The Daily Star

FOUNDER EDITOR
LATE S. M. ALI

DHAKA WEDNESDAY JUNE 19, 2019, ASHAR 5, 1426 BS

Tigers' extraordinary victory

Wishing them luck for the rest of the fixtures

THANK you Tigers for presenting us with a most outstanding victory on June 17 against West Indies—something that the country had not witnessed since Bangladesh qualified for international cricket. Frankly, we had been used to seeing a different kind of spectacle in the past when the team would often wilt—trying to overtake even much smaller targets than the 322 that they chased down at Taunton on Monday—or lower their guards and allow the opponent to put up a very big target after keeping them in check for a greater part of the 50 overs. The Tigers have outdone their opponent in every department. Seldom have they surpassed such a huge target with so many overs to spare and so few wickets lost.

What we were exposed to was the performance of a team that exuded grit, resolve and, above all, a supreme sense of "We can do it." And they did it, much to the pleasant surprise of Bangladeshi supporters, at home and abroad, who had felt daunted by the huge total.

The big match temperament in everyone was quite evident, and they managed to restrain the opponents who, at one time, looked as if they would notch up a total bigger than the one they eventually did. We have seldom seen Bangladesh do so well in the field—backing up the bowlers so very well. And they went about delivering the Tigers' highest ever ODI run chase reaching the target with consummate ease and professional élan, in the face of some very fast bowling, as displayed by Shakib, Liton and Tamim.

We would like to think the Bangladesh team has come of age. What we would like to see is consistency in their performance. Admittedly, there will be a winner in a match, but what matters is not the final result but how well we contested the match.

We congratulate the team and with it the coaching staff for a result worth savouring, and certainly worth emulating in the future. The very best of luck to the Tigers for the remaining matches.

Will tax on road transport operators not hike the fares?

Government must be vigilant

IT is often an uncomfortable necessity for governments to raise taxes in order to reduce the budget deficit and raise revenue to fund its innumerable functions and projects. Thus the 25 percent increase in taxes on the earnings of road and transport operators, though not unreasonable, is a matter of concern as it may be used as a pretext by transport owners to hike the fares.

According to the secretary general of Bangladesh Transport Owners' Association (BRTOA), a 25 percent hike in fixed tax would affect the sector which operates around three lakh vehicles including buses and trucks. If taxes are increased all of a sudden, it may discourage investment in the transport sector—something that is badly needed given the shortage of public transport options. More importantly, there is always the possibility of transport companies passing on the extra cost on the passengers by charging higher fares.

This is not good news for those who are compelled to take public transport every day and already face hardship in terms of not being able to access public transport because there are not enough buses available which allows for arbitrary hikes in fares. Moreover, a value-added tax (VAT) on passenger vessels (water transport) of five percent, as proposed in the budget, may result in a five percent increase in the fares, according to such vessel owners, thus further burdening the passengers.

It is concerning because the transport sector in our country has not exactly provided adequate or satisfactory service to the people. The number of accidents leading to heavy casualties due to reckless driving and unfit public buses is still unbelievably high. We need more well-maintained buses and trucks on the streets driven by conscientious, legitimate drivers who will not resort to taking inhuman numbers of trips to make money for their bosses. The government, thus, has to remain extra vigilant to make sure that this increase in tax is not used to increase fares which will only add to the passengers' woes.

LETTERS TO THE EDITOR

letters@thedailystar.net

Bangladesh wins with its batting prowess!

On June 17, Bangladesh won the match against West Indies convincingly, chasing a total of 322 runs. Bangladesh won the toss and chose to bowl. The West Indies too would have opted to bowl if they had won the toss. They were already struggling with low morale due to their poor performance in this World Cup—they have only managed to win against Pakistan. Their body language and playing style indicated low confidence and even the commentators were dismayed by their gameplay. Their star bowlers were unable to prevent an unstoppable Bangladesh from reaching the target.

On the other hand, Bangladesh did not panic. Liton Das, replacing Mithun, played a pivotal role in the massive win—with seven wickets in hand and 51 balls to spare. This, coupled with Shakib al Hasan's blistering century, helped Bangladesh chase the massive target. The match not only resulted in Bangladesh's highest ever successful run chase—and the second highest in World Cup history—but it also left West Indies with very little hope to progress to the next stage in the World Cup.

While many pundits did think that West Indies would be a threat this year, it appears that the prediction was wrong. In the game of cricket, one can never be too sure until the last ball is bowled, particularly in ODI and T20 matches.

Luthfe Ali, *by email*

BANGLADESH APPAREL INDUSTRY

Rethinking our education system to inspire innovation

MOSTAFIZ UDDIN

BANGLADESH'S apparel industry has changed dramatically over the nearly 40 years since its inception, enjoying rapid expansion, employing some four million people (with 65 percent of the workforce being female) and contributing over USD 32 billion to the nation's economy last year.

