

# Bangladesh diversifies

The strength of RMG exports has launched an attempt to secure the economy



PAUL SORRELL

**M**ANUFACTURING in Bangladesh has for the last 30 years been defined by the readymade garment (RMG) industry—and for good reason. The nearly 7,000 RMG facilities in Bangladesh produce 16 percent of all manufactured goods and employ 55 percent of all workers in the manufacturing sector. Recent reporting states that readymade garments account for 83 percent of per annum exports. To put that into perspective, in 2015 Bangladesh exported USD 31.7 billion worth of goods, of which around USD 26 billion were RMG, or roughly 13 percent of Bangladesh's GDP.

Yet, it is Bangladesh's reliance on RMG exports that has given some in government cause to be worried. These worries stem from various factors driving the RMG industry which are regarded as inherently unpredictable and potentially destabilising. Factors such as changes in trade relations, costs and access to shipping and logistical routes, raw material costs, and consumer tastes and attitudes can send "shockwaves" through the economy, according to several economists.

External market forces are not the only issue that can alter the course of the garment industry in Bangladesh. Garment workers' unions are currently negotiating a raise in the monthly minimum wage that is three times higher (Tk 16,000) than the current wage (Tk 5,300). Low wages are a key selling point for the benefits of RMG production in Bangladesh, and any hike in wages has the potential to cause companies to begin looking for new sourcing locations. If successful, the wage increase would be the second such one in five years, with the first one being implemented in the aftermath of the Rana Plaza disaster.

In an attempt to mitigate such risks, the



PHOTO: REUTERS

One of the elements of manufacturing diversification is to increase the quality of existing sectors, which would also include RMG.

Bangladeshi government has launched a programme to diversify exports in the manufacturing sector. In doing so, the hope is that in the event of a downturn in RMG production the effect on the economy wouldn't be as devastating.

The programme is the product of a larger initiative aimed at increasing the overall standard of living in Bangladesh with the goal of emerging as a middle-income country by 2021. Consisting of two five-year plans (FYP6 2010-2015 and FYP7 2016-2020), the programme is supported in part through financing from the World Bank and covers everything from infrastructure to education to industry to women's empowerment.

While there has been some success in growing

the selected industries, RMG production as well has continued to expand. Indeed, if the government of Bangladesh wishes to achieve its 2021 goal of manufacturing, which represents 90 percent of exports, it would have to increase its output substantially and secure a 28 percent share of the GDP up from roughly 20 percent. This is only possible if RMG production continues to achieve double-digit growth annually.

Such expansive and continued growth, which allowed Bangladesh to become the world's second largest garment exporter, was made possible through trade policies that are incredibly favourable to readymade garment producers. These policies include "duty-free import of inputs, bonded warehousing facilities, back-to-back LC, rapid custom clearance." Part of the diversification

plan is to utilise these same policies for the sectors whose export potential the government is seeking to boost.

How successful the programme will be at reaching the target GDP growth of 10 percent by 2021 is yet to be seen. The World Bank's part in the programme has only been functional for less than a year, so quantifiable results are minimal. Data from the results of FYP6 shows similar GDP growth rates to what Bangladesh has been demonstrating rather consistently since 2005, but below the target rate of 7.3 percent. However, it should be noted that Bangladesh outperformed other countries such as India and Thailand in this area during the same period.

Another encouraging point is that during the 2010-2015 period, the share of the GDP occupied by manufacturing rose by three percent though it is difficult to say which sectors experienced the largest growth, given that detailed figures were not provided.

While companies who may be looking to source apparel from Bangladesh in the long-term will need to be mindful of the changing landscape of the economy, this push towards diversification should not be viewed as an abandonment of the RMG industry. In fact, one of the stated elements of manufacturing diversification is to increase the quality of existing sectors, one of which would obviously be readymade garments. The incredibly favourable economic policies geared toward maximising the competitiveness of RMG exports are not so easily undone and could easily outweigh any added cost of a minimum wage increase. And further corporate investment in new and existing RMG facilities will be well positioned to capture the estimated 20 million new workers that will enter the workforce over the next 10 years.

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## PROJECT ■ SYNDICATE

# Smart immigration for Europe



SAMI MAHROUM

**I**MMIGRATION-related headlines have become a staple in Europe, whether the story is of an illegal Malian immigrant scaling a Paris building to rescue a toddler or the formation of a populist government in Italy that aims to deport a half-million migrants. And yet, despite the constant coverage of the issue—or, more likely, precisely because of it—the immigration policy debate remains beset by misconceptions and politicisation.

In the United Kingdom, the Brexit vote was fuelled partly by false and distorted claims, such as that unrestrained migration from the rest of Europe was driving down wages. Since the vote, however, the anti-Brexit camp has engaged in similar distortions, warning that, once it has left the European Union, the UK will face a skills shortage. But plenty of countries—such as Australia, Canada, and Singapore—do just fine without agreements guaranteeing freedom of movement from other countries, by issuing skills-matching visas.

