

Report No. 55

**Coping With Post – MFA Challenges:
Strategic Response for Bangladesh RMG Sector**

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The Centre for Policy Dialogue (CPD), established in 1993, is an innovative initiative to promote an ongoing process of dialogue between the principal partners in the decision-making and implementing process. The dialogues are designed to address important policy issues and to seek constructive solutions to these problems. The Centre has already organised a series of such major dialogues at local, regional and national levels. These dialogues have brought together ministers, opposition frontbenchers, MPs, business leaders, NGOs, donors, professionals and other functional groups in civil society within a non-confrontational environment to promote focused discussions. The expectation of the CPD is to create a national policy consciousness where members of civil society will be made aware of critical policy issues affecting their lives and will come together in support of particular policy agendas which they feel are conducive to the well being of the country. The CPD has also organised a number of South Asian bilateral and regional dialogues as well as some international dialogues.

In support of the dialogue process the Centre is engaged in research programmes which are both serviced by and are intended to serve as inputs for particular dialogues organised by the Centre throughout the year. Some of the major research programmes of CPD include The Independent Review of Bangladesh's Development (IRBD), Governance and Development, Population and Sustainable Development, Trade Policy Analysis and Multilateral Trading System, Corporate Responsibility, Governance, Regional Cooperation for Infrastructure Development and Leadership Programme for the Youth. The CPD also carries out periodic public perception surveys on policy issues and developmental concerns.

*As part of CPD's publication activities, a CPD Dialogue Report series is brought out in order to widely disseminate the summary of the discussions organised by the Centre. The present report contains the highlights of a dialogue organised by CPD in collaboration with Oxfam, Bangladesh held at CIRDAP Auditorium, Dhaka on May 4, 2002 on the theme of **Coping with Post - MFA Challenges: Strategic Response for Bangladesh RMG Sector.***

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Dialogue on

**COPING WITH POST-MFA CHALLENGES:
STRATEGIC RESPONSE FOR BANGLADESH RMG SECTOR**

1. The Dialogue

The Centre for Policy Dialogue (CPD) organised a dialogue entitled *Coping with Post-MFA Challenges: Strategic Response for Bangladesh RMG Sector* at the CIRDAP Auditorium, Dhaka, on May 4, 2002. Moderated by *Professor Rehman Sobhan*, Chairman, CPD, the dialogue was attended by a cross section of people, including academics, leading business people, trade union leaders and NGO activists. The Minister for Commerce, Government of Bangladesh, *Mr Amir Khosru Mahmud Chowdhury, MP* was present at the dialogue as the Chief Guest and *Mr Tofail Ahmed* the former Minister for Commerce and Industries, Government of Bangladesh attended the dialogue as a Special Guest. *Ms Barbara Stocking*, Executive Director, Oxfam, GB, also participated in the dialogue.

A paper titled *Coping with Post-MFA Challenges: Strategic Response for Bangladesh RMG Sector* was presented at the dialogue which CPD conducted in collaboration with Oxfam, Bangladesh. The study was implemented to provide inputs to Global Campaign for Fair Trade, initiated by Oxfam in 2001.

2. Introductory Remarks

Dr Debapriya Bhattacharya, Executive Director of CPD, welcomed the dialogue participants and presented a brief resume of the premise and context of the dialogue theme. He underscored the importance of addressing the challenges stemming from the phase-out of the Multi-fibre Arrangements (MFA) for the export oriented RMG sector of Bangladesh.

Dr Bhattacharya maintained that despite the various initiatives and discussions held over the past seven years subsequent to the signing of the Agreement on Textiles and Clothing (ATC), there has not been any well-planned and comprehensive strategy to face the post-MFA challenges. He noted that the pertinent issues have been discussed in different forums and that the government, the private sector and academics have conducted many studies and put forward recommendations. "But any national plan is yet to be designed to develop the country's RMG sector so that it can cope with the post-MFA challenges. We haven't come across a comprehensive strategy from the government, providing directions as to how the country's textile sector will be plugged in with apparel sector and how to safeguard the lives and livelihoods of the RMG workers," he observed.

Dr Bhattacharya informed the audience that while the major apparel exporting countries have formed national level task forces comprising policymakers and exporters, Bangladesh, where RMG is the source of 75 per cent of the total export earnings, has regrettably not taken up any such initiative. He also pointed out that those countries have taken coordinated strategies to provide financial support to their respective apparel sectors.

Referring to measures taken in Bangladesh for the development of the sector, *Dr Bhattacharya* pointed out to the participants that although some initiatives have indeed been

taken in Bangladesh, the implementation of many such initiatives have been done in an uncoordinated manner. He referred to a few such initiatives which have sparked debate in the country, including cash subsidies and incentives for apparel export. He was of the opinion that such incentives were basically compensatory measures to offset the inefficiencies in the country's economic system. In this context, *Dr Bhattacharya* mentioned about lack of transparency in the exercises carried out as support to the backward linkage of RMG industry.

He observed that there are no adequate rules and regulations regarding minimum wages for the RMG workers, safe working conditions and other facilities which are commensurate with the demands of modern industrialisation.

