Models showcase locally-made clothes at a fashion show at the 23rd Bangladesh Apparel and Textile Exposition that started yesterday at Bangabandhu International Conference Centre in Dhaka.

STAR

Flash protest at BGMEA for justice for Tazreen workers

STAR BUSINESS REPORT

Rights activists yesterday staged a demonstration at the premises of Bangladesh Garment Manufacturers and Exporters Association (BGMEA) demanding arrest of the owner of Tazreen Fashions.

Wearing shrouds and carrying the banner of 'Justice for Tazreen Workers', the rights activists from Rokeya Bahini stormed into the BGMEA office and played the recorded wailings of the victims and their relatives.

The demonstrators also held a rally in front of the BGMEA building, where one of the organisers, Nasrin Shiraj Annie, put forth a set of demands, including immediate arrest and trial of the factory's owner, Delowar Hossain.

Their rationale being that the negligence on the owner's part in putting adequate fire safety measures in his factory in Ashulia led to the death of 112 workers from the November 24 blaze.

"The workers had not accidentally died, rather they were killed as the factory had no fire exit," said Annie, adding that the factory's fire safety certification had expired on June 30.

The demonstrators also demanded compensation of Tk 48 lakh for each person killed in the fire -- in accordance with the Fatal Accident Act, 1855.

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Activists of Rokeya Bahini, a women's solidarity movement, demonstrate in front of the BGMEA office in Dhaka yesterday for proper compensations for the workers who died in a fire at Tazreen Fashions last month.

American tariffs, Bangladeshi deaths

SANCHITA B SAXENA, *The New York Times*

THE fire that killed 112 workers at a garment factory in the suburbs of Bangladesh's capital last month was a stark reminder of the human costs of producing and consuming cheap clothes.

While American officials have condemned poor safety conditions at the factory and have urged the Bangladeshi government to raise wages and improve working conditions, the United States can do much more: It should bring down high tariffs on imports from Bangladesh and other Asian countries, which put pressure on contractors there to scrimp on labour standards in order to stay competitive.

The United States imported more than $4 billion worth of apparel and textiles from Bangladesh last year. So it has an interest in giving the country's garment industry some financial room with which to improve conditions for the three million employees, most of them female, who work in the industry.

Monitoring systems have, in many cases, achieved progress at the higher levels of the industry: the contractors that deal directly with American retailers. But oversight is lax, and conditions particularly dire, in factories run by subcontractors, like the Tazreen Fashions factory, the site of the deadly blaze on Nov. 24.

A bill introduced in Congress in 2009 by Representative Jim McDermott, Democrat of Washington, could have improved the situation by including Bangladesh, Cambodia, Laos, Nepal, Pakistan and Sri Lanka on the list of developing countries, like Mexico, that receive duty-free access to the American market as a result of free-trade agreements. But the bill never even made it to committee, and Bangladesh still faces a cost squeeze that is ultimately felt most acutely on those lowest on the production chain, especially the lowest-paying subcontractors, among whom corruption is endemic. It takes its greatest toll on workers.

The distortions created by the current trade policy are striking. In the United States federal fiscal year that ended in September 2011, Bangladesh exported $5.10 billion in goods to the United States, of which less than 10 percent were eligible for exemption from import duties. On the rest, Bangladesh had to pay at least 15.3 percent in tariffs. The tariffs were equivalent to imposing a $4.61 tax on every person in Bangladesh, a country with a per-capita annual income of $770.

This year, according to news accounts, Bangladesh will have paid more than $600 million annually in American tariffs, even as the United States Agency for International Development said it was committed to $200 million in development aid to Bangladesh. Of course, no free trade legislation is controversy-free. One argument against reducing restrictions on Bangladeshi imports is that it might hurt even poorer countries, in sub-Saharan Africa, that enjoy duty-free access under a 2000 law, the African Growth and Opportunity Act. But studies have shown that extending duty-free access to South Asian goods would have negligible costs, yield huge benefits for Bangladesh's economy and have minimal negative impact on African exports.

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ANALYSIS

More pressure on global wages could backfire

REUTERS, *London*

IF rising income gaps are at least partly responsible for the global credit crisis, governments and companies should be wary of squeezing wages yet again to help rebuild their finances.

