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Firmer actions needed

Resolution of Rohingya problem

THAT very little progress has been made with regard to the repatriation of the Rohingyas has been amply expressed by the prime minister in her meeting with the secretary general of Amnesty International very recently. The statement of the PM's special advisor on foreign affairs that unless sanction is imposed on Myanmar, their repatriation and a sustainable solution to the Rohingya issue are very unlikely, speaks of the intractability of the problem.

One of the reasons why the Rohingya issue has resisted a permanent resolution so far is a lack of definitive and firm action on the part of the international community. Ever since the problem resurfaced with renewed intensity in August last year, because of the policy of pogrom by the state of Myanmar against the Rohingyas, there have been no dearth of accolades heaped upon Bangladesh for the magnanimity it has shown by sheltering the nearly million persecuted Rohingyas. And the compliment from the UN secretary general was restated by him in his recent telephone conversation with the prime minister. However, we would have liked to hear what steps the UN would be taking to ensure a quick repatriation of the refugees to their homeland, to where they belong.

Regrettably, Myanmar is resorting to all kinds of subterfuges to delay the implementation of the agreement between the two countries on Rohingya repatriation. A Myanmar minister stated on April 6 that they would need more time to verify the list that Bangladesh sent them.

Every day passes adding new kinds of pressure on Bangladesh. The government has decided to relocate the refugees to another place. Shifting them within the country or for that matter to some of the countries that have offered to take them may be a temporary palliative. But permanent relocation is out of the question since that would be only helping Myanmar fulfil its ultimate objective – denude northern Rakhine of Rohingyas. What is needed is a permanent solution of the issue so that the refugees can go back to a safe environment and live as citizens of Myanmar. And that is what the international community led by the UN must ensure.

Where is the concern for road safety?

BRTA must fulfil its obligations

MORE than 55,000 vehicles, including 3,740 belonging to different ministries and government agencies, have not renewed their fitness certificates for more than a decade, according to official data. One can only assume that the actual number of such vehicles is much greater, even though some on the list may no longer be running according to BRTA. In reality, it seems the BRTA doesn't have any accurate figure in regards to how many faulty vehicles are plying the roads, and the excuses it has tried to sell for its failure still don't explain why no action has been taken against owners of faulty vehicles on their list.

While the BRTA processes the papers of owners who comply with the law, what does it do about those who are non-compliant and go about without renewal of fitness certificate with impunity for years? We barely ever see law enforcers and other authorities concerned take any action against faulty vehicles. In fact, on the list of vehicles belonging to government organisations, it is the police that reportedly own the highest number of unfit vehicles. Also on the list is a vehicle that belongs to the mayor of Dhaka City Corporation. Is it any wonder then, why the authorities hardly ever take any action against unfit vehicles?

Meanwhile, deaths from road accidents continue unabated, in many cases, because of accidents caused by faulty vehicles. According to Bangladesh Passengers Welfare Association, the number of deaths from road accidents was 7,397 in 2017 and 6,055 in 2016.

The BRTA must immediately introduce measures to detect vehicles without proper BRTA certificates and take action against owners of unfit vehicles, regardless of who they are.

LETTERS TO THE EDITOR

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Easing the plight of elderly pensioners

I recently read the letter titled "The plight of elderly pensioners" written by Wahidul Islam Akand which was published in your esteemed daily on March 31. As an elderly pensioner myself, I fully subscribe to the views expressed therein.

At present, old pensioners draw a pension at a much lower rate than that of new pensioners going on retirement who are two or three grades lower than old pensioners.

The 2015 pay commission recommended a general raise of 100 percent in the pay scale of the government employees, which benefitted those going on pension under the current pay scale.

I feel that the pay commission of 2015 was unfair and unsympathetic toward old pensioners. The commission recommended an increase of 50 percent in the case of pensioners aged 65 years and above and 40 percent in the case of pensioners below 65 years of age. This was just like the recommendation made by the pay commission of 2009. If the commission had recommended 100 percent increase for those who had retired under previous pay scales, it would have been symmetrical.

Given the increased cost of living, can it be expected that the government will redesign the pay scale in order to ease the plight of old pensioners?

Lt. Col (Retd) QAFMA Raquib
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FDI IN APPAREL SECTOR

Time to adopt a visionary approach

MOSTAFIZ UDDIN

THERE has been a healthy debate as to whether Bangladesh should open up Foreign Direct Investment (FDI) in the apparel sector where, until now, the majority of investors are local entrepreneurs, with the exception of some foreign companies who have invested in garment businesses inside the Export Processing Zones (EPZs). Before analysing the arguments in this regard, we need to explore why and when FDI is necessary and also consider the advantages and disadvantages of adopting this practice.

Many will find it surprising that the fledgling apparel industry of Bangladesh flourished in the hands of the first-generation businessmen who got the opportunity to start their business ventures only after the independence of Bangladesh in 1971. They didn't have much knowledge of the business per se. Even Noorul Quader, the man largely credited with the revolution of the apparel business in Bangladesh, was a bureaucrat with sound knowledge on how to keep government services functioning smoothly; he was by no means an expert in the apparel field. The spirit of innovative entrepreneurship combined with a diligent workforce are the dominant forces behind the development of the country's apparel industry. Local entrepreneurs have put their efforts and made huge investment to expand the sector both vertically and horizontally, making Bangladesh the second largest readymade garment exporter in the world.

