

# GSP and our fluctuating trade fortunes

AKRAMUL QADER

THE generalised system of preferences (GSP) is one of the key administrative arrangements that govern US's concessions in foreign trade. The programme was designed in 1976 with a view to promoting economic growth mainly in the developing world. Since its launch, 128 beneficiary countries and territories have received GSP facilities for exporting up to 5,000 products in the US market. Theoretically, Bangladesh could also be among the beneficiaries. Ironically it is not.

In 2011, Bangladesh's exports to the USA under the GSP scheme were worth \$26.33 million compared with India's \$3.7 billion and Brazil's \$2 billion. Analyses of exports under GSP would give an identical picture for these countries in the current and previous years as well.

Notably, Bangladesh's most important export item in the US market, readymade garments (RMG), is not covered under the GSP scheme. The few goods that Bangladesh could so far export to the USA under the GSP coverage include tobacco, plastic bags and articles, gold equipment, bone china, porcelain kitchen/table ware, and cereal-based prepared foods, etc. Sleeping bags were excluded from GSP on January 1, 2012. Citing "import sensitivity", the US authorities in its 2010 review withdrew the GSP benefit from sleeping bags, meaning an end to Bangladesh's efforts to claim a tiny share, which is otherwise a Chinese monopoly in the USA. Bangladesh's export figures in sleeping bags rose from \$0.17 million in 2008 to \$5.82 million in 2011 -- not such a big deal compared with total US import value in this item (\$87.5 million in 2011) or Bangladesh's market prospect in the most optimistic scenario. However, what was a matter of utmost concern was the fashion in which a poor trading nation was singled out from among many far superior performers to exert tariff barriers and nip all hopes in the bud. It is still impossible for Bangladesh to fathom what might have been the reason leading to any such decisions.

## THE URGENCY

Bangladesh cares very deeply about retaining GSP benefit because of the following reasons: a) Bangladesh's extremely narrow and fragile export basket, b) link between trade performance and human development and social stability, and most importantly, c) seeking recognition as an early stage industrialising nation.

Bangladesh's export sector is extremely narrow and fragile in term of both size of market and diversity of export items. The USA is Bangladesh's single largest export destination that accounts for more than a quarter of Bangladesh's total exports. More than 95 percent of the export earnings from the USA (worth more than \$4.5 billion) come from just one single export item, which is garment. Given that excessive dependence on one single particular item, Bangladesh remains extremely serious about adding new items in its export basket. Here lies the significance of the US-GSP.

## BANGLADESH IN GSP REVIEW

On June 22, 2007, the American Federation of Labour and Congress of Industrial Organisations (AFL-CIO) filed a petition before the US Trade Representative, seeking Bangladesh's removal from the list of eligible beneficiary developing countries pursuant to 19 USC 2462 (d) of the GSP. In its submission to the USTR, the AFL-CIO stated that Bangladesh is not taking steps "to afford internationally recognised worker rights, including 1) the right of association, 2) the right to organise and bargain collectively, 3) freedom from compulsory labour, 4) minimum age for employing the children, and 5) acceptable conditions of work with respect to minimum wages, hours of work and occupational safety and health."

Since the filing of the petition, the government of Bangladesh gave its explanations in defence of retaining GSP at two rounds of hearings: one in mid 2007 and the other in early 2012. The USTR put the Bangladesh case on hold first until June 2009 and then until for

another two years. After the last round of hearing on January 24, 2012, the USTR put the Bangladesh case on review along with some other candidate nations including Georgia, Niger, the Philippines, and Uzbekistan.

At the hearings, the Bangladesh delegation led by the commerce secretary made issue-specific responses in presence of the AFL-CIO representatives who sounded their earlier dissatisfaction over Bangladesh's progress in matters relating to workers' rights.

## A GIST OF OUR RESPONSES

### i. Right to association

The Bangladesh government has established trade union registration system according to provisions set out in "Bangladesh Labour Act (BLA), 2006, which is absolutely transparent and faced no serious complaints from the workers and their associations. However, the present government in Bangladesh is in consultation with the workers and other important stakeholders to seek views if the BLA requires any more clarity or modification. According to the labour ministry sources, until August 2010 there are 143 registered trade unions operating only in the export-oriented garment sector. It also needs to be taken into consideration that because of dubious role of certain labour leaders, a section of workers are reluctant to formally associate themselves with conflicting unions and pay membership fees (sometimes realised in a fashion of ransom) from their modest earnings.

