

# Reversing the declining price of RMG exports

## Only six factory inspectors for 25,000 boilers!

### Accidents on an alarming rise

HERE are some 5,000 boilers at industrial level that are authorised to operate by law. We have another 20,000 boilers that are unauthorised. The last three boiler-related accidents this year cost 17 lives and that is not at all surprising. We are lacking in two major areas that allow for these boilers to explode so frequently. First, there is the question of factory inspectors; the law states that a factory inspector should check whether a boiler is safe to operate but there are a total of only six government inspectors working with the Office of the Chief Inspector of Boilers, which translates into every factory inspector spending 840 working days to do one round of boiler inspections. That means, given current manpower constraints, it is next to impossible to maintain any semblance of safety check on installed boilers in the country. Next we have the question of trained hands to operate these boilers, which we are informed, is sorely lacking.

What we have here is yet another Rana Plaza-type situation literally waiting to happen. While many an industry owner and factory inspector may find comfort in the knowledge that a boiler is supposed to last 30 years, we wonder whether the mean time between failures takes into account the general lack of skilled operators handling these boilers. Mishandling results in reducing the stated lifespan of a boiler, not to mention accidents which are taking lives. We strongly urge the government to take a look at these figures and take steps to seriously beef up factory inspector numbers, because the magic number of six inspectors has lost its sheen a long time ago. Safety inspections are mandatory in any industry and there is no shortcut way around it, as there is no recourse to hiring trained technicians to handle boilers.

## Three-wheelers plying highways

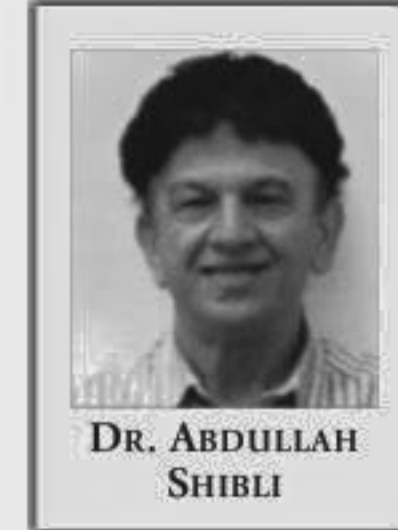
### Strict enforcement of law needed

THE High Court ban on three-wheelers and slow-moving vehicles on highways is being flouted with impunity. A photo of one such vehicle – with trucks and motorbikes seen following it – overloaded with bamboo plying the Dhaka-Sylhet highway published in this daily yesterday is an example of this.

What is the use of a government order if its enforcement is almost non-existent? Unfortunately, the sight of three-wheelers travelling on highways is so commonplace that the public have become desensitised to it.

Road safety has emerged as an inescapable priority for Bangladesh today. A recent government-supervised survey revealed that on average 64 people die every day and 23,166 die every year due to injuries from traffic accidents. Last month alone, at least 362 people were killed and 865 others injured in 330 road accidents, according to a press release of the National Committee to Protect Shipping, Roads and Railways. The Committee cited violation of traffic rules and regulations and increased number of three-wheelers on roads as some of the primary causes of road accidents.

These numbers are startling to say the least. Given that road accidents are one of the biggest reasons of unnatural deaths in Bangladesh, it is incomprehensible as to why the issue is not yet being taken seriously by the authorities. A major concern regarding road safety is the stranglehold that undisciplined drivers have over the safety of passengers and pedestrians and it can only be loosened with the strict enforcement of the law.



DR. ABDULLAH SHIBLI

One" has caught on, and the government has been corralled in to promote this cause. As late as December 2016, at a seminar organised by BGMEA entitled "Taking Bangladesh Apparel Sector Forward", the State Minister for Foreign Affairs Mr. Shahriar Alam echoed these sentiments. But things look a little less rosy now than they did three years ago. Last fiscal year, from July 2015 to June 2016, our garments exports totalled USD 28.09 billion whereas in the calendar year ending in December 2016, our exports were USD 28.67 billion. To reach the target of USD 50 billion in 2021, while we have a little over four more years to play, the export rate needs to grow at a 12.25 percent cumulative rate, according to the Sourcing Journal. Is that achievable? It certainly is not an impossible task! Past growth rates have been in the double digits, but given the current global economic and trade environment, whether it is possible for Bangladesh to continue notching up double-digit growth rates is moot.

We can export more garments in physical quantity, but if the price keeps falling, our revenue goes down! There is no question that we are exporting more pieces of shirts, pants, t-shirts, etc. each successive year, but our exports in dollar terms, after discounting for inflation, is not growing as fast as it could have.

And, an important part of this equation is the fact that price of garments is declining and not keeping up with costs. According to a report by ESCAP, the price growth of export goods of Bangladesh will decline in 2017 compared to the current year but the volume will increase significantly in the same period. While this report, *Asia-Pacific Trade and Investment Report 2016*, considered all exports, the prospect for RMG falls into the general mould of declining prices. At a recent conference at Harvard organised by ISDI, all stakeholders including representatives from the buyers and labour unions agreed that the price of clothing has been declining in recent years. And, the downward pressure on price, from the demand side, has been two-fold: consumers are now buying more high-

end products and "apparel and footwear sellers are losing consumer dollars to healthcare, rent, home-related products, electronics and cars." Another reason for the lower price is that with greater prosperity, it is well-known that basic needs such as food and clothing have low income and price elasticity.

