

Walmart blocked safety push in Bangladesh

THE NEW YORK TIMES

DOCUMENTS found at the Tazreen apparel factory in Bangladesh, where 112 workers died in a fire nearly two weeks ago, indicate that three American garment companies were using the factory during the past year to supply goods to Walmart and its Sam's Club subsidiary.

The documents -- photographed by a Bangladeshi labour organiser after the fire and made available to The New York Times -- include an internal production report from mid-September showing that five of the factory's 14 production lines were devoted to making apparel for Walmart.

In a related matter, two officials who attended a meeting held in Bangladesh in 2011 to discuss factory safety in the garment industry said on Wednesday that the Walmart official there played the lead role in blocking an effort to have global retailers pay more for apparel to help Bangladesh factories improve their electrical and fire safety.

Ineke Zeldenrust, international coordinator for the Clean Clothes Campaign, an anti-sweatshop group based in Amsterdam, said Walmart was the company that "most strongly advocated this position."

The meeting was held in April 2011 in Dhaka, and brought together global retailers, Bangladeshi factory owners, government officials and non-government organisations after several apparel factory fires in Bangladesh had killed dozens of workers the previous winter.

According to the minutes of the meeting, which were made available to The Times, Sridevi Kalavakolanu, a Walmart director of ethical sourcing, along with an official from another major apparel retailer, noted that the proposed improvements in electrical and fire safety would involve as many as 4,500 factories and would be "in most cases" a "very extensive and costly modification."

"It is not financially feasible for the brands to make such investments," the minutes said.

Kevin Gardner, a Walmart spokesman, said the company official's remarks in Bangladesh



Burials on November 27 for some of the 112 victims of the garment factory fire in Ashulia.

were "out of context".

"Walmart has been advocating for improved fire safety with the Bangladeshi government, with industry groups and with suppliers," he said, adding that the company has helped develop and establish programmes to increase fire prevention.

Zeldenrust said, "Everyone recognised that fire safety was a serious problem and it was a high time to act on it, and Walmart's position had a very negative impact." She added, "It gives manufacturers the excuse they're looking for to say, 'We're not to blame.'"

Scott Nova, the executive director of the Worker Rights Consortium, a factory monitoring group based in Washington, was also at the meeting. He said that upgrading the factories' safety would cost a small fraction of what Walmart and other retailers pay for the clothing they import from Bangladesh each year.

Bloomberg News first reported details of the Dhaka meeting on Wednesday.

Walmart has indirectly acknowledged that the factory, Tazreen Fashions, outside Dhaka, was producing some of its apparel, saying in a statement that a supplier had "subcontracted work to this factory with-

out authorisation and in direct violation of our policies." In that statement, issued two days after the November 24 fire, Walmart said, "We have terminated the relationship with that supplier." Walmart has declined to name the supplier.

After Walmart was shown some of the documents from the factory on Wednesday, Gardner replied in an e-mail. "As we've said, the Tazreen factory was de-authorised months ago," he wrote. "We don't comment on specific supplier relationships."

The photographed documents from the factory indicate that three suppliers -- the International Direct Group, Success Apparel and Topson Downs -- used the factory to make shirts, shorts and pajamas for Walmart. One document, written in July, provides product descriptions from Success Apparel for Walmart's Faded Glory house-brand shorts. A photo taken inside the factory after the fire showed a pair of Faded Glory shorts.

The documents indicate that Success Apparel often worked through Simco, a Bangladeshi garment maker.

Nova of the Worker Rights Consortium said the documents raised questions about Walmart's statements after the

fire.

"It was not a single rogue supplier as Walmart has claimed -- there were several different US suppliers working for Walmart in that factory," Nova said. "It stretches credulity to think that Walmart, famous for its tight control over its global supply chain, didn't know about this."

Nova works closely with the Bangladesh Centre for Worker Solidarity and made the factory documents available.

Investigators also found apparel made for Sears and Disney inside the factory after the fire. Both companies said suppliers had given orders to the factory without their knowledge and authorisation.

Gardner said accredited outside auditors had periodically inspected the factory on Walmart's behalf. A May 2011 audit gave the factory an "orange" rating, meaning that there were "higher-risk violations" and that it would be re-audited within six months. If a factory gets three orange ratings over two years, it loses Walmart's approval.

