

# The four drivers, decks and dreams of the RMG frontier

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COLONIALISM is old. Orientalism is reference. Exploitation is reality. The pendulum of Time keeps swinging in between these three spaces. And in the process, many plots unfold. Some tell the story of success; some-regret and some even of hope. In the pages of history, Asia, Africa and the Americas were all colonized and the basic driver behind this colonization was cheap labor. Vasco da Gama is recorded being most exultant as he was able to buy pepper for 3 ducats in the East Indies while he would have to buy the same for 80 ducats in Venice. Was the Victorian empire really the greatest thing that ever happened to an undeserving world? Or was it as Marx had observed that the question was "not whether the English had a right to conquer India, but whether we are to prefer India conquered by the Turk, by the Persian, by the Russian, to India conquered by the Briton". If Asia was willing to be dominated for the purpose of prosperity, how much was it willing to compromise on freedom? These are questions that have trickled down the pages of history and have continued having consequences. Today, we may be the new frontier, but we are still enslaved to newer compromises of modern commerce. While our part of the world has graduated to becoming Least Developed Countries, Newly industrialised Countries, Emerging markets) and Frontier markets, most of us remain chained to the powers, which dictate and determine the markets for our product and skill including innovation. In the bogey of capitalism, many of our states have taken expensive rides down the lane where low cost local labor have often been the sacrificial goat at the altar. Cheaper locations often hopped on the same train and often got rewarded with pipe dreams and in exchange got bogged down with a lot of intractable economic, financial and political problems. Some even produced suicide bombers in the process, became Talibanized and started receiving special disaster support from specific nations. And yet remained a failed state to remain in that state of forever.

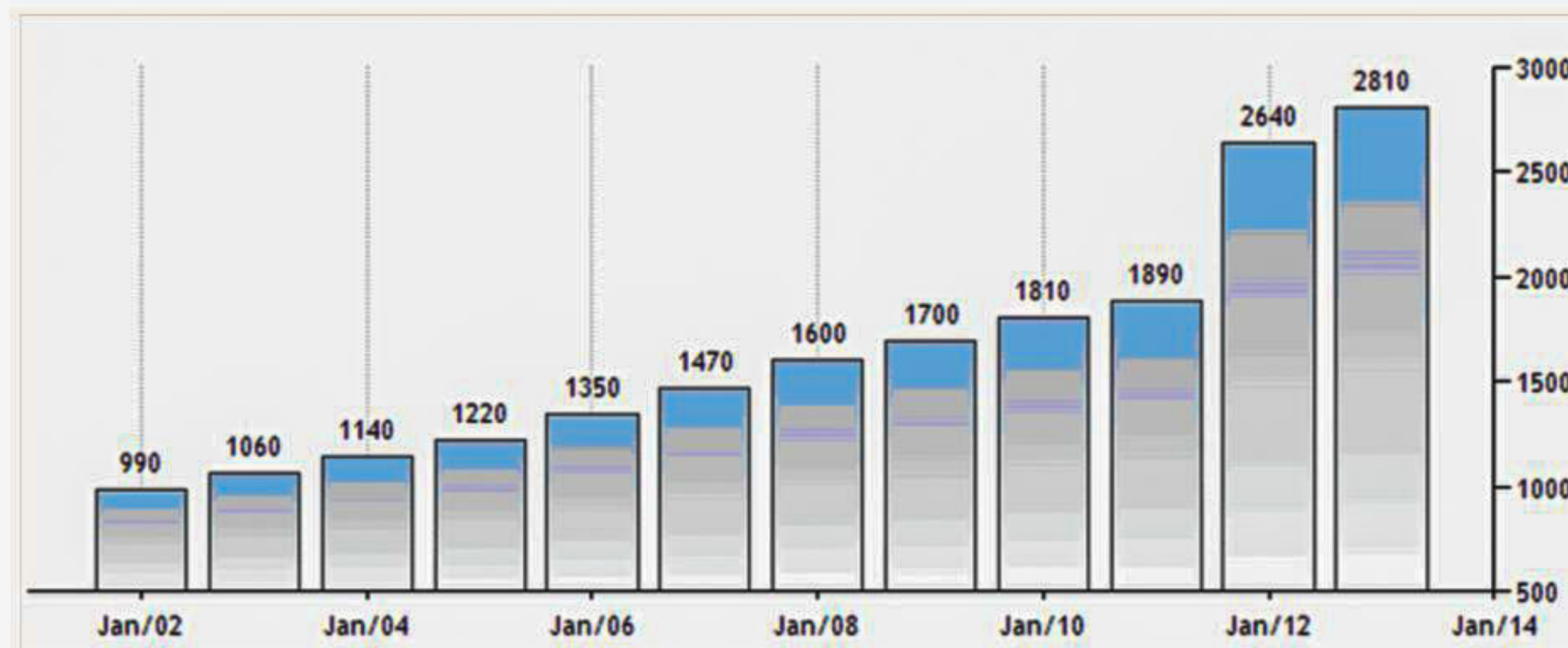
Bangladesh just happens to be a lucky land, where we have tenaciously saved ourselves from wearing the terror-tag. What we haven't quite learnt so far is to unlearn our colonial ties to the past. In spite of claiming to be decolonized, we still speak the commercial language of slavery. What we haven't done so far as yet is to tell the world that we exist in grace and dignity and we leave no room for hypocrisy. And that is exactly why every time there's even a single case of abuse in the factory, the western media picks up on it faster than the local media outlets and reports it at lightning speed. Every time there's even the slightest deviation, we are threatened with damaging exposure and before we know it, there are more than 180 western universities backing a single organization investigating the issue in "our" own premises. This is, of course only happening as the most expensive tragedy in history has happened here at our own land. Losing 1134 lives have automatically turned our picture-perfect colored 5"x4" snapshot into a stark black and white negative to be punished and developed in the dark room, devoid of sunlight and only ready to come out in time.

