A paradigm shift in garment industry

MD SHAHIDULLAH AZIM

SUCCESS stories are always full of sweet and sour events since achievements do not come on a silver platter. What could be a better example of this than our garment industry?

The industry that emerged as a small non-traditional sector in export in the late 1970s has now become crucial to our economy as the main source of export earnings and employment generation. Beginning its journey with only 130 workers and export earnings of $12,000, it is now a $25-billion sector that employs around 4.4 million people, 80 percent of whom are women.

Now we are the second largest apparel exporting country in the world and the sector has been contributing to the economy with export earnings, employment generation, women empowerment and poverty alleviation for the last 35 years.

Was the sector's journey rosy? The answer is a simple no. It has faced a number of challenges, including child labour issues, multi-fibre arrangement phase-out, and global recession.

We have dealt with these challenges and been able to sustain growth. However, the biggest challenge for the industry emerged after the tragic building collapse in 2013. Many thought the incident would mark the end of the sector's journey. But what we have seen is a new beginning. The industry that transformed the economy and lives of millions of people has itself been transformed.

The collapse of the Rana Plaza building was a wake-up call for us -- a call to turn around and build a safe and sustainable industry. We can proudly say that as a nation, we have once again proved that we can face any challenge, be it natural or manmade. Given the size of our apparel industry, ensuring worker safety in the garment factories was a daunting task for us but we took up the challenge and it is heartening to see that significant progress has been made in the areas of safety, including fire, and electrical and structural safety, in the garment factories.

For the first time in the history of the global garment industry, all stakeholders have realised that ensuring safety and

STAR/FILE

The garment industry that transformed the economy and lives of millions of people has itself been transformed.

wellbeing of the workers is a shared responsibility and this feeling has inspired governments, brands, buyers, suppliers, entrepreneurs, and workers to work hand-in-hand.

This is probably the only instance in the world where brands and buyers who compete with each other have come together to make an industry safe and sustainable. European brands and buyers formed the Accord on Fire and Building Safety while the North American ones initiated the Alliance for Bangladesh Worker Safety. The National Tripartite Action Plan for Building and Fire Safety was adopted by the government as well.

Till now, 2,643 factories have been inspected by three initiatives -- 1,261 by Accord, 647 by Alliance and 735 factories by National Action Plan.

What is more encouraging is that only around 1.25 percent of the inspected factories were found vulnerable and closed down immediately. All the inspection reports of the factories are available at the Fair Factory Clearinghouse (FFC) database, which is accessible by all the buyers, making our progress ever more transparent and credible.

Moreover, factories are implementing corrective action plans provided by Accord and Alliance. The government has taken a number of steps to augment the safety initiatives. The Directorate of Inspection for Factories and Establishments has been upgraded to the status of a department. The government has recruited 200 inspectors, made the import of safety equipment duty-free and launched a safety hotline for workers.

Bangladesh Garment Manufacturers and Exporters Association also took a number of steps to supplement workplace safety efforts by forming a team of 35 fire trainers in December 2013. This team trained 83,678 workers and staff members in 2,386 factories. BGMEA runs a "crash programme" on fire safety and so far 20,188 personnel of 2,342 factories have been trained.

We have also made significant progress in the areas of knowledge, awareness and rights issues. The Labour Law 2006 was amended within just 90 days of the building collapse, making the law more favourable towards ensuring worker rights. The dramatic progress in new trade union registration is a tangible result of this amendment. Until 2012, there were only 138 trade unions in the sector; from January 2013 till now, 304 new trade unions have been registered.

The minimum wage of the garment workers has also been increased by 219 percent over the past five years. The Better Work Programme has been launched by International Labour Organisation and International Finance Corporation.

There goes an old adage that every cloud has a silver lining and it best relates to our garment industry. When all the inspections will be over and the factories complete their corrective action plans, the garment industry of Bangladesh can be regarded as the safest industry in the world.

The writer is the vice-president of BGMEA and editor of the Apparel Story.

China to merge scores of major state firms

AFP, *Shanghai*

China is considering merging scores of its biggest state-owned enterprises to create around 40 national champions from the existing 112, the official Xinhua news agency said Monday.

The report said state firms would be merged or acquired, but gave no timelines or details about which companies would merge.

But it said the M&A would help build a stronger competitive edge among the SOEs and prevent cut-throat infighting, which was causing many of the Chinese giants to lag behind their foreign counterparts.