In underscoring the need to bring about the desired changes in the country, *Dr Bhattacharya* suggested that the civil society should build a national alliance to demand such changes. In this context, he observed that Oxfam's Global Campaign in support of Fair Trade, to which CPD is also affiliated, represents a similar endeavour. He insisted on building a national alliance first and then gearing its activities to support the international initiative – otherwise the initiative would remain ineffective, he cautioned.

He concluded his speech expressing his optimism that the government would be able to unite the whole nation on the issue of supporting the country's RMG sector by combining all the dispersed initiatives under a unified structure. *Dr Bhattacharya* invited *Professor Rehman Sobhan*, Chairperson of CPD, to chair the session.

3. A Resume of the Keynote Paper

The keynote paper titled *Coping with Post-MFA Challenges: Strategic Response for Bangladesh RMG Sector* was prepared at the Centre for Policy Dialogue (CPD) by a team which included *Dr Debapriya Bhattacharya*, *Professor Mustafizur Rahman*, and *Dr Ananya Raihan* under the overall guidance of *Professor Rehman Sobhan*. The keynote paper presented by Professor Mustafizur Rahman focused on the: a) background of the country's RMG sector and its importance in the national economy; b) fiscal, financial and institutional public policy support for RMG; c) emerging challenges of MFA phase-out and their potential impact on the national economy; d) coping strategies at the domestic level; and e) coping strategies at the global level to address the risk factors and potential opportunities.

Professor Rahman observed that Bangladesh started exporting readymade garments in the late 1970s and currently about 1.4 million workers are employed in 3,500 factories operating in Bangladesh, of which about 70 per cent are women. The sector currently plays an important role in the economy accounting for about a 5 per cent to GDP and about a quarter of gross value addition in the manufacturing sector of the country. Its share in exports is about 75 per cent and its share in incremental exports averaged about

90 per cent in the 1990s. Recent statistics shows that the RMG sector accounts for about a-third of both industrial workforce and incremental investment.

Professor Rahman was of the opinion that whilst the global quota system in textile and apparel trading, under the MFA, in place since 1974, has indeed played a crucial role in the development of the sector, the role of domestic entrepreneurial initiative and GOB's fiscal

and financial support could never be overlooked. He mentioned that some of the policy supports such as the duty drawback facilities, tax holiday, cash assistance, income tax rebate facilities, zero tariff on machinery input, rebate on freight and power rate, bonded warehouse facilities, provision of import under back-to-back L/C, credit at concessional rate, export credit guarantee scheme and retention of foreign exchange earned by the exporters, were critical in terms of creating a conducive environment for Bangladesh's export-oriented RMG sector.

Dwelling on the phase-out of the MFA, *Professor Rahman* observed that this particular development is going to profoundly impact on how the global textile and apparel market will function in the near future. He reminded the audience that the third stage of integration has been implemented on January 1, 2002, and only two and half years remained before the complete phase-out scheduled for December 31, 2004.

The presenter pointed out that 'Lead-time' was becoming a crucial factor and its importance will grow once the MFA is phased out. He observed that it was not unusual to operate with a lead-time of 120-150 days during the 1980s and 1990s, however, at present the fashion seasons are becoming short increasingly and a lead-time beyond 30-40 days would not be feasible. Consequently, major challenge for the country's RMG sector would be to significantly bring down the 'lead-time' to about 30-40 days. However, he maintained, this would be impossible to attain in absence of a strong backward linkage industry in the country.

Professor Rahman observed that various bilateral trade agreements and regional initiatives have tended to adversely affect Bangladesh's RMG export. After the accession to NAFTA in 1994, Mexico's share in the US apparel market has gone up from 4 per cent to more than 14 per cent. In this context, he also mentioned some other initiatives, such as the Israel-Jordan Free Trade Area, the Indo-Sri Lanka Bilateral Free Trade Agreement, and China's accession to WTO, which have provided added advantage for some of Bangladesh's competitors.

Professor Rahman observed that in spite of rapid globalisation and promise of a rule-based global trade regime market access continues to remain constrained by components of international political economy. In this context, he mentioned about the recent initiative of the European Union (EU) to increase Pakistan's quota for apparels by about 30 per cent as a reward for her role in the Afghan War and USA's duty and quota-free offer to 34 Sub-Saharan African and to the Caribbean Least Developed Countries (LDCs) which in effect benefited some selected members of the LDC group leaving 14 LDCs, including Bangladesh, out of the initiative.

Notwithstanding the challenges confronting Bangladesh the speaker thought that Bangladesh had a number of advantages compared to other LDCs. Her debt servicing was below 10 per cent of her export earnings and export accruals accounted for 85 per cent of the total import payments. He, however, cautioned that if export earnings from the RMG were to drop, major macroeconomic performance indicators and balances may come under formidable pressure, triggering a multiplier impact on the economy. This would lead to job cuts, deterioration in the livelihood of the women workers and will adversely impact on structural transformation in the economy and society generated by a robust RMG sector.