How long will it take for the RMG sector of Bangladesh to recover its original print in color is a tough take, but determining our niche in commerce is a question, which requires an answer. What was our dream destination and how bad is our current transit? This can only be answered if we consider who or what changed the sector in Bangladesh. The four, most meaningful turning points that contributed to success of RMG are: Noorul Quader in 1979, end of MFA in 2005, EU with rules of origin requirement changing to only one stage in 2011 and Rana Plaza collapse in 2013. These have impacted Bangladesh in more ways than one could imagine.

## FOUR DRIVERS:

i) Way back in 1979, Quader who had given up his 'Khan' title as a protest against West Pakistan's oppression, had advertised in the national dailies, recruited brilliant young men from all over, sent them overseas for training in Korea in collaboration with Daewoo and set up the first 100% export oriented garment factory in the country. Without Noorul Quader and his vision, this country would not have been where it is today.

ii) The Multi-Fiber-Agreement came into existence in 1974 as developed worlds began



to feel the need to adjust their imports from the developing world. For Bangladesh, since the EU refused to restrict imports, the exports continued to surge. Later on, at the General Agreement on Tariffs and Trade (GATT) Uruguay Round, textile trade came under the jurisdiction of the World Trade Organization. And finally the Agreement on Textiles and Clothing made way for the gradual dismantling of the quotas under the MFA. On 1 January 2005, quotas ended and while Bangladesh was anticipated to suffer the most, its Bangladesh's exports almost dramatically increased in value by about \$500 million in 2006.

iii) EU: Once upon a time, for exports to EU, most articles of apparel and clothing accessories required manufacturing from yarn up. The 2-stage production rule meant that the use of the imported goods could not exceed a certain percentage of the value of the manufactured output. These two stages of RoO of the GSP resulted in Bangladesh's exporting only 55% to the EU with Bangladesh's GSP utilization falling from 41.18% in 1996 to 19.93% in 1997. Then the EU revised its requirements and allowed imported yarn for knitwear, and ever since then, from 1998, the export started to grow. Under the current EU-Everything but Arms

Initiative, Bangladesh today continues to enjoy the duty-free, quota-free market access for all-products-except-arms to the EU under the earlier GSP. Earlier Bangladesh had zero-tariff, quota-free access to the EC market for most of her manufactured exports, subject to conformity with RoO. However, post EU-EBA scheme, 919 more tariff lines have come under the arrangement. The EU's Generalized System of Preferences, which amended the rules of Origin requirements on the 18th of November 2010, provided the apparel sector with its biggest destination of export. Bangladesh became the second highest garment-exporting nation of the world overnight.

