DHAKA APPAREL SUMMIT

$50b by 50th birthday: Is it possible?

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THE global apparel industry was shaken by a shockwave created in Bangladesh on April 24, 2013. Eight storied commercial building Rana Plaza collapsed, killing more than 1,100 people who made garments to dress thousands globally.

The sector contributes almost 80 percent of GDP, employs around 4 million workers and is the second largest exporter of readymade garments in the world. The world's focus shifted to Bangladesh, perhaps for the first time since independence in 1971.

Many pundits at home and abroad forecasted a serious impact on the apparel sector, which in the recent past had seen several such incidents, including fire at Tazreen Fashions on November 24, 2012 that took 117 lives. These two incidents in a span of less than six months resulted in formation of international monitoring bodies to assess the status in Bangladesh at the ground level. It was envisaged that a majority of these sweat shops were not safe and thus, a storm was looming in the horizon for Bangladesh.

In April 2012, the world's leading strategy consulting firm McKinsey & Co published 'Bangladesh's Ready Made Garments Landscape: The Challenge of Growth'. McKinsey forecast that the Bangladesh apparel sector could reach $30 billion by 2015 and $50 billion by 2021 and noted: "While China is starting to lose its attractiveness in this realm, the sourcing caravan is moving on to the next hotspot. With Bangladesh having developed a strong position amongst European and US buyers, many companies are already eager to evaluate the future potential."

The big question since the Rana Plaza accident was -- Can Bangladesh steer this vast ocean going vessel in such a short time to be able to reach this destination?

In the latest report of Apparel CPO Survey 2013, McKinsey reiterated that in the aftermath of Rana Plaza, the RMG sector still held a competitive position. Several other reports also echoed a similar opinion. This time, all these reports showcased certain facts that indicated that the sector was not only trying hard to maintain the required global standards, but in fact, in some cases, it was far exceeding the standards set by competing countries. Thus, the reports suggest that Bangladesh is likely to be the best destination that has the ability to grab a share of the global market presently held by China. However, they are likely to face severe competition from the neighbourhood.

STATUS OF RMG MANUFACTURING FACILITIES
as of July, 2014

	*NTPA	ACCORD	ALLIANCE	TOTAL
Total factories	1,500	1,400	608	3,508
Inspection completed for factories	282	834	604	1,720
Referred to review panel	1	23	14	38
Partially closed	0	3	2	5
Closed	2	12	3	17
Decision pending	0	1	0	1
Allowed operation	0	6	9	15

SOURCE: TECHNICAL PROGRESS REPORT ON SUSTAINABILITY COMPACT-JULY 8, 2014, EU
*NATIONAL TRIPARTITE PLAN OF ACTION

In general terms, one may conclude that Bangladesh will continue to be a destination for providing quality and ethical clothing to the world. The question is -- can we reach $50 billion by the country's 50th birthday as envisioned.

The overall performance of apparel exports in the last one year compared to the previous years has not been that different. The growth rate has been around 9 percent over the previous year, which is slightly lower than the past five years' average of around 12 percent. This drop can be attributed to several factors, including a tainted image for Rana Plaza, political turmoil, energy crises, physical distribution, and discriminatory treatment by some major global buyers. Forecasts indicate that total exports are likely to reach around $27 billion by the end of 2014.

Based on a trend analysis and taking into consideration that the average growth rate for exports hovers around the 9 percent mark, the projection for 2021 stands at around $45 billion. While the same for 10 percent average growth results in approximately $48 billion. Thus, one can safely suggest that the sector does not need to do much to reach the goal of $50 billion by the country's 50th birthday. The sector must take precaution to avoid any blunder that may result in dispiriting the brands. At the same time, Bangladesh will have to try and ensure that macro environmental factors, such as power and political stability, are maintained.

The above simple analysis indicates that perhaps Bangladesh is capable of achieving much more than the targeted figure set for the sector and projected by McKinsey & Co.

To focus on some basic data and assess what might be achievable, studying the competitive scenario of some major exporting countries, including wages, productivity, bank interest rate, container exports, container imports, and capacity utilisation, is important. Bangladesh is lagging behind in some areas, but is capable of making substantial improvements within the time frame of our study. However, India has a superior advantage of grabbing a share from China, while Myanmar is strategically poised having unchartered waters for China to make a move and shift.

READ MORE ON B2

US CEOs see dimmer economic growth in 2015

AFP, *Washington*

CHIEF executives of major US companies are slightly less optimistic about the economy than three months ago and plan to cut capital spending next year, according to a survey published Tuesday.

The Business Roundtable, an association of CEOs of leading companies, said its Economic Outlook Index for the coming six months fell to 85.1 in the fourth quarter from 86.4 in the third quarter.

The index was a bit higher than the 84.5 reading in the 2013 fourth quarter, which included the October federal government shutdown over a budget dispute between Democratic President Barack Obama and Republican lawmakers.

Expectations for capital spending took the biggest hit in the latest survey, falling 5.8 points to 73.3. Executives' outlook for sales dimmed by 1.3 points to 115.1.

Hiring expectations rose, by 3.6 points to 67.1, following a decline in the third quarter.

Overall, the business leaders projected the US economy will grow only 2.4 percent next year, compared to 2.6-3.0 percent predicted by the Federal Reserve and a slightly faster pace forecast by the International Monetary Fund.

"The economy ended the year essentially where it started -- performing below its potential," said Randall Stephenson, chairman of Business Roundtable and chairman and CEO of telecom giant AT&T Inc.

Survey respondents said the two most significant factors hampering their investment spending were US tax policy and regulatory issues.

Thirty-nine percent of CEOs said that regulatory costs were their largest cost pressure over the next six months.