In order to address the challenges facing the RMG sector both at domestic and global levels, *Professor Rahman* underscored the need for a shift from a simplistic ‘market access mindset’ to a ‘sustainable development mindset’. He called for an interface between poverty alleviation and the development of the RMG sector in the context of an enhanced market access. He noted that an approach such as whatever is good for the RMG sector is good for the RMG workers was too much of a simplistic equation and not always true. Rather, the overarching approach should be to ensure that any major global market access initiative for the RMG sector will constitute a critical component of the global poverty alleviation agenda. This approach will put a moral pressure on the donor community who ostensibly look at poverty alleviation as the major strategic goal in their partnership with the LDCs. He noted that such an approach is being strongly advocated by *Professor Rehman Sobhan* for quite some time now. In the context of this perspective, issues such as minimum wage, job security, conducive working environment, labour rights, participation of workers in the management, upgradation of skills and training should be looked as an integral part of the poverty alleviation strategy of the country. In this context, *Professor Rahman* elaborated on some of *Professor Sobhan’s* ideas as regards equity participation of the poor through mutual funds of organisations such as the Grameen Bank and major donors.

Professor Rahman was of the opinion that translating comparative advantage into competitive advantage by enhancing labour productivity and ensuring technological sophistication continued to remain the major challenges at the domestic level. At the global level, on the other hand, the strategy should be relating RMG sector’s fortune with a global poverty reduction initiative. To accomplish the first task, the major supply-side and capacity-building challenges will need to be adequately addressed. Global support and technical assistance will have to be put in place if this is to be successfully accomplished.

In addressing both the abovementioned tasks, there was an urgent need to build broad alliances at domestic as well as at global level. Oxfam’s global campaign in support of *Fair Trade* could be an important step in this respect. In the process of alliance building, the campaign should involve international agencies, including the UN system, and inspire them to take a common stand to protect the livelihood of the workers in the RMG sector of the LDCs. The alliance at the domestic level must of necessity include all major stakeholders including the government, entrepreneurs, RMG workers and civil society institutions of the country. *Professor Rahman* emphasised that the campaign must focus

on the impact of globalisation on the livelihood of workers, and also at the same time ensure that any initiative will contribute to alleviation of poverty on the ground.

Professor Rahman viewed that the campaign should strongly advocate in favour of delinking the issue of standards from trade related issues. Developed countries should be asked to take a rational approach with regard to the imposition of labour, environment, health-hygiene, ergonomic and other standards with respect to LDC exports. Terming technical assistance as a right of the LDC, *Professor Rahman* underscored the need for technical assistance to the LDCs to enable them in terms of complying with the attendant requirements. The WTO provisions on *Special and Differential Treatment (S&DT)* stipulated under the LDC Positive Agenda also commits such assistance which is yet to be implemented, he noted.

According to *Professor Rahman*, a strategic option for Bangladesh at the domestic level might be the provision of support for establishing backward and forward linkages. With reference to a CPD study, he informed that about US\$4 billion will be required to put in place adequate backward linkage support for the export-oriented RMG sector of the country. Laying emphasis on support to the ongoing restructuring in the RMG sector in the context of the recent global recession, he said, there should also be new laws for mergers and acquisitions of RMG enterprises to facilitate a defensive restructuring of the sector.

In concluding his presentation, *Professor Rahman* called for the designing of a *contingency plan* to deal with the worst-case scenario consequent to the phase-out of the MFA. Under the plan, there should be an emergency support package for the sector, a safety net for the retrenched workers, support for skill-development of the work force and a contingency fund for restructuring of the sector, he proposed.

4. Discussion

Following the presentation by *Professor Mustafizur Rahman*, *Professor Rehman Sobhan* invited *Mr Amir Khosru Mahmud Chowdhury*, the Minister for Commerce, to share his views with the dialogue participants.

5. Remarks by the Chief Guest

The Minister complimented *Professor Rahman* for his presentation which, he thought, touched upon a number of timely and important issues. He re-emphasised the contribution of the RMG sector in economic and social development of Bangladesh and stressed the sector's importance in terms of export earnings, employment generation and also providing lifeline for a host of other important sectors. He mentioned that the sector has created jobs for more than 1.4 million people of which 70 per cent are women, and in an indirect way it has established employment opportunities for many more individuals through associated economic activities. As the RMG sector opened up employment opportunities for the country's women workforce, *Mr Chowdhury* felt it had a direct bearing on the country's social development, empowerment of women, and poverty alleviation. "It is actually more than employment, more than investment and export and more than economics. This sector remains at the heart of the entire socio - economic

development of the country. Therefore, it is an imperative for all of us to address the issue of MFA phase - out with all the seriousness that it deserves”, he maintained.

