

BANGLADESH RMG SECTOR

A story of expansion, crisis and missed opportunities



KNOT SO TRUE

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Starting the journey from the 1980s down to now, the readymade garment industry has been an ironical tale of success and censure. On one hand, the industry boasts of employing almost four million people, the majority of whom are women, yet on the other, the questions on wages have haunted the sector for too long. What made the sector grow and what brought in the discourse of low wages?

When the industry started with only a few factories exporting only \$120 million worth of goods in the 1980s, things were different. Buyers had discovered a market where labour was cheap and production standards were hardly audited. Quite frankly, no one knew any better as long as the end of the line produced a decent shirt or a T-shirt. The story ended there. With time, the market opened up with the number of factories increasing and more buyers coming in to explore the market.

The BGMEA expo was then held in the erstwhile Sonargaon, with a full 200,000 square feet or so sprawled with manufacturers and products. Few buyers came then but the number grew with time. I clearly remember the intense exchange of cards, followed by fax and telex messages with buyers, frantic phone calls to secure the orders and then watching the flow of conversation settle in on prices. In those days, manufacturers mostly brought in the raw materials from China, including the most basic poplins and the factories carefully calculated the lead time and offered the products to the buyers. Once the order was executed, the buyer returned for more. And the process went on and eventually grew. Back then, we were hardly on time, a delay of 10 days or so would mean a slight rebuke from the buyer, 20 would bring in a threatening phone call, and 30 a threat of sea-air combination to make the goods reach on time to hit the stores. The buyers would then also invite us to be present at stores and watch the goods being bought. But that was the early 1990s.

In those days, business meant lagging samples in suitcases, ironing samples on the hotel ironing boards and setting up racks in the buyer's offices and displaying the products with both trepidation and pride. Negotiation was easy as both parties were trusting. With the 2010 Everything but Arms offer from the EU—and a 12.5 percent duty advantage—Bangladesh became super keen to grow

the number of factories. Banks believed the manufacturers. Buyers trusted their sources and then the number of factories grew, and the demands to produce more piled up.

That is where we went wrong. The government and the sector both. That was the time when the entrepreneurs could have diversified into other sectors, grown capabilities of producing more value-added items, and the sector could have taken some challenging strides and made the country grow in terms of economic complexity.



FILE PHOTO: AMRAN HOSSAIN

While our products bear the sustainability tag, the lives of those who produce the products aren't quite the same.

Instead, the madness to grow capacities led to most manufacturers dropping prices to keep the wheels of the bus running. Unfortunately, little did the entrepreneurs realise that it wasn't about dancing to the music of the economies of scale, it was also about balancing business with community. I sincerely believe that if we had then stepped up and negotiated better prices and vied better products, we would have made it.

By "making it," I mean making it in the

real sense in a real scenario where Tazrin and Rana Plaza wouldn't have happened. The outcry that followed April 24, 2013 was unmanageable and the backlash was too severe to overcome. Not only did the nation suffer a collective tragedy, but the whole RMG community was slapped with the strictest set of compliance codes that shaped the sector forever. What came in was a critical examination of fire, electrical and structural integrity. Owners rushed to make their factories green to add the extra icing on the manufacturing cake, but in the process the sector failed to bargain for better prices. Keeping factories occupied mattered the most, at ANY cost.

Quite naturally, we have been unable to sport a better image for the sector to the world. So, every time a Western consumer walks into the store and checks the manufacturing source, they don't question the quality, but the ethical integrity of the product. And this is where the sector has failed the most. In the absence of a decent ambassadorship

the sustainability tags, the lives of those who produce the products aren't quite the same.

Here are a few facts and suggestions: i) Prices must immediately be reconsidered by buyers and adjusted by at least 10 percent considering the call for routine wage reviews; ii) Tags attached to the products must have bar codes containing the human stories of the workers in the factories so that the Made in Bangladesh with Pride just doesn't end up being the sector's slogan but has the endorsement of the people who make them in the factories; iii) Manufacturers must make it a policy not to quote lower and outbid the next factory in order to put an end to the cycle of low prices; iv) An immediate review of the borrowers must take place, so that the wilful defaulters can be taken to task, and the genuine borrowers, including "sick factories" facing hardship, can be given assistance to get back on track or be gracefully led to exit the industry; v) Buyers must pledge to place better products in Bangladesh and be prepared to embark

