

Application of the Base of Pyramid Strategy by Apparel MNEs for Poverty Alleviation in Bangladesh

Kanako NEGISHI

アパレル産業の多国籍企業における BOP 戦略の検討
——バングラデシュを例に——

根 岸 可奈子

The issue of poverty in developing countries is extremely relevant for multinational enterprises which have complex global supply chains, both in developed and developing countries. One method of approaching the issue is through the Base of Pyramid concept. This study analyses the apparel industry, which has faced criticism about the working conditions of its workforce and its impact on the environment. We focus on the three largest apparel MNEs—Inditex, H&M and Fast Retailing—for whom Bangladesh is an important sourcing destination, and examine their markets and contract factories by country. The results show that, with the exception of China, the MNEs view countries separately as either markets or production bases. In Bangladesh, where the apparel industry is a major exporting industry which provides employment to a large workforce, the MNEs applied few direct initiatives such as the BOP strategy to tackle poverty and wages, in their contracted factories. Although efforts have also been made under the ambit of the corporate social responsibility (CSR) guidelines, these measures are not far-reaching enough and the results are as yet unsatisfactory. MNE involvement in poverty alleviation is a recent phenomenon and was initiated by the concerned governments and public organisations, in view of the interdependence between the MNEs and their suppliers, and the influence of the MNEs. However, it is feared that too much of the responsibility to defend the rights of individuals will be transferred to companies by governments in the supplier countries.

Key Words : apparel industry, CSR, SPAs, BOP, Bangladesh, sustainability

I Introduction

Poverty alleviation has become a prominent part of the global economic agenda; all the actors on the economic stage, international organisations, national governments, and companies include poverty alleviation measures in their strategies and policies. Sustainability Development Goals (SDGs) were adopted in 2015 by the United Nations (UN) as global public, symbolic, and legitimacy goals. The SDG declaration made its first goal to ‘End

poverty in all its forms everywhere (no poverty)'. More than 700 million people, or 10% of the world population, lived in extreme poverty in 2015 (United Nations, 2015). The issue of poverty has been prominent on every agenda and is discussed not only by global public organisations, governments, and non-governmental organisations (NGOs), but also by corporate entities.

Many companies, particularly multinational enterprises (MNEs), have adopted the Base of the Pyramid (BOP) approach towards tackling poverty. The strategy involves profiting by eliminating poverty in low income markets and elevating low income groups to lucrative middle-class consumers (Prahalad, 2005). Increasing income and purchasing power are key components of poverty alleviation and can be induced by the appropriate corporate strategies and government policies.

The process of production of goods and services is segmented depending upon the availability and requirement of inputs; for MNEs, it is spread over multiple countries forming a complex global value chain (Fujiwara, 2017). The value chain includes both developed and developing countries which have different cultures, regulations, and economic statures. MNEs create their competitive advantages from connecting centres of inputs and resources with centres of output and relocating the production centres when economically necessary. In these circumstances, pro-active MNEs strongly influence (both positively and negatively) the supply chain and the level of poverty in local society. The activities by MNEs affect poverty more in developing countries than they do in developed countries.

The question that we seek to answer is, how an MNE's BOP strategy can contribute to poverty elimination in developing countries. We attempt to discuss the alignment of multinational companies' BOP strategies with poverty in developing countries.

While the Philippines is one of the BOP markets included in the IT business process outsourcing value chain (Hayashi, 2018), Bangladesh's main export items are from the apparel and textile industry (JETRO, 2019). The apparel and textile sector is often the first to undergo industrialisation in developing countries as it is inherently labour intensive. Due to the nature of its processes and inputs, the industry has faced criticism for its working conditions and its impact on the environment. Many of these problems arise from the nature of contract labour in the apparel industry and fast-changing fashion trends. The model is under global scrutiny and is being severely criticised from the perspective of sustainability.

In this paper, we examine the three top apparel MNEs—Inditex, H&M, and Fast Retail-

ing (FR)—to analyse the effectiveness of their BOP strategies and their impact on Bangladesh's poverty levels. First, we explain the background of MNEs' BOP approaches based on previous research. Thereafter, we examine the three MNEs' markets and suppliers by country to clarify whether the MNEs view the countries participating in the chain as markets or production bases (or neither). This will help explain the MNEs' approach to BOP—whether they consider the country as a BOP market and are prepared to nurture it as a future market or only as a production base to accrue competitive advantages from low wages and productivity. We then focus on Bangladesh, whose economy is highly dependent on the export of textile and apparel, and explore how the MNEs' approach contributes to the alleviation of poverty. Finally, we outline the conclusions and limitations of this paper.