Such distortions, by both pro- and anti-immigration forces across Europe, have consistently thwarted sober debate on the topic. Even when parties seem to be carrying out a reasonable cost-benefit analysis of immigration's economic impact, they tend to cite only the studies and data that back their own viewpoint. This precludes agreement on creative and effective solutions.

Judging by my years spent studying the international migration of highly skilled workers, not to mention living as an immigrant, a rational and balanced debate on immigration must begin with the perspective of immigrants



PHOTO: GERARD JULIEN/AFP

themselves. What drives a person to move to a new and usually unknown country?

In answering this question, it quickly becomes clear that immigration is a highly varied phenomenon, depending as it does on a diversity of factors such as nationality, skill level, intended duration abroad, and motivation. The experience of a medical specialist moving permanently to the UK from India is very different from that of a construction worker from Romania hoping to secure a better salary in France. From the ease of the journey to the living conditions into which they settle, the experiences of both are very different from those of a refugee from Syria hoping to wait out that country's civil war in Germany.

What these experiences do have in common is they are generally driven by a desire to raise one's living standards, whether through a more prestigious

position, a higher salary, or increased physical safety. In short, immigrants want better lives—not a new culture or identity.

Economic migrants, in particular, are simply job-seekers from overseas. If comparable employment could be created at home, they might never migrate at all. In this sense, the economic migration challenge boils down to an issue of job brokerage.

Given this, economic migrants should be matched with jobs where they are needed, potentially through newly created job-brokering agencies for major immigrant-sending countries. A programme inspired by the EU-Turkey refugee-exchange programme—in which the number of rotating work visas made available for a country are tied to the number of illegal job-seeking immigrants repatriated to that country—could also be created.

Of course, once in the host country,

the immigrants' rights as foreign workers should be protected. But they do not need to be granted full access to the political rights and social benefits of their host society's citizens.

This is roughly the system that is in place in the United Arab Emirates, where millions of foreign-born workers voluntarily pursue employment. They know they will enjoy labour and human-rights protections, with abuses prosecuted under the law, but no additional privileges. This system enables the UAE to give nearly eight million people the opportunity to raise their living standards, while avoiding a backlash from the indigenous population.

Another innovative solution, which may work in some areas, is Switzerland's "G permit" scheme, available to foreigners who live in a border zone in their home country and work in a border zone in Switzerland (border zones are established by treaty). All cross-border commuters must return to their home country at least once a week. Could the EU create its own "border zone" category permitting a system of flexible mobility for non-permanent workers from Africa and the Near East?

Denying migrants the privileges associated with living in their host country may seem to contradict traditional European liberal and egalitarian values. As a liberal myself, I share these values, but recognise that insisting on them as a matter of policy ultimately undermines migrants' interests. With vehemently anti-immigrant political forces gaining ground throughout Europe, one must ask whether the newcomers desperate for a job are better served by being admitted on a conditional basis (including, potentially, for a limited period), or by not being admitted at all.

Skills-biased immigration gives rise to a similar dilemma. Many in Europe argue that this approach not only discriminates against the weakest groups of immigrants, but also leads to a brain drain from countries that need highly skilled workers.


But, again, one must examine the trade-off. Skilled immigrants are more likely to integrate smoothly into the host society, to which they can add more value. This enables the construction of cultural bridges between host societies and home countries. More important, those immigrants can send more money home in remittances than they would have been able to contribute in taxes had they remained.


The immigration issue has long been a thorn in the EU's side, not least because of the fear-mongering and emotional manipulation that have impeded constructive debate. The key to softening the thorn, if not removing it altogether, may be to establish, at the national and EU levels, a social contract for economic migrants. Such a "foreign worker rights charter" would protect immigrants' rights, while restricting their social privileges.

With immigration no longer dominating the political agenda, the EU might finally be able to address the myriad other challenges it faces. Ideally, it would do so with the same kind of cooperative, creative, and clear-eyed approach.

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**QUOTABLE**  
*Quote*



**PAUL ALEXANDER BARAN**  
(1909-1964)  
Marxist economist

*They lived in abysmal misery, yet they had no prospect of a better tomorrow. They existed under capitalism, yet there was no accumulation of capital.*

**CROSSWORD BY THOMAS JOSEPH**

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33 Gets older

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**DOWN**

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19 Confident  
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27 Sang seasonal songs  
30 Athena's symbol  
33 Unaided  
34 Cries of insight  
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**YESTERDAY'S ANSWER**

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**BEETLE BAILEY** BY MORT WALKER



REMEMBER WHAT I JUST TOLD YOU ?!


SURE! I CAN QUOTE YOU



"IF I CATCH YOU GOOFING OFF AGAIN, I'LL \*ZZZZZ\*"


SO, WHAT'S NEW?

**BABY BLUES** BY KIRKMAN & SCOTT



WHAT ARE YOU GUYS LOOKING AT?

YOUR REPORT CARD.



HOW COME THEY CAN'T JUST GIVE 'A's AND 'B's AND 'C's ANYMORE?

WHAT'S 'I' STAND FOR AGAIN?

"INGENIOUS"