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GLOBAL SHIFT: BANGLADESH GARMENT INDUSTRY IN PERSPECTIVE

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SINCE INDEPENDENCE, THE ECONOMY OF BANGLADESH IS DEPENDent on agriculture as most of the people live in rural areas. The goal of the government policy is to reduce poverty by receiving the maximum output from agriculture and attains self-sufficiency in food production. Beside agriculture, the development of export sector is under greater consideration. Exports from Bangladesh have both grown and changed substantially as time goes on. After the birth of Bangladesh, jute and tea were the most export-oriented sectors. But with the constant threat of flooding, declining jute fibre prices and a significant decrease in world demand, the contribution of the jute sector to the country's economy has deteriorated (Spinanger, 1986). After that attention has turned to the role of manufacturing sector, especially in garment industry.

The garment industry in Bangladesh has become the main export sector and a major source of foreign exchange since 1980. It currently exports about $5 billion worth of products each year (Mahmood, 2002). According to Begum (2001), the industry employs about 3 million workers of whom 90% are women. Two non-market factors have played a crucial role in ensuring the garment sector's continual success namely (a) quotas under Multi-Fibre Arrangement[1] (MFA) in the North American market and (b) preferential market access to European markets (Bhattacharya and Rahman, 2001). The whole procedure is strongly related with the trend of relocation of production.

Relocation of Production in the Garment Industry

The global economy is now dominated by the relocation of production where firms of developed countries shift their interests to

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developing countries. The new model is based on a core-periphery structure of production, with a relatively small core of permanent employees handling finance, research and development, technological organization and innovation; and a periphery consisting of dependent components of production process (Cox and Schechter, 2002). Cut costs and raise productivity are the main reasons for this tendency. They have found that the simplest way to undercut is to relocate production to a country where wages and production costs are lower (CAFOD, 1998). It also keeps the advanced countries in a safe position regarding environmental and legal concerns. Because developing countries offer sites that do not impose costs like environmental degradation (Cox, 1987). The shift of production to Third World has favoured the growth of economy of these countries and also pace the economy of the developed countries.

The relocation of production is mostly dominant in garment industry. Spencer, Gereffi and Bair (2002) think that the internationalization of garment manufacturing began earlier and has extended further than that of any other factory. The firms have relocated their labor-intensive manufacturing operations from high-wage regions to low-cost production regions in industrializing nations (Spencer, Gereffi and Bair 2002). It is possible due to the development of communication system and networking. Since the 1960s, the industrializing countries of Asia and some countries of Latin America have achieved a healthy return from export-oriented production (Appelbaum, Richard, Smith and Christerson, 1994). According to Bair and Gereffi (2002), the first migration of garment production was from North America and Western Europe to Japan in the 1950s and the early 1960s. But between 1965 and 1983, Japan turned its interest to more profitable products such as cars, stereos and computers and as a result the Japanese textile and clothing sector sacked 400,000 workers (CAFOD, 1998). In impact, the second supply shift of garment production was from Japan to the Asian Tigers – South Korea, Taiwan, Hong Kong and Singapore in 1970s. But the trend of relocation of production did not stable there. As the economies of the Asian Tigers developed, wage level rose and also trade union became active. The mid-1980s through the 1990s saw a third migration of production, from the Asian Tigers to other developing countries – Philippines, Malaysia, Thailand, Indonesia and especially China. The 1990s have been dominated by the final wave of exporters, which include Bangladesh, Srilanka, Pakistan and Vietnam (CAFOD, 1998). But China was principal in the flow of the shift as in less than ten years from the late 1980s, China rose from nowhere to become the world's major producer and exporter of clothing (CAFOD, 1998).

> "Our strategic plan in North America is to focus intensely on brand management, marketing and product design as a means to meet the casual clothing wants and needs of consumers. Shifting a significant portion of our manufacturing from the U.S. and Canadian markets to contractors throughout the world will give the company greater flexibility to allocate resources and capital to its brands. These steps are crucial if we are to remain competitive."