Although Bangladesh is the second largest apparel exporter in the world, its share in the global apparel market—only 6.36 percent—is still relatively insignificant.

PHOTO: AMRAN HOSSAIN

However, Bangladesh's share in the global apparel market is still relatively insignificant—only 6.36 percent—whereas China's share is 36.37 percent. In addition, most of our apparel items are cotton-based while 65 percent of global apparel is non-cotton. The majority of Bangladesh's apparel export items are concentrated in five basic product categories—trousers, t-shirts, sweaters, shirts, and jackets. We have to consider manufacturing more non-cotton apparel items where Bangladesh has huge potential. So investment in non-cotton textile is a highly feasible proposal as we have a captive market and a skilled workforce. It will, however, be necessary to continue to find methods to reduce our production lead time.

If we continue to keep our export products limited to a small number of categories, the growth in our industry runs the risk of stagnating or may even take a negative turn. Moreover, with the increasing socioeconomic development of Bangladesh, the living standards of people are improving also. In line with improvements in living standards, it is inevitable that wages will also gradually increase. To manage the demand for increased wages, the industry needs to start focusing on the production of higher valued apparel items. Upgrading of product in order to achieve a higher purchase price is an approach that needs to be adopted in order for our apparel industry to sustain its growth.

For value-added products, we need factories equipped with the most advanced machinery and staff with sound technical knowledge, for which we need huge investment. Value-added items like blazers, jackets, swimwear, lingerie, sportswear, uniforms, raincoats, and fishing wear require manmade fibres (MMF) including viscose, rayon, spandex, polyester and so on. But the MMF production capacity of our existing textile mills is still insignificant. MMF production is complex and constantly requires sophisticated machinery and regular research and development (R&D). Presently, we lack expertise in this area. However, knowledge and guidance can be gained by allowing foreign companies to set up the necessary textile mills in Bangladesh. The benefits of this approach are two-fold: our readymade garment factories will be able to procure the necessary materials from these mills, and lead times will be greatly reduced as our dependency on importing materials from China and India will be significantly reduced. In addition, it will facilitate knowledge transfer as local people, recruited in these fabric mills, will get the opportunity to work with, and learn from, experts in their field—the same way we had developed our garment industry in the 1980's with technical assistance from South Korea. So, foreign direct investment in the apparel and textile industry offers the prospect of good returns.

However, we must remember several things while considering FDI in the apparel industry. If we want to attract companies that produce higher valued items, we need to refine our regulatory system in such a way that the majority of investors will find manufacturing high-end products in Bangladesh beneficial, as too many restrictions may discourage the investors. Additionally, if we want to obtain FDI in a particular type of apparel item, we may have to consider setting up an apparel business park with facilities such as fabric and accessories suppliers, testing labs, consultants, etc.—all conducive to manufacturing that particular product type. Here, we need to remember that it is not possible to fully dictate what a manufacturer is going to produce. A winter jacket factory will produce basic items for about 5-6 months a year during the summer delivery period. Likewise, a swimwear manufacturer may produce lightweight basic blouses during winter delivery period.

An investment-friendly policy and environment is required to attract FDI in Bangladesh. The investment regime will need to be credible and predictable while it should be ensured that there are no frequent changes in policies and regulations. Facilities like infrastructure, energy supply, double tax deduction, etc., should be provided by the government to bring in investment. Tax incentives for machinery import are very important for the apparel industry as automated machines will improve productivity and, at the same time, the quality of the products. When a factory increases its investment, it will feel empowered to take orders of higher value products to cope with its higher overheads. A rule can be enforced to allow the import of only new machines or machines less than an agreed age, so that FDI will not attract companies wishing to dump outmoded machinery in Bangladesh. It should be ensured that foreign investors can bring in their own managers and supervisors. However, the government must be strict to ensure that license will be issued only if a company complies with all the FDI rules.

New factories should install all necessary equipment to control pollution and any negative environmental effects. The rising production cost in China and their shifting to higher-value goods and services has created opportunities for other countries to take the shifting orders. But we have to be very cautious, as there are reports that some apparel manufacturers in China, whose standards were not up to the mark and were notorious for polluting the environment, are now trying to scatter their production plants in different parts of the world. So, it will be necessary for the concerned departments of our government to strictly monitor the issue.

Adaptability to the changing trends is a must to sustain growth in our apparel industry in the long run. We must keep pace with the demands of the time. Our industry has now arrived at a juncture where we need to move up the value ladder by shifting from basic to higher-end products to sustain our growth. Foreign investment, therefore, will be key to opening the window to a brighter future for our apparel industry.

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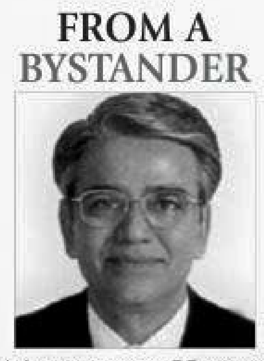
Will US-China trade war really break out?