II Literature Review

Since the concept of BOP was proposed by Prahalad in 2005, strategies to tap into the BOP markets have subsequently been discussed. Before the concept was tabled, low income markets were not targeted or considered by companies; at most, these countries were part of the supply chain and destinations for philanthropic activities. Much of the discussion on BOP focuses on business models which are compatible with profitability and sustainable societies (Hart, 2007). BOP also relates broadly to social business and microfinance (Yunus, 2007; Uchida, 2018) and creating shared values (CSV) (Porter and Kramer, 2011). While social business and microfinance companies target the local people and are run by local organisations and companies, it is thought¹⁾ that the concepts of BOP and CSV tend to be employed by companies in developed countries.

The efforts of international organisations, governments, and NGOs in tackling poverty have shown insufficient results because of the magnitude and complexity of the issue; MNEs are being expected to participate in and contribute towards efforts to solve the issue. In 2000, the UN called for companies to join the Global Compact to, 'give a human face to the global market'. It suggested that there exists an imbalance between the economy and society and this imbalance cannot be sustained for long (Annan, 1999). This was the first time that the UN had called out directly to the private, for-profit sector; this led to the creation of the millennium development goals (MDGs) and the SDGs. The relation-

1) There is need to emphasise cooperation between MNEs and local actors (Yunus, 2007)

ship between UN and companies is sometimes criticized as 'blue wash'.

Corporate interest and discussion with regard to CSR activities was triggered first by a controversy surrounding the working conditions in some of Nike's factories and suppliers around the 1980s (Van Tulder and Kolk, 2001; Vogel, 2005). The problems occurred in the Asian region while the MNE is based in the US. Although CSR guidelines and practices are different for all countries and the problem was traced to contracted factories that did not belong to Nike, it faced severe criticism.

Although not legally binding, many global standards were created after the 1990s, including the Global Compact. One of the reasons for the huge outcry in Nike's case was that the company was famous worldwide and consumers were familiar with its products, unlike the case of business-to-business products (Hertz, 2001).

Nowadays, it has become commonplace for companies to become involved in solving problems faced by their host countries, such as poverty alleviation. Highly visible American and European companies recognise that such responsibility has become an essential part of the norms of good corporate citizenship (Vogel, 2005). With their increasing influence, MNEs are also expected to act responsibly towards society. Not all CSR activities are conducted separately from the main business. Herein lies the main difference from BOP strategies—these attempt to solve social issues in the course of conducting the main business instead.

BOP market strategies target the population living on less than \$2 per day. The number of people in this category is estimated at 4 billion (BOP Business Policy Study Group, 2010). The strategy involves converting these 4 billion people into consumers, and for companies to innovate and create new technologies and products to sell to them (Prahalad, 2005). Depending on the country, there are different levels of poverty; Prahalad (2005) separated them into five levels. In every BOP, the situation differs depending of the economic level, culture, and historical background.

Some economies are highly dependent on their apparel and textile industries. In 2017, the apparel export ranking was in the following order, from highest to lowest in terms of value: that of China, EU28, Bangladesh, Vietnam, and India. Low-cost countries such as Bangladesh, Vietnam, and Cambodia have experienced double-digit annual growth in the sector since 2010 (JCFA, 2018).

The apparel industry has experienced some sustainability issues with local society. It has been criticised as 'one of the most polluting industries in the world' (Boström and Mi-

cheletti, 2016). According to the Clean Clothes Campaign (CCC), the fashion industry's problems are as follows: poor wages and poverty; unsafe workplaces; poor or no contracts and no job security; unclear supply chains; waste and pollution; worker rights violations; union busting; weak, voluntary efforts by brands; gender discrimination, and exploitation of migrants. These issues are not country-level local issues; many stem from or are exacerbated by the interactions and economic dealings within the global supply chain.