A follow-up audit in August 2011 for Walmart gave Tazreen an improved "yellow" rating, meaning "medium-risk violations."

Huawei eyes big business

SUMAN SAHA

CHINA'S Huawei Technologies, the world's largest telecommunications equipment maker, aims to bring the latest products to Bangladesh, with the country gradually becoming tech-savvy.

"We want to offer state-of-the-art products for helping the government attain the vision of Digital Bangladesh by 2021," Baker Zhou, chief executive officer of Huawei Technologies (Bangladesh), told The Daily Star in a recent interview.

Zhou, who joined the Dhaka office in November 2011, said the company aims to offer more sophisticated IT-enabled services such as smart city solutions, enterprise solutions, e-governance and network maintenance in the country.

The company, which has recently upgraded the networks of the state-run Teletalk in preparation of the launch of 3G service in Bangladesh, plans to roll out high-featured handsets in January.

Since Bangladesh is gradually heading towards digitisation, Zhou said, 3G and IT-enabled services have immense prospects in the country.

"Telecommunication and internet change people's lives regularly. These changes create new avenues for sustainable economic growth of a country," Zhou said.

He said the gross domestic product of a country will increase by 1 percent if the internet penetration increased by 10 percent.

Zhou quoted an official of the association of mobile operators and related companies of the global system for mobile communications (GSM), the GSM Association, who said Bangladesh can achieve the millennium development goal if it can bring 15 percent of its population under internet coverage by 2015.

The official said Huawei has been working with the different countries across the world to provide e-governance solutions for many years.

"We launched e-governance solutions in Singapore, New Zealand and Europe in the recent past," said Zhou, adding that Huawei also provided some solution to the Bangladesh government on the Info-Sarker project.

Huawei started its operation in Bangladesh in 1998, and has since witnessed tremendous growth in the country.

"We started our operation in Bangladesh with 3 employees and one liaison office in Dhaka. At present, we have more than 900 employees in 22 branches across the country."

"Our dedication, teamwork, continuous improvement, openness, integrity and customer centric operation, which we called the core values, has led us for the steady growth," added Zhou, who has been with Huawei since 1999.

Huawei Bangladesh paid \$25.63 mil-

lion in taxes from 2006 to 2011 to the Bangladesh government.

"Of the sum, \$7 million tax was in fiscal 2011-12," Zhou said.

The official said Huawei always promotes equal opportunities and employee performances are measured in terms of talent, skill and some human resource management tools.

"At Huawei we coach our talents to make future leaders. You will find the locals on the driving seat in our offices in Bangladesh," said Zhou.

He added: "We provide extensive training to the locals not only for improvement and but also to acquire knowledge of new technologies and solutions."

Zhou said Huawei follows local procurement policy, and their approach has indirectly benefited about 10,000 families of Bangladesh.

Huawei also believes in giving back to the societies in which it operates, with the company having spent \$3.2 million to establish a GSM Technology lab and a Data Com Training lab at Bangladesh



Baker Zhou

University of Engineering and Technology

The company also provides scholarships to meritorious students, and has set up a computer lab at the Savar premises of Centre for the Rehabilitation of the Paralysed.

Huawei is currently serving one-third of the world's population, and registered revenues of \$28 billion and \$31 billion in 2010 and 2011 respectively, said the company's annual report.

Zhou said Huawei believes in providing good-quality products, customised solutions, prompt post-sales service and soft financing facilities to its customers.

"We do low-business profits from our customers and value outsourcing so that the perfect equilibrium is maintained," said the 38-year old.

At present, the company serves 45 of the world's top 50 telecom operators, and has operations in more than 140 countries while employing over 1.5 lakh people globally.

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Seven steps to more effective capital inflows

LUTFEY SIDDIQI

THE intellectual case in favour of Bangladesh has been well-established in a wide range of reports in recent months and there is little political debate about the need for external capital. Policies around taxation and repatriation remain investor-friendly.

It is telling that even while the stalled financing of Padma bridge captures headlines, the World Bank has issued guarantees for over \$300 million of proposed investment in Bangladesh and has issued a recent report that says, "Bangladesh belongs to a rather small group of countries that have done well on both economic growth and human development indicators."

