Bangladesh's apparel: Wild ride ahead?

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THE evening's crawling rush hour traffic came to a complete halt in Kazipara in Dhaka as hundreds of garments workers, most of whom are women, got out of their factories at the end of their shifts. Their relentless hard work, albeit often underappreciated in the views of many, brought $32.5 billion to the coffer in 2018 alone representing 83 percent of total export earnings of Bangladesh. RMG sector is by far the top foreign currency earner of the country and has immensely helped Bangladesh maintain an over 6 percent annual growth since 2011. Being the sector accountable for the country's over four-fifths of foreign income, RMG's future is strongly linked to the overall health of Bangladesh's economy. To that end, RMG has done remarkably well so far. The country's overall income and share in global clothes exports have increased slowly but steadily over the years. Its global share in apparel export has reached 6.3 percent in 2016, a net 3.3 percent increase from 2009. However, as the global fashion industry goes through a seismic shift, many predict the country's RMG is in for a wild ride in the coming years.

The world is spinning faster by the day. We live in a world where its largest taxi company doesn't have a taxi of its own or its largest hotel company doesn't have a hotel of its own. People's tastes are rapidly changing, perceptions are evolving, and methods of availing products and services are shifting. In the process, the established old consumer norms are getting replaced by new alternatives.

The fashion industry is slowly but steadily getting rid of traditional fashion seasons because of a trend called "fast fashion". Like fast food, fast fashion seeks a quick turnaround. Consumers are constantly looking for new designs and denying waiting until another fashion season begins. This trend, unsurprisingly, is driven by the Millennials and Generation Z, who, characterised as impatient generations by their older counterparts, seek instant gratification even in fashion. It is getting further amplified by the ubiquitous presence of social media and celebrity endorsements. For instance, when celebrities like Sophie Turner or Bella Hadid wore cropped hoodies, search for the item skyrocketed. Fashion houses are rushing to tap into these demands before they fizzle. Therefore, the brands are getting increasingly interested in stocks that are smaller, easy to manage and can be produced in a matter of a week or so. As a result, the traditional spring/summer and fall/winter divide is being blurred and now some of the "fast fashion brands may issue as 52-weekly "micro-seasons" per year". To keep up, traditional apparel brands are now debuting around 11 seasons a year.

Far-stretched supply chains with minimum order requirements and production lead time provide little to no maneuverability to the fashion houses to serve fast-fashion hungry consumers. As a result, they are bringing manufacturing facilities closer to the home where they can have greater control over the production process. An array of inventions and developments are influencing those decisions which were not possible even just a few years ago – something that we will continue to discuss in this piece.

Fast fashion has the potential to result in a considerable decline in the number of orders for Bangladesh's RMG in the future and create competing factories in continental Europe, America, and Australia. It is difficult to predict the extent of the actual impact of fast fashion as it gets rooted further in consumer psyche. But one thing is for certain – it is here to challenge the status quo and challenge it aggressively.

STAR/FILE

Bangladeshi workers' average wage still remains lower than other RMG producing countries.

Many consumers nowadays are not happy with just what they buy. In this age of the "woke", consumers are also interested in how a product has been produced, what's its carbon footprint, whether it was produced through a process that is fair to workers and the manufacturing process is sustainable and environmentally friendly, and so on. One statistic shows that in 2018, today's fashion consumers looking for "ethical and style credentials" have increased by 47 percent. Another research found that "nine out of ten Generation Z consumers believe companies have a responsibility to address environmental and social issues." This goes a step further than the Millennials, who thought of environment preservation as the core issue. The opinions of these two generations are imperative as they account for an overwhelming lion's share of global consumer spending.

And, the brands are listening. Manufacturers like Nike, Levi Straus, Gucci, Uniqlo, ASOS, H&M, Balenciaga and many more are stepping up to support social and environmental causes, which include, amongst others, responsible sourcing and manufacturing practices.

"Woke" mindset has and will continue to have a direct impact on Bangladesh's RMG, which has gone through numerous tumultuous events of its own, including Rana Plaza, in the past. This implies Bangladesh's garment factories will continue to be monitored by consumers and, therefore, by international brands. Safe, ethical, equitable and respectful production process and working conditions will continue to be a major consideration.

In the past, Bangladesh's RMG could increase its global competitiveness by spending considerably less on improving worker safety, disaster preparedness, working conditions, etc than its Chinese or Vietnamese counterparts. However, as "woke" becomes an ingrained part of the bargain, Bangladesh, too, must work hard to avoid any negative limelight. For Bangladesh, this could imply a competitive edge lost and more competition to retain cost leadership.

A key selling point that helps Bangladesh attract many global brands as a manufacturing destination is the abundance of its low-paid labour. However, multiple trends are in motion that could jeopardise it.