> \- John Ermatinger, president of Levi Strauss American division, explains the company's decision to shut down twenty-two plants and lay off 13,000 North American workers between November 1997 and February 1999 (Quoted from Klein 2001)

Bangladesh Garment Industry and Global Chain

The wage structure in the garment industry, all over the world, can explain the reason of this shift. According to Werner International (1998), hourly apparel labor cost (wages and fringe benefits, US$) of USA is 10.12 whereas it is only 0.30 in Bangladesh. Because of this difference, world apparel exports grew from a modest $3 billion in 1965, with developing countries accounting for just 14 percent of the total, to $119 billion in 1991, with developing countries supplying 59 percent (Murray 1995). In 1991 the number of employees in the ready-made garment sector of Bangladesh was 582,000 and it rose to 1,404,000 in 1998 (Quddus and Rashid, 2000). In the USA, however, in 1991 the figure was 1,106.0 thousand in the apparel industry and in 1998 it declined to 765. 8 thousand of workers (Gereffi, Spencer and Bair 2002).

We can say from the data presented here that the prevalence of low wages is the principal reason for the relocation of garment production to Bangladesh. The process started in late 1970s when the Asian Tiger countries were looking for ways to circumvent the export quotas of Western countries (Custers, 1997). The garment factories of Bangladesh are largely dependent on the 'tiger' countries for raw materials. Agents based in Asian Tiger countries "form an intermediate level between the textile factories in their own countries, where the spinning and weaving takes place, and the Bangladeshi units where the cloth is cut, sewn, ironed and packed into cartons for export" (Custers 1997, p.140). The same agents of tiger countries find out the market for Bangladesh in various countries of the North. Custers also urges that large retail trading firms located in the United States and Western Europe provide most orders for Bangladeshi garment products. "Companies like Marks and Spencers (UK) and C&A (the Netherlands) harness capital resources, compared to which the capital of Bangladeshi owners is a patience" (Custers 1997, p.141). Shirts produced in Bangladesh are sold in developed countries for five to ten times their imported price (Micheal Chossudovsky, interview with Custer, 1992).

A significant example of global garment chain that works as one of the reasons of the growth of garment industry in Bangladesh is the collaboration of a local private garment industry, Desh Company, with a Korean company, Daewoo. As part of its global strategies, the Daewoo Corporation of South Korea became interested in Bangladesh when the Chairman, Kim Woo-Choong, proposed an ambitious joint venture to the Government of Bangladesh which involved the development and operation of tyre, leather goods, cement and garment factories (Rock, 2001). According to Bhattacharya and Rahman (2001), the Desh-Daewoo collaboration was crucial in terms of accessing the global apparel markets at crucial juncture, when importing restructuring was taking place in this market subsequent to the signing of MFA in 1974. South Korean company, Daewoo, a major exporter of garments, was looking for opportunities in countries, which had barely used their quotas. Because of the quota limitation for Korea after MFA, the export of Daewoo became restricted. Bangladesh as a LDC got the opportunity to export without

any restriction and for this reason Daewoo interested to use Bangladesh for their market. The reason behind this desire was that Bangladesh will depend on Daewoo for importing raw materials and at the same time Daewoo will get the market in Bangladesh. When the Chairman of Daewoo showed interest in Bangladesh, the country's President put him in touch with chairman of Desh Company, an ex-civil servant who was looking for more entrepreneurial pursuits (Mahmood, 2002).

For this desire Daewoo signed a five-year collaboration agreement with Desh Garment. It included collaboration in the areas of technical training, purchase of machinery and fabric, plant set-up and marketing in return for a specific marketing commission on all exports by Desh, during the contract period (Rock, 2001). Daewoo also provided an in-depth practical training of Desh employees in the working environment of a multinational company. Daewoo cooperated Desh actively in purchasing machinery and fabrics. Some technicians of Daewoo came Bangladesh to set up the plant for Desh. The outcome of the collaboration of Desh-Daewoo was significant. In the first six years of its operation, i.e. 1980/81-86/87, Desh export value grew at an annual average rate of 90%, reaching more than $5 million in 1986/87 (Mahmood, 2002).

