

Garment trade wields power

THE NEW YORK TIMES

In the honking, congested heart of this overcrowded capital, one glass office tower stands uniquely alone, surrounded by water, accessible by a small bridge. It is a symbol of the power of Bangladesh's garment industry, the headquarters of the country's most powerful association of factory owners. It is also illegal.

So said the Bangladesh High Court, concluding that the land had been illegally obtained, the building had been erected without proper approvals and the location threatened a network of lakes that form the natural drainage system of the capital. The High Court called the building "a scam of abysmal proportions" and ordered it demolished within 90 days.

That was two years ago. The building still stands. The case is now in a legal limbo -- more proof, according to critics, of the power of the Bangladesh Garment Manufacturers and Exporters Association. Members control the engine of the national economy -- garment exports to the United States and Europe. Many serve in Parliament or own television stations and newspapers.

For two decades, as Bangladesh became a garment power, now trailing only China in global clothing exports, the trade group has often seemed more like a government ministry. Known as BGMEA, the organisation helps regulate and administer exports and its leaders sit on high-level government committees on labour and security issues. Industry trade groups in the United States could only imagine such a role.

But the April collapse of the illegally constructed Rana Plaza factory building, which killed more than 1,100 people, has placed the entire global supply chain that delivers clothes from Bangladeshi factories to Western consumers under scrutiny. And the quasi-official garment group, in the eyes of its critics, presents a major conflict of interest at the centre of Bangladesh's troubles and is a big part of the systemic problems that have made the country a dangerous place for garment workers.

"You can't put the fox in charge of the chickens," said Rizwana Hasan, an environmental lawyer. "BGMEA has no regulatory authority under the laws of the country. It's a clubhouse of the garment industry."

Bangladesh is working to restore the garment industry's credibility after last month's decision by the Obama administration to suspend a special trade preference for the country. The European Union is also considering

penalties. Bangladesh has responded by passing new labour laws and pledging to inspect the structural safety and legal compliance of the nation's 5,000 garment factories.

In both instances, the garment group's interests were well represented. It has hired a team of engineers and is helping oversee the post-Rana Plaza factory inspections -- even as the High Court cited the group for a litany of violations on its own headquarters.

Meanwhile, the trade group brought its influence to bear in a lobbying campaign as Parliament amended the labour laws this month.

Bangladeshi officials promised to overhaul their labour laws, which fall short of standards defined by the International Labour Organisation and tend to suppress unions, contributing to safety problems, labour advocates say. But the results of the overhaul were less significant, especially for the garment industry. One amendment required that industries create profit-sharing programmes for workers. But exporting industries, notably the garment sector, were exempted.

Restrictions on labour organising were eased, but far from fully lifted. The new law requires that 30 percent of factory workers must sign petitions to form a union, a telling obstacle given that many factories have thousands of employees and have few places to hold meetings and organise.

"Bangladesh had a golden opportunity," said Roy Ramesh Chandra, a labour leader, who said that the political influence of factory owners diluted some of the amendments. "The employers have tremendous influence."

Business interests dominate Bangladesh's Parliament. Of its 300 members, an estimated 60 percent are involved in industry or business. Analysts say 31 members, or 10 percent of the country's national legislators, directly own garment factories, while others have indirect financial interests in the industry.

Factory owners say their political clout is vastly overstated and dismiss suggestions that they exert influence over top elected leaders, and some analysts agree their influence is sometimes overstated. But the trade group clearly is part of the process in ways that set Bangladesh apart.

Three years ago, the prime minister created an industrial police force to maintain order in factory districts and act as an independent arbiter to solve disputes between workers and management. But many workers and labour organisers say the force almost always favours owners. The trade group is even supposed to buy patrol



TASLIMA AKHTER

The office tower built by Bangladesh Garment Manufacturers and Exporters Association in Dhaka is in legal limbo. A court ordered it demolished.

cars for officers.

"This organisation is extremely powerful," said one senior government official, who said much of its clout comes from political contributions. "The political parties are running after money."

The trade group was formed in 1983 as Bangladesh, then one of the world's poorest countries, was trying to build its economy by developing a garment industry. Initially, it had no headquarters and no bank account.

"When I first went out there, the BGMEA was run out of a garage," said Don Brasher, who worked as a trade consultant to Bangladesh for more than a decade. "It was not institutionalised at all."

That quickly changed. Under the rules of global textiles, developing countries faced restrictions on garment exports and, in the case of the United States, were assigned trade quotas. Managing this quota system was critical and complicated. Bangladesh's government decided to delegate administrative tasks to the trade group -- including the authority to regulate certain transactions and collect fees.

"That was pretty extraordinary," said Brasher, who lived in Dhaka for two years and worked closely with the group on the quota system. "Ordinarily, that is done by a government agency. There's nothing like that, anywhere. But it was

done out of necessity."

Bangladesh's government is notoriously corrupt and has limited bureaucratic capacity to handle the intricate mechanics of global trade. Politics is ferociously contested and marred by regular nationwide strikes, known as hartals. In this environment, the group became a stabilising force as global trade rapidly grew.