### ii. Freedom from compulsory labour

When the AFL-CIO officials made this particular accusation against Bangladesh, apparently the government was taken by surprise. If by "compulsory labour" any indication is made to extra hours of work at the factories, it needs to be recorded that the workers are paid overtime allowances as per the existing wage rate. Bangladesh's human rights groups and civil society bodies are quite vigilant on labour issues. They carry out independent reports based on their own factory inspection and assessments. It is hardly possible to engage any factory workers in any form of "compulsory labour". Ban-



Bangladesh's fragile export basket underlines the need for retaining GSP benefit.

14 years of age in any work. The same Act also restricts employing children below 18 years of age in any forms of hazardous activities. Presently there is no child labour in garment and shrimp processing units. The National Education Policy, 2010 aims to ensure compulsory and free primary education for every single child up to the eighth grade (average age of 14 years). If this policy could be successfully implemented, we can expect that child labour would be completely eliminated from Bangladesh in future. The Child Labour Unit (CLU) set up by the government has prepared a list of hazardous sector, occupations and activities, which should never employ a child below the age of 18. The CLU also runs an advocacy programme on protecting child rights.

### iv. Work condition, occupational safety

A look at the government's relevant legislations, policies and the development strategies would support the idea that the government approaches the labour welfare more as a productivity and business development goal than any charity for the workers. The government firmly believes that labour welfare must factor in business competitiveness and that is something that

strengthened the workers' rights enforcement mechanism. While the government is responsible to ensure compliance with labour standards required to retain GSP benefit, Bangladesh seeks understanding of the US authorities that judiciary's independence has also limited the government's power to go for any drastic overhaul. The following brief account of governmental and industry level initiatives would speak of the utmost seriousness Bangladesh pays to advance labour welfare.

## GOVERNMENT EFFORTS

**i. Legislation:** The law called EPZ Workers' Associations and Industrial Relations Act-2004 has been changed to EPZ Workers' Welfare Association and Industrial Relations Act-2010 with a view to putting more stress on welfare related provisions. As per the directives of the law until December 2011, 151 enterprises have formed Workers' Welfare Associations (WWA). Bangladesh is in the process of implementing ILO Better Work programme which stands to improve labour compliance to the satisfaction of the global community.

**ii. Protecting workers' rights at Export Processing zones:** In 2011 the government empowered existing

security and protection from any form of harassment. Headquartered in Dhaka, the Industrial Police maintains four zonal offices in the divisional headquarters. In the successive budgets, the government has enhanced allocation to make the industrial police more equipped. The activities of the two taskforces -- one on labour welfare and another on occupational and fire safety -- have been revamped.

**v. Fire safety:** The government has initiated a high-level inter-ministerial committee led by the director general of Fire Service and Civil Defence (FSCD) to make surprise inspection of factories. The inspection reports are circulated to the factory owners for necessary improvements, if need be. Reportedly, the roaming fire vigilance team closed down two factories on the outskirts of Dhaka after it noticed inadequate fire safety measures during inspection.

### vi. Measures taken after the November 24 devastating fire

The recent fire at Tazreen Fashions killing 112 workers shocked the entire nation and must haunt it for a long time. Measures taken in the aftermath of the incident were directly supervised by the prime minister himself. The prime minister gave Tk 6 lakh to the family of each deceased worker and Tk 50,000 to each injured worker. Insurance companies paid Tk 1 lakh to the family of each deceased worker. The November 27th was declared a national mourning day. For better treatment, workers suffering burn injuries were treated at the top-notch local hospitals. Some of the injured workers were sent abroad for better treatment. The BGMEA, the garment exporters' association, has taken the responsibility of the families that lost their earning members in the fire, for ten years from the date of fire to provide food, clothing, medicare and all daily needs. A plan is underway to appoint eligible injured workers in physically less demanding positions. The government is determined to take stern action against the people responsible for the tragic incident. Based on investigation reports, already two Tazreen executives have been arrested for negligence in duty. The government wants to take this as an opportunity to improve the safety condition for succeeding generation of workers.