It is argued that the Desh-Daewoo collaboration is an important factor to the expansion and success of Bangladesh's entire garments export sector. Rock (2001) urges, in the first place, by being associated with Daewoo's brand names and marketing network, overseas buyers continued to purchase garments from the corporation regardless of their origin. In the second place, the author adds that, out of the initial trainees most left Desh Company at various times to set up their own competing garment firms, worked as a way of transferring knowledge throughout the whole garment sector.

Consequences of the System

It is important to find out the consequences of the process of moving production from high wage to low wage countries for both developing and developed countries. In terms of developing countries, it is already revealed that most of the Third World countries are now in the process of industrialization. In this process, employees are working under adverse working conditions – low wages, unhealthy workplace, lack of safety, no job security, forced labor etc. We get a clear picture of the working conditions of the Bangladesh garment industry from the discussion of SDNP (2003), Paul-Majumder (2001) and Mills (2001). But at first we examine the consequences in both developed and developing countries.

One of the negative effects of the globalization process on employment in developing countries, according to ILO (1996), is that "relocations of relatively mobile, labour-intensive manufacturing from industrialized to developing countries, in some conditions, can have disruptive social effects if – in the absence of effective planning and negotiations between international companies and the

government and/or companies of the host country – the relocated activity promotes urban-bound migration and its length of stay is short" (cited in Dicken 1998, p.451). Another negative effect, as stated by ILO (1996), is that the increases in employment and/or earnings are unlikely to be sufficiently large and widespread to reduce inequality. In concern of the negative effects of relocation of production on employment in developed countries, we find that in relatively labour-intensive industries, the rising imports from developing countries lead to inevitable losses in employment (ILO, 1996). Wood (1994, p.13) argues "expansion of trade with the South was an important cause of the deindustrialization of employment in the North over past few decades".

The ultimate sufferer is the worker who is working under adverse working condition continuously. Across the Bangladesh garment industry, work is under-regulated. SDNP (2003) reveals bad working conditions in the Bangladesh garment sector.

Sustainable Development Networking Program (SDNP) is a global initiative launched by the United Nations Development Program (UNDP) in response to Agenda 21, which articulated the need for improved information dissemination to support sustainable development. The programme is geared towards facilitating communication between users and suppliers of sustainable development information in developing countries. According to SDNP (2003), there is no law for the national minimum wage in Bangladesh garment industry and most of the garment factories do not follow the labour law and ILO conventions. The study further documents that there is no weekly holiday, job security, social security, gratuity or provident fund for the garment workers. In most of the garment factories, workers are forced to work 14 to 16 hours per day ignoring the labor law that states a maximum of 10 hours per working day (SDNP 2003). Most of the cases there is no transportation facilities, accommodation arrangement and absence of maternity leaves. The study also adds that the management has not provided doctors, first aid, sufficient light and ventilation and even pure drinking water and toilets for the workers. Most of the factories do not have day care centres. Managements do not allow garment workers to join trade unions or form a trade union, though the workers have trade union rights according to labor law and ILO conventions.

In support of SDNP's findings, Paul-Majumdar's (2001) study explains that 90 percent of the garment workers experienced illness

or disease during the month prior to the interviews[2]. The more common diseases were headache, anaemia, fever, chest, stomach, eye and ear pain, cough and cold, diarrhoea, dysentery, urinary tract infection and reproductive health problems. Employees suffered from different kinds of diseases after working in the garment factory. In order to establish a relation between these diseases and occupational hazards Paul-Majumdar analysed the health status of workers before and after entering the garment work. After the analysis, the author found that about 75 percent of the garment workers had good health before they joined the garment factory. The causes of health deteriorations were occupational hazards, adverse working conditions, and absence of staff amenities, stringent terms and condition of garment employment, workplace stress, and poor wages. Because of the different kinds of occupational hazards and their effect on health, the workers did not feel any interest in continuing the job; the average length of service was only 4 years.