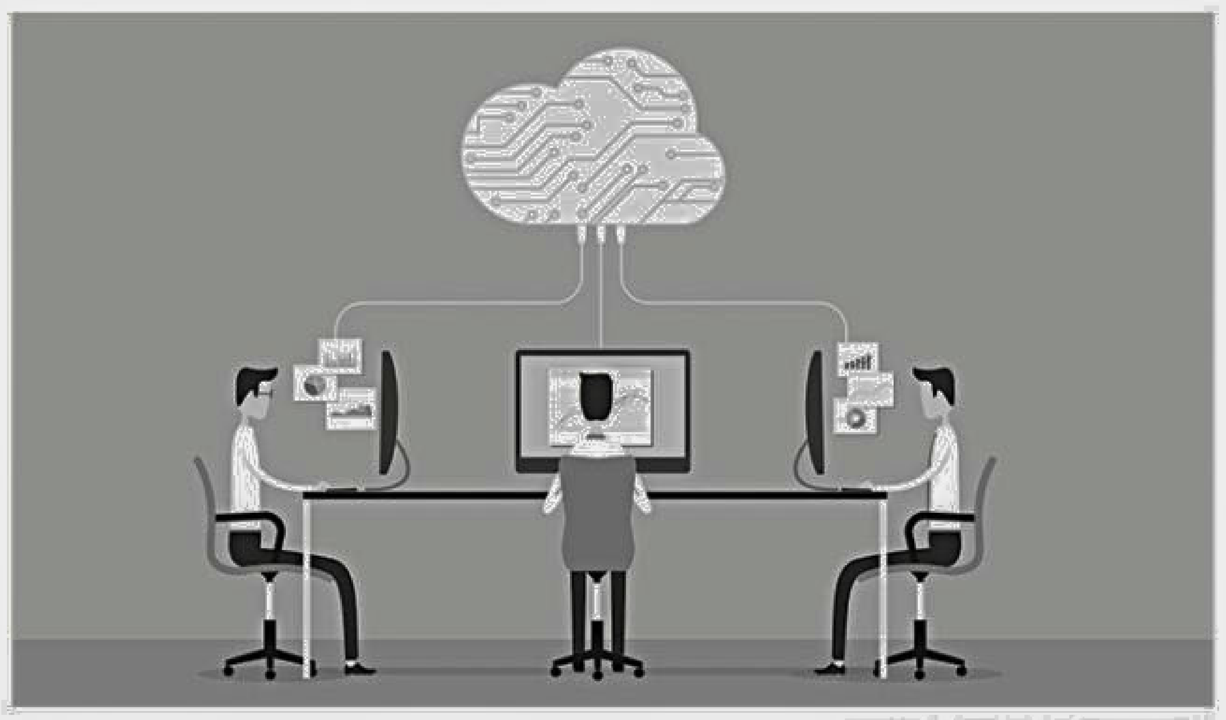
Although the country's readymade garment (RMG) industry is well-positioned, ranked the second largest globally after China, and is the largest contributing sector to the nation's economy, all of us involved in the RMG business are aware of the intense competition that exists in the global textile industry. We can no longer assume that reliance on a low-cost workforce will ensure the future success of our industry.

Times are changing and as Bangladesh continues to advance towards the developing country status, RMG companies are embracing innovation that can benefit the supply chain across the whole spectrum of operations (from purchasing of raw materials to CAD tools that expedite the whole product design and development process, maximise fabric utilisation, reduce standard minutes in garment manufacturing, reduce laundry costs and the possibility of rejected sub-standard product, through to the delivery of the finished item).

Aside from the above gains, innovation has been proven to contribute towards the sustainable and ecological impact of the whole sector, improving working conditions and minimising both the social and environmental impacts of the industry. Furthermore, the Organisation for Economic Co-operation and Development (OECD) estimates that as much as 50 percent of economic growth in its member countries can be accounted for by innovation activity, and that this contribution will grow. Innovation has also been proven to drive productivity growth in the OECD member countries and the competitive advantage of businesses.

It is interesting that given the importance of innovation for the RMG industry and, by implication, the nation as a whole, there appears to be a lack of support for the development of innovation within our educational system and institutes in Bangladesh. And this is a situation that needs to be addressed.

Currently, the vast majority of innovation introduced in the RMG sector and other areas of the economy (infrastructure projects and construction of new EPZs, for example) is mostly being purchased from foreign companies. Not only does this involve the procurement of physical machines and technology



SOURCE: WWW.FINGENT.COM

that comes with them but it also generally involves the contracting of foreign nationals to ensure the correct implementation of the product or project and the general upkeep of that product when it is in place.

