

Diversify manufacturing base

President of JustJobs Network, says cheap labour should not be the only competitive advantage

STAR BUSINESS REPORT

BANGLADESH will fall behind its competitors if it does not break free of the cheap-labour mindset and diversify its manufacturing base away from garments, an analyst and rights advocate said. Sabina Dewan, president and executive director of JustJobs Network, a global research organisation focused on the creation of more and better jobs, said a lot of countries like Bangladesh are stuck in low-end manufacturing and unable to diversify. "As an economy if you specialise in low-end manufacturing alone, without diversifying your sectors, you will remain stuck in the mindset that cheap labour is your only competitive advantage," she said.

Other countries are improving their value-added sectors, diversifying manufacturing and developing skills of their workforce. Without diversification and investing in workers, Bangladesh will ultimately fall behind. "As a result, you will not be able to raise the living standards for your country. At the end of the day, that is not politically, economically, or socially viable," she said.

Dewan spoke to The Daily Star on the sidelines of the Asian Development Bank's annual meetings in Baku, the capital of Azerbaijan, on May 4.

Bangladesh's manufacturing sector is dominated by the garment sector, which accounts for 80 percent of the country's \$31 billion annual exports.

JustJobs Network works with policymakers, business leaders, and civil society to help define a new kind of economic growth -- one that puts people first, recognises the value of work, and fosters the creation of just and equitable societies, according to its website.

Dewan, also a senior fellow at the Centre for American Progress, said a number of countries are engaged in a manufacturing game as they are rushing to set up and expand their manufacturing sectors.

"Different countries are trying to figure out the best strategies to claim their share of the global value chain."

She thinks the rush of the companies to become more competitive and grab their share in the global value chain has an impact



Sabina Dewan

on workers.

Governments and companies need to recognise that labour is not just a cheap commodity, rather the well-trained workers are an asset.

"When we talk about productivity and efficiency, we think about capital investments. If companies invest in skills development, workers' safety, and health and education for workers, it will ultimately improve productivity and efficiency."

"What happened with Tazreen Fashions and Rana Plaza shows how competitiveness can actually be hurt when you don't invest in workers and think about labour, capital and

efficiency altogether, not one or the other -- all three are important."

She said all stakeholders -- from buyers and governments to factory owners to unions -- have to work together to make factories safer and raise living standards of workers.

"People wrongly think that the entire responsibility is on governments alone. That is not right. I think responsibility is a shared one. Big brands are equally responsible and have a role to play. I think it is more than a moral imperative."

She said companies need to realise that improving working conditions and respecting labour rights is an economic imperative.

The responsibility does not end there. "I think companies also need to recognise that if workers are being paid a fair wage, it generates more demand. And as you raise demand, it has a positive impact because more people will be able to afford their products and services."

Dewan said consumers in developed countries are becoming much more aware of workers' rights and where their products are being produced.

"I would be reluctant to buy clothes when I know that the workers are being exploited." JustJobs tries to inform people of the importance of making sure that workers are

being treated fairly and are getting fair wages. "We advocate for this because it makes economic sense. Higher living standards mean greater demand. If you have a healthier and more productive workforce, it ultimately helps GDP," Dewan said.

She thinks the role of the media is extremely important in changing the mindset of companies, the government and policymakers that cheap labour is Bangladesh's only competitive advantage.

She also said Bangladesh's growth model riding on low-end manufacturing has taken heat after the recent industrial disasters.

Bangladesh's competitor Vietnam has a more successful model so far in the manufacturing sector. "In terms of diversification of industries, Vietnam has a more successful model, and part of that is because they have been able to move up the value chain."

Dewan said the minimum wage in Bangladesh is increasing but the rise is not fast enough, and it is among the lowest in the world. "Bangladesh has a long way to go if you look at the living wage."

She said there has been progress in improving worker safety in Bangladesh following the collapse of the Rana Plaza building.

One thing upsets her. "It takes a disaster like Rana Plaza collapse before the international community mobilises. Once the cameras are switched off, everybody forgets. We have to keep the pressure on -- not just in times of disaster but on a long-term basis."

Dewan said all eyes are on Bangladesh to see how joint efforts among political parties, the government, unions and brands in fixing problems, particularly in the garment sector, are paying off.

"There are lessons we can learn from what is happening in Bangladesh. I hope the government in Bangladesh takes this issue seriously and starts to see low-cost labour more than just a competitive advantage in boosting their manufacturing sector."

She has witnessed many challenges people face as she travels various parts of the world as the executive director of JustJobs.

"I think employment is one of the most important issues for humanity," said Dewan, who has also worked with the International Labour Organisation.



A man uses his mobile phone to take a photo in front of a model of the Eiffel Tower outside a mall in Beijing. Foreign direct investment into China jumped more than 10 percent year-on-year in April, according to the country's commerce ministry, accelerating significantly from previous months despite slowing growth in the world's second-largest economy.

Greece close to EU-IMF deal but creditors must drop 'absurd' demands

AFP, Athens

GREEK Prime Minister Alexis Tsipras on Friday said the country was close to a default-saving reform deal but called on EU-IMF creditors to withdraw "absurd" demands for further austerity cuts after ducking a loan repayment to the IMF.

"I believe we are now closer than ever to a deal," Tsipras said in a speech to parliament as he faced criticism from the opposition on the state of the negotiations.

But Tsipras insisted that any agreement had to include debt relief in order to be a "definitive" solution to the Greek crisis, and he rejected proposals made by the country's international creditors this week. "It is clear that the Greek government cannot under any circumstances consent to absurd proposals," the PM said.

Athens had earlier ramped up pressure in the make-or-break negotiations after postponing a loan repayment due Friday, and securing time to reach a deal compatible with its anti-austerity programme.