Even after the quota system expired in 2005, the trade group steadily expanded its regulatory responsibilities. Today, it enjoys a near stranglehold on exports: only factories that are among its members are allowed to export woven garments, with some exceptions. The group regulates the importation of fabric and issues certificates of origin, the required proof that a garment is made in Bangladesh. It has arbitration committees to settle disputes and administers the often-complex practice of subcontracting.

On a recent evening, Atiqul Islam, the group's president, sat at his desk and signed applications from factory owners seeking duty-free status to import machinery. A half-hour earlier, he had presided over a news conference about a skills training programme for workers that the group had organised with the United Nations Development Programme, the British international development agency

UK-AID and the International Labour Organisation.

"Zero power," he said while signing the tax waiver applications, flicking away a question about the group's influence. "The government decentralised a few things to us, so we are doing them. We can do it much faster."

Many factory owners portray the industry as a public service, providing millions of jobs. The health of the garment sector is often seen as a national security issue, with the industry accounting for 80 percent of Bangladesh's manufacturing exports and providing critical foreign exchange. It is the trade group that maintains order in daily operations of the industry, owners say.

"Otherwise, there would be chaos," said Anisul Huq, a former president of the trade group. "Yes, we can criticise the BGMEA. But it has a very strong role. Somebody has to lead."

Factory owners face many challenges in Bangladesh, including high interest rates on loans. But the heroic self-image of the sector is somewhat overstated. Garment factories enjoy subsidies and tax breaks not offered to other industries, and pay less tax. A recent study in a Bengali-language newspaper estimated that these subsidies and tax breaks exceeded tax revenues from the industry by roughly \$17 million.

"The doors of the treasury are open for them," said Badiul Alam Majumdar, secretary of the nonprofit group Citizens for Good Governance. "They extract all kinds of subsidies. They influence legislation. They influence the minimum wage. And because they are powerful, they can do, or undo, almost anything, with impunity."

One unlikely critic of the trade group is Rubana Huq, the wife of Huq, who is now the managing director of the family's garment conglomerate Mohammadi Group. She said the garment industry in Bangladesh has matured and must be regulated by a transparent, independent arbiter, possibly a new government ministry.

"Of course, there is a conflict of interest," she said. "There is no reason why a body like BGMEA would be credible with the international players."

Rubana Huq and other critics point to the headquarters building as a symbol of its protected status. Environmentalists have long protested and argued that the building's location on a de facto island inside a city lake impedes the natural drainage network and contributes to flooding in the capital during the monsoon.

Illegality abounded, according to the High Court ruling: construction started before the group had won final approval on a building plan; the land transfer from a government agency violated national laws on usage of public land. Yet the group's leaders argue that the building's status has been validated at the highest level: two prime ministers led different inauguration ceremonies at the site.

"It is not illegal," said Anisul Huq, his voice rising. "We have applied to the government for the land. The government has given us the land. Two prime ministers have opened it. What validation do you want?"

But Iqbal Habib, an architect who designed the plan to renew the lake system, said the group could not be exempted from rules governing others. "They are always talking about their compliance with the buyers," he said. "What about their compliance with the laws of the country?"

For now, the case is stalled. The Supreme Court is supposed to hold a final hearing, but with elections coming, the government has shown little interest in confronting the country's most powerful industrial bloc. It is unclear if a hearing will take place.

"It has gone to the Supreme Court," Anisul Huq said. "That could take forever. It is Bangladesh. We have full trust -- as long as they give a verdict in our favour."

He is smiling, joking, to a degree.



AIRTEL

Rubaba Dowla, chief service officer of Airtel Bangladesh Ltd, and Sabbir Hasan Nasir, executive director of ACI Logistics, attend the signing of an agreement for Shwapno, ACI's retail chain, to become a distributor of Airtel services recently.

Western Marine partners with Timblo Drydocks for Mongla port

STAR BUSINESS DESK

Western Marine Shipyard will provide technical support to Goa-based Timblo Drydocks in building a complete set of dredging equipment for Mongla Port Authority. The \$8.5 million deal was signed at the headquarters of Mongla Port Authority in Mongla.

One 18-inch cutter suction dredger, one 12-ton BP tugboat, one crane boat, one crew house boat, one officer's house boat with other accessories will have to be delivered to Mongla Port Authority in 18 months.

The project is a part of the soft loan finance scheme of \$1 billion that the Indian government sanctioned to Bangladesh.

The credit has been sanctioned at 0.59 percent rate of interest for trade enhancement of both the countries and also allowed Timblo Drydocks, an Indian origin shipyard, to get involved with the project to improve trade between Bangladesh and India.

Timblo Drydocks is owned by Panduranga Timblo Group, which is engaged in mining, agriculture, shipping, shipbuilding and engineering.

NBR may review tax dispute with telcos

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In the first two meetings, both the parties failed to agree on anything, including NBR's claim for the amount from four carriers -- Grameenphone, Banglalink, Robi and Airtel -- as their unpaid VAT for SIM replacement.