"The State-owned Assets Supervision and Administration Commission has issued an internal document to promote the process," Xinhua quoted an unidentified source as saying.

SASAC manages state-owned assets of enterprises under the direct supervision of the central government, which now number 112, according to its website.

The government agency could not be immediately reached for comment.

Although China has made the state sector far leaner since the late 1990s, government-backed companies still dominate large sectors of the economy such as energy and telecommunications.

A reduction in the number of state firms would follow a 2013 Communist Party meeting known as the Third Plenum, at which leaders pledged to loosen the state's grip over the world's second largest economy by allowing the market to play a decisive role.

China's top two train makers, state-owned China CNR Corp. and CSR Corp., last year announced they would combine into a single huge conglomerate to compete with foreign players and prevent in-fighting between them.

But the nation's two biggest oil companies Sinopec and China National Petroleum Corp (CNPC) earlier this year denied a similar plan for a future merger between them.

Media reports at the time said that the government intended to restructure the energy industry.

As part of recent economic reforms, a Sinopec unit sold a 30 percent stake in its marketing arm to outside investors for more than $17 billion, while a CNPC subsidiary unveiled plans to spin off part of its pipeline business.

Speculation about a wave of mergers and acquisitions helped send China's benchmark Shanghai Composite Index up more than three percent on Monday to a more than seven-year high, with energy firms among the biggest gainers, analysts said.

AFP

Indian janitors clean the facade of a highrise building in Mumbai yesterday. India's economy will grow much faster than forecast this year and next and outpace rival China, the IMF said, citing falling oil prices and a reform drive by the government of Prime Minister Narendra Modi.

Kazakhstan 'buy local' drive battles ruble-cheap Russian imports

AFP, *Almaty, Kazakhstan*

Shelves in supermarkets across the ex-Soviet republic of Kazakhstan teem with bright signs championing locally-produced goods over Russian alternatives.

The push to buy local is part of the government's "Made in Kazakhstan" initiative to support domestic producers struggling to match cheap imports from neighbouring Russia, which have enjoyed the competitive benefits of the sanction-battered ruble's dramatic slide in value.

The campaign was launched despite Kazakhstan and Russia having entered the Eurasian Economic Union earlier this year -- the trade bloc backed by both countries' authoritarian presidents.

The blue "KZ" labels of the Buy Kazakh campaign appear to be achieving their objective with some patriotic shoppers.

"I prefer to buy our local goods," said Dina Kim, 29, as she browsed in a supermarket in downtown Almaty, Kazakhstan's largest city. "I try not to feed my family Russian and Turkish products," she told AFP.

Others, such as Vera, 45, are unconvinced. "The government told us integration with Russia would make products cheaper," she said.

"When it finally happens, they're telling us to buy something that is more expensive."

Authorities in Astana have recently slapped bans on fuel and foods -- from chocolate to pork products -- imported from its strategic Russian partner, citing alleged sanitary breaches.

Moscow has responded with tit-for-tat measures as both government seek to protect affected businesses.

Following complaints by Kazakh confectionery giant Rakhat that its sales have plummeted 20-30 percent this year due to Russian competitors selling their products up to 60 percent cheaper, Astana moved to bolster the company's fortunes this month by banning Russian chocolate.

Prohibitions are also roiling fuel products after Kazakhstan suspended imports for 45 days on March 5, citing a domestic surplus. Last week the Kazakh government renewed restrictions on Russian diesel imports, with local refiners standing to benefit as farmers prepare for the spring sowing season.

Officials in both countries deny problems in bilateral relations, with Putin's spokesman Dmitry Peskov recently calling talk of a trade war an "exaggeration".

Kazakhstan's Deputy Economy Minister Kairbek Uskenbaev said the bans concerned "specific companies," and would not damage the country's "most friendly" relations with Russia.

The flurry of trade manoeuvres come as 74-year-old Kazakh President Nursultan Nazarbayev was set to sweep a virtually uncontested snap presidential poll on Sunday, and extend his 26-year reign in ex-Soviet Central Asia's most prosperous country for a further five years.

Quake devastates Nepal's economy

AFP, *Kathmandu*

NEPAL, one of Asia's poorest countries, faces a crippling multi-billion dollar post-quake reconstruction bill that will set it back years, just as its economy was looking up after a decade-long civil war.

