

# Yunus calls for change in garment industry

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WOMEN'S WEAR DAILY

**B**ANKER and economist Muhammad Yunus has long been acknowledged as a man of ideas, having won the Nobel Peace Prize in 2006 for his grassroots Grameen Bank and the US Congressional Gold Medal in 2010. His latest award came on August 27 when he received the 2013 National Human Rights Award from the Bangladesh Human Rights Commission. As the apparel industry in Bangladesh has gone through a period of trauma over the last nine months with the deaths of more than 1,200 workers, Yunus has spoken about some of the key issues at hand, using his business acumen and perspective to shed light on a situation that sometimes seemed impossible to resolve as workers blamed employers who blamed international retailers and so on. Here, Yunus talks with WWD about some of his recent initiatives and concerns.

**WWD:** Do you feel that the Garment Industry Transparency Initiative has potential to change things for the garment industry?

**Muhammad Yunus:** Well, we're working to create a Garment Industry Transparency Initiative following the example of the Extractive Industry Transparency Initiative. EITI is an international standard that ensures transparency around countries' oil, gas and mineral resources.

In this, we hope that government and industry representatives, workers, international organisations such as the International Labour Organisation and other international agencies will join us. We're saying this has worked for extractive industries so it could certainly work for the garment industry.

This index would evaluate companies that are doing a good job, particularly in terms of fire safety, work safety overall and treatment of women, and also focus on setting principles, standards, requirements, memberships, penalties, oversight, monitoring, validation, etc. On the basis of this index, we will rank the companies. One GITI issue will be that of exploitation. Germany is taking the lead in this initiative. I proposed it to them, and they picked it up enthusiastically.

The government, the buyers all know about the garment industry only in bits and pieces, the complete picture remains unknown to them. We want to put everything on the table to ensure clarity. This initiative is already moving, it is in action and it would be made very

clear that no-one is imposing anything.

**WWD:** You have pioneered the idea of using business principles to solve social problems. Can you think of some ways to apply that way of thinking to the apparel manufacturing industry in Bangladesh to solve some of the issues there?

**MY:** When I say social business, I mean the idea of business with a cause. In this form of business, the company can recoup their money invested but cannot take any dividend beyond that. In the case of the garment industry, we are thinking about creating social business to help the workers by creating a tag—the "Happy Workers" tag.

This will be done as a social business. It will come at a small cost, with the buyer paying 10 percent more over the production cost. That is, if the shirt costs \$10 in production, they will pay \$1 more, which will go to a social business company. If a million shirts are produced at this price, social business will get a million dollars. The buying company will have a contract with this social business company that they'll provide, say, health insurance, mother care, education for children, help finding housing, employment benefits, whatever is important for the workers, in exchange for the money they received through the tag. The buying company will identify which workers will receive these benefits and for how many months or years.

The consumers will be told clearly what those "Happy Workers" tags stand for, and once they know that they have helped someone to have a better life, they wouldn't mind paying more for the shirts with "Happy Workers" tags. If the consumers respond positively, this process will become attractive to the companies. This way, the consumers will be able to follow the benefits to the workers through the website of the social business company.

**WWD:** Do you think that companies would really agree to spend 10 percent more?

**MY:** This is based on the consumer-worker relationship. Ten percent extra on the production cost paid by the buying companies is not coming out of the pocket of the company, but out of the pocket of the consumers, who do not mind paying a little extra when they know what it is for.

The brand or retailer also benefits, because they can ensure that they build their name and reputation, and a level of trust with the consumers.

We are not disrupting anything with this



Muhammad Yunus

idea—but rather adding value. The label will become popular, and the situation for the workers will improve with every dollar that will go to the social business company. This appears to be an attractive idea—for example, Lily Cole said she would be a part of it to promote the "Happy Workers" tag. As we go forward, the circle of volunteers and promoters will certainly keep on increasing till it becomes a consumer movement. So the ultimate beneficiary becomes the poor women who work in Bangladesh, or anywhere in the world. This program should not be limited to Bangladesh, it will be operating in all the garment producing countries.

**WWD:** You have said that consumers would be willing to pay for happy workers. But customers too are resistant and sensitive to price hikes.

**MY:** The garment industry today is a modern sector and an international sector. It belongs to the same ecosystem as the business in the rich countries. We should look at garment industry problems in this perspective, not just dismissing them as problems of some poor countries. We can no longer say this is just Bangladesh's headache—but it is a headache of the entire busi-

ness—nobody can escape from it. I think international companies will be proud of saying that they are "exploitation-free" companies, even if it costs them a little bit more. But they can take care of it in a very simple way, by bringing the consumers into the picture and making them feel that they are promoting a powerful cause with a very small cost. They will also get the express solidarity of the workers across the world. This may create happiness on all sides.

