The Daily Star
FOUNDER EDITOR
LATE S. M. ALI
DHAKA MONDAY JANUARY 25, 2021, MAGH 11, 1427 BS

Economic pangs of the pandemic

The authorities must intervene to assist the 42 percent pushed below the poverty line

WE had predicted at the very outset of the pandemic that one of the long lasting inevitable negative impacts of Covid-19 would be on the economy of the country, and that countries across the board, irrespective of their economic status, would have to cope with the economic downturn long after the health hazards of the pandemic were mitigated. We are not done with the pandemic yet and many parts of the world are faced with not only a second wave but also different strains of the virus. However, the initial manifestations of the socio-economic impacts are already far too easy to see.

According to a nationwide survey carried out by South Asian Network on Economic Modeling (SANEM) between November and December last year to find the impacts of the pandemic on socio-economic conditions, 42 percent of 5,577 households covered in the survey were found below the poverty line. Interestingly, SANEM had interviewed the same group of households in 2018 and had found 21.6 percent of them to be below the poverty line. This percentage doubled last year—all due to the pandemic. The consequences have been worse for rural areas than urban areas. Another long-term impact in this regard is the rise of the extreme poor to 28.5 percent last year from 9.4 percent in 2018, nationally. Sadly, those who were marginally over the poverty line have gone below it in the last one year.

While these adverse economic impacts are not unique to Bangladesh, perhaps the pinch has been felt harder here. Therefore, the authorities need to address the situation that is germane to Bangladesh, stemming from the pandemic, such as the emergence of this "new poor".

The poverty level has increased—this is a reality. Numbers are not as important as how we respond to the phenomenon. The government has to address all the three sectors that have been hard hit: the decline in domestic economic activity and impact on the informal economy, the impact on RMG exports and the decline in foreign remittance. We believe that the government should chalk out immediate, short and long term plans to overcome the crisis. The most important thing is to generate economic activity and employment opportunities by increasing investment, implementing special programmes to provide cash and food assistance to the poor in the worst affected areas, and providing loans to encourage small business.

Tk 428 crore project for women entrepreneurs

A timely and laudable initiative

WE laud the government's plan to undertake a Tk 428 crore project to develop the skills of 256,000 unemployed and disadvantaged women and hone them as entrepreneurs. If approved, the project, to be implemented by the Jatiyo Mohila Sangstha, a women welfare organisation under the women and children affairs ministry, will also help set up 160 sales and display centres, food corners and beauty parlours, where women can be self-employed. What is particularly notable is that the initiative is not concentrated in the urban areas and at the district level alone, but rather aims to set up trainining centres at the upazila level and in remote areas in all 64 districts. If implemented properly, this will go a long way towards building the skills and confidence of rural and disadvantaged women to explore opportunities they did not have access to previously.

Despite women's advancement across all sectors in Bangladesh, it is unfortunate that women entrepreneurs continue to face multiple economic, social and cultural barriers that curtail their true potential. In fact, last year, Bangladesh was bottom-ranked among 58 economies in the Mastercard Index of Women Entrepreneurs for 2020, a ranking based on an analysis of 12 indicators and 25 sub-indicators spanning advancement outcomes, knowledge assets and financial access, and supportive entrepreneurial conditions. Women are still discriminated against when it comes to accessing SME bank loans, in violation of Bangladesh Bank's guidelines, and there are very few opportunities for skills development. This is an embarrassment for a country that professes to prioritise women's empowerment.

During the pandemic, we have seen women come up with innovative business plans to support themselves and their families, utilising limited resources at their disposal. However, they need systematic support from the government and business community to build and expand their businesses, develop their skills and sustain themselves in the long run. We are glad that the government has taken a timely and judicious initiative for women entrepreneurs, at a time when Covid-19 has adversely affected employment opportunities for vulnerable groups. We hope that the project will be approved and the funds will be disbursed in an equally timely and judicious manner.

LETTERS TO THE EDITOR

letters@thedailystar.net

Monitor vaccinations

We finally received a timely gift from India, 20 lakh doses of vaccine for the coronavirus, and are thankful for it. Also, three crore vaccine doses that we purchased from the Serum Institute of India are set to arrive in the country in phases, and we will soon begin our inoculation campaign. It is a matter to be proud of, especially during these trying times. The elderly and frontline workers should be given priority during the vaccination phase. Those who receive the vaccine need to be monitored as well should any side effects occur, and health officials must remain alert. Moreover, the government must strictly monitor every step of the vaccination programme to prevent it from being mishandled and reaching the black market.

Priyanka Chowdhury, *by email*

Can Biden lead the world in pandemic recovery?

MACRO MIRROR

FAHMIDA KHATUN

FOLLOWING the inauguration of his Presidency, Joe Biden has already given several executive orders which are of great significance, not only for the US but for the entire world. Stepping into the role amidst one of the greatest challenges in mankind's recent history, one thing is for certain: President Biden has a long to-do list. Covid-19 has shattered the US healthcare system and its economy during the pandemic, much like it has done in other countries. With no signs of the pandemic's severity slowing down in the US, the Biden administration has no time to waste, and must make haste in order to make up for the lost four years under his predecessor at the White House.