The Minister underscored the importance of the twin issues of the ‘market access’ and ‘special and differential treatment’, and mentioned that these were perhaps the most talked about issue in all the discussions pertaining to globalisation. Supporting the points raised by *Professor Rahman* as regards market access, the Minister noted, “Market access alone of course cannot resolve the problems of the sector. Nonetheless, market access is something we have to press on regardless of globalisation and transformation of global economy under the rule-based WTO system.” He also thought that the integration of the LDCs into the global trading system was critical to Bangladesh’s overall economic performance, specially in the context of the increasing openness of the economy. In the light of his experience of attending some of the international fora and the deliberations there *Mr Chowdhury* noted that

the role played by the UNCTAD and Oxfam was very important in terms of advocating and

promoting the interests of the LDCs. “I have seen how Oxfam is contributing through such meetings, specially to push the welfare of the LDCs by promoting the market access issue. And this is something we have to pursue in all the forums in order to make our voice heard,” he emphasised.

Referring to the last round of WTO negotiation, termed as ‘Development Round’, which was launched in Doha, Qatar during the Fourth Ministerial Meeting of the WTO, *Mr Chowdhury* expressed his disagreement to the next round being called the *Development Round* unless it was ensured that issues such as market access, special and differential treatments and concerns of the developing nations were adequately addressed.

As regards the market practices of the developed countries, the Commerce Minister pointed out the double standard of the developed countries. These countries were protecting their own market by providing subsidies and using the sanitary and phytosanitary and other standards to deny the access of the developing countries into the developed country markets. He noted that the developed countries were faring unhindered market access to the developing country markets.

Mr Chowdhury mentioned about Bangladesh’s initiatives for zero-tariff access to some of the markets of the developed countries, especially the USA. He added that, if achieved, “it would be like a breath of fresh air for our export”. The Minister, pointing to the rules of origin problem in the European Union and other markets, stated that if such rules were relaxed, that would bring about new opportunities for Bangladesh. In this context, *Mr Chowdhury* observed, “I cannot claim that the developed countries have not responded to our request at all. Some of the developed countries are responding positively, whilst others are taking their time. But the positive thing is that none is rejecting the issue outright.”

The Commerce Minister emphasised importance of capacity building and technical assistance and suggested that efficiency issues ought to be adequately addressed on the home front. The Minister thought that since the apparel sector had been enjoying good

fortune for a prolonged period, the entrepreneurs of the countries were perhaps becoming a somewhat complacent and did not pay adequate attention to the existing and would-be problems. He felt that a crisis provides a real test and this was true not only for the apparel industry but also for business, in general.

In the face of the ongoing export slump, the Minister urged all the stakeholders to enhance efficiency and search for new opportunities in each and every component of production, including labour, shipment, banking and other areas. Cost has to be reduced and productivity

ought to be enhanced, he stressed. He was of the opinion that the private sector has to play a more productive role and that no government policy could pretend to perform magic. Referring to the keynote presentation, where it was mentioned that all the stakeholders had a role to play, the Minister pointed out that even the workers had an important role. He said there was a role for all the stakeholders in terms of making the country's RMG sector more competitive. He cautioned, "If we do not do our home work, other countries will take the advantage and will have competitive edge over us in the global market."

The Commerce Minister attached high priority to the need for looking for new markets. He noted that Bangladesh's apparel export has so far been confined to three markets only - the

USA, EU and Canada. Hitherto, the RMG has been concentrating on a few items (categories). No serious attempt has been made to explore the regional market, which, according to him, holds very good prospects for the country's RMG.

The Minister thought that countries such as Russia, Switzerland and Myanmar hold good prospects as our export destinations. In a bid to expand the market, he felt that the country should not only concentrate on bigger markets but also explore smaller markets, which could give annual exports worth US\$2 to US\$20 million.

Mr Chowdhury also emphasised on the importance of designing marketing strategy to take advantage of opportunities in information technology and e-commerce. He felt that the Bangladesh Garments Manufacturers & Exporters' Association (BGMEA), as well as individual RMG units, has a role to play in this regard. He opined that the BGMEA should play a more proactive role in this respect.

Underscoring the need for an innovative drive for marketing, *Mr Chowdhury* said that the country's missions abroad also had a very important role to play. Given the current state of affairs, he was, however, not much optimistic and could bank much on these institutions in terms of advancing country's interests through marketing drive. Commenting that there was hardly anything left for diplomacy to do in today's world except doing business, he said that there is a necessity to redefine the role of the country's missions abroad so that everybody working there, including the ambassadors, could promote sale of our goods.

Notwithstanding the challenges emanating from the MFA phase - out, *Mr Chowdhury* urged everybody to look at the positive side of the post-MFA era. He noted that it would put an end to the quota-regime while opening up the markets for everybody. If the

markets open up for all, it would also open up for Bangladesh. As Bangladesh has demonstrated strength in exports of some items/categories such as knit garments, he believed, she can increase her exports in the context of a quota - free regime. “We have to take into consideration that in the post-MFA quota-free regime we can also take the advantage and increase our exports, especially to some particular markets,” he added.