Saturday's 7.8-magnitude quake devastated much of the capital Kathmandu and killed more than 3,200 people in Nepal's deadliest disaster for more than 80 years.

Racked by political instability since a deadly war with Maoist rebels ended in 2006, earthquake-prone Nepal must now cope with the added burden of a massive rebuilding effort that its shattered economy will not be able to afford on its own.

"The Nepal earthquake has had a devastating impact on the economy of Nepal, which is a very poor nation and has extremely limited capacity to finance relief efforts and reconstruction from their own resources," said Rajiv Biswas, Asia-Pacific chief economist at business research firm IHS.

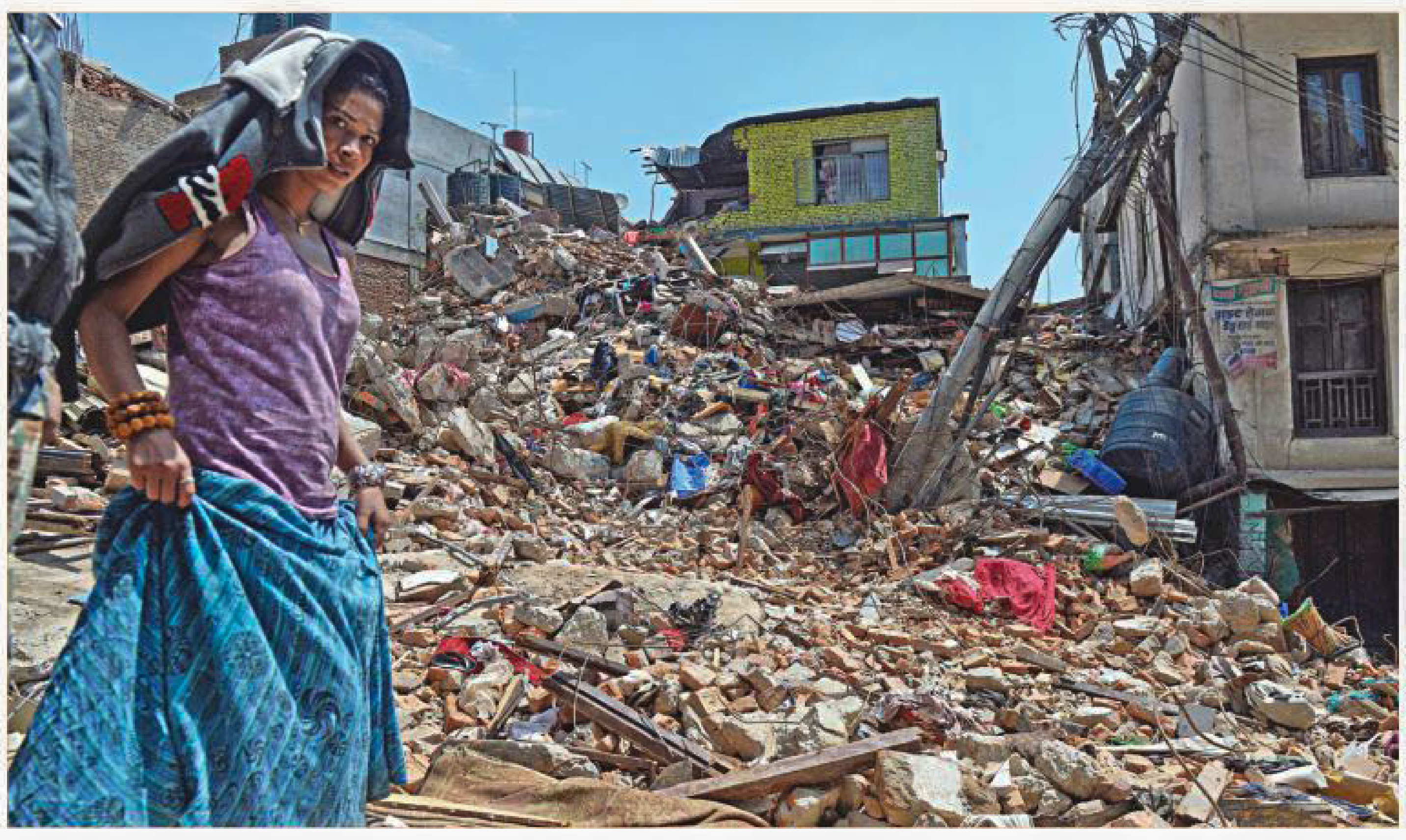
"The total long-term cost of reconstruction in Nepal using appropriate building standards for regions vulnerable to severe earthquakes could exceed $5 billion, which is around 20 percent of Nepal's GDP," he added in a note.