by the government in collaboration with the private sector where the workers get food subsidies (or have access to Fair Price Shops in the factory), travel subsidies and last but not the least, assurance of decent rent as, subjected to the *mastan* landlords of the community; ix) A central fund of wages for workers must be set up by the government to face force majeure events like Covid and other unforeseen interruptions that continue to plague the sector from time to time; x) The workers need to be reskilled. In order to do that, education and reskilling centres must be set up all across the industry so that when robots start operating in our factories, our workers won't face job loss and this won't be possible without the active support of the government and the buyers and; xi) We should follow the Vietnam model of setting up collaborations between the MNCs and the aspiring entrepreneurs to immediately attempt sector diversification without which we will always be solely dependent on RMG.

While the private sector could have had better practices, it also grappled with intense price pressure and cannot afford to be any better than now. With changes sweeping through the country, the private sector needs support with prices and the courage to assure buyers that Bangladesh not only offers great capacities but also offers great human stories that no other country in the globe can offer. We have the best workers who deserve a better life and we now have a new government that can bridge the gap between the Western perception and our reality.

All we need is a little margin to make it happen and it all boils down to decent prices from the buyers and government support to ensure stable law and order situation.

However, what the industry cannot afford is internal shaming. If there's a systemic problem, let's have an open mind and sit down to negotiate a better ground for the sector. Let's not waste time in finger pointing.

And for that, the sector needs the trust of all the stakeholders. Even the slightest tremor in the industry will be fatal for the nation. That is a realisation that came through multiple pressure points in Ashulia in just a few weeks.

During Covid, 1,055 factories in Gazipur paid Tk 1,580.68 crores as salary to 1.6 million workers and 198 factories in Ashulia paid Tk 305.45 crores to 284,000 workers. Apart from the 1,253 factories that took Covid loan support from banks, there are at least another 1,500 factories who fall under "deemed export." Therefore, the number of workers and the total salary are way above what is listed here.

Let us also remember that these are 2019 figures after which the minimum wage went through another revision in 2024. Which other sector can offer this level of employment is now an unpleasant puzzle for the policymakers to decide.

Rethinking Bangladesh's hi-tech parks

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The Bangladesh Hi-Tech Park Authority (BHTPA) was established in 2010 with the ambitious goal of transforming the country into a global hub for information and communication technology (ICT). More than a decade later, the organisation's efforts to promote the technology sector's growth have largely fallen short of expectations. While the intent behind the initiative is commendable, its success has been relatively limited, and the expected impact has not fully materialised. Several factors have hindered its progress, and strategic interventions are necessary to unlock its full potential.

One of the primary issues hindering BHTPA's progress is the inadequate infrastructure in the hi-tech parks, it established. Many of these parks suffer from poor internet connectivity, irregular power supply, and a lack of basic amenities, making it challenging for technology companies to operate efficiently. This has deterred potential investors and entrepreneurs from setting up businesses in these parks.

While BHTPA has initiated several projects across the country to establish such parks and business incubation centres, many are plagued by delays in construction and infrastructure development. In some cases, bureaucratic red tape and inefficient project management have slowed down the execution of plans. The lack of timely completion has hindered the ability of tech companies to set up operations in these parks.

Streamlining the execution of infrastructure projects is critical to making the hi-tech parks operational. This can be achieved by improving project management, reducing bureaucratic inefficiencies, and ensuring that clear timelines are adhered to. Public-private partnerships (PPP) in infrastructure development could also help accelerate progress by tapping into private-sector efficiency and capital, although

this must be done through a fair process.

The locations of the hi-tech parks are also not optimal. For example, the hi-tech park at Kaliakoir is too far away from Dhaka city with no civic amenities around. Typically, a township should be established surrounding hi-tech parks with shopping malls, movie theatres, children's parks, schools, markets, decent housing, etc. Alternatively, high-speed commuter trains or expressways must link the parks with the main city. Without these amenities, skilled tech professionals would not want to relocate themselves to a rural setting.