Mr Chowdhury stated that the government is fully aware about the possible consequences of the MFA phase-out. The government has chalked out an incentive package for the export sector and the development of the textile industry. He also assured the dialogue participants that the government would do everything possible for the growth of exports and to face the onslaught of the post-MFA regime. “I am not pessimistic because Bangladesh’s apparel industry is not the creation of an accident. It is the product of hard work of the entrepreneurs, the workforce and government policies. After a quarter of a century’s hard work, we have come this far. We have *an* inherent skill,” continued *Mr Chowdhury*, “The workforce we have created is an asset for the country. Thus, we have the best chance and the new entrants like the Caribbean and African countries have to run extra marathon to catch up with us. There is a bright future for our RMG if the entrepreneurs can carry on their good job.” Finally, the Minister noted that Bangladesh must expand the export basket for lessening the excessive dependence on the RMG sector on the one hand and look for new export destinations on the other hand. He thanked both the organisers and participants of the dialogue for their endeavour and interest on such a crucial development issue of the country.

7. Statement by Barbara Stocking, Executive Director, Oxfam, GB

In the beginning of her presentation, *Ms Barbara Stocking*, Executive Director of Oxfam, GB, expressed her deep appreciation of CPD’s effort in bringing together an exceptionally rich echelon of stakeholders having keen interest in the development of the RMG sector. She was of the opinion that engaging in a dialogue was the best way to find solution to any problem.

Ms Stocking pointed out that the LDCs and developing countries are facing enormous problems in accessing the developed country markets because of the high tariff rates put up by the developed countries. Subsidies given for example to farmers of the northern countries were also extremely high. “Everyday the US and EU spend one billion dollar on agriculture subsidy which is just incredible. On one hand, those tariff walls and subsidies are creating problems for the developing nations to enter the markets of the north, and on the other hand, the northern governments are putting pressure on the developing nations through WTO, World Bank and IMF for faster liberalisation and opening up their markets for the products of the north”, said *Ms. Stocking*. “This is obviously very unfair because many developing countries are just not yet ready to do that and do not necessarily understand the implications of opening up of their domestic markets,” she noted.

Ms Stocking further observed that the developing countries are not against liberalisation, but they do need time and the liberty to set their own pace of liberalisation in order that they are able to put in place proper regulatory policies and mechanisms to ensure that the poor people are protected. Speaking of the WTO, she maintained, it is not a body on its own right, rather a representative body of all the member governments. However, people

see a very unequal power play in the WTO where the process of decision making is not transparent, she stated.

Ms Stocking was, however, appreciative of WTO's initiative for capacity building in the developing countries. She informed that through various seminars the WTO is promoting Foreign Direct Investment (FDI) to the developing countries without explanation as to which policies and regulations would best serve the needs of the developing countries.

Speaking of commodity pricing, *Ms Stocking* maintained that the issue of commodity pricing is also very important because price fluctuations, particularly of agricultural products, affect poor people most. She commented that the prices at the farm rates are already low and if it goes further down, more people will fall below the poverty line.

Ms Stocking noted that WTO often doesn't focus on the difficulties which the developing countries may have to face as a result of FDI inflow. In this context, she hoped that the WTO would operate more openly and contribute to the process of awakening the global community about the full range of advantages and disadvantages facing the developing countries in the context of rapid integration of global economy. She mentioned that the Oxfam is currently striving to put forward the market access difficulties of the least developed countries in different international fora.

Noting that trade is not working in the interest of the poor, *Ms Stocking* informed, all 12 branches of Oxfam, GB, operating in different parts of the world have joined the campaign titled *Make Trade Fair*. Oxfam's intention is to focus on ways of setting rules that would work in favour of the poor both at national and international levels, she said.

Oxfam has been lobbying governments and the WTO for some time now and has come to realise that there is a need for a public campaign. "We need lobbying, policy advocacy and a real public response as regards the market access issue because people in the South as well as in the North do not believe that the existing rules are favourable to a sustainable development. It is crystal clear that a double standard is prevailing in the global trade regime," *Ms Stocking* stated.

The global campaign, launched on April 11, 2002 in 22 major cities of the world, aims at making people aware of the situation and draw public attention to the critical issues. As the next big push, *Ms Stocking* mentioned, the issue of coffee and its price will be highlighted as an example to demonstrate how the poor producers are deprived of what they could legitimately claim because of price distortions in trade. Following that, in the New Year the women and labour right issues will be focused as part of the campaign. "Over the next three years we will be trying to focus on specific problems existing in the rules of trade. We will also ask countries to take up particular issues to show how these issues affect their trade. In this way, we want to show the world leaders the strength of the feelings across the globe about making the trade fair," she concluded.

Ms Stocking finally held that Oxfam is not against the concept of free trade or standards in business rather it is against any illogical market access barriers set against the least developed countries under the tutelage of standard or related issues. She pointed out that trade might have contributed to the reduction of global poverty but it has failed to do so as global trade regime is currently loaded against the poor.