## INDUSTRY LEVEL INITIATIVES

**i. Fire safety:** Since 1997, the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) has been conducting fire safety training and fire drill at factories on a regular basis. Nineteen top-notch global clothing brands, including GAP Inc, H&M and JCPenny, assisted the BGMEA in their efforts. Two films on "what to do if fire occurs" have been made and screened on regular intervals.

**ii. Healthcare initiatives:** Aside from 12 healthcare centres run in Dhaka and Chittagong, the BGMEA has been constructing two full-fledged hospitals -- one 150-bed in Dhaka and another 100-bed in Chittagong -- only for the garment workers and their families. It is expected that both the hospitals would be fully operational by February.

Bangladesh's labour intensive factories exemplify a true case of how trade can address poverty.

ary this year. The BGMEA has also implemented a mandatory group insurance for workers and executives. The industry with support from the government has been implementing a 24-month stipend programme for lactating mothers with children below two years of age.

**iii. Nutrition and lodging:** The government in partnership with the BGMEA plans to make suitable housing facilities for the garment workers. An agreement was signed last June to that effect. The government plans to have housing facility for all workers in phases. It is expected that 3,000 workers would have the government-BGMEA sponsored home within a year.

**iv. Skill enhancement:** The BGMEA University of Fashion & Technology (BUFT) was launched in March 2012 to train human resources in the garment, textile and allied sectors of Bangladesh. The BUFT's academic courses began in September 2012. It is expected that this institution would be able to fulfil the need of skilled manpower for 5,000 garment factories in the near future. The BUFT envisages that one day some of the nation's best performing garment workers would be on its faculty.

**v. Recreation:** "Workers festival" is celebrated every year to forge a deeper workers-owners bondage. Around 50,000 workers take part in the nationwide musical contest "Gorbo" (pride), which is telecast in a popular private TV channel. Every year the winner receives Tk 10 lakh in prize money.

## RETAINING GSP: AN UNDENIABLE HUMANE CAUSE

Bangladesh is still at its early stage of industrialisation. Over the last few decades, it has made consistent efforts to address the key infrastructural bottlenecks that have been inhibiting economic growth. Its history as a trading nation is shorter than even a good number of least developed nations.

Most of the developed countries have withdrawn tariff barriers for imports from the least developed countries including Bangladesh. The USA is perhaps the last remaining exception. While uninterrupted access to US-GSP as long as it retains its current format, would not do Bangladesh's major export earner (garment) any favour, it carries a valuable message of recognition, a recognition that a poor nation's efforts, however modest, do not go unnoticed. Bangladesh, on its part, can direct all reforms only on the supply side. Without a suitable response from the demand side, as is expected from the unassailably biggest buyer such as the USA, only very limited result can be expected.

Bangladesh firmly believes that the US Congress and senior officials would have a look at the interface between the low income democratic nation's trade sector goals and overarching human development goals such as nutrition, mass education, employment, women empowerment, social harmony and what not. The US-GSP does not directly benefit Bangladesh's garment sector; however, its withdrawal would create a serious branding problem for Bangladesh. The worst victims of any market dislocation would be the four million ultra-poor workers more than 90 percent of whom are women.

Closure of Bangladesh's garment factories resulting from any harsh trade measures can take the millions of women only to the streets. No ethical individual or labour activist can imagine such a social catastrophe. Alternatively, with a proper understanding of the existing complexities, if Bangladesh's market access case is dealt more practically and compassionately; certainly, millions of our daughters and sisters would have their right to a decent and dignified life. Policy makers of this land of freedom and opportunities, who have paid a historic part to the cause of humanity, need to speak for our factories more as a "labour cause" rather than a "profit drive".

Bangladesh's labour intensive factories exemplify a true case of how trade can address poverty.



Garments, the most important export item, are not covered by the GSP scheme.

gladesh's factory workers do quite frequently appear in the Western media. Also the press and electronic media enjoy absolute freedom in Bangladesh. Development partner countries, civil society organisations, global opinion leaders have time and again praised Bangladesh for its democratic credentials. With a free judiciary and trend of legal activism it is impractical to believe that incidences of irregularities such as compulsory labour would go unreported for an indefinite time.