What can we do then to boost our prices? Even at the risk of being a spoiler, let me give you the answer to this question up front: There are many approaches, which include marketing, engineering, management, and economic tools, to raise the price of RMG and are well-known, the ultimate goal is not easy to accomplish.

Interestingly, the Commerce Minister Tofail Ahmed last month urged "labour bodies to press buyers to raise RMG

the other three, particularly diversification and exchange rate are important issues, I will save these topics for another discussion, and throw up a few ideas on price.

The key question is what are the factors that influence the market price of garments that we export? Notwithstanding the appeal by our Prime Minister to foreign buyers to increase the price they offer, one only has to note that while Bangladesh has a large share of the RMG export market, we are a price taker. Basic economics teaches us that for such products, the forces of supply and demand prevail in the global market, and an individual supplier like us cannot influence price by manipulating either market supply or demand curve. We operate in a very competitive market, and our competitors



COURTESY: LAUFEN MIT FRAUSCHMITT

prices". The Minister, at a training programme organised by BGMEA, exhorted the union leaders to connect with their counterparts in the importing countries to use their influence on buyers and consumers. He said "the labour organisations of the RMG sector should tell the buyers to raise product prices which would help increase labour wages in the sector." Whether this roundabout approach would work is questionable. In my district Sylhet, this circuitous way of doing things, even if effective, is sarcastically called *tin khutai baingon para* or plucking an eggplant with three poles.

More realistically, there are four economic ways to boost exports: quantity, price, changing product mix and exchange rate manipulation. While

including Vietnam, Sri Lanka and the Philippines have increased facilities in the RMG sector leading to downward pressure on global prices. But we can boost our share of the high-end products, at the expense of China and Vietnam, with some planning and marketing. And that would be a very smart strategic move in the intermediate term.

The industry can also boost profitability, without increasing price, by increasing productivity and efficiency. Ironically, readymade garments exporters have recently demanded higher cash incentives and devaluation of taka against the US dollar. The association also demanded that the apparel factories should be exempted from the gas price hike that the government planned to

implement from January 2017. While it is true that Bangladesh RMG sector is caught between a rock and a hard place, our salvation is not in government subsidies but in better infrastructure and less red-tape. A lower cost of borrowing will also help exporters improve profit margins. If exporters are at a disadvantage due to say high cost of funds, we should address it directly rather than through devaluation.

In the years to come, to retain our market share in the low-cost-and-high-efficient region, the path to profitability and export growth is increased efficiency, higher productivity, and quality management. The global apparel market is valued at 3 trillion dollar, and between 2007 and 2013 the market increased with an average annual growth of 5.1 percent. It has been predicted that 2017 will be a stable year for apparel retail. According to a report released by Moody's in mid-December, "the sector can expect sales growth of 6 percent to 8 percent, led primarily by direct-to-consumer channels and international growth." However, the same report anticipates "apparel and footwear sellers losing consumer dollars to healthcare, rent, home-related products, electronics and cars. In addition, traffic is expected to be weak throughout the year, with department stores and larger retailers such as Wal-Mart bearing the brunt of that decline." The CEO of one of our largest buyers, Art Peck of Gap, Old Navy and Banana Republic is encouraging the industry to be "more nimble and better able to react to trends and increase the quality of clothes at a time consumer see apparel as a commodity."

It is encouraging to note that BGMEA and Danish Fashion and Textile Industry Associations recently jointly launched the "Step Up Project" to improve productivity and better address social and environmental challenges in the country's RMG industry. A similar initiative is needed to enable us to move up the value chain by using business processes and resources to export higher-margin products. BGMEA would also do well to study trends in ecommerce, emergence of sources in Asia and Africa, and link up more directly with the declining number of retailers. We can, in addition, explore new markets in Latin America, Africa and the Commonwealth countries.

The writer is an economist and writes on public policy issues. His new book *Economics and Policy in the Public Arena* will be published this year.

# Violence in the name of discipline



LAILA KHONDKAR

"I am a good teacher, as I do not scold or punish my students. If they do not understand something then I explain it to them," declared a four-year-old who was acting out the role of a "teacher"; the "students" were his parents. I always observe children play with great interest. It gives me an opportunity to learn how they think and feel about various issues affecting their lives. While observing the child, it occurred to me that even before attending school, he had developed an understanding about the qualities that made a good teacher. I was also sad to note that the idea of 'punishment' had already entered his life at such a young age!

Almost a billion 2-14 year olds were physically punished at home last month. (Source: UNICEF, 2014, quoted in Ending Legalised Violence Against Children, Global Progress Report 2016.) Violent "discipline" is the most common form of violence against children. Corporal punishment kills thousands of children across the world each year and injures millions more. According to the Multiple Indicator Cluster Survey 2012-2013 (report published in 2015), 82.3 percent children (1-14 years) in Bangladesh experienced psychological aggression or physical punishment during the last one month. In most cases, children are punished by their parents, teachers, employers and caregivers in the name of 'discipline'.