8. Open-floor Discussion

The National Minimum Wage

Md Khurshid Alam, President, Bangladesh Garment Srameek Federation raised the issue by pointing out the fact that notwithstanding the various facilities the government has provided to the owners of the RMG units, including the cash incentives, no steps have been taken for the welfare of the workers. He said they appealed to the government for setting a minimum wage for the workers which would take cognisance of the price hike, devaluation and the increase in living expenses. The last minimum wage was declared in 1994, and no change has been made since then *Mr Khurshid Alam*, however, said the previous government had declared a National Minimum Wage at the end of its tenure, but as some of the entrepreneurs' had challenged this in the court, the entire issue has now been thrown into the cold storage. He felt that the government should have declared a sector-wide minimum wage

instead of the national minimum wage. Finally, he urged everybody to take appropriate initiatives to implement the minimum wage in order to keep the workers, and hence industry, alive.

National Consensus

Since a cross section of people attended the dialogue, *Professor Rehman Sobhan* hoped that there would be a constructive exchange of views and ideas among the participants on the post-MFA challenges for Bangladesh and pave the way for consensus about coping strategies. *Professor Sobhan* noted that the issue is going to affect everybody – the business, the workers and most importantly millions of people living in urban and rural areas.

Professor Sobhan opened the floor and invited participants to share their views. Special Guest of the session, former Minister for Commerce and Industries, *Mr Tofail Ahmed* noted that many of the problems at the national as well as at the international levels could be solved through collective efforts of the government and private sector. In this connection, he referred to the Generalised System of Preferences (GSP) crisis in RMG sector in 1997, which the government solved in consultation with the private sector. Mentioning that if the RMG sector collapses, that would be tantamount to a national disaster, *Ms Masuda Khatun Shefali* of Bangladesh Garment Workers' Protection Alliance suggested that a national level committee should be formed taking representatives from all the stakeholder groups to prepare an action programme for Bangladesh in view of the MFA phase - out.

Following the Competitor's Footprint

Mr Matin Chowdhury, President, Bangladesh Textile Mills Association (BTMA), explained how different countries have pursued different models to develop their textile and apparel sector. According to him, Singapore is doing better in RMG sector but does not have any textile backbone, and Mauritius did not have any spinning industry. However, in Bangladesh's case, *Mr Chowdhury* observed, from the very beginning of the development of RMG sector in the country, it was decided that the country would go for apparel production with the support of backward linkages in spinning, weaving, finishing,

dyeing and stitching. However, in spite of the steady growth of the Bangladeshi textiles, *Mr Chowdhury* pointed out that Indian textiles are more competitive compared to Bangladeshi textiles because of the various subsidies starting from the growing of cotton to the production of final goods. He said cultivation of cotton, the major component of yarn, is heavily subsidised in India. The Indians have taken long - term preparation at home to reap the maximum benefit emanating from a quota-free regime after 2004.

Under a technology upgradation fund, the Indian government earmarked Rs. 25,000 crores to prepare for the post-MFA scenario. It has also given 5 per cent interest support from the revenue budget for backward and forward integration in the textile and apparel sectors. Despite all these measures, the Indian annual textile export to the US market is about 390 million sq meter against Bangladesh's 980 million sq meter, he added. *Mr Chowdhury* also said the Indians have more capacity but cannot export due to quota restrictions; consequently, they are dumping their yarn in the Bangladesh market. And because of this reason it was hard for Bangladeshi yarn to compete. In this context, he sought government support for the local textile industry. He was also of the opinion that if our country fails to develop its own textile industry, it can no longer remain competitive after 2004 in a quota-free regime.

Mr Tofail Ahmed added that India is making all the necessary changes to take advantage of the post-MFA regime; however, Bangladesh is yet to devise any well-articulated programme for the development of backward linkage sectors in the economy. India's exports of Information Technology (IT) software stand at US\$12 billion and they have set an export target of US\$ 50 billion for the year 2010, he stated. Pointing to the fact that the Indians and Sri Lankans are working in technical positions in most of the good RMG units, he mentioned of institutional vacuum in human resource development to be a real problem.

Role of Government

Mr Tofail Ahmed noted that in addition to the external problems domestic hurdles are also aggravating the situation. Referring to the Government created hurdles, *Mr Ahmed* criticised the government ban slapped on yarn import through land port for saving the local spinning mills, and non-disbursement of cash incentive for a protracted period. He also thought that the current government is not trying to understand the problem, and when it would come to realise, probably it would be too late. Drawing comparison between policies of the current BNP Government and the immediate past Awami League Government, he said, thanks to the policy of the past Awami League government, US\$ 0.5 billion was invested by the private sector in the textile sector last year. He also said that the cash incentive for the development of the textile industry was introduced in 1994 with a fund of Tk. 16 crore, and it had shot up to Tk. 700 crore in 2001.

Favouring cash incentives or subsidies to the apparel and textile sectors, *Mr Ahmed* observed that subsidies can help various sectors in the economy of the developing countries to perform better. He recollected that the government used to import fertiliser at Tk. 9,000 from India and sell it at Tk. 3,725 to the farmers and this has paid off as the country gradually attained self-sufficiency in food - grains production. In this context, he

noted that the developed countries gave huge subsidies in different forms to protect their own farms and industries.

The Tempest Looming Overhead: How Prepared Are We?