### iii. Minimum wage for employing children

Bangladesh government remains absolutely committed to eliminating child labour. The government has been implementing a project named "Eliminating worst forms of child labour" to eliminate child labour from the leather sector. The National Child Labour Elimination Policy, 2010 would be equally applicable in both formal and informal sectors. Bangladesh Labour Act-2006 restricts employing children below

14 years of age in any work. The same Act also restricts employing children below 18 years of age in any forms of hazardous activities. Presently there is no child labour in garment and shrimp processing units. The National Education Policy, 2010 aims to ensure compulsory and free primary education for every single child up to the eighth grade (average age of 14 years). If this policy could be successfully implemented, we can expect that child labour would be completely eliminated from Bangladesh in future. The Child Labour Unit (CLU) set up by the government has prepared a list of hazardous sector, occupations and activities, which should never employ a child below the age of 18. The CLU also runs an advocacy programme on protecting child rights.

### iv. Work condition, occupational safety

A look at the government's relevant legislations, policies and the development strategies would support the idea that the government approaches the labour welfare more as a productivity and business development goal than any charity for the workers. The government firmly believes that labour welfare must factor in business competitiveness and that is something that

could not be left just to the magnanimity of the factory owners. Bangladesh has enacted as many as 25 laws relating to protection of labour rights and promoting their welfare.

As a member of International Labour Organisation (ILO) and having ratified 33 ILO conventions, Bangladesh is pledge bound to adhere to ILO fundamental principles and rights at work. Bangladesh has ratified core ILO conventions: 29, 87, 98, 150, 105, 111, 182 which protects, among others, the right of association, right to organise and bargain collectively, freedom from compulsory labour, minimum wage for employing children and ensure proper work conditions in regards to safety and security.

## AFL-CIO PETITION: OUR VERSION ALSO NEEDS ATTENTION

A historic development since filing of the GSP petition is the separation of Bangladesh's judiciary from the executive organ of the government.

This development has significantly

strengthened the workers' rights enforcement mechanism. While the government is responsible to ensure compliance with labour standards required to retain GSP benefit, Bangladesh seeks understanding of the US authorities that judiciary's independence has also limited the government's power to go for any drastic overhaul. The following brief account of governmental and industry level initiatives would speak of the utmost seriousness Bangladesh pays to advance labour welfare.

### v. Fire safety at Export Processing zones

The recent fire at Tazreen Fashions killing 112 workers shocked the entire nation and must haunt it for a long time. Measures taken in the aftermath of the incident were directly supervised by the prime minister himself. The prime minister gave Tk 6 lakh to the family of each deceased worker and Tk 50,000 to each injured worker. Insurance companies paid Tk 1 lakh to the family of each deceased worker. The November 27th was declared a national mourning day. For better treatment, workers suffering burn injuries were treated at the top-notch local hospitals. Some of the injured workers were sent abroad for better treatment. The BGMEA, the garment exporters' association, has taken the responsibility of the families that lost their earning members in the fire, for ten years from the date of fire to provide food, clothing, medicare and all daily needs. A plan is underway to appoint eligible injured workers in physically less demanding positions. The government is determined to take stern action against the people responsible for the tragic incident. Based on investigation reports, already two Tazreen executives have been arrested for negligence in duty. The government wants to take this as an opportunity to improve the safety condition for succeeding generation of workers.

## INDUSTRY LEVEL INITIATIVES

**i. Fire safety:** Since 1997, the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) has been conducting fire safety training and fire drill at factories on a regular basis. Nineteen top-notch global clothing brands, including GAP Inc, H&M and JCPenny, assisted the BGMEA in their efforts. Two films on "what to do if fire occurs" have been made and screened on regular intervals.

**ii. Healthcare initiatives:** Aside from 12 healthcare centres run in Dhaka and Chittagong, the BGMEA has been constructing two full-fledged hospitals -- one 150-bed in Dhaka and another 100-bed in Chittagong -- only for the garment workers and their families. It is expected that both the hospitals would be fully operational by February.

Bangladesh's labour intensive factories exemplify a true case of how trade can address poverty.

The writer is Bangladesh's ambassador to the USA.