But where is the investment necessary for the nurturing of innovation? We cannot continue to rely on investment and expertise from outside our shores. Although they offer a short-term solution, they leave the Bangladesh RMG industry dependent upon the services and innovation of foreign companies at a time when the industry should be finding its own solutions to problems that it will, undoubtedly, face.

As Suzie Boss, writer and educational consultant, states in her book *Bringing Innovation to School: Empowering Students to Thrive in a Changing World*: "The first step in teaching students to innovate is making sure that educators have opportunities to be innovators themselves." This line of thought is further echoed by an article in *Forbes* magazine from April 2018 regarding the reinvention of India as a leading nation of innovation. The article highlighted the importance of a strong educational framework to act as "a support system to build an innovation-positive environment." As we become a more advanced nation, with technology increasing the flow of information and access to knowledge, there is a need for a "newly educated workforce with different demands on skills and competencies."

This line of thought is crucial for the future development of both the Bangladesh RMG industry and the nation as a whole. If we are to develop innovation locally and transform the "first in Bangladesh" culture, utilising imported technology and expertise, into a "first in the world" environment, where our expertise is not only used domestically but also internationally, then our education system needs to step up to the mark.

How will the Bangladesh RMG industry continue to develop if we fail to nurture homegrown talent in the field of innovation? We are blessed with a population of some 167 million people, 70 percent of whom are under the age of 40. However, only 72.8 percent of the population over 15 years of age is literate (compared to 94.5 percent of the population in Vietnam, the new RMG "star" in the region) with a GDP expenditure of only 2.5 percent on education, compared to 5.8 percent of GDP in Vietnam. Even with the relatively small amount of expenditure on education in Bangladesh, little or none is used to encourage the development of innovation within our educational system.

Surely, it is time for the government to start investing in and improving both current and future employees' tech capabilities and literacy so that we can encourage future generations to embrace advances in technology and the benefits that innovation can bring. They must not only be conversant with these advances but also be able to innovate so that they can create things that we can proudly call our own.

Encouraging and developing innovation throughout the entire educational system will require a sea-change in approach by local and national authorities. We need to ensure that the teachers themselves are equipped with the necessary skills. The RMG industry and other interested parties should also be involved in the process, not only to ensure that the correct levels of innovation are being encouraged but also to ensure that the newly emerging talent can find suitable employment where their skills can be best utilised.

Innovation and technology are changing how our customers' apparel product is designed, produced, laundered, packaged, shipped and sold. If developing economies such as Bangladesh wish to remain competitive during this time of change, the government and stakeholders in the RMG sector need a change of approach when it comes to how they think about innovation within the RMG industry.

Mostafiz Uddin is the Managing Director of Denim Expert Limited. He is also the Founder and CEO of Bangladesh Denim Expo and Bangladesh Apparel Exchange (BAE). He can be reached at mostafiz@denimexpert.com.

What does Bangladesh gain from the US-China trade war?

ANU ANWAR

AS the US-China trade war intensifies, pundits on both sides of the Pacific and elsewhere are wondering: who is the real winner? Interestingly, it is not China or the United States, but countries like Bangladesh, Vietnam, and Chile that may reap the most benefits from a widening trade dispute between the world's two biggest economies. The impending effect of the trade war on supply chain dynamics and investment patterns could help Bangladesh emerge as a potential winner from the conflict.

China and the United States have been stable trade partners to Bangladesh for decades. The volume and value of trade Bangladesh has with both countries are significant. However, the nature of trade with both countries is different. Bangladesh's top import partner is China, with Bangladesh importing over USD 15 billion in Chinese goods as of 2017. Meanwhile, the United States is the second largest destination for Bangladesh's exports, taking in more than USD 5.8 billion in 2017 (Germany was the largest destination at just over USD 6 billion).

The changes in the geopolitical relationship between the United States and China through this trade war have alarmed many countries that have trade stakes with these two nations—though this raises hope for Bangladesh. As the Asia Development Bank's chief economist Yasuyuki Sawada argues, "Trade war to generate additional USD 400 million exports for Bangladesh."

The garment sector is expected to reap the most benefits, as it accounts for 80 percent of Bangladesh's total exports. As the trade war escalated, the country's garment industry observed significant growth as American retailers are placing more work orders with Bangladesh in order to offset increasing tariffs. According to the US Office of Textile and Apparel (OTEXA), Bangladesh enjoyed a 6.46 percent growth in share in the United States' market during the first three quarters of 2018.