Mr Kutubuddin Ahmed, President, Bangladesh Garment Manufacturers and Exporters Association (BGMEA), said that even if the terrorist attacks of September 11, 2001 had not taken place, Bangladesh's RMG sector would have faced similar problems. He mentioned that they had been anticipating dangers from early 2001 as the orders were dropping due to the USTDA 2000 which gave duty and quota free market access facility to RMG sector of 72 Sub-Saharan African and Caribbean countries into the US market.

Ms Nazma Akhter, President, Bangladesh Mukta Garment Srameek Union Federation, thought that Bangladesh is not in a position to handle the problems emanating from the free market economy. She asked the BGMEA to provide information on the exact number of factories which had been closed down as a result of the current deceleration and to say to what extent the C&M (cutting and making) charge has declined due to the shortfall in orders and the ongoing export slump. Mentioning that many international organisations have made contacts with them, *Nazma Akhter* observed that if the BGMEA supplies them with the figures that could help the owners in motivating people.

Professor Abu Ahmed of the University of Dhaka emphasised the need to devise ways to arrange financial support for the development of the textile sector. He said there is very little hope to generate funds from one of the major sources, the stock market, as at present it is not in good health; that there is little to expect from the nationalised commercial banks either. In this context, he thought equity participation of the government could be the best option. To reduce the lead-time, *Mr Ahmed* asked the textile entrepreneurs to think seriously about setting up central bonded warehouses.

The Glimmer of Hope

Mr Tofail Ahmed felt confident about the future of the RMG sector since this sector has evolved over the years. He gave full credit to the workers as well as the entrepreneurs for the development of this sector. He noted that even though 200,000 to 300,000 workers have lost their jobs due to the current slump in the demand, there was no industrial agitation in the sector.

Citing a few successful ventures in the RMG sector, *Mr Tofail Ahmed* mentioned the elimination of child labour from the country's RMG sector as a major success. He also elaborated on some of the welfare programmes for the workers which the BGMEA have undertaken in recent period. BGMEA is running 7 free clinics- 5 in Dhaka and 2 in Chittagong- for the garments workers, and it has also taken the initiative to build a hospital for the workers from its own resources at a cost of Tk. 50 crore.

Mr A Matin Chowdhury, President, Bangladesh Textile Mills Association (BTMA), shared his thoughts on the issue of backward linkages. He mentioned that policies of the successive governments helped the textile industry to gradually expand and grow, and there is a need to continue those policies. The BTMA President said the country's textile mills are capable of meeting 100 per cent of the local demand for export-oriented knit-

RMG sector and 40 per cent of the woven-RMG sector. Country's RMG sector would survive only if intra-sector diversity is established by expanding the backward and forward linkages, the BTMA President viewed.

9. Concluding Remarks by the Chairperson

In his concluding remarks, recapping the major issues discussed in the course of the dialogue, *Professor Sobhan* underscored the need for constructive and regular consultation among the stakeholders and observed that the CPD dialogue has provided an avenue for voicing possible solutions to address the post-MFA challenges. *Professor Sobhan* viewed that strategies for addressing post-MFA challenges, such as the demand for enhanced market access needs to be discussed in the context of the overall strategy for poverty alleviation in Bangladesh. He was of the opinion that unless an environment was created where the RMG

workers had a stake in the incremental gains accrued to the sector, it would not be possible to logically relate market access opportunities to the agenda of poverty alleviation in Bangladesh. The task at hand, thus, was to search for avenues so that RMG workers are able to share the benefits accrued from both domestic and global initiatives, he noted.

Finally, on behalf of the CPD, *Professor Sobhan* thanked the participants for their valuable contribution to the dialogue.

List of Participant
(in alphabetical order)

1. *Mr Kutubuddin Ahmed* President, BGMEA
2. *Professor Abu Ahmed* Department of Economics,
University of Dhaka.
3. *Mr Md Shiblee Azam* IT Manager & Human
Resource, Dada (BD) Ltd.
4. *Mr A K M Masud Ali* Executive Director,
INCIDIN Bangladesh
5. *Ms Ferdous Ara* Secretary, DCCI
6. *Lt. Col. M. Anisuzzaman (Retd.)* Chairman, BTTLMEA
7. *Ms Nazma Akhter* President,
Bangladesh Mukto
Garments Srameek Union
Federation
8. *Mr Z M Kamrul Anam* President, BTGWL
9. *Mr Mohammad Khurshid Alam* President, Bangladesh
Garments Workers'
Federation
10. *Mr Mohiuddin Ahmed* Former Principal, Foreign
Service Academy
11. *Md Hasan Ali* Program Officer
Oxfam, GB
12. *Mr Farid Hasan Ahmed* Program Coordinator,
Oxfam, GB
13. *Ms Maleka Begum* Former General Secretary
Bangladesh Mahila Parishad
14. *Mr Tapan Chowdhury* President, MCCI
15. *Ms Jane Cotton* Human Resource Director
OXFAM, Bangladesh
16. *Mr M A Rouf Chowdhury* Director, FBCCI
Chairman, Marc Group
17. *Mr Afsar Karim Chowdhury* Vice President, DCCI
18. *Mr Mamun Rashid Chowdhury* General Secretary,
Bangladesh Free Trade
Union Congress (BFTUC)
19. *Mr Abul Hossain* President,
Bangladesh Garments
Workers, Employees
Federation
20. *Dr Kamrul Huda* Asst. Program Manager,
BNWLA