The garment industry is notorious for fires, which are estimated to have claimed over 200 lives in the past two years, though accurate figures are hard to come by (Democratic Worker party, 2000). A devastating example of lack of workplace safety was the fire in November 2000, in which almost 50 workers were killed in Narsingdi as exist doors were banned (Mills, 2001).

> "Mazeda's daily duty begins at 7:30 .m. and continues until 9 p.m. On Friday her duty begins at the same time but continues until 2 p.m. She thinks long working hour is one of the dominant reasons for her ill health." (Quoted from Paul-Majumdar, 2001)

> "Fazila explained that the machine used for making sweaters has to be paddled with the right leg continuously for 12 hours with a short lunch break of only 30 minutes. Because of this the entire right side is under constant movement while the entire left side remains idle. This led to her disability. " (Quoted from Paul-Majumdar, 2001).

From the above discussion of working conditions of garment industry we can say that the working conditions of most of the Third

World countries, especially Bangladesh resemble to the earlier development of garment industries in the First World countries. Robert (1983) urges "The conditions of employment in many (not necessarily) textiles and clothing factories in the developing countries hark back to those found in the nineteenth century in Europe and North America" (pp. 31). The exploitation of garment workers in the beginning period of the expansion of US garment factories discussed above is more or less same exist now in the Bangladesh garment industry. Can we say that garment workers of the Third World countries, living in the 21st century, are still facing the sufferings of the 19th century? Is it a return of the Sweatshop?

In one sense the western community is responsible for the poor working condition in the garment industry. The advanced countries increasingly press the developing countries in the global economy to lower down the cost of production for the purpose of more profit. In order to compete most of the developing countries go for the low road. By imposing different terms and conditions in the business the global economy has left limited choice for the developing countries.

Time to Make a Choice

There are two options to face the challenge of the competitive world created by the constant pressure of global garment chain. One can survive in the competition by following traditional work practices or low road. But the question is how long they can survive. In concern of the garment industry of Bangladesh we can say that this is the high time to follow a competitive strategy, which enhances quality. Rahman (2001, p. 39) argues, "if the MFA opportunities are withdrawn, will it be possible to retain the competitiveness through low-wage-female labour or through further reduction in female wages? Possibly not, because the wage rates are so low that with such wage, a worker cannot support even a two-member family above the poverty threshold. The answer to increased competition is to increase the productivity of female laborers. This can be done through education and training". Bangladesh needs to get out of low wage and low productivity syndrome in the garments sector for winning over the world market

(Nath, 2001). The author further states that we can increase labor productivity through continuous training facilities, use of improved technology and improved working conditions. According to Bhattacharya and Rahman (2001) Bangladesh should design a policy aimed at encouraging skill development, facilitating technology transfer and raising productivity level of the workers.

Another way is to adapt best practice or high road. Those firms, which respond to increased competition by emphasizing quality, quick response of the customers, good practices for workers should have the most innovative practices (Kochan and Osterman 1994). We keep in mind that we are now living in the era of competition in producing better quality over cost-minimization strategy. According to Appelbaum and Batt (1994, p.70), "the goal of change efforts at the workplace has shifted over time – from the humanization of work in the 1960s, to job satisfaction and productivity in 1970s, to quality and competitiveness in the 1980s". It is essential for a firm to follow a competitive strategy that enhances quality, flexibility, innovation and customer service. If they depend on low costs by reducing workers' wages and other services, they will loose workers' commitment to work.

Notes

1. MFA is a series of bilaterally negotiated quota restrictions on trade in textiles and clothing between individual developed country importers and developing country exporters. Under the quota, the exporter is allowed to supply a certain volume of textile and clothing products up to a specified ceiling, and it is up to the exporter to allocate the quota allowance among its domestic producers.

2. Most of the data used in Majumdar's (2001) study have been collected from a survey on the health status of the garment workers, conducted by the Bangladesh Institute of Development Studies (BIDS) during the period between June and September 1997.

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