There is overwhelming evidence that corporal punishment causes direct physical harm to children, and negatively impacts their psychological and physical health, education and cognitive development in the short as well as long run. This also increases aggression in children and is linked with violence in intimate relationships and inequitable gender attitudes. Corporal punishment of children increases the likelihood of perpetrating and experiencing violence as an adult. So if we continue to allow corporal punishment of children then it will become impossible to break the cycle of violence in our society. Fifty-two states have prohibited all

corporal punishment of children, including in the family. Bangladesh is not yet included in the list. But we should be if we are truly serious about children's rights. A new law prohibiting corporal punishment in all settings (homes, schools, workplace, institutions including alternative care arrangements, etc.) should be enacted. Law reform must be accompanied by awareness raising and public education to ensure knowledge of children's rights among children and adults, which should include respect for their human dignity, physical integrity and protection from all

and this includes ending corporal punishment; no child protection system can be effective while the law fails to prohibit corporal punishment of children.

Any initiative on full legal prohibition of corporal punishment is met with resistance by adults (parents, teachers, community members, policy makers etc.). Often we hear parents from various socio-economic backgrounds say that one has to use punishment to "discipline" children. There are misconceptions among parents, teachers

Discipline has proven to be an effective parenting technique.

"I was hit as a child by my parents, but I turned out to be fine." This is the most common remark made during discussions on prohibiting all corporal punishment. Nobody knows how they would have turned out if their parents had never hit or humiliated them. Many people deny the hurt they experienced when the adults whom they trusted the most thought they could punish them using brute force. There is no need to blame previous generations for this; they behaved according to the culture of their time. But we cannot keep doing something just because it has been done before, especially when we now know that the practice is wrong and hurts human dignity.

Some argue that many parents are bringing up their children in challenging conditions, and teachers are often under stress from overcrowding and lack of resources, and thus, they often resort to corporal punishment as the 'last resort.' This argument reflects the lower status of children in our society and the disadvantageous position they are in due to the existing power dynamics with adults. Corporal punishment is often an outlet for adults' frustrations in their personal and professional lives rather than an attempt to educate children. In many homes and institutions, adults need more resources and support. But hitting children is never acceptable even when adults face difficulties.

In Bangladesh, we have recently come across cases where people have killed, tortured, or abducted children in order to take revenge on an adult family member. There are several concerns with the argument that adults hit children when they are stressed out. Firstly, we never justify hitting any adult when we have some problems in our lives. Why should this be justified in case of children? If we accept this then we risk creating a society where children become more vulnerable to violence, and their rights are being seriously violated.

Let us treat children with respect and dignity and end the legal and social acceptance of corporal punishment. Let us learn to practice Positive Discipline. Isn't it high time that we stop tolerating violence against children?

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ILLUSTRATION: DINA/RAVIJADHAV

forms of violence including corporal punishment.

Why is it important to prohibit all corporal punishment of children? Here are several strong reasons: children have a fundamental human right to legal protection from violent punishment; laws which allow physical punishment of children are discriminatory and breach children's right to equality under the law. Sustainable Development Goals recognise that achieving the goal of peace and security must involve ending all forms of violence against children,

and caregivers that corporal punishment teaches children how to behave. In reality, this increases antisocial behaviour, damages family relationships, and it is less likely that children learn the lessons adults want them to learn. When parents hit their children in the name of discipline, children learn to "behave" only to avoid punishment, but they do not internalise why that behaviour should be avoided. So it is very likely that they will repeat it. This shows corporal punishment does not work. Alternatively Positive

## LETTERS TO THE EDITOR

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### Change makers, we salute you

Your newspaper published an extraordinary report on the ninety-year-old Jahiron Bewa, who rides her bicycle to make house calls in Lalmonirhat village to treat patients. This story shows how age, academic background, or social status can pose no barriers to success in its true definition. Even at this age, she continues to serve humanity despite objections from her family.

People like her are the flag-bearers of our prestige and development. The authorities and policymakers should nurture and help such visionaries at the grassroots level to boost our development in the health and social welfare sectors.

Zubair Khaled Huq  
By email

### Control stent prices

A national Bangla daily reported recently that the international market price of each BMS cardiac ring (stent) is USD 70 to 120 (equivalent to Tk 5,600 to Tk 9,600). Another English daily reported that a drug-eluding coronary stent called PROMUS Element (DSE) has an import price of Tk 23,000. The same stents are sold at around Tk 1,50,000 at hospitals in the country.

The country's drug regulator formed a committee on April 18 to keep the prices between Tk 25,000 to Tk 50,000. There is no duty on stent import in Bangladesh. Why, then, do we have to pay Tk 1,30,000 for stents that cost only Tk 5,600 in the international market? The Directorate of National Consumer Rights Protection must intervene to ensure importers follow the price regulations.

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