However, the substance of the Bangladesh story does not seem to translate proportionately into actual inward investment. It is estimated that only 4 percent of the total investment dollars available to South Asia comes to Bangladesh. This brings me to my first point:

1. We have a perception gap. It's not that we are unattractive. We just need to get better at makeup and join the international beauty parade. The immediate issue to address is one of messaging and marketing. This requires professional expertise and some of our competitor countries do a better job of courtship, of connecting with key potential investors at a human level and with a customer-service attitude. The Indian High Commission for example has proactively put me on their database, sending me a relevant alert at least once a month.

2. Secondly, we underestimate the considerable amount of "soft power" that Bangladesh commands in the international arena. When it comes to social enterprise, we are seen as global leaders in innovation and management. Then there are business leaders within the country such as Latifur Rahman who are recipients



Lutfey Siddiqi

of international awards and businesses such as his Pepsi distribution unit that has received the highest performance award within that global organisation. Moreover, there are multinationals such as Singer who have thrived in Bangladesh over decades and who could act as poster-boys for our cause. Finally, there are expatriates with resources and expertise who could also add to the firepower. Picking a few of them to set up an international advisory council with a fixed tenure as goodwill ambassadors and some tangible targets; I'm convinced that we have several million dollars worth of global advertising available for free!

3. I make my next point not as a literal suggestion but to drive home a point. Why not poach Magnus

Bocker, currently CEO of Singapore Exchange and previously at Nasdaq New York, to be CEO of the Dhaka Stock Exchange at the next changeover? Britain has just announced that the next governor of the Bank of England will be the current governor of the Bank of Canada! Explaining the decision, British Chancellor George Osborne said, "He is quite simply the best, most experienced and the most qualified person in the world to do the job". In the same way that we hire a foreign coach for our cricket team, we should be comfortable making a handful of internationally high-profile appointments in key international-facing roles. It doesn't always work out but in most cases, our competitors have adopted this approach to combat issues of perception.

4. My fourth point is about financial literacy and awareness. Just over two weeks ago, I watched the family of Martin Luther King Jr inaugurate a training facility adjoining the Ebenezer church where the civil rights icon practiced as a preacher. Every Sunday, after prayers, there are lessons on finance at a retail level. I have well-educated friends and family in Bangladesh who have extremely low literacy when it comes to concepts of finance and investment. As a country, we are good at awareness campaigns when it comes to breast feeding or sanitation. We should be able to translate that to financial education at least for those that seek to play in the stock markets. Markets contribute to efficiency precisely because they can be unforgiving. Not enough people may be aware of that.

5. When it comes to the design of rules and processes in a stock exchange, international investors look for three factors: consistency, transparency, and visibility. We are fortunate to have a last-mover advantage i.e. virtually every mistake that can be made in this arena has already been made by someone somewhere. We need to be seen to have internalised those lessons.

Most major portfolio managers have allocation models that prevent them from investing in countries that do not have water-tight conduits of investment, no matter how strong the fundamental story might be.

6. Now, Bangladesh is included in the "Next 11" set of countries because of its score in (a) macroeconomic stability, (b) political maturity, (c) openness of trade (d) investment policies, and (e) quality of education. In this grouping, we are in good company. My suggestion is to pick one or two say the Philippines and race against them. In recent months, Philippines have punched way above its weight in terms of inward investment, growth of capital markets and public finances. They have overtaken India as the largest cluster of call-centres and they have launched a "PPP Centre" which appears as one of the first results when you Google for "Public Private Partnership". While we have seen the 'Walmart effect' of business moving from China to Bangladesh, they have also focused on value-add services such as delivering English lessons to Japanese housewives on Skype for example!

It doesn't have to be Philippines. My general message is to get a sparring partner and keep a comparative perspective on our progress.

7. My last point - let's go win some international awards. The hosts of this event, Finance Asia and Investor Asia, must have awards for "most improved" or "best governed" frontier market or something like that. We have won dozens of these in the social enterprise sector. I'm sure we can get more of them for the commercial sector. Each one of these will help our perception deficit and build momentum.

The writer is a banker and adjunct professor at the National University of Singapore and a young global leader at the World Economic Forum. These views are expressed in a strictly personal capacity.