Like the rest of Asia, labour cost is rising in Bangladesh. Minimum monthly wages have risen to Tk 10,700 or $127 recently and there could be more increases in the future. However, Bangladeshi workers' average wage still remains lower than other RMG producing countries like China, Vietnam, Myanmar and Cambodia. But there are countries that can offer even lower wages than Bangladesh. The average monthly wage of a worker in Ethiopia is $50. As a result, many manufacturers are opening shops in Ethiopia. For example, H&M has started to import from the Ethiopian factory which it has set up with help from Bangladesh's RMG player DBL.

As the African countries amass more expertise and experience while offering a lower cost, there could be a paradigm shift in the RMG manufacturing - something that could be substantially disadvantageous to Bangladesh.

The writer is a global development practitioner, currently working at Candid, a NY-based research organisation.

China says no 'promise fatigue' on opening its economy

REUTERS, *Beijing*

THERE is no "promise fatigue" about China's efforts to open its economy to foreign businesses, the government said on Monday on the eve of week-long import fair, after the European Union said China needed to make rapid and substantial improvements.

The EU, China's largest trading partner, said last week ahead of the Shanghai fair that there was a risk of "promise fatigue", urging China to show "more ambition and genuine effort toward rebalancing and a level playing field".

China has long been dogged by accusations of unfair trade practices, from forced tech transfers to protectionist market entry policies. It has been criticized for making promises to open its market and not delivering on them.

Speaking at a daily news briefing, foreign ministry spokesman, Geng Shuang, said China was pleased to note the EU's statement mentioned how European companies' sales had benefited from the fair last year, the first of its kind in the country.

European firms would be well-represented this year, too, and were sure to come away well satisfied, Geng said.

When it came to commitment to reform and opening up, China has always stuck to its word, he said.

"So the European side can rest easy. China will spare no effort in fulfilling its promises and commitments. There is no so-called fatigue issue."

The fair begins on Tuesday with a speech by President Xi Jinping. French President Emmanuel Macron and the EU's incoming trade commissioner, Phil Hogan, are both attending.

While Brussels and Washington have common complaints about problems their companies face in China, the EU has not resorted punitive tariff measures as the United States has done.

Concerned by potential Chinese dominance of strategic European industries, the EU is trying to coax Beijing to open up its markets and has tried to get it to commit to removing what Brussels sees as unfair barriers to trade.

Some European companies felt cheated at last year's inaugural expo, according to a survey by the Shanghai chapter of the European Chamber of Commerce in China, released on Monday.

Many of the deals made last year were not later realized, according to the survey, with one respondent describing theirs as a symbolic agreement.

India rejects Asia-wide trade deal as others move ahead

REUTERS, *Bangkok*

FIFTEEN Asian countries agreed terms on Monday for what could be the world's biggest trade pact, they said in a statement, but India delayed its decision on joining because of significant differences over tariffs and other issues.

The Regional Comprehensive Economic Partnership (RCEP) is backed by China and also brings in the 10-member Association of Southeast Asian Nations (Asean), Japan, South Korea, Australia and New Zealand.

Participating countries met in Bangkok alongside a meeting of Southeast Asian leaders.

"We noted 15 RCEP Participating Countries have concluded text-based negotiations for all 20 chapters and essentially all their market access issues," the statement from the leaders said, to allow for signing next year.

"India has significant outstanding issues, which remain unresolved... India's final decision will depend on satisfactory resolution of these issues," it said.

The United States-China trade war has given new impetus to years of discussions on the trade bloc.