On the economic front, the country has experienced a fall in output and employment due to disruption in production and businesses. In October 2020, the International Monetary Fund projected that the US would have a 3.1 percent growth in 2021 as opposed to 3.9 percent on average for the advanced countries. As far as dealing with the economic crisis, Biden has been vocal on the need for government spending—unlike his predecessor, who would not support funding on state and city levels in order to combat the pandemic. Biden plans to make huge investments on infrastructure to generate employment. Spending on education will also be an important component of such investments. He plans to hike taxes on the upper class in order to create a fiscal space for his intended investment, given that government expenditures will increase federal deficit significantly.

The pandemic has exposed all of the hidden weaknesses within the US healthcare system. Unfortunately, sentiments towards the scale and extent of Covid-19's impact, on both human health and the economy, were weak and disrespectful towards the pandemic's ability to disrupt the very way of life. The result of which was a President who left the White House without any cohesive strategy to address the pandemic.

The entire world had assumed that an economy as developed and bountiful as the US would take the lead in tackling the pandemic. Unfortunately, these expectations were not met due to both insensitivity and incapability. However, the need for a comprehensive health response to the coronavirus is being felt since the pandemic's initial outbreak. Despite vaccines rolling out in less than a year since the pandemic began, not everyone is optimistic in overcoming the current health challenges. Access to vaccines is not guaranteed for everyone. Beyond that, there still remains uncertainty regarding the availability of vaccines for the less fortunate, especially in poor countries. Several global leaders have urged for the vaccine to be a public good that will be available to each and every person worldwide. But there are apprehensions that countries may exhibit nationalistic behaviours in their vaccine distribution methods. Such was the experience during the H1N1 influenza pandemic in 2009. Covid-19 vaccine nationalism will also further accelerate the divide between the poor and the rich in case of health outcomes, leading to poor economic and social outcomes in low income countries.

The initiative titled the Covid-19 Vaccines Global Access Facility (COVAX) that was proposed in June 2020 for ensuring equitable access to immunise the poorest of the world in an effort to end the pandemic has remained underfunded till now. Under COVAX, the poor countries would receive free vaccines but the rich countries would pay for the vaccines so that the fund can be used for poor and vulnerable populations. To recall, COVAX is a collaboration among GAVI (the vaccine alliance), the World Health Organization (WHO) and the Coalition for Epidemic Preparedness Innovations. It will help provide two billion vaccines to citizens of 190 countries, of which 98 are higher income countries and 92 are low and middle income countries.

Such initiatives are noteworthy and extremely useful during the current crisis. Unfortunately, at the political level, the world still has no clear plan on tackling the virus. There are not enough commitments on funds for the poor countries to deal with the pandemic. The UK and the EU have taken the lead in supporting the COVAX facility. The Bill and Melinda Gates Foundation has also committed a large amount towards the cause.

Stepping into the role amidst one of the greatest challenges in mankind's recent history, one thing is for certain: President Biden has a long to-do list. PHOTO: AP

In September 2020, the former US President Donald Trump rejected the idea of joining the COVAX. He also stopped funding the WHO. Sadly, multilateral systems have taken a hit from the US government during the past four years. Under the Trump administration, the US distanced itself from organisations such as the United Nations, the World Trade Organisation, and the WHO, all of which have to work with governments to face the multitude of challenges our world presents.

However, things seem to be looking up. The US now intends to join the COVAX vaccine project. With President Biden willing to work together with the global community, there is optimism that the US will come forward to lead during the critical recovery path from the pandemic. Indeed, the National Strategy for the Covid-19 Response and Pandemic Preparedness of President Biden spells out seven goals towards beating Covid-19. These goals include: (i) restoring trust with the American people through a robust whole-of-government response that puts science first; (ii) mounting a safe, effective, equitable vaccination campaign; (iii) mitigating the spread of the virus through expanding masking, testing, data, treatment, workforce, and clear public health standards; (iv) expansion of emergency relief and exercise of the Defense Production Act; (v) safely reopen schools, businesses, and travel while protecting workers; (vi) protecting those most at risk and advancing equity, including across racial, ethnic and rural/urban lines; and (vii) restoring US leadership globally, advancing health security, and building better preparedness for future threats.

As President Biden initiates all out efforts to tackle the pandemic, it is important to understand that the pandemic has to be controlled not within one country but in all countries due to the very nature of a pandemic. As citizens of a globalised world, people have to travel across borders. Therefore, vaccinating its own people within a country does not bring any lasting result. Keeping the majority of the poor people in other countries outside immunisation makes its own people vulnerable, and this has huge economic and social costs. That is why a collaborative and coordinated approach is needed when it comes to combatting the pandemic.

