

Wolfgang-Peter Zingel

Associate member, South Asia Institute of Heidelberg University

Made in Bangladesh: Opportunities and risks of a brand name

Workshop on “Clean clothes: Improve Occupational Safety and Health Compliance of Readymade Garments Workers in Bangladesh”. BASUG – Diaspora und Entwicklung, CIM – Center for International Migration and Development. Berlin, 24 October 2015

This panel is to discuss “Clean Clothes: Improve Occupational Safety & Health Compliances of Readymade Garments Workers in Bangladesh”. As an economist I have been following the development of the country since independence with sympathy, but also with professional interest. In my short intervention, I shall focus on the changing international perception of the country, i.e. developing from a byword for hunger, poverty and natural disasters to a brand name in garments production, with all its risks and opportunities.

It took Bangladesh 30 years to reach a standard of living that had prevailed before the storm of the century (1970) and the war that had destroyed the country (1971). Although the gross national income (GNI) per capita is still lower than that of India or Pakistan, Bangladesh already is leading in some fields of social development. Five major factors allowed the economic and social upswing: 1. Foreign assistance, shifting from food, capital and financial to technical assistance; 2. progress in agriculture; 3. manpower export; 4. preferential trade agreements and 5. the garment industry.

After China, Bangladesh is the leading garments exporter. More and more people become aware that almost everyone is wearing something that has been produced in Bangladesh. This made the country far more famous than the social achievements described by Amartya Sen and others. Unfortunately, Bangladesh became even more famous after the collapse of a textile factory and a record number of casualties. It is known now that major international brands produce in Bangladesh. Understandably, such companies do not want to be associated with exploitation and disaster. Not to take international response serious, can be ruinous in times of social media. Therefore I want to bring to notice some long forgotten cases with their threats of trade discrimination and boycotts.

Bangladesh's success had been only possible because of trade privileges for the least developed countries. The more successful Bangladesh becomes, the more this success is threatened by media attention. Any boycott would hurt sales abroad and could lead to political pressure to scrap trade privileges. If this coincides with a global recession, home remittances also would be hurt. Bangladesh would be exposed with its industrial monoculture. But it also could turn this weakness into strength.

Made in Germany would be a good example: In the 19th century, Germany, like all industrial latecomers had to prove the quality of its products. To protect her own industry, Britain with the Merchandise Marks Act of 1887 tried to stop ‘foreign manufacturers from falsely claiming that their goods were British-made and selling them in Britain and Europe on that pretence’ (MMA, Wikipedia). However, over the time, Made in Germany became a sign of quality and helped Germany to become the leading exporter for many years. There was a similar development in Japan. The Republic of China (Taiwan) “enforced an export inspection scheme starting in 1976 as a way of establishing economics of trust between Taiwanese suppliers and foreign buyers.” (Hsieh 2015, 67).

Like England, Germany and Japan succeeded in turning countries into brand names. This can be an advantage, but also a threat. The success of the Volkswagen Beetle and of Toyota Corolla added value to all products made in Germany or Japan. But a scandal, like the present Volkswagen one will damage reputation not only of Volkswagen, but of all German export products.

The same can happen to Bangladesh. You may remember that Bangladesh for a short time was the major exporter of frogs' legs. When people became aware how important frogs are for ecology (and how damaging the pesticides had become, economically and ecologically), Bangladesh banned frog leg exports (Barnes 2005, 228) in 1989, before too much damage was done to the country's ecological credibility.

In the initial days of garments exports, American consumer organizations became concerned because of

child labour and threatened to boycott textiles from Bangladesh. In the beginning the Bangladesh Garments Manufacturers and Exporters Association (BGMEA) did not take it seriously (Harvey 1995) and only when the boycott became imminent, they agreed in August 1995 to phase out child labour (Bachman 2003).

In the 1990s Indian chiffon skirts became popular in the USA when the Consumer Product Supply Commission urged that they might easily go up in flames and banned imports, although no such incident was known and garments made by similar material could be imported from Pakistan and China (Anand and Shafali 1995).

Pakistan has been blamed since long that quality leather footballs were stitched together by children. After China entered the market with modern technology, Pakistan lost much of its business until it also used modern technology. India was blamed because of *tsunmangali*, a kind of bonded labour, in the cotton ginning industry. Since Bangladesh hardly grows any cotton, it has been delinked so far from any such blames.

When Pakistan started to tax her booming ship wrecking industry, it moved to India and Bangladesh. But when France sold a nuclear aircraft carrier to be scrapped in India, a public outcry stopped the project and deprived India of transfer of latest technology.

Altogether there have been all kind of boycotts, threatened or started, because of social and environmental shortcomings. But few have been associated so much with the name of a particular country as garments with Bangladesh. One could conclude that boycotts have to be taken seriously especially, if consumer products can be easily associated with a particular country, which has become the case of branded clothing.

Therefore, how great is the danger that another boycott is looming on behalf of poor working conditions? Bangladesh not only stands for affordable garments, but is also linked to major brands like H&M, Gap or Primark. 'Burning' a brand name could be as disastrous for the label as also for the country of production. This the more, as the owner of the label could try to delink itself from the country of origin and end all business with that country.

Summing up: To actively comply with social and ecological standards simply would be good economics. On the lines of the Taiwanese example, i.e. by securing that no deficient products are exported, Made in Bangladesh could stand for affordable sustainable wearables and should benefit all exports from Bangladesh in the longer run.

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Contact: h93@ix.urz.uni-heidelberg.de