FROM A BYSTANDER



MAHMOOD HASAN

THE objective of Donald Trump's controversial executive orders, since his walking into the Oval Office, has been to make "America Great Again". In the past 15 months, he has signed 63 EOs, claiming that he has accomplished more than most previous US presidents. His latest order was issued on March 22, which proposed to impose up to 25 percent tariff on USD 60 billion worth of Chinese exports to the US. This follows Trump's State of the Union address on January 30, when he said that the era of "economic surrender" is over. Beijing did not dither over responding to Trump's decision and announced that it will also impose tariffs on USD 3 billion worth of US exports to China.

US-China relations are extremely complicated, encompassing economic, commercial and security issues—issues that cannot be separated from each other as they are intertwined. Why did Trump come up with this drastic threat then? Firstly, Trump, during his presidential campaign, repeatedly said that China was cheating America on trade. So, he has set out to correct the situation. Secondly, the Trump administration has threatened to take this drastic step to counter two problems with China—i) stop intellectual property right thefts by China, and ii) reduce the ballooning trade deficit with China.

How have the US-China commercial relations come to this situation? China has been allegedly stealing US Intellectual Property Right (IPR) for quite some time, although under WTO protocol such activities are banned. This has happened through two ways—firstly, through illegal industrial espionage, and secondly, US companies are legally required to transfer technological knowhow to their Chinese counterparts in US-China joint-venture companies in China. According to estimates, IPR theft has caused American businesses to lose around USD 50 billion per year.

The trade balance in favour of China stood at USD 375 billion as of December 2017. How has this imbalance happened? American manufacturers have relocated to China to take advantage of the cheaper labour costs. The finished products are then imported to US with "Made in China" marks and sold at lower prices compared to those made in America. "Made in USA" products are no longer competitive in the international markets because of their higher manufacturing costs, except for high-tech machinery. Outsourcing American manufacturing to developing countries

US President Donald Trump and China's President Xi Jinping shake hands at the Great Hall of the People in Beijing, China, November 9, 2017.

REUTERS: FILE PHOTO

has resulted in job loss. The other reason why Chinese products are cheaper is the partially fixed exchange rate between the yuan (RMB) and dollar that makes Chinese products artificially cheaper.

On the economic side, China has gained a formidable leverage by buying US treasury bonds. As of January 2018, US debt to China stood at USD 1.17 trillion. By buying US bonds, China has directly helped US bank interest rates to remain low. If China were to stop buying US treasury bonds, the US federal government would have to borrow money for its budget from local banks driving the interest rates very high. That would create a terrible financial backlash throwing the US economy along with the rest of the world into recession. China knows that recession would mean lower demands for Chinese consumer products in the US market. But if Trump's push comes to shove, Beijing would probably not hesitate to call in its loan from US.

Can Washington really reduce the trade deficit with China? It can probably partially achieve that through negotiations but not through a trade war, since the US accounts for only 18.4 percent of Chinese exports (2016). The reason is quite simple: imposing tariff on Chinese goods would mean higher prices for American consumers, meaning lower demand for American products made in China. That would lead to a decline of American business. Both US businesses and China would face job losses. Even if some manufacturing returns to the US, it would not improve the employment figures in the US as most of those manufacturing would be done by robots not American human labour force, primarily to keep the cost of production low.

Donald Trump cannot be blamed for threatening to take steps to bring about some degree of balance in trade with China. As a matter of fact, any nationalist leader would try to do that. The problem is, China has still not opened its economy fully. China's yuan is still not fully convertible in the capital account. Its pegged rate dissuades foreign investors from investing in its stocks.

China's economic growth can be ascribed to its rapid industrialisation producing labour-intensive goods at lower cost and exporting them the world over. Although its living standards have improved, it has largely kept its internal market protected from imported goods with quotas. However, because of lower labour cost, China continues to be a lucrative place for FDI for major manufacturers of the West, attracting USD 139 billion in 2016. Here, David Ricardo's comparative advantage theory and maximisation of consumers' utility come into the picture of global trade, which China exploited fully. No wonder Xi Jinping loudly campaigned for globalisation and free trade at Davos World Economic Forum in January 2017.

Trump's policy has little to do with economics—it is actually a political strategy. Can Trump push China to open up its economy fully? Probably, to an extent. The announcements made by both Washington and Beijing about tariffs on each other's products are still threats, though a real war is quite possible. Trump's economic adviser Larry Kudlow said that the US was not looking for a trade war. The tariff structure has not yet been enacted but proposed, said Kudlow.

Tariff wars will not only affect the two largest economies adversely but will also affect global commerce as these tariff walls will become insurmountable for third countries engaging in trade with the US and China.

Can the WTO play any role in bringing the two adversaries to the table and compel them to abide by the WTO rules? Quite unlikely. Besides, Donald Trump has been threatening to quit WTO. Both Washington and Beijing should resolve the trade imbalance through negotiations and not by raising tariff walls.

Mahmood Hasan is a former ambassador and secretary of the Bangladesh government.