21. *Mr B M Abul Hossain* President,
Jatiya Garments Srameek Jot
22. *Mr Hedayetul Islam* Deputy Managing Director,
Azim Group
23. *Dr Mirza Azizul Islam* Former Director, UNESCAP
and Fellow, CPD
24. *Mr Md. Shohidul Islam* President, Bangladesh
Jatiyatabadi Garment
Sramik Dal
25. *Ms Fahmida Khatun* Research Fellow, BIDS
26. *Mr Abdus Salam Khan* President, Jatiya Sramik
League
27. *Dr Ruhul Kuddus* Director, Directorate of
Labour, GOB
28. *Mr S A Kasem* Advocate, Supreme Court,
Dhaka, Legal Advisor &
Chief Arbitrator (H.R. &
I.R.), BGMEA
29. *Advocate Delwar Hossain Khan* President, Bangladesh
Jonoshadhin Garment
Workers' Federation
29. *Ms Mona Laczo* Regional Media and
Advocacy Coordinator,
OXFAM, GB
30. *Ms Anne Marchal* Second Secretary,
Delegation of the European
Commission
31. *Mr Steven M. Mendelsohn* Consultant, CIDA (Canada)
32. *Mr Provash Mondal* Program Coordinator,
Disaster Management
Oxfam, GB
33. *Mr Shafiqur Rahman Majumder* President,
Jatiya Sramik Federation
34. *Ms Simeen Mahmud* Senior Research Fellow,
BIDS
35. *Mr Golam Newaz* Deputy General Manager,
HRD, Youngone Group
36. *Ms Paule Parent* CIDA (Canada)
37. *Mr Abdullahil Quayyum* Member, Bangladesh Jatiya
Srameek Jote
38. *Mr S M Majedur Rahim* Country Director,
Dada (BD) Ltd
39. *Mr Towhidur Rahman* President, BAWF
40. *Ms Mashuda Khatun Shefali* Executive Director,
Nari Uddog Kendra

41. *Dr Kaniz Siddique* Associate Professor,
Department of Economics
North South University
42. *Ms Nawrin Samrina* Research Associate, CPD
43. *Mr Mohammad Sulaiman* Former Secretary, BGMEA
and Chairman, Doel Group of
Industries
44. *Mr Abu Saleh* Vice Chairman,
Export Promotion Bureau
45. *Ms Selina Shelley* Program Representative
OXFAM, Bangladesh
46. *Ms Barbara Stocking* Executive Director,
OXFAM, GB
47. *Mr Robert Snider* Second Secretary
(Development),
Canadian High Commission
48. *Mr Salauddin Swapan* President, Bangladesh
Jatiyatabadi Garment Sramik
Federation
49. *Mr Md Monir Uddin* Joint Secretary, Federation of
Garments Workers
50. *Ms Tahera Yasmin* Regional Program Manager,
OXFAM, Bangladesh
51. *Mr Samsul Alam Zulfiqar* General Secretary,
BSTS
52. *Dr Salma Choudhuri Zohir* Research Fellow, BIDS

List of Journalists
(in alphabetical order)

1. *Mr A Z M Anas* The New Nation
2. *Mr Geasuddin Ahmed* The Daily Ittefaq
3. *Mr Apu* The Daily Matrivumi
4. *Mr Masud Parves Anis* The Bhorer Kagoj
5. *Mr Shahidul Islam Chowdhury* Senior Reporter, The Daily Janakantha
6. *Mr Pulack Ghatack* The Bangladesh Today
7. *Mr Monsura Hossain* The Dainik Khola Kagoz
8. *Mr Mahtab Haider* Staff Correspondent, The Weekly Holiday
9. *Mr Jamil* Staff Reporter
10. *Mr Masumur Rahman Khalili* The Inqilab
11. *Mr Asjadul Kibria* The Daily Prothom Alo
12. *Mr Abul Kasem* The Daily Matribhumi
13. *Mr Nurul Hasan Khan* The Dinkal
14. *Mr Proshanto Majumder* Reporter, Shaptahik 2000
15. *Mr Monzu* The Prothom Alo
16. *Mr Sohel Mahmood* Reporter, Ekushey TV
17. *Mr Yeadi Mohammad* Reporter, The Surjadoy
18. *Ms Meherun Runi* Channel I
19. *Mr S.K. Repon* ATN Bangla
20. *Mr Md. Shamsuzzaman* Press Journalist
21. *Mr Ziaur Rahman Sohel* Staff Reporter, The Arthaneeeti
22. *Mr Abu Darda Zubair* ATN Bangla
23. *Mr Asad-uz Zaman* Staff Reporter, The Financial Express