Stephenson called on Congress to extend business tax breaks due to expire at the end of the month and to give the president greater powers to negotiate trade deals, actions that would "encourage additional business investment in the United States to help the economy grow and create more jobs."

Stephenson, in a conference call with reporters, said the US corporate tax rate should be in line with the Organisation for Economic Co-operation and Development's average of 25 percent. It currently stands at 35 percent.

He said the survey did not address the international impact on businesses' economic outlook but that the weakness in Europe and Asia had "nothing but a suppressive effect on their sales outlook."

REUTERS

Amazon President, Chairman and CEO Jeff Bezos speaks at the Business Insider's "Ignition Future of Digital" conference in New York City on Tuesday.

Bezos defends Amazon's lack of profits, stance on publishers

REUTERS, *New York*

JEFF Bezos, the chief executive of Amazon.com Inc, was unapologetic about his twenty-year-old company's lack of profit during a rare public appearance on Tuesday, noting he spends just six hours a year on investor relations.

Bezos also discussed Amazon's acrimonious dispute with publisher Hachette Book Group and his purchase of the Washington Post. He acknowledged that Amazon had a succession plan in place, but remained tight-lipped about the details.

His comments come a day after Moody's Investors Service downgraded its outlook on Amazon to "negative," citing the company's upcoming debt offering and the "lack of visibility" about how the funds would be deployed.

Investors have grown increasingly unhappy about Amazon's spending and lack of disclosure about future plans. Its shares have fallen more than 18 percent this year, despite a 14 percent rise in the Nasdaq.

Bezos, relaxed in jeans and a gray jacket, defended Amazon's culture as one willing to spend on new projects, even if they flop like its poor-selling Fire phone.

"We are a large company, but we are also still a start-up. There is a lot of volatility in start-ups," Bezos said at a conference organized by the Business Insider blog in New York.

Bezos, an investor in Business Insider, defended Amazon's approach during its drawn-out contract dispute with Hachette, which came to light after Amazon delayed deliveries and removed pre-order options for several Hachette titles. The dispute was settled in November.

Publishers are in better shape because of e-books, which became popular after Amazon launched the Kindle e-reader in 2007, he said, adding that books are still too expensive.

"It's difficult for incumbents who have a sweet thing to embrace change," Bezos said. "Making reading more affordable is not going to make authors less money. ... It's going to make authors more money."

Bezos entered another embattled industry last year when he bought the Washington Post from the Graham family. He was initially surprised when approached about the sale, but said Don Graham convinced him. He plans to turn the Post into a national and international newspaper.

Bezos, 50, also acknowledged that there is a succession plan in place for him and his executives. When asked to reveal the next generation of leadership, he said: "It's a secret."

Indonesia to lead SE Asian online shopping boom

AFP, *Jakarta*

INDONESIA is set to lead a boom in online shopping across Southeast Asia as Internet access explodes and investors pour money into a rapidly growing host of retail startups, analysts say.

Much like China several years ago, the region is enjoying a rapid increase in web access that observers say is starting to drive a fundamental shift in shopping habits among the emerging middle class.

According to a recent report by investment bank UBS, business-to-consumer e-commerce in Southeast Asia will increase at least five-fold by 2020, and could reach as much as $35 billion a year.

It cited strong growth in Thailand and the Philippines but said Indonesia, the region's biggest economy, was the most promising market despite currently having modest online sales and low Internet penetration.

This hope is based on an expected rapid increase in web users, with consultancy Redwing saying that 125 million people are expected to be online by the end of 2015, from 55 million in 2012, coupled with an increasingly affluent middle class.

"There is huge opportunity," Daniel Tumiwa, head of the Indonesian e-commerce association, told a recent startup conference in Jakarta. "The middle class is a major, major, major driving force."

E-commerce growth across Southeast Asia has been given a kickstart by an explosion in the availability of cheap smartphones, analysts say, with many getting their first taste of the Internet on handsets that come loaded with social media and popular retail sites.

The past two years has seen a noticeable shift in Indonesia with many starting to shop online, for everything from fashion to electronics, and consumers putting aside initial worries about fraud to opt for the convenience of "e-tail", Tumiwa said.

The current star of Indonesia's nascent e-commerce scene is Tokopedia, a marketplace that allows users to set up online shops and handles transactions. In October, the site won a $100 million investment from Japan's SoftBank and US firm Sequoia Capital.

It was the biggest startup investment in Indonesia to date and the first in the country by Sequoia, a Silicon Valley venture capital firm that has been an early backer of success stories such as WhatsApp and Apple.

Numerous online shopping websites have also proven popular, from those that host classifieds, such as Kaskus and OLX, to retail sites including the Indonesian branch of Lazada, which bills itself as Southeast Asia's answer to Amazon.

Lazada, founded in 2012 and with operations in six Southeast Asian countries, has also attracted investor interest. At the weekend it secured $250 million in a fresh round of funding led by Singapore state investment giant Temasek.

The new government of President Joko Widodo is taking an interest, with Information Technology Minister Rudiantara, who goes by one name, saying that they are looking at ways of supporting the sector.

But while there is much optimism, the e-commerce sector in Southeast Asia -- home to 10 countries and a population of about 600 million people -- still has long way to go, according to analysts.

E-commerce currently accounts for just 0.2 percent of retail sales in the region, compared with 8.0 percent in China and 8.7 percent in the United States, according to the UBS report.

And huge challenges remain in the most promising market, Indonesia, not least due to the government's decision earlier this year to block foreigners from investing in e-commerce, critics say.

However, Kuo-Yi Lim, from venture capital firm Monk's Hill Ventures, said the Chinese government had taken a similar approach, adding: "People figure out ways to work with it, or work around it."