's recent report indicated India's textile and government exports could double to go up to \$30 billion by 2013. In preparation, India's textile and clothing industry plans to invest about \$2 billion over the next year to expand capacity to meet the US and EU buyers' demand, which will be consolidated in orders among several large suppliers, as quotas for small countries disappear. India is aiming at more flexible labour laws linked to productivity and restructuring factories without strike threats. Infrastructures such as adequate port facilities, power supplies, as well as higher prices of cotton and high interest rates are some of the major problems areas that Indian authorities are urgently focussing on.

Actionable lessons for Bangladesh

However, one route for tackling to some extent the China and India threat in the post-quota period is the special groups' preferential treatment. Bangladesh must use the LDC platform more actively with an urgent and highly articulate call for such concessions and special treatment for

at least a 5-year transition/adjustment period from 2005. An effective and continued lobbying with all the arguments, facts and figures regarding the brutal impact on LDC economies forcing them to go the wrong way should mounted in all seriousness. There will be a huge fund of sympathy for Bangladesh and other moderate states with democratic governance, trust and partnership in ensuring a safe and secure global arrangement under US leadership.

All the above, and many other factors, represent opportunities for small RMG exporting countries like ours, and to exploit them profitably we need to move fast. Some developing nations have already activated their survival buttons. Mauritius has launched government-backed programmes to prepare clothing producers for upcoming competition and create new jobs for displaced workers. Thailand, a leading silk producer, aims to become an important Asian fashion centre by developing new designs and skills and marketing with linkage set up with globally recognised names. Cambodia is highlighting its industry's full compliance with international labour standards.

All these efforts, however, do not presume in any manner that there is a rosy scenario ahead -- far from it, indeed a hugely difficult task lies ahead for all these countries. Even if there is a significant closing of gap say between China's productivity and service standards and those in Bangladesh, that would not be enough unless (and these facilities are always under continuous threat and breakdown in Bangladesh) the access to dependable infrastructure, including transport, shipping and so on, to get the manufactured goods to market on schedule and on advanced telecommunications to link the importers/buyers and the exporters/sellers on a day to day basis.

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biogas plus effluent fertiliser.

Agriculture with all its branches, viz. crop production, crop protection, livestock production, livestock disease control, fishery, forestry, farm engineering and technology, agriculture economics, communication and agricultural extension concern itself with living organisms. It is itself a living growing science and there will always be some problems. So some areas for research in agriculture and more so under prevailing Bangladesh conditions should be brought under consideration.

Lastly, for the development of agriculture in Bangladesh there has to be a definite agricultural policy since around 55 percent of the gross domestic product (GDP) comes from agriculture and the agricultural sector provides the base for the country's foreign exchange earning.

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