Tsipras, 40, is under pressure from hardliners in his party insisting on a firm rebuttal of austerity demands.

Athens had been scheduled to repay the International Monetary Fund 300 million euros (\$340 million), but late Thursday it announced it would bundle all four IMF

remittances totalling 1.6 billion euros due this month in a single June 30 payment.

Dodging the threat of an immediate default, Greece has bought more time to negotiate with its creditors -- the European Union, IMF and European Central Bank -- who are demanding tough reforms before releasing the final 7.2 billion euros in bailout funds.

But the move rattled investors, with the Athens Composite Index falling by more than five percent before closing 4.96 percent down Friday. Many worry that a default would set off a chain of events that could lead to a messy Greek exit from the euro.

"Tsipras will need some concessions by creditors on key items to win over critics in his own party: either by dropping requirements to increase sales tax or by scrapping benefits for low pensions, together with some gesture in terms of debt relief," IHS Global Insight senior economist Diego Iscarro said in a note.

"If creditors do not concede on either of these, then default risks would increase rapidly," he said. Next week Athens will seek to raise nearly 2.3 billion euros in six- and three-month treasury bills.

Tsipras's radical left government is seeking less harsh fiscal and reform requirements attached to loans from creditors, who in turn have expressed dissatisfaction with Greece's ability to fulfil its promises.

Iranian entrepreneurs thirst for foreign funding, expertise

REUTERS, Berlin

TOHID Tasoujian is a co-founder of online fashion store Taxi Moda and one of a growing breed of Internet entrepreneurs in sanctions-hit Iran.

He set out his stall this week at a conference of more than 80 Iranian start-ups in Berlin, the biggest event of its kind outside Iran, as the country gears up for a possible easing of sanctions imposed because of its nuclear programme.

A graphic designer, Tasoujian went back to school three years ago to study for an MBA at the University of Tehran. When he graduated, ecommerce was on the rise, and he persuaded a friend to found the digital shopping platform with him.

"I liked graphic design but I thought: 'We can do more,'" the 38-year-old told Reuters.

The desire to do more is gripping an increasing number of young, tech-savvy Iranians, who have used their country's isolation under US and EU sanctions as well as domestic censorship of foreign rivals to develop home-grown versions of Amazon, eBay or YouTube.

A support system of mentors, seed funders and venture-capital funds has begun to take shape, but financing can still be hard to find and, while Iran produces many top-class computer engineers, business experience is still scarce.

"Access to finance for start-ups is still at a very nascent stage," Mohsen Malayeri, co-founder of the Iran Entrepreneurship Association, told Reuters at the iBridge conference.

"We have talented engineers but understanding market dynamics is different."

Some Iranian start-ups have flourished with backing from Sarava, Iran's first venture-capital fund, which has invested in online retailer Digikala and Google Android app store Cafe Bazaar, two of Iran's best-known Internet companies.

Digikala went on to attract a \$10 million investment from a European fund last year, making headlines as this valued the company at \$150 million, while Cafe Bazaar's co-founder Hessam Armandehi is a poster child for Iran's high-tech scene.

"We tried to create a Silicon-Valley culture inside Iran. It's a hard thing to create. It's very different from the mindset of investors and the government there," said 29-year-old Armandehi, who has founded two other start-ups.

Cafe Bazaar, which offers mostly Iranian apps for social media, messaging and other



BBC NEWS

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uses, is already used by 21 million of Iran's estimated 30 million smartphone owners and is growing at a rate of about 35 percent every quarter, Armandehi said.

This example has given hope to other entrepreneurs that they need not leave Iran to find success in the United States or Europe -- as many continue to do in a brain drain that has been going on for decades.

That is also the hope of the conference's organisers, a community of expatriate Iranians that started in Silicon Valley, home to many prominent entrepreneurs of Iranian origin including former eBay chairman Pierre Omidyar and ex-Yahoo technology chief Farzad Nazem.

"We said maybe we should hold a conference because whenever Iran is mentioned in the media it's always bad news," said iBridges core member Kamran Elahian, co-founder of multiple start-ups including Cirrus Logic and now primarily a venture capitalist and philanthropist.

The first iBridge conference was held at the University of California, Berkeley, last year and just 20 Iranians managed to get visas. A key reason for holding the next one in Berlin was the German government's willingness to give 300 visas, he said.

Silicon Valley angel investor Dave McClure, a friend of Alahian's, was a star attraction at the Berlin conference and found himself surrounded by dozens of hopefuls frantically pitching their companies.

McClure, though, said he had no imminent plans to invest in Iran, although its 81 million-strong population dominated by well-educated people under 35 made it an intriguing prospect.

"I'm here to meet people who are interesting and smart," he told Reuters. "We will do some investment in Iran as soon as the US lets us."

That cautious approach is echoed by most, but not all, foreign investors. The European fund that bought the Digikala stake - which has not gone public about its investment - got a licence from its home government because the business was not in a sanctioned industry. But the process was difficult, said Griffon Capital co-founder Xanyar Kamangar, who advised on the deal.

And Germany's Rocket Internet, which is building a global ecommerce empire by replicating proven Internet businesses in emerging and frontier markets, is poised to enter Iran through a joint venture with South Africa's MTN.

The venture, Middle East Internet Group (MEIG), was founded in 2013 and has operations in six countries in the region, mainly in the Gulf. Telecoms operator MTN is a minority shareholder in Iranian carrier IranCell.

MEIG however is not operating in Iran yet, a Rocket spokesman said. Any lifting of sanctions is to be welcomed but will be a mixed blessing for Iran's still-fragile high-tech scene, said Malayeri, who runs a start-up accelerator firm alongside his work at the Iran Entrepreneurship Association.