The world will watch curiously how President Biden steers the journey towards a pandemic free world.

Dr Fahmida Khatun is the Executive Director at the Centre for Policy Dialogue. Views expressed in this article are those of the author and do not necessarily reflect the position of the organisation she works for.

Bangladesh the preferred option in an uncertain world

MOSTAFIZ UDDIN

AMONG the main characteristics which brands look for when entering a sourcing destination are political stability. Stability brings confidence and certainty and allows brands and retailers to plan long-term. The last thing any brand wants is to be shifting from one sourcing destination to another.

Here is an example: China. In the past 18 months, serious concerns have been raised about the province of Xinjiang, due to issues around forced labour and the repression of the Uyghur Muslim population.

I am not here to discuss the rights or wrongs of Xinjiang but what I can say is that as a direct consequence of these issues coming to the fore, fashion brands and retailers now have a huge headache on their hands. The reason is that the US has subsequently banned all products entering the country which contain cotton from Xinjiang. This creates huge problems for brands which use Xinjiang cotton but it also creates a challenge for brands sourcing any apparel from China, as much of the cotton used to feed China's textile industry is from Xinjiang.

China, the world's largest exporter of apparel, is not the only competitor of Bangladesh which has political instability right now. Ethiopia was viewed as a threat to Bangladesh not so long ago. Its business model was seeking to replicate our own—exporting cheap ready-made garments and competing heavily solely on price.

But now Ethiopia is also causing brands and retailers to have sleepless nights. Until last year, the country had relative political stability in comparison to other countries on the notoriously unstable African continent. It was selling itself as an investment hub for textile manufacturers, creating a number of business parks which have attracted customers such as H&M, PVH and Gap.

However, recent months have seen violent conflict in Ethiopia's northern Tigray region. This has been fuelled by ethnic power politics and is threatening the country's political and economic stability. According to some reports, the violence has likely killed thousands of people, including many civilians, and displaced more than a million people internally.

Many commentators are now suggesting that the scale of the conflict could scare off foreign investment in Ethiopia's garment industry. Some brands have already been forced to close some of their production units and this kind of instability is the last thing Ethiopia needs at a time when it is trying to develop its fledgling garment sector. Why would brands look at sourcing from there given the political instability and associated reputational risk of sourcing from a war-torn country?

In fact, everywhere I look, in terms of the competitive landscape for Bangladesh's RMG sector, I

PHOTO: AMRAN HOSSAIN

Compared to our key competitors, it is fair to say that Bangladesh is pretty stable right now and has been for many years.

see challenges for brands. Even neighbouring Myanmar has problems, and the issues there typify the challenges brands face when looking to source from developing countries. Myanmar only began exporting garments again in 2012 as the country had previously faced economic sanctions following a military coup in 1988. Many brands have begun sourcing from Myanmar since that time and, again, commentators have suggested Myanmar is a competitive threat to Bangladesh.

Again, however, political instability has reared its head. In fact, the current war between government forces and the ethnic Rakhine Arakan Army in western Myanmar is believed by some to be the most serious by far of the country's numerous, decades-old internal wars, with some of the most intense fighting seen in years. After the conflict escalated in early 2019, the government ordered a strong military response and designated the Arakan Army as a terrorist organisation. Such measures appear to have made matters worse, and problems and instability in Myanmar continue. What brands will make of all this, who knows?

Do we have our own problems in Bangladesh? Of course, we do. No country is perfect. But compared to our key competitors, it is fair to say that Bangladesh is pretty stable right now and has been for many years. Full scale safety remediations after the tragic Rana Plaza has transformed Bangladesh into probably the safest apparel sourcing country. The country also has the highest number of green garment factories in the world. It has an abundance of trained workers, strong backward linkage, infrastructure, logistics and the entrepreneurial know-how.

Brands know what they are getting with Bangladesh. They know they can be in for the long haul as our country has for decades proved itself to be a reliable, low risk partner for apparel sourcing; such partners are becoming increasingly difficult to find in an uncertain world.

These are important issues which need bringing to the fore at a time of change. Over the next few months, maybe beyond, brands will be reassessing supply chains as business picks up again after Covid-19. The industry is, in many ways, in a state of flux.

Our country, its leaders and its business owners must strike while the iron is hot to once again make our case as the trading partner of choice. Political instability among competitor sourcing destinations and pandemic chaos has only strengthened our hand in a world where brands and retailers more than anything crave certainty, familiarity and business continuity.

As Bangladesh will continue to be the world's preferred destination for apparel sourcing, brands and retailers should strengthen their partnerships with Bangladeshi apparel manufacturers to best serve themselves. It will be a win-win for both the buyers and manufacturers. While the journey will be longer, the best thing all the passengers could do is enhance cooperation and partnership to make it more successful.

Mostafiz Uddin is the Managing Director of Denim Expert Limited. He is also the Founder and CEO of Bangladesh Apparel Exchange (BAE).