There are various categories of sellers in the apparel and textile industry. In particular, speciality store retailers of private label apparel (SPAs; an example of an SPA is Gap Inc) have adopted the global value chain and experienced high growth rates. The concept of Quick Response (QR) supports the outsourcing strategies of the SPAs (Zhang, 2012). QR is recognised as an operational strategy that involves the relentless shift to offshore sourcing from countries with low wages (Christopher et al., 2004). It enables companies to achieve and maintain the high volumes, rapid lead times, and low prices which characterise the business model adopted by such companies (Caro and Martinez-de-Albéniz, 2015).

The apparel industry manufactures its products mostly on a made-to-order or booking basis and utilises the supply chain for manufacture. As a consequence, these companies often accumulate large stocks of either defective or unsold merchandise. These are large, dead stocks that represent wasted resources such as raw materials, energy, and environmental costs. In addition to the resources that are to be utilised in disposing of these elements. These issues cast doubt about the sustainability of the industry; they also manifest as structural problems that inhibit the growth of companies within the industry (Yano Research Institute Ltd., 2019).

For example, H&M produces approximately three billion items per year to sell across its 4,800 stores. However, a recent drop in sales and profits has forced them to revisit their strategies and tackle structural issues such as processes that led to the accumulation of \$4.3 billion worth of unsold clothes in early 2018 (Vogue Business, 2018).

There are also problems in the apparel industry's supply chain and issues related to contractual labour, consumer behaviour, and societal factors. According to the International Labour Organization (ILO), poor working conditions, low wages and long hours in apparel factories used to be a major problem in the West as well (at the dawn of industrialisation in Western countries). Now that these jobs have been relocated to developing countries which offer low labour and manufacturing costs, the same problems are manifesting themselves in these countries (ILO, 2019). This issue has therefore remained un-

solved for a long time.

However, demand for apparel has been increasing consistently every year (Roland Berger, 2017). Textile and apparel exports are major foreign exchange earners for many developing countries. Hence, we need to consider how large apparel companies can foster a beneficial relationship between themselves, workers, and society as a whole.

We therefore consider how the three top apparel companies with this business model contribute to poverty alleviation and resolving other local social issues through their business. We also consider whether there is a business model that can meet demand and reduce local poverty at the same time.

III MNEs in the apparel industry

1. An overview of the three MNEs

Although the market in Japan has been shrinking, the annual average growth rate of the global apparel market is estimated at 7.6%. In particular, the Middle East, Africa, and Eastern Europe, followed by Asia, are fast-growing markets (Roland Berger, 2017).

Table 1 presents an overview of the selected companies' parameters. The home country is in European or Asian region, but both are in developed countries.

The table indicates the number of employees of the company but does not include employees of the suppliers that constitute their supply chains. As will be seen in the next section, there are a lot of suppliers in developed countries.

Table 1 Overview of the three MNEs (2018)

	FR	H&M	Inditex
Established	1963	1947	1963
Home country	Japan	Sweden	Spain
Net income	154,811 milyen	12,652 SEK m	3.4 billion Euro
Stores	3,445	4,968	7,420
Number of full-time employees (consolidated)	56,523	123,283	174,386
Brands	UNIQLO, GU, Theory	H&M, COS, Weekday, Cheap Monday, H&M Home, & Other Stories, ARKET	Zara, Pull & Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home and Uterqüe

Source: Each company's homepage <https://www.fastretailing.com/eng/>, <https://hmgroupp.com/>, <https://www.inditex.com/en/about-us/who-we-are> (Last accessed 2020. May 12)

Table 2 The percentage of the MNEs' sales by region (2018)

	Home country	Other regions
FR	46%	Greater China 26.5%, the rest of Asia and Oceania 16.1% North America & Europe 11.4%
H&M	4.1%	Germany 15.8%, USA 12.1%, UK 6.7%, France 5.5%, China 5.3%, Italy 3.7%, Spain 3.6%, Netherland 3.2%, Russia 2.8%, Poland 2.6%
Inditex	16.2%	Europe 45.1%, Americas 15.5%, Asia and ROW 23.2%

* The category 'the rest of Asia and Oceania' in FR contains the following countries: South Korea, Singapore, Malaysia, Thailand, Philippine, Indonesia and Australia.

* H&M shows the sales by country in their homepage. Therefore, the table shows the top 10 countries from the homepage.