In the long buildup to the global financial crisis, households took on debt to offset the gradual fall in their incomes and consumption relative to the more wealthy.

But as they'll get little or no help from easy credit today, driving wages down even more risks a cratering of household consumption and a severe test of social cohesion.

A renewed public focus on decades of widening wealth and wage inequality in the United States, Britain and other developed and developing economies has been one of the most durable legacies of the five-year-old credit crisis.

Work by Nobel Laureate Joseph Stiglitz' on the 1 percent of U.S. super-rich, "Occupy" protest movements around the world and electoral swings to the left have all spotlighted what business, finance or government elites now realize they can't ignore.

While the share of US gross domestic product going to wages and salaries has fallen 10 percentage points to about 43 percent since 1970, the slice going to companies in after-tax profits has surged, doubling to 12 percent since 2005 in what HSBC described as "one of the most chilling charts in finance."

Whether you fear the impact on people's aspirations and sense of social justice or the sustainability of the corporate world's inflated share of the pie, the numbers are alarming everyone.

Marino Valensise, chief investment officer at Baring Asset Management, told the Reuters Investment Outlook Summit late last month that the fallout in terms of national psychology, public policy and consumption could be extensive.

"The US has never been as unequal as today. The American dream has become an American nightmare over the past 20 years."

Highlighting the sharp rise in inequality as measured by the so-called GINI coefficient of wealth distribution and the fact that US median incomes are no higher than they were 20 years ago, he said the social and political risks stemming from US income inequality was one of his big strategic economic themes of the next five to 10 years.

REUTERS

Workers walk past clocks showing a time of 12 minutes past 12 noon, on this century's last sequential date, in a plaza in the Canary Wharf business district of London.

But the phenomenon goes well beyond the United States.

Some 26 of 30 countries covered by the Organisation for Economic Cooperation and Development have shown a falling labour share of national income since 1990. International Labour Organisation data shows the gap between the top 10 percent of earners and bottom 10 percent increased in 23 of 31 nations since 1995.

Still, identifying cause-and-effect, risks and remedies is tricky. Did years of easy credit and globalisation exaggerate inequality, for example, or was it the other way around?

A report last week by the ILO, the United Nations body charged with overseeing global labour standards, focuses on how the shrinking share of the pie going to workers was one cause behind the credit bubble and at least prolonged the resultant economic boom.

In its annual Global Wage Report, the ILO said the falling share of national output going to workers in the decade before the crisis -- a breakdown in the prior link between wages and labour productivity -- ended up boosting household debt as workers tried to maintain consumption via ever-easier credit.

Between 1999 and 2011, average labour productivity in developed economies worldwide increased more than twice as much as average wages, the ILO pointed out.

Explanations include technological advancements, de-unionization and rising global trade. But rising stock markets and house prices, financial globalisation and lax lending standards also saw household debt becoming a substitute for higher wages as a source of consumption, the ILO said.

"Had falling labour shares of the bottom 99 percent in the United States not been compensated for by debt-led consumption, it is likely that world economic growth would have slowed or halted much earlier," the report said.

The same phenomenon was seen in Britain, Australia and the euro periphery countries of Ireland, Greece, Portugal and Spain -- exaggerating current account and trade deficits in the process.

What's more, wage growth has been hit further since the crisis. Real average monthly wage growth worldwide, excluding China, fell to 0.2 percent last year from 2.3 percent in 2007.

This has been partly due to a reduction in working hours, shorter working weeks, cuts in overtime and even job sharing in exchange for keeping jobs. To the extent that unemployment has been lower than it might otherwise be, then this has been positive as households struggle to pay down debts.

But what happens from here?

As growth and company earnings continue to splutter across the developed world and in the euro zone in particular, the pressure to rebuild national balance sheets or sustain corporate margins with further pressure on wages is all too clear.

Yet, this time around there will be scant help from the credit world to offset the subsequent hit to relative incomes and consumption. And the social and political consequences of another hit to worker incomes may be all the more acute.

And, as the ILO points out, not every country can become a surplus economy as the global economy at large is a closed one. As a result, everyone pushing down wages even further from here could be devastating.

"If competitive wage cuts or wage moderation policies are pursued simultaneously in a large number of countries, competitive gains will cancel out and the regressive effect of global wage cuts on consumption could lead to a worldwide depression of aggregate demand."