**WWD:** Do you have any companies signed up to try this already?

**MY:** I'm still trying to explain the concept to the relevant constituencies. I don't want just me to do it without getting the others on board. I try to explain that through this initiative we can help continue and strengthen the transformation process that Bangladesh is going through of empowering women who come from villages. These women move from a life of poverty to work in factories, live independently in cities away from their families, and find change from rural norms. They earn their own money and gather economic strength. All of these factors have a profound impact on society and cause a slow and steady change. This transforms the traditional

way of thinking about women who don't step out of their homes. Now they are free. Nobody could have done it better in any other way. This has created a new Bangladesh.

**WWD:** You have spoken about the importance of establishing an international minimum wage of 50 cents an hour in Bangladesh for apparel workers. Is this any closer to happening?

**MY:** Part of international business is to ensure that everyone associated with the business has a dignified life. I'm just saying double whatever it is in Bangladesh at the moment; it is so low now. I'm not saying this should happen only in Bangladesh but in Vietnam, Cambodia, in any country. The garment industry should be exploitation-free.

I'm talking to the chief executive officers of buying companies—I do not want this initiative to come as an imposition from the country government or the United Nations, but rather by the companies themselves. I want them to stand up and say that they don't believe in exploitation.

**WWD:** What else can the international retailer or brand do?

**MY:** There is always the compliance issue. A company that picks up an order should say clearly that the wage bill is a nonnegotiable cost, and that they are only willing to negotiate the rest of the price. If one CEO agrees and says, "I am going to follow this because we are an 'exploitation-free company,'" then others will follow. That's what I'm looking for, a company that will take the lead. The dialogue is on, and I hope it's not just one, but many CEO'S who will come forward to make this a reality.

**WWD:** What should companies be doing and taking into consideration if they want to continue to produce in Bangladesh?

**MY:** First, we have to think about it in the 21st-century way. We are not looking for the best way to exploit powerless countries and people. Those days are gone. Businesses have to be different because consumers are different.

Nobody wants to wear clothes made by slave labour or child labour or made in sweatshops. It's not about finding the cheapest solution, but to make sure it is the cheapest after guaranteeing that the workers have a decent life. There is no need to hide the situation of the workers. Companies can stand tall and talk about how they are benefiting workers. We want to make sure that a few industry leaders will come forward and set the standard. Once it is a trend, it will catch up fast.

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## Strong Chinese demand to pull global car market: Moody's

AFP, Paris

Global car sales will grow by 4.8 percent next year pulled by unexpectedly strong demand in China, the credit rating agency Moody's forecast on Wednesday.

In a report, Moody's also upgraded its estimate for growth of the world car market this year to 3.2 percent.

The agency said that the Chinese car market was growing faster than gross domestic product in the Asian economic powerhouse.

Consequently it was revising upwards its estimate for the growth of Chinese demand for cars to 10.0 percent from an estimate in January of 7.0 percent, for both this year and next.

Moody's held to its forecast that the car market in Europe would contract by 5.0 percent this year from the 2012 level.

The agency said that in 2014 the European market would rally by 3.0 percent, but this was a downgrade from a previous estimate of growth of 5.0 percent next year.

Another study by auditing and consultancy group PwC in August said that the global car market would expand in the next few years, mainly because of growth of demand in China where sales were expected to double by 2019.

Moody's said that the outlook for demand for new cars in Brazil was clouded by a context of increased interest rates, high inflation and growing household debt.

## India's new central bank chief is "rock star" economist

AFP, Mumbai

**I**NDIA'S new central bank chief Raghuram Rajan is an outspoken economist described by one newspaper as having "rock star appeal", who famously predicted the 2008 global financial crisis years in advance.

Rajan, a staunch economic reformer and withering critic of Indian corruption and bureaucracy, takes the helm of the Reserve Bank of India on Wednesday as the country weathers its worst economic storm in years.

Rajan's impeccable credentials, which include a stint as IMF chief economist, will be put to the test as he inherits an economy struggling with a ballooning current account deficit, a plummeting rupee and decade-low economic growth.

He left his post at the prestigious University of Chicago's Booth School of Business and returned to India last year, at the behest of Prime Minister Manmohan Singh, to serve as a financial adviser.

His appointment as governor comes as some analysts fear the once-booming economy could be heading for a meltdown. Investors will be looking to him initially to calm jittery markets and halt the rupee's slide before trying to boost growth running at below five percent.