There was also a plan to develop an IT park in around 47 acres of land at the Korail slum in the capital. Although the site is a fully developed land, it is currently occupied by many slum dwellers. A resettlement programme for the displaced people was adopted as part of the development project to resettle them in an acceptable manner. However, political governments never attempted to implement this project because of the fear of losing a sizable vote bank. This tech park in the capital would surely be attractive to local and international IT companies.

Unfortunately, the IT industry, the biggest stakeholder in the hi-tech parks, was never consulted while selecting the areas or the districts for the parks. Decisions to establish the parks were mostly taken with the agenda to enhance the image of the local politicians. Some areas, selected for the parks, are unsuitable for IT business as skilled human resources are scarce in those regions. Sites near technological colleges and universities are most appropriate for these parks.

Another significant obstacle BHTPA faces is the shortage of skilled and experienced IT professionals in Bangladesh. While the country has a large pool of young talent, many lack advanced skills in areas such as artificial intelligence, blockchain, cybersecurity, data analytics, and other expertise required by tech companies. This skill gap has made it difficult for BHTPA to attract multinational companies to the hi-tech parks.

Though continuous upskilling of the tech professional is required for the ever-changing tech industry, a significant disconnect exists between academic institutions and this

sector. There is little collaboration between Bangladeshi universities and research institutes and the industry in terms of research, internships, and project-based learning. This gap weakens the innovation ecosystem and is responsible for the disparity between the skills needed by the companies and the talent pool available. Skill development must be included in the curricula so that graduates have both knowledge and skill.

It is also important to invest in research and development within the hi-tech parks now, since without its own intellectual property, Bangladesh will struggle harder in the post-TRIPS (Agreement Trade-Related Aspects of Intellectual Property Rights) regime. BHTPA



VISUAL: ANWAR SOHEL

can create specialised research zones or labs focused on emerging technologies. Offering tax breaks or subsidies for companies that invest in R&D would also attract more companies to establish operations in the parks. This will drive long-term innovation and competitiveness.

One of the main objectives of the hi-tech parks is to attract both local and foreign investments to spur technological innovation. However, a limited venture capital ecosystem, risk-averse financial institutions, and low levels of foreign direct investment (FDI) in the tech sector have been obstacles. Many startups and entrepreneurs in Bangladesh struggle to

secure seed funding or scale-up investment, which stifles innovation and entrepreneurship.

BHTPA could work with financial institutions to encourage the development of tech-focused venture capital funds and ease access to credit for technology-driven companies. Additionally, tax incentives for venture capital investments, grants, and seed funding for deserving startups could be provided to encourage investment in high-tech startups with potential and research-driven innovations that have commercial value.

Many tech firms and startups also face bureaucratic hurdles when seeking government approvals, licenses, and incentives. The slow processing of paperwork and

reduce bureaucratic bottlenecks. Moreover, updating policies to align with international standards will help increase investor confidence.

Another challenge that BHTPA has grappled with is the lack of effective marketing and promotion of its hi-tech parks. Many potential investors and companies, both local and international, are unaware of the opportunities and incentives offered by BHTPA, resulting in a low occupancy rate in the parks. BHTPA should enhance its marketing and promotional efforts to increase awareness and attract more businesses. There is a need for a concerted effort to market Bangladesh as a viable destination for technology investment. BHTPA should work with trade bodies and embassies to create a global campaign that highlights the country's strengths, such as its young workforce, strategic location, and improving infrastructure. Showcasing successful case studies from existing tech firms operating in the parks would further enhance credibility.

Compared to regional competitors like India or Vietnam, Bangladesh has struggled to present itself as an attractive destination due to concerns about the inequitable political environment including nepotism and corruption, infrastructure readiness, and ease of doing business. The absence of a coordinated promotional campaign to promote Bangladesh as a tech investment hub adds to the problem.

The BHTPA was established with a vision to develop an ICT-driven ecosystem and contribute to the nation's economic growth by fostering innovation, entrepreneurship, and job creation in the tech sector. However, without addressing key bottlenecks such as infrastructure delays, skill shortages, and regulatory inefficiencies, BHTPA's impact will remain limited. To overcome these challenges and achieve its goals, BHTPA needs to take a proactive approach otherwise its efforts to establish Bangladesh as a technology hub may continue to falter, and the country's potential in the ICT sector may remain untapped. In the long run, fostering innovation and nurturing entrepreneurship will be key to realising the country's vision for an ICT-driven economy.