Should we be wary of Ethiopia?

RMG NOTES

MOSTAFIZ UDDIN

THERE is much talk of Ethiopia as the next "go to" apparel sourcing location right now, but how much is hearsay and how much should the Bangladesh Ready-Made Garment (RMG) industry fear this new rival needs scrutiny.

The international apparel community is flooded with talk of the growing prowess of Ethiopia as the "new kid" on the apparel sourcing block. But what is the reality of the situation and what can the Bangladesh RMG industry learn from and, indeed, do about this new challenger to the sector, are questions we must consider.

The efforts of the Ethiopian government to promote the nation's apparel industry cannot be denied. They have invested in a range of economic incentives including the construction of freshly built industrial parks for garment manufacturing, with the explicit goal of positioning Ethiopia as one of the world's top exporters of textile and garments.

These efforts have been rewarded, with the East African country opening its doors over the past years to a range of international apparel brands including H&M, Calvin Klein and Tommy Hilfiger, allowing access to factories for production of low-cost garments in the aforementioned industrial parks.

This enviable uptake from leading brands has led the country's authorities to predict that they can boost their clothing exports to a total of USD 30 billion a year from its current USD 145 million.

However, "all that glistens is not gold" as the old saying goes and, as a recent report from May 2019, "Made in Ethiopia: Challenges in the Garment Industry's New Frontier" by the New York University Stern Centre for Business and Human Rights explains, "For all of its potential, the apparel industry in Ethiopia has already encountered difficulties. The government's eagerness to attract foreign investment led it to promote the lowest base wage in any garment-producing country—now set at the equivalent of USD 26 a month."

Therein, I feel, lies the crux of the matter: has the recent upsurge in interest in Ethiopia as a sourcing hub been driven purely by workers' salaries? If so, surely this flies in the face of the principles the Bangladesh RMG industry are trying to establish for a sustainable apparel industry and is, surely, not a path that we can dare follow or challenge!

Admittedly, the upturn in Ethiopia's apparel producing fortunes should be applauded as it has offered an abundance of opportunities to the 105 million populace of the land-locked nation that has been wrecked by much publicised civil war, famines and droughts over the last 40 years.

In many respects, the emergence of the Ethiopian apparel industry bears similarities to the nascent Bangladesh RMG industry some 40 years ago and this, I feel, is what we need to bear in mind when considering Ethiopia as so called "competition".

Since its inception in the 1980's, the Bangladesh RMG industry has seen significant growth and is now established as the second largest supplier of apparel globally. We have trodden a long path to attain this status; this is a road that countries like Ethiopia are just starting along and, in that respect, I question whether any parallels should be drawn between the two.

Yes, we are both apparel producing hubs and, yes, we have lower wage strata than other parts of the world but there I feel all similarities end. As should the ongoing rhetoric about the threat that Ethiopia poses to the RMG industry of the nation.

First, and foremost, amongst all of the factors for us to consider are the advances that our country has made in producing ethical, sustainable, environmentally sound apparel products. In reaching this the industry has had to go through a steep learning curve. We must not ignore the investments that have been made in the sector over recent years, the rise in wages and the increase in the cost of raw materials and services (gas and electricity).

We have now reached a stage where we no longer have to chase the "bottom dollar" on product as the viability of that approach is not sustainable in the long term and the industry should be gearing up to produce product with integrity.

Chasing the "race to the bottom" is a race that Bangladesh will lose, so let us in the RMG industry be bold enough to not don our running shoes, and instead choose another discipline to participate.

To my mind, the rising interest in Ethiopia from brands and retailers should summon a sea-change in attitude which the Bangladesh apparel industry should embrace. The western world, which constitutes the biggest apparel export market for Bangladesh is moving away from the "race to the bottom" model which Ethiopia is currently pursuing. Indeed, Bangladesh itself has been trying to move away from such a model, which many believe is losing relevance in a world where sourcing hubs are under such great scrutiny, particularly regarding workers' rights, safety and well-being.

