



## **Faculty and Students Examine the Recent Rana Plaza Factory Collapse and Identify Solutions for a Way Forward**

“Why is Bangladesh in the premier destination for clothing manufacturing?” inquired Bhaskar Chakravorti, Senior Associate Dean for International Business and Finance, at the first event of a new series titled “Fletcher Reads the Newspaper,” which convenes a group of Fletcher professors from different areas of expertise around a current business-related news topic.

Hosted last month by the Institute for Business in a Global Context (IBGC), the discussion focused on the recent Rana Plaza factory collapse in Bangladesh and the implications on global business.

Dean Chakravorti served as moderator of the discussion and was joined by Thomas Hout, Adjunct Senior Lecturer of Strategic Management; Ayesha Jalal, Mary Richardson Professor of History at Tufts University; and Joel Trachtman, Professor of International Law.

These Fletcher experts were requested to frame the issues surrounding the Rana Plaza incident from a legal, regional, policy, and business perspective. In addition, students participating in the event were sent several newspaper articles to read in advance with the goal of the event proceeding as a case discussion. Both panelists and audience members participated in examining the problem and identifying potential solutions through multidisciplinary and interdisciplinary lenses.

To set the context for the discussion, Dean Chakravorti shared footage of a young girl recounting her first-hand experience of the Rana Plaza factory collapse. This was followed by a clip of Gap’s new store launch and spring trends. The juxtaposition of these two videos helped highlight some of the complex issues underlying the Rana Plaza incident, namely, as outlined by Dean Chakravorti:

- hyper-competition in the ready-made garment industry,
- emerging markets vying for a piece of international business and
- multinational corporations further expanding their global supply chains.

Before turning the stage over to other Fletcher professors, Dean Chakravorti noted that Bangladesh is second to China in manufacturing ready-made garments and that the industry employs over 4 million women.

“This should be good news but tragedies like Rana Plaza are a reminder that there are problems associated with Bangladesh being a premier destination for clothing manufacturing,” he said.

Professor Hout shed further light on this issue by noting how clothing manufacturing, as an industry, has brought economic growth, industrial expertise and currency exchange to new markets, such as Bangladesh, known for low costs.



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“However, these countries are not always prepared to cope with growth,” he added. “From workplace values to labor laws, these markets lack key systematic features.”

Professor Hout also noted that many large global retailers utilize third parties, like Hong Kong-based Li & Fung, to help manage their complex supply chains. Nonetheless, companies with strong global operations understand the costs of disruptive supply chains on quality and are willing to put in the upfront investments.

“But for every Nike, Patagonia, and Levi’s, there are many companies that do not have an eye for operations and are

quite happy to game the system,” he said.

In terms of potential solutions to the complex situation Bangladesh faces in the aftermath of the Rana Plaza factory collapse, Professor Hout said, “This problem will be solved by institutions in the host country and brands/retailers who have enough at stake.”

Adding a different dimension to the discussion, Professor Jalal noted that there are many political factors that need to be strengthened in developing countries like Bangladesh, specifically the protection of labor rights.

“Work needs to be done on the empowerment of labor, not just by unions, but by the judiciary system to uphold laws. No amount of inspection will solve the problem” she said.

In addition, she noted that the nexus between politicians, big business and government in Bangladesh and their vested interest in urban real estate greatly impacts the political economy of the country.

“The environment in Bangladesh is ripe for improvement,” Professor Jalal added. “Political forces need to be leveraged and there needs to be an understanding that there are not only political but also economic costs for the Bangladesh government if changes are not made.”

Providing her input on potential solutions, Professor Jalal highlighted the important role negative publicity and activist groups can play in exerting pressure. In addition, she stressed that global retailers should not pull out their business from Bangladesh as that would be even more detrimental to the millions of workers who rely on the ready-made garment industry for employment.

Professor Trachtman, the final speaker on the panel of Fletcher experts, drew comparisons between Bangladesh today and the United States and England during the industrial revolution.

“Bangladesh faces an extraordinarily complex situation, more so than the U.S. and England did, as it is going through industrialization in a globalizing world,” he noted.

Professor Trachtman went on to question how labor in Bangladesh can be empowered in an economic sense.

“It is difficult to substitute economic empowerment with legal rules. For example, if labor costs increase in Bangladesh, this might hurt workers,” he said.

In addition, Professor Trachtman emphasized that Western retailers are insulated from legal action in Bangladesh because they have not setup subsidiaries on the ground; instead, they are contracting clothing manufacturing to third-party suppliers. Most importantly, he noted, the challenges that Bangladesh faces are structural problems of poverty and terms of trade.

“In order to address these challenges, political maturity in Bangladesh is needed,” he added.

Professor Trachtman also agreed with Professor Hout and Professor Jalal that the combination of a strong local judiciary, robust press and global retailers with bargaining power can help facilitate the necessary changes in Bangladesh’s ready-made garment industry.

To close out the discussion, Dean Chakravorti looked to the students in the audience to help provide additional solutions to the current challenges Bangladesh faces in the aftermath of the Rana Plaza collapse. These ideas included:

- Establishing an independent trade body to help reform Bangladesh’s 2006 labor law, including provisions that would allow for greater unionization and bargaining power
- Encouraging U.S. and European Union governments to ensure greater accountability from Western retailers sourcing from Bangladesh
- Creating a local governance body in Bangladesh to help oversee the implementation of new fire safety regulations and labor laws
- Allocating greater responsibility to auditors in charge of inspecting garment factories in Bangladesh
- Reforming recruiting practices in Bangladesh garment factories so that retailers are better informed of the terms by which workers are employed
- Creating a consortium of global retailers who will identify what the private sector can do to ensure tragedies like the Rana Plaza factory collapse don’t happen again

*Tara Dhawan MIB ’14, November 5, 2013*