iv) Rana Plaza: While in history, Quader remains as our national hero forever, Rana will continue as a national nightmare for all times to come. The collapse of Rana Plaza on the 24th of April 2013 marked the final turning point of this nation's history. Starting from the Mirpur tragedy in 1990, to 53 deaths in Choudhury Knitwear in 2000, to 24 deaths at Maico Sweaters in 2001, the nine in Nisco Supermarket building, the 23 at Shan Knitting, and of course the 64 in an incident of building collapse of Spectrum in 2005, Tazreen fire which killed 112 lives in 2012 down to the collapse of Rana Plaza killing 1134, our records wreak of tragedy. The final

episode of Rana plaza collapse was what we call an "opportunity" for Bangladesh to turn around and remediate the lapses.

While these four actors steers the fate of RMG in Bangladesh's history, there's yet another four decks which the country's grappling with this minute...

## FOUR DECKS:

i) Trade Union: I spent the entire afternoon today speaking to an aggrieved manufacturer against whom a story on international media has just appeared alleging that trade union leaders were beaten up in his factory in two occasions. The report has cost him his business and his lifelong reputation as a remarkable businessman and an outspoken parliamentarian. Many forces are at work in his case and unfortunately many amongst us have blown the rhetorical pipe of abuse in western platforms. Buyers, already scarred by independent NGOs and bad press coverage have shied away from placing orders to the factory and are pressing the manufacturer to sign a deal with a particular local federation which will have access to the factory to manipulate more to its advantage in the factory. When the local leader was contacted and told that there was a government initiative to mitigate the problems, he responded by saying that the government itself was

illegitimate. While all the manufacturers need to steady their selves and prepare for a seamless transition to trade union, one ought to also realize that unionism or the concept of collective bargaining cannot be prescribed. If the workers opt for unions, so be it. But the pressure should not be from anywhere else but from within.

ii) Remediation: Post Rana Plaza, the findings of Alliance and Accord have identified and listed a number of structural flaws in the factories in Bangladesh, all of which are remediable. Less than 25 factories got the notice of closure and the rest were allowed to function. The remediation requires substantial funding with the figures stretching from \$250,000 to \$500,000. Factories are being asked to apply for loans at low interest rates in a process where responsible retailers are vouching for their vendors and are providing guarantees to the financial institution, which are going to lend with caution. Starting from the sprinkler, addressable fire alarm system to the fire resistive walls and the fire doors...all need to be addressed and remedied. And most of all, all of them require time and cannot be considered as a cosmetically treated exercise.

iii) Product Efficiency: Most factories today need to calculate on a Standard Allowed Minute (SAM) and provide the customer the exact time it takes to produce a garment. This procedure has the benefit of recording the level of efficiency. Bangladesh, a country where repeat orders always find their way back to the same factory floors, can benefit from the record that this process provides so that the factory can negotiate better while accepting the new and the repeat orders in the next round. While the customers are pressing for efficient costing, smart production and quick turn around time, it is essential for a factory to also invest in technique and tools. Slowly automation also is setting in. Machines are fast replacing man. The huge jacquard machines in the factory tell the simultaneous story of efficiency and lay off. Trade off for automation is huge and incredibly tragic. Therefore training the workers to be more production savvy is perhaps the worthwhile option.

iv) Product upgrade: Challenge for the country is also to graduate to producing the next level of the same product. If a manufacturer was producing a plain blouse, he/she should want more detail on the garment so that the customer pays for the embellishment and the extra work. If one were doing blazers, would the idea of coordinates appeal to the same buyer who buys suits? Then would it be feasible and reasonable to diversify in products of the same genre and feel? Perhaps yes. As much as the customers seek consistency in a supplier's product range, they also seek for multiple capabilities, which would allow the customer more flexibility to place other products and would also enable the factory to do maximum products in the same production lines by adjusting and adding machines to suit the production needs. Bangladesh has long served as a country for basics. While Myanmar and Ethiopia will attempt grabbing some business from our end, it would be worthwhile for us to steal some fashion products from China and