The field offices of the tax administrator claimed the VAT on the grounds that operators had sold old SIMs (subscriber identity module) to new customers to evade taxes.

However, the operators rejected the claim, saying the SIMs were issued as replacements for the lost or damaged ones for their old customers.

Other issues include the operators' demand for withdrawing 7.5 percent VAT on spectrum fees for 3G.

However, the NBR at the meeting proposed to bring down the VAT to 5 percent, said officials who were present at the meeting.

TIM Nurul Kabir, secretary general of the Association of Mobile Telecom Operators of Bangladesh, said the outcome of the meeting was positive and both the parties would sit again on July 28 to come to an amicable solution to all disputed matters.

"Hopefully, we will have a positive outcome ahead of the 3G auction," he said.

Kabir said the joint panel will help clear the issues where there are 'misunderstandings'.

Earlier the NBR suggested the mobile operators resolve the tax issues through its Alternative Dispute Resolution (ADR) or out-of-court settlement. But the operators demanded the resolution should be through independent arbitration.

After yesterday's meeting, NBR Chairman Ghulam Hussain told The Daily Star that the ADR might not be required now.

Telcom operators also demanded a roadmap on possible taxation for the sector.

BB aims to lower inflation, keep up growth momentum

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The slowdown is due to sluggish investment demand in the lead-up to national elections, tighter lending practices by banks and the provision of two new channels through which entrepreneurs can access overseas lenders.

The same factors pose as risks to achieving the private growth for the first half of fiscal 2013-14.

Allah Malik Kazmi, senior adviser to the central bank, said the monetary policy would ensure money supply that fosters real economic growth.

"The private sector credit growth target is very much in line with that," he said, adding that various mechanisms are now in place so money supply does not increase during the election, due early next year.

The monetary stance also assumes that government borrowing from the banking sector will remain around the fiscal 2013-14 budgetary figures of Tk 26,000 crore.

BB has also decided to keep the repo rates and reserve requirement ratios unchanged following the 50 basis-point cut in January 2013. The growing inflationary pressures and the mounting liquidity in the banking sector have made the easing of reserve requirement ratios "unnecessary", it said.

"Effective transmission of monetary policy, however, requires strengthening credit and debt markets, and this will remain a key focus in the first half of fiscal 2013-14. Overall, there is a greater focus on improving

corporate governance in banks as well as using automation and capacity building to strengthen BB supervision," the central bank said.

Specific actions within performance agreements for state-owned commercial banks (SCBs) and specialised banks including BASIC Bank include ceilings on loan growth and the need to provide regular reporting to BB on a number of issues including large loan approvals, single borrower exposure, off-balance sheet items.

"Clear progress on these benchmarks will be important before any recapitalisation of these banks."

The statement further said that a 'special diagnostic exam' on the SCBs was completed in June 2013 and on that basis the performance plans will further be amended in the July-December period.

Shitangshu Kumar Sur Chowdhury, a deputy governor, said that the monetary policy is a part of the central bank supervision.

"Some financial irregularities took place at BASIC Bank, which prompted the central bank to sign a memorandum of understanding with the bank so that irregularities lessen."

The monetary policy stance also aims to preserve the country's external sector stability.

"BB will continue to support a market-based exchange rate, while seeking to avoid excessive foreign exchange rate volatility."

Maruti Suzuki seeks to raise exports as local sales stall

REUTERS

Maruti Suzuki, India's biggest carmaker, is seeking to sell more cars overseas to offset slowing demand at home, where it expects sales volumes to grow between zero and 5 percent in the current financial year. The company warned that it expects discounts on car prices to increase in the current quarter due to weak demand, especially as diesel-powered cars lose their popularity after the government allowed monthly increases in prices of fuel.

Maruti is India's leader in the small car market and accounts for 40 percent of all

passenger vehicles sold in the country. It faces increased competition as global automakers step up launches in a market that has endured falling sales for eight months in a row - down from double-digit growth just two years ago.

"Exports are high on our agenda particularly when the domestic markets are not growing," a Maruti executive said on a conference call with analysts, adding that the firm wants to expand in existing markets with more products.

However, Maruti expects export volumes to be flat for the current financial year. Exports accounted for 8 percent of total sales of 266,434 vehicles during the quarter.



Allan Bonke, chief marketing officer of Grameenphone, and Daniel Hu, chairman of Eastpeace Smart Card, inaugurate the self-served recharge kiosk at Grameenphone Center in Gulshan, Dhaka yesterday.

Jamdani bazaar comes alive ahead of Eid

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Md Shahjahan, a 50-year-old weaver, came to the market with two saris that he and his wife made in the last one week and sold those at Tk 4,500.

"It takes at least a week to make a sari," said Shahjahan, who has been in the trade for around 35 years.

He, however, said political instability and shutdowns have taken a toll on his business this year.

"We couldn't sell our products as the wholesalers or merchandisers don't come to the market during shutdowns," he added.