PHOTO: REUTERS/TIKSA NEGERI

The low labour cost in the Ethiopian apparel sector can lead to disenchanted workers not performing effectively.

To put it another way, a garment sourcing destination can no longer compete simply by telling brands and retailers that it has extremely cheap labour. There has to be more depth in what is being offered, whether it be product integrity, sustainability, environmental credentials, great logistics or brilliant infrastructure.

It is these factors that we in the Bangladesh RMG industry should be promoting to our customers and we should not be fixating on workers' salaries and, indeed, should be moving away from the mass volume commodity apparel items that we have previously been renowned for producing. There is nothing wrong with walking away from a fight that we cannot win—rather we risk damaging the long-term welfare of the sector if we do try and compete at the base level.

The next pieces in the jigsaw to consider are the actual level of success achieved by the Ethiopian apparel industry and the actual size of the threat that it poses to the Bangladesh RMG sector.

The New York University's report highlights four important factors that we should consider when regarding Ethiopia as a contender on the apparel manufacturing circuit.

The first are the most recent figures showing that Ethiopia's garment exports are worth around USD 145 million, some considerable way short of the estimated USD 30 billion being touted by government figures. It has taken the country several years of extremely hard promotion of its textile industry to reach such a figure and there have been plenty of ups and downs along the way. Figures for garment exports have consistently fallen way short of government forecasts over the past five years.

The second is, ironically, the low labour cost in the Ethiopian apparel sector. Despite the fact that these may have appealed to certain buyers, the reality is somewhat different, with disenchanted workers not performing effectively and with alarmingly low levels of efficiency. As the report states, "Rather than the compliant, cheap workforce they may have assumed they would hire in Ethiopia, the foreign-based suppliers have encountered employees who are unhappy with their compensation and living conditions and increasingly willing to protest by stopping work or even quitting."

Let me be clear here: Bangladesh is by no means perfect on these issues and we all know workers in the RMG sector of our country should be paid more. But if, we are making a comparison with Ethiopia, there simply is none. Wages here, and associated job opportunities and career progression, are now that much greater. Bangladesh has progressed, slowly but surely on these issues despite significant teething issues along the way.

The third factor concerns raw materials, almost all of which, at the current time, need to be imported into Ethiopia. The government promoted the availability of more than three million acres for cotton cultivation, whereas only 148,000 acres are being used as local farmers switch to sugar, sesame, and other crops with a higher cash yield. As a consequence, local manufacturers still have to import nearly everything they need to make finished apparel.

The final factor concerns bureaucratic red tape, which was supposed to be untangled at the manufacturing parks in the country but still remains very much in evidence based on the most up-to-date reports, which also suggest exporters aren't allowed to consolidate smaller orders into one shipping container, resulting in the shipment of partially full containers and a rise in transport costs. In short, getting shipments in and out of Ethiopia is not a straightforward task.

Again, while Bangladesh might not have got everything right, its logistics, including ports and associated infrastructure are exemplary, while much has been done to reduce burdensome red tape in recent years. We are all, in Bangladesh, on the same page when it comes to such issues.

With all of this considered I question the threat that the Ethiopian apparel industry poses to the Bangladesh RMG sector. If we ignore the like-for-like wage comparisons and the urge to chase volume of commodity apparel products, we can continue to develop the industry in a sustainable, responsible manner for the years to come.

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COP25: Another round of active inaction

MIZAN R KHAN

THE UN's longest-ever climate negotiations, continuing non-stop for almost two extra days, drew to a close on December 15 with not much to celebrate. Nations on both sides—developed and developing—held hardline positions resulting in utter disappointment, so expressed grudgingly by the UN Secretary General himself. Countries failed to agree on many of the sought-after outcomes, including rules to set up a global carbon market, steps to mobilise dedicated funding for loss and damage (L&D) and mobilisation of long term finance (LTF) for the most vulnerable.