Source : Same as for Table 1

Table 2 shows the percentage of the companies' sales by region. While Inditex and FR's sales are high in their home countries, H&M's sales are comparatively lower due to the size of its home country market. The target markets of all three companies are developed-country markets. In addition, a feature common to all three is that their largest markets are their own home regions: Asia for FR; Europe for H&M and Inditex. As we can see from the table, these companies do not target BOP markets.

2. Suppliers to the MNEs

This section shows the suppliers by country in the global supply chain of each. As a part of the practice of transparency in their business, the list of factories is shared publicly.

(1) FR

Table 3 shows FR's factory list by country. China has the largest share of both factories and mills (over 50%). Without China and Japan, the factories and mills are in developing countries in Asia. Compared with the other two companies, FR's regional spread is smaller (Inditex is present in 20 countries and H&M in 40). FR's market is concentrated in Asia and the company also deutes their main employees from the home country to the store locations.

China is followed by Vietnam and Cambodia as shown in Table 3. Sewn products were the second largest among items exported from Vietnam in 2018, after mobile phones and their parts (JETRO, 2019). The sowings occupy first place in exports to Japan. Among Cambodian exports to Japan, clothing (shirts and suits) occupies first place (19.9%), and clothing (knit products) is second (35.7%) (JETRO, 2019). As shown in Table 2, FR has sig-

Table 3 FR's supplier list

	Core sewing factory		Core fabric mill	
	Country	number of factories	Country	number of factories
1	China	128	China	28
2	Vietnam	44	Japan	6
3	Bangladesh	24	Vietnam	6
4	Indonesia	17	Thailand	4
5	Cambodia	10	Indonesia	2
6	India	6	Bangladesh	1
7	Myanmar	4	Malaysia	1
8	Thailand	3	Turkey	1
9	Japan	2		
9	Malaysia	2		
9	Sri Lanka	2		

Source: Same as for Table 1

nificant sales in Japan. Of course, not all the export items are related to FR. However, the exports are essential for these countries to grow their economy.

China and Indonesia are both markets and production bases for FR. On the other hand, Vietnam, Bangladesh, Cambodia, India, Myanmar, Sri Lanka, and Turkey are not markets but only production bases for FR²⁾.

(2) H&M

Table 4 shows H&M's supplier list by country. H&M has a larger number of suppliers compared with Inditex and FR (Inditex: 717; FR: 242). The number of suppliers in China is numerous (like FR) but the highest proportion is from Bangladesh; they do not have a large market in Asia.

Compared to FR, the number of manufacturing factories in Europe is higher; H&M works with countries like Turkey, Italy, and Portugal, because of the location of their main markets, as shown Table 2. A large proportion of H&M's sales revenues is from China (5.3%) and Italy (3.7%); these countries are both markets and major production bases. However, Bangladesh, Turkey, India, Indonesia, Vietnam, Portugal, Myanmar, and Cambodia are only production bases.

2) FR outsources production of all its products to factories abroad, and does not have its own factories. FR home page: <https://www.fastretailing.com/jp/group/strategy/uniqlobusiness.html>

Table 4 Top ten countries in H&M's supplier list

		Manufacturing factories	Processing factories	Tier 2 factories (fabric, yarn and tanneries)
1	Bangladesh	735	1457	71
2	China	674	502	178
3	Turkey	260	202	45
4	India	258	142	25
5	Italy	127	39	10
6	Indonesia	106	78	9
7	Vietnam	75	17	9
8	Portugal	72	11	4
9	Myanmar	67	46	3
10	Cambodia	53	34	0

Source: Same as for Table 1

(3) Inditex

Table 5 show Inditex's top 10 manufacturing countries. China is in the first place (as for FR). There are many factories in Turkey and other European regions (as for H&M). Inditex's manufacturing has one distinctive feature, in that there is a more significant production base in their home country, as compared to the other companies. The ratio of their sales in their home country is lower than for FR, but their main market is Europe and their production cost in Europe is also relatively low.

Table 5 Top ten countries in Inditex's supplier list

	Country	number of suppliers
1	China	190
2	Turkey	185
3	Bangladesh	99
4	Portugal	67
5	India	47
6	Italy	44
7	Spain	44
8	Morocco	9
9	Pakistan	6
10	Cambodia	5

* Global direct and indirect suppliers list of wet processing (dyeing, washing, tanning and printing)

Source: Same as for Table 1

Consequently, although the production bases differ between the companies, common production bases are in China, Bangladesh, India, and Cambodia (Cambodia: FR 5, H&M 10, Inditex 10). Only China is both a production base and market at present and the others are only production bases.