However Rajan himself has cautioned against expecting too much too soon -- saying there are no "quick fixes".

"No one can doubt the country's promise," the 50-year-old economist said after being named in early August to the post. But he added, "there is no magic wand to make the problems disappear instantaneously".

Rajan, the son of a diplomat, studied engineering at the Indian Institute of Technology and completed a doctorate in finance in 1991 at the Massachusetts Institute of Technology.

He won fame 14 years later when as IMF chief economist he published a paper that said sub-prime lending could lead to disaster, and warned of the global financial crisis three years before it struck.

His dire warning earned the scorn of former US Treasury Secretary Larry Summers, who dismissed him as "misguided" and "a Luddite".



REUTERS

**Reserve Bank of India's newly appointed governor Raghuram Rajan (L) arrives at the RBI headquarters in Mumbai yesterday.**

The former finance professor, who hails from the southern state of Tamil Nadu, has long been a darling of the Indian media, leading one newspaper to describe him as an "economist with rock star appeal".

He is author of the acclaimed book "Fault Lines" on how hidden financial fractures threaten the world economy, and has been described by

analysts as an unflappable economist and a "creative, out-of-the-box thinker".

Some observers have also suggested that should India need to approach the IMF for a bailout as it did in 1991 -- a prospect the finance ministry firmly dismisses -- Rajan's connections with the world body could come in handy.

## Thai rubber protesters target southern airport

AFP, Surat Thani

**T**HOUSANDS of angry rubber farmers blocked the main entrance to an airport in southern Thailand Wednesday, increasing pressure on the government to provide assistance to cope with a price slump.

The decision to target Surat Thani airport -- used by some foreign tourists to travel to the popular island of Koh Samui -- appeared to mark an escalation in the action by the farmers.

Airport director Attaporn Nuangudom said flights were still operating but passengers were forced to use alternative access roads.

"We have notified airlines to ask passengers to gather at a certain place and we'll send a bus to pick them up and drive them to the airport," he said.

Riot police with batons and shields stood guard near the airport, which the government has vowed to defend.

Protests by royalist activists in 2008 that paralysed Thailand's main airports dealt a heavy blow to the kingdom's economy.

"We will not allow an airport shutdown because it will affect tourism and confidence," Deputy Prime Minister Pracha Promnong told reporters in Bangkok.

Thailand is the world's top exporter of natural rubber and farmers say they have been hit hard by weak global markets.

"The rubber farmers' income is not enough to live," said one of the protest leaders, Manoon Uppla, 53.

"We cannot control people. Their feelings against the government are very strong," he said.

The government earlier declined demands to guarantee a rubber price of 120 baht (\$3.7) per kilo -- about 50 percent higher than the current price on world markets.

Instead it proposed paying farmers 1,260 baht per rai (0.4 acres) of rubber plantation to help with production costs, along with funds to boost the efficiency of rubber processing -- an offer rejected by the protesters.

"They want us to guarantee the price at 92 baht per kilo," said Surat Thani governor Chatpong Chatraphuti, who took part in negotiations on Wednesday.

## Stricken India car sector seeks revival measures

AFP, New Delhi

**I**NDIA'S struggling car industry appealed Wednesday for the government to ease taxes to help reverse an unprecedented slowdown in sales in the once-booming sector.

Car sales slid by more than seven percent in July, according to the latest figures, marking a record ninth straight month of decline as an economic slump and high fuel prices and interest rates kept buyers out of showrooms.

The car market, seen as an important barometer of overall economic health, needs the government to act to help arrest the sector's decline, said S. Sandilya, president of the Society of Indian Automobile Manufacturers (SIAM).

Sandilya said the sector needed a "more moderated tax and excise duty structure" to help pull the industry out of its slump.

SIAM represents close to 50 vehicle and engine manufacturers nationwide. Indian Heavy Industries Minister

Praful Patel agreed that times were "challenging for the automobile industry".

"There is genuinely a case for stimulus for the auto industry," Praful told the meeting in New Delhi.

The market's downturn is in sharp contrast to the previous decade when car sales grew by 20 to 30 percent -- prompting foreign giants from Ford to Volkswagen to make a beeline for India as they sought to boost sales globally.

Patel said his ministry was discussing ways with the finance ministry and other government departments to provide a boost.

The automobile industry is a key sector employing some 19 million people directly or indirectly and accounting for seven percent of gross domestic product, according to SIAM.

A plunge in the value of Indian's currency has raised costs for the sector by increasing the price of raw materials and has dashed hopes of interest rate cuts that would kick-start consumer demand and spur the economy, which grew at a decade-low of five percent last year.