First, there is the most vital issue of ambition to reduce emissions in order to live in a world well below 20C above the pre-industrial level, which saw no real move ahead. Countries were divided on focusing either on the pre-2020 or a post-2020 ambition. Developed countries stressed on enhanced post-2020 emissions pledges in the new nationally determined contributions of parties. While major developing country emitters like Brazil, China and India opposed any obligation to submit enhanced pledges, arguing that the focus should be on meeting first the pre-2020 pledges made by developed countries earlier. The former also made it clear they would not support strong language on raising ambition without a similar call for rich countries to provide adequate support, long promised to developing countries.

Against this bleak backdrop, about 80 countries have already signaled plans to enhance their climate pledges next year. Even as the talks fell into disarray, the EU agreed to a "climate neutral" target for 2050, joining 73 countries who have signed up to a similar goal. With the US withdrawal from the Paris Agreement (PA) still underway and without progressive ambition, as agreed under the PA by all including the major emitters from both sides of the aisle, the world is likely to experience at least an additional 30C of warming in the coming decades.

PHOTO: OSCAR DEL POZO/AFP VIA GETTY IMAGES

Chile's Minister of Environment and COP25 president Carolina Schmidt talks to Brazilian Secretary for National Sovereignty and Citizenship Fabio Mendes Marzano during the closing session of the UN COP25 climate conference in Madrid on December 15.

Second point is about the global carbon market stipulated under the PA. COP24 in Katowice last year could reach agreement on a rulebook for implementation of all issues except on Article 6 of the PA, which provides for creating a carbon market, among others. So, fixing its rules was the main remaining part of the Paris Rulebook, the nitty-gritty details of how such a market will operate. Here again, irreconcilable differences swayed any progress. Countries like Australia, Brazil, China and India insisted for a system allowing the carryover of Kyoto-era carbon credits as contribution to their mitigation pledges post-2020. However, other countries argued this would undermine the entire market system. As tensions peaked, a group of 31 countries led by Costa Rica signed up to the "San Jose principles", a set of standards for ensuring the integrity of the global carbon market. Another issue of rancor was related to what share of proceeds from emissions trading will be forwarded to the Adaptation Fund. Countries have not settled on how much, with options for two percent of proceeds (generally supported by developed countries), or five percent (supported by developing countries).

The real fight lay in whether a similar "share of proceeds" for adaptation should be set up for bilateral trading under PA Article 6.2. Not applying a similar levy could mean bilateral trading will enjoy preference over the global carbon market under Article 6.4, reducing in turn the money that will go to Adaptation Fund.

Third, the L&D agenda under the Warsaw International Mechanism (WIM) could not progress much except for the establishment of the Santiago Network. The main agenda on this issue was to review the WIM Terms of Reference, which emphasised the mobilisation of dedicated resources for L&D. Another technical but important argument was whether the WIM should be put under the PA or the general Conference of Parties (COP). The US pushed strongly to keep it under the PA, as it will continue to belong to the COP, although several country groups made it clear that the WIM should be governed jointly by the COP and the PA. In terms of any money for L&D, there has been no progress made. The developed countries led by the US vehemently opposed it.

Fourth, there was no positive outcome on long term finance (LTF), another perennial crunch issue. The promised new climate finance goal to be met by 2025 under the PA has to be higher than the pledged USD 100 billion a year by 2020. Further push back from rich countries on commitments to provide LTF to the most vulnerable symbolised the intractable tension between the needs of developing countries to address climate change and the opposition of a few major economies. Actually, the issue that continues to mar the mutual trust is the persistent opposition for the last two decades by many developed countries that hinders agreement on a definition for climate finance. This could plug the loopholes of double/triple counting of the same money, or the repackaging of development assistance as climate finance. Continued lack of such an agreed understanding results in a Himalayan gulf between the claimed delivery and actual receipts in developing countries.

In the end, there is little gain in few non-political issues such as the approval of a new Gender Action Plan and a work plan for the Local Communities and Indigenous Peoples Platform. Indigenous and human rights groups have long sought for new mechanisms to ensure that supported projects do no harm to local communities. There was no strong commitment on this either. Their demand for setting up an independent grievance/redress mechanism fell on empty ears.