"Massive international disaster relief and rescue efforts will be needed urgently, as well as large-scale international financial and technical assistance for long-term reconstruction of the economy," Biswas said. Nepal has an annual per capita GDP of only $1,000 per person, according to IHS, with many families living in poverty -- relying on agriculture and increasingly tourism to make ends meet.

Agriculture is the economy's biggest sector, employing over 70 percent of the population and contributing 33 percent of GDP, according to the trading economics website.

Saturday's quake, the strongest to hit Nepal since 1934 when 10,700 people were killed, ripped apart infrastructure, destroying roads and buildings and paralysing communications.

Asian Development Bank official Hun Kim



AFP

A Nepalese woman walks past a damaged house in Balaju in Kathmandu yesterday.

estimated that 40 percent of the country was affected. "On a personal level, people have lost their houses and assets. The government will have to quantify the loss of infrastructure," Kathmandu-based economist Bishamber Pyakurel told AFP, describing the impact on the economy as "grave".

"The growth rate of the country will be hit. Agriculture contributes over 30 percent of our GDP and with 36 districts affected, it is unlikely that our growth projections will be met. Difficult times are ahead," Pyakurel said.

The economist said food prices would start to rise, putting further strain on traumatised families who have been left with nothing. "The demand for essential goods is rising but there is a supply constraint," he said.

Nepal's GDP grew 5.48 percent last year, the country's central bureau of statistics showed on the trading economics site, much improved from the 0.16 percent recorded at the height of the Maoist insurrection in 2002.

The civil war left more than 16,000 dead. The government has begun to get the country back off its knees but political bickering has prevented the drafting of a new constitution.

Crucial to the growth increase has been tourism. Nepal attracted almost 800,000 foreign visitors in 2013 -- many of them climbers heading straight to Mount Everest but also less adventurous tourists seeking the rich cultural history of Kathmandu.

The capital now lies partly in ruins, with tens of thousands of residents living in tents after the quake turned their homes into piles of rubble.

The historic Dharahara tower, a major tourist attraction, was among the buildings which crumbled as Kathmandu shook violently, flattening high-rises and cutting off power.

"Kathmandu is central to the nation's economy, and it's crippled," Madhukar Shumsher Rana, a former Nepal finance minister, told Bloomberg News.

Global shifts leave India's exporters exposed to lofty rupee

REUTERS, *Bengaluru*

The rupee has climbed to heights seen only once before in the past decade, as measured against the currencies of the country's trading partners. Unlike past periods of strength, it has exporters reeling. The rupee's real effective exchange rate (REER) - calculated on a trade-weighted basis against a basket of 36 currencies and adjusted for inflation - rose to 113.2 in March, according to the Reserve Bank of India. This year is only the second time the rupee's REER has exceeded 112, in data going back to 2004. The other time was during a one-year stretch from September 2010 to August 2011.

During the previous period of currency strength, many other emerging currencies were also strong and export growth was stoked by robust global demand, helping to cushion the impact on exporters. This time, however, those relationships are reversed. Ministry of Commerce and Industry data shows India's exports fell 21.1 percent year-on-year in March, the biggest drop in more than five years.

This double-whammy of dull foreign demand and a strong currency is posing a dilemma for India's policy-makers, while exporting industries from jewellery and pharmaceuticals to commodities and IT outsourcing are feeling the pain of lower profits and weaker competitiveness. "For the first time in a decade - which includes the boom period and the bust period also - REER is moving up and exports are moving down," said Nikhil Gupta, analyst at brokerage Nirmal Bang.

A stronger rupee erodes exporters' profits that are earned abroad and converted back into the Indian currency. The export-oriented IT, energy, and metals and mining sectors are forecast to be three of India's four worst-performing sectors in earnings growth over the next 12 months, Thomson Reuters StarMine data shows. And while exporters have got some relief from a 3 percent pullback in the rupee since early March to 63.59 per dollar, they still face increased competition from Europe, Japan and others with weaker currencies, in markets where they have traditionally performed well.