In 2012, a report by McKinsey forecasted that as ready-made garments from China declined, Bangladesh would become the next hotspot for textile manufacturing, and the Bangladeshi market would triple in value by 2020—up from USD 15 billion in 2010. This forecast entails China's gradual phasing out from labour-intensive industries to a higher value-added, high-tech, capital-intensive manufacturing sector and a greater Bangladeshi stake in labour-intensive industries such as the textile industry.

To avoid higher tariff, factories are relocating from China to elsewhere in Asia. Bangladesh has more competitive advantages than its competitors such as Cambodia and Vietnam. Due to the presence of strong unions, setting up factories in Cambodia is more challenging these days. Moreover, in contrast to 160 million Bangladeshis, Cambodia has a population of just 16 million, which gives Bangladesh a competitive edge for this labour-intensive industry.

Due to higher wage and production costs, Vietnam also looks less attractive to investors. The minimum wage in

US President Donald Trump waves next to Chinese President Xi Jinping after delivering a joint statement at the Great Hall of the People in Beijing on November 9, 2017. PHOTO: AFP

Bangladesh is currently USD 95 per month, which is almost half of USD 182 per month in Cambodia and USD 180 per month in Hanoi and Ho Chi Minh City.

Unlike Chinese foreign direct investment (FDI), Bangladesh can also benefit by increasing imports from the United States. According to the American Farm Bureau Federation, soya bean exports to China have declined by 97 percent after China's tariffs on American soya beans came into effect. Currently, Bangladesh imports 2 million tons of crude vegetable oil, of which 30 percent or 600,000 tons is soya bean; 98 percent of those soybeans come from Argentina, Paraguay, and Brazil. If the country can redirect its supply chain from Latin America to the United States, it may have the potential to supply oil to consumers at cheaper prices without sacrificing profits in the long-run.

Moreover, being the 51st largest trading partner of the USA, Bangladesh enjoys USD 4.0 billion trade surpluses. As President Trump is going after one trade-surplus country after another, Bangladesh, by importing soya bean from the USA, can be benefited both by getting it at a cheaper rate and reducing the trade deficit that may ultimately contribute to stronger bilateral relations. Furthermore, Bangladesh and other low-income countries in South Asia face US duties of 15.2 percent of the total value of exports, which has a possibility to ease if the US wants to increase imports from these countries to minimise its gap from China.

The majority of steel demands of Bangladesh come from importing scrap iron from the United States and its domestic ship-breaking industry. However, the US imposed a 25 percent tariff on all steel imports in March 2018, in efforts to revitalise its declined steel industry. This action led the US suppliers of scrap iron to store their reserves in anticipation of higher tariffs. Consequently, Bangladesh has seen a significant rise in the price of rod, an important product required for its many infrastructure projects.

In 2017, Bangladesh scrapped 25 percent of the ships dismantled worldwide and it is considered as a prospective industrial sector. In light of growing development projects, the country might craft an industrial policy to develop its shipbreaking yards, hoping to source a greater amount of cheaper steel domestically, which is already providing more than half of the country's steel supply.

Although Chinese policymakers are seeking to tighten capital flows in hopes to prevent a depreciation of the yuan, China's increasing involvement in various projects of Bangladesh may mean these constraints will not be as effective in the case of Bangladesh. Additionally, Bangladesh sees an increase in foreign direct investment (FDI) from China to be higher than forecasted through factory relocations, especially in the growing export processing zones (EPZs), as the trade war increases the costs of doing business in China.

Furthermore, since Bangladesh is a member of the Belt and Road Initiative (BRI), it is more meaningful for China to increase the investment in sectors of Bangladesh that are affected in China by the trade war. Beijing's support of Bangladesh was evident in the 27 agreements for investments and loans signed by the two countries—amounting to USD 24 billion—when President Xi Jinping visited Dhaka in 2016. The net FDI from China into Bangladesh exploded after Xi's visit. It increased to USD 506 million in the 2017-18 financial year, which was only USD 68.5 million in 2016-17, according to *The Financial Express*.

Putting all these together, it clearly appears that the unwarranted trade war between the United States and China opens a sudden window of opportunity for Bangladesh. However, whether the country can reap those benefits will depend on a host of factors. Bangladesh is struggling with a crumbling infrastructure, a weak rule of law regime, and a poor business environment. Many observers are also alarmed that Bangladesh government's excessive and reckless borrowing from Chinese credits may put the country in a longer-term debt trap, like some other countries.

It is, therefore, critical for Bangladesh to work on a favourable policy regime to seize new opportunities as they come by, and to provide enabling conditions for more foreign direct investments—all by avoiding unintended risks and consequences.

Anu Anwar is an Affiliate Scholar at East-West Center, and a Fellow at the Pacific Forum, Hawaii, USA.