The way forward

Months before and throughout the talks, youth activists led by Greta Thunberg highlighted the disconnect between the negotiations and the demands of science, and the affected communities the world over. Unlike Paris, the activism resulted in a lackluster impact. Hope the youth activists will consider the lessons learned this year.

One silver lining is that under the new Green Deal for Europe, the EU Commission plans to enhance the bloc's 2030 target to at least 55 percent reduction. All member states but Poland also committed to achieve carbon neutrality by 2050. The UK is one of several European countries which supported the "San Jose principles" and being a member of the high ambition coalition pushed hard for a clear call for enhanced climate plans in 2020. With so little agreed at COP25, the stakes are much higher for the Glasgow talks next year.

Let me end by referring to a recent statement of Dr Saleemul, who has attended all the 25 COPs since 1995—unless Glasgow promises to turn into an "Action COP", he may consider not joining any more. Let us only hope that under leadership of the progressive UK, COP26 goes beyond the process of "active inaction", unlike some of the COPs in the past.

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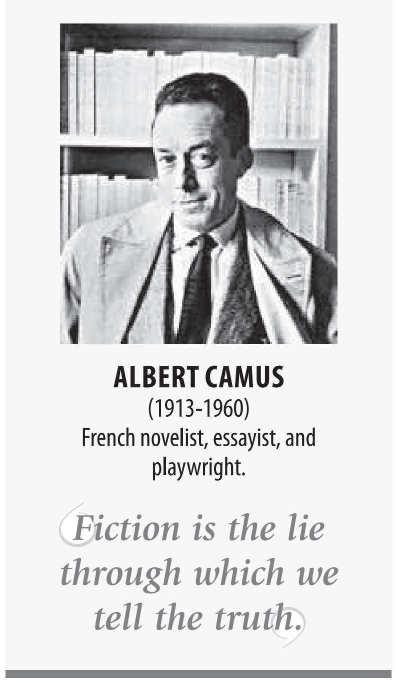
QUOTABLE *Quote*



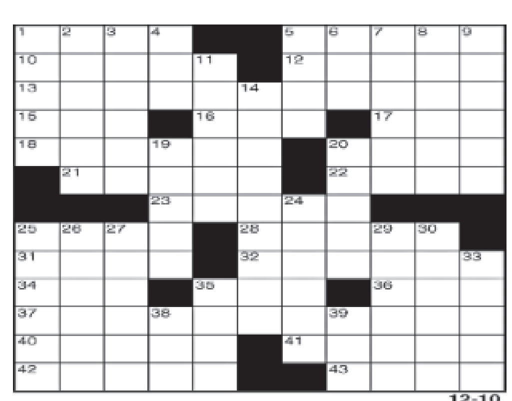
ALBERT CAMUS
(1913-1960)
French novelist, essayist, and playwright.

Fiction is the lie through which we tell the truth.

CROSSWORD BY THOMAS JOSEPH

ACROSS
1 Aladdin's find
5 Singer Mc Lachlan
10 Concerning
12 Fill with joy
13 Old copying aid
15 Snaky shape
16 Got together
17 Woolen cap
18 Playground sight
20 Finish last
21 Bed boards
22 God of war
23 Heavy drinker
25 Paul Bunyan's ox
28 Black cattle breed
31 Gorillas and gibbons
32 Nucleus part
34 Set fire to
35 Soup sphere
36 Spanish gold
37 Stationery buy
40 Mermaid's home
41 Bar garnish
42 Shorebirds
43 Wood strip

DOWN
1 Oxford features
2 Lowers
3 Tasty bit
4 Place for a pint
5 Fall mo.
6 In the manner of
7 "Jurassic Park" creature
8 Comfortable
9 Messenger god
11 Soup choice
14 Kiosk buy
19 Fills completely
20 Slow tempo
24 Mesmerized
25 Voter's page
26 Individually
27 Improved
29 Perfect place
30 Most tender
33 Compass point
35 Signing needs
38 Brown shade
39 Piercing tool



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YESTERDAY'S **ANSWERS**

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