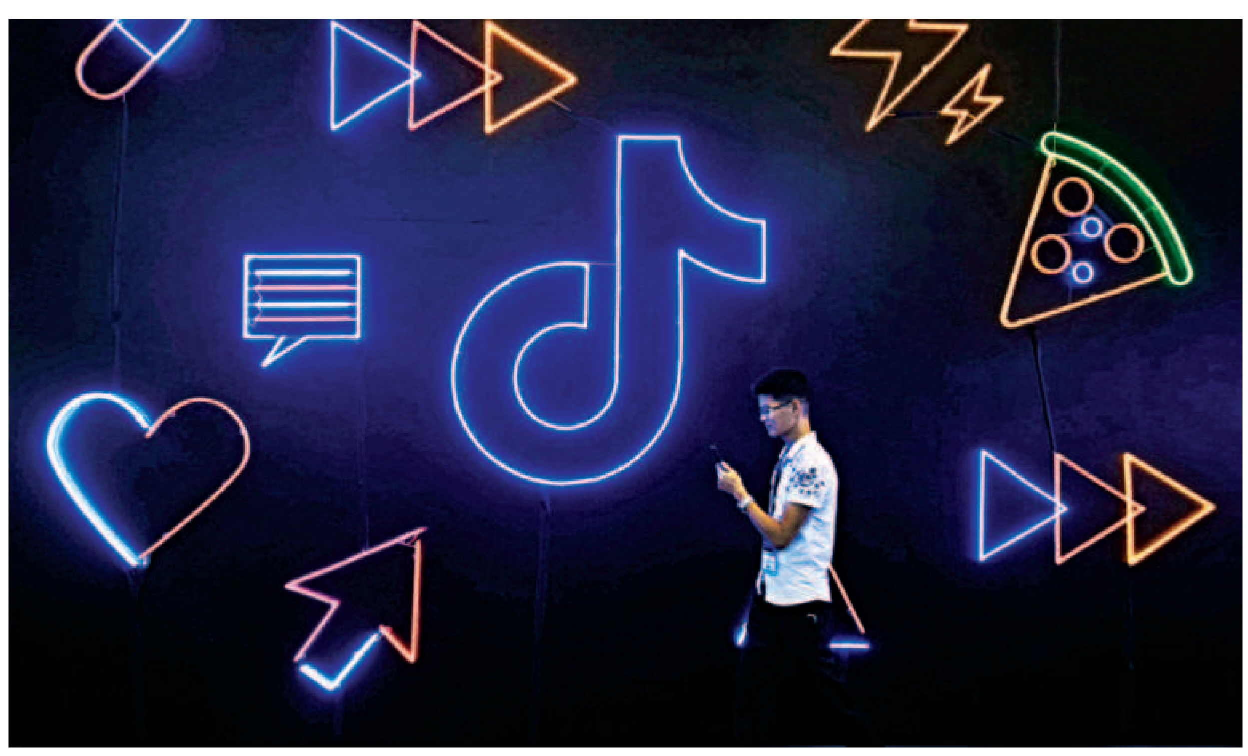
But India decided not to agree to it as it stands due to differences over tariffs, its trade deficit with other countries and non-tariff related barriers, Indian Prime Minister Narendra Modi was quoted as saying.

"Present form of the RCEP Agreement does not fully reflect the basic spirit and agreed guiding principles of RCEP," Modi was quoted saying by Indian public broadcaster Prasar Bharati News Services in a tweet. "It does not address satisfactorily India's outstanding issues and concerns." India has been worried that the agreement, which requires the gradual elimination of tariffs, would open its markets to a flood of cheap Chinese goods and agricultural produce from Australia and New Zealand that would harm local producers.

AFP

The national flags of the various countries attending the 35th Association of Southeast Asian Nations Summit are displayed in Bangkok yesterday.

How TikTok, caught in US regulatory crossfire, rose to global video stardom



REUTERS

A man holding a phone walks past a sign of Chinese company ByteDance's app TikTok in China.

REUTERS, *Beijing*

SHORT video-sharing app TikTok has become the latest Chinese firm caught in US regulatory crossfire, with Washington launching a national security review of its $1 billion acquisition of US social media app Musical.ly.

The review of TikTok, owned by Beijing ByteDance Technology Co, comes after US lawmakers raised concerns about its collection of user data and whether China censors content seen by US users.

Below are key facts about TikTok that competes with the likes of Snap Inc's Snapchat and Facebook Inc's Instagram and Lasso.

What is TikTok?

TikTok allows users to upload short videos with special effects, many of whom dance, jump and lip-sync to pop songs and music in the app. The app also offers easy-to-use editing tools, so users can simply edit the videos via their cellphones.

It is one of the world's most popular apps with more than 1 billion downloads globally, according to analytics firm Sensor Tower, becoming the first Chinese-developed consumer app to achieve international scale.

The app currently ranks fourth behind Facebook, Instagram and Snapchat as the most used social app in the US Google Play Store, according to researcher SimilarWeb.

The app has especially created a buzz among US teenagers. Around 60 percent of its 26.5 million monthly active users there are aged between 16 and 24, the company said earlier this year.

What is behind TikTok's Popularity?

TikTok's success in the US market can be largely attributed to its acquisition of the lip-synching app Musical.ly in 2017.

Its features and users were later added to TikTok platform, and the deal helped TikTok's US monthly active users increase by 30 million in the three months after the merger, according to app tracker Apptopia.

What is the criticism against TikTok?

US Senator Marco Rubio in early October asked a US national security panel to review TikTok owner Beijing ByteDance Technology Co's acquisition of Musical.ly, arguing that TikTok was being used by the Chinese government to censor politically sensitive content.

In a letter requesting the review, Rubio noted that despite Hong Kong protests dominating international headlines for months, "the app only had a few videos" of the protests.

Facebook's Chief Executive Mark Zuckerberg later weighed in, saying the app censored political protests

TikTok denies that China censors its content, saying it is "not influenced by any foreign government."

What other regulatory challenges does it face?

In February, ByteDance agreed to pay a $5.7 million fine to the Federal Trade Commission in the United States over TikTok's illegal collection of personal information from minors.

In India, a local court ordered the federal government to temporarily ban new downloads of TikTok in April, saying the app was encouraging pornography and could expose children to sexual predators.

TikTok is ByteDance's most successful platform outside China.