China's textile and clothing export volume and value are significant. However, due to industrial restructuring and rising labour and manufacturing costs, the Chinese domestic market will assume a more important role in this industry, and the export ratio is unlikely to increase (ILO, 2019).

In addition to developing locally-appropriate products and developing markets under the BOP strategy, initiatives aimed at increasing local income are also important. Accordingly, the next section focuses on efforts in Bangladesh and the MNEs' strategy and approach with regard to Bangladesh.

Among China, Bangladesh, India, and Cambodia, Bangladesh and Cambodia are certified as Least Developed Countries (LDCs) by the United Nations. In Bangladesh, there is a higher dependence on apparel export than in Cambodia and it has more factories that manufacture for MNEs.

IV BOP strategy for Bangladesh

Aimed at raising income levels and increasing numbers in the middle-income group, we investigate what comprises the MNEs' approach to local factories. After examining the economic growth and the importance of the textile and apparel industry in Bangladesh, some examples of the work done by the MNEs are shown, to explore the relationship between their approach and the issue of poverty.

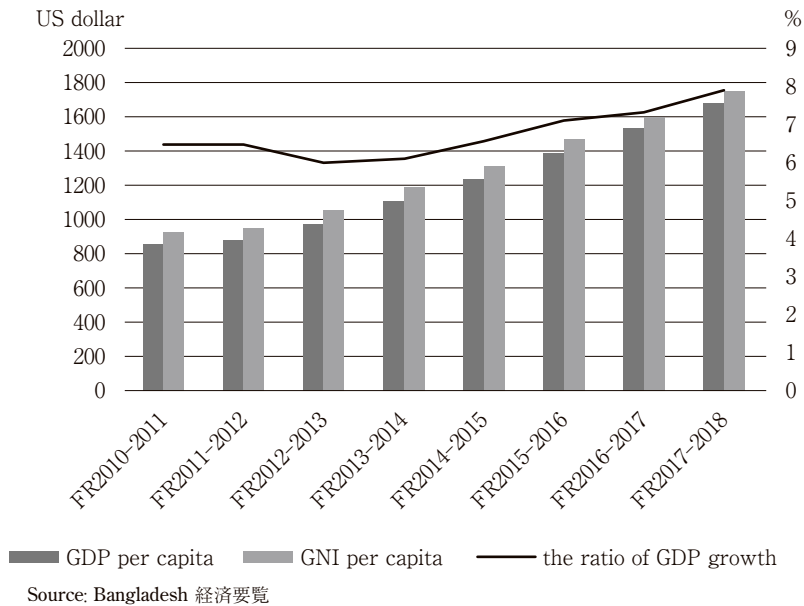
1. Economic overview of Bangladesh

As shown in Figure 1, Bangladesh's economy has been growing steadily. It was categorised as an LDC in 1975, but as per findings released in March 2018, it is on track to move out of this category by 2024 (Embassy of Japan in Bangladesh). Its poverty rate was 21.8% in 2018 and the percentage of the population living in extreme poverty was 11.3%.

According to the report³⁾, statistics for seven of the seventeen SDGs are now within

3) For more information regarding the date for Bangladesh to be free of poverty and other details, please refer to the data, Bangladesh economic directory (in Japanese), Embassy of Japan in

Figure 1 GDP and GNI per capita and GDP growth



range for Bangladesh (poverty rate, gender equality, water hygiene, reducing inequality, responsible consumption and production, climate change initiatives, land environment). Furthermore, Bangladesh's labour force is 56.70 million and its growth rate is 112%.

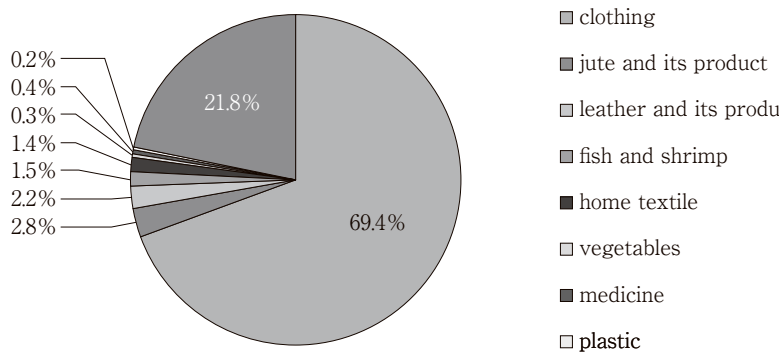
Foreign Direct Investment (FDI) in Bangladesh has also been accelerating. The electricity, gas, oil, and manufacturing sectors receive 35% of investments. In the manufacturing industry, textiles and clothing account for an overwhelmingly large proportion—(3,192.1 million, others 976.6 in the second, food 438.5 million in the third).

Among exports from Bangladesh, clothing is in the first place (69.4%) as shown in Figure 2. The growth ratio of the clothing industry is 8.8%, which is lower than the growth rate for agricultural products, but whose share of exports is only 0.3%.

China does not depend heavily on its apparel export, but Cambodia and Bangladesh do, as shown in Figure 2. In Cambodia, exports of garments and footwear increased by 17.6%, up for the fifth consecutive year, due to increased demand from Western countries (JETRO, 2019).

The apparel industry is a labour intensive industry and therefore employs a huge labour force. A total of about 20 million people are directly or indirectly involved in the in-

Figure 2 The ratio of export items in Bangladesh (2017/2018)



Source: Bangladesh economic directory

dustry, including 4 million employed in the textile industry. The dependence of 20 million people for their livelihoods on the apparel and textile industry, out of a total of 150 million, is not insignificant (Hoshino, 2013).

In recent years, the apparel industry has proved essential for the Bangladesh economy. However, the industry is structurally fragile—the more clothing products Bangladesh exports, the more is the import of raw materials (Fukasawa, 2015).

2 Operation in Bangladesh

The case of Rana Plaza in Bangladesh in 2013, wherein 1,136 workers were killed due to the collapse of a factory building, was the worst disaster in apparel history and illustrated the poor working conditions in factories involved in the global supply chain in developing countries. The Rana Plaza case in Bangladesh was preceded by the Nike case (ILO, 2015). The three companies being studied (along with others) signed the Accord on Fire and Building Safety in Bangladesh, which was established immediately after the Rana Plaza accident (Bangladesh Accord homepage).

As noted by Vogel (2005), improvement in working conditions will not result from one company's effort, but involves the cooperation and coordination of private and international public organisations as well as most companies.

One initiative that the three companies participate in, for community support. FR is the provision of scholarships and internships for the Asian University for Women. They also partner with the ILO to promote their projects to improve social security and working conditions in Asia. They have been engaged in recycling, refugee issues, and disaster re-

lief in Bangladesh and in other countries.

With regard to the direct work being done for the improvement of the local factories, there are efforts to raise the level of education for workers at contract factories. For example, the Factory Worker Empowerment Project by FR provides education on nutrition, hygiene, and health management to women, who make up the bulk of the workforce in the garment industry. There are some cases that the improvement of labour motivation, improvement of the awareness in the aspect of health and factory own efforts to foster awareness of health management (FR homepage). The education and training for local employees is also conducted by various other companies in the industry.

A noteworthy effort, is the case of Grameen UNIQLO in Bangladesh, which is a joint venture between UNIQLO and the Grameen Bank Group established in 2011 for development of the economy and solving social issues. All the profits are reinvested for social business expansion and for solving social issues. The clothes are all designed, produced, and sold in Bangladesh. There will be 17 stores in Bangladesh by 2020 (Grameen UNIQLO homepage).

On the other hand, FR shows many highlights about China's labour and environment in the 'News & Updates' section on their homepage. While there is news about new store openings and online shopping in China, there were more disputes after 2014. There were no articles on Vietnam and Bangladesh, which are, respectively, its second and third largest supplier countries. Indonesia and Cambodia had fewer labour disputes related to working conditions in 2018 than China. Only FR displays negative news on their homepage.

In contrast, on the CCC homepage, there is very little about China but there is a post about Bangladesh's accord after the Rana Plaza incident. FR is involved in several wage-related cases in Indonesia.

H&M also participates in various social activities. For example, they are planning to introduce a digital payment system by 2020 to usher more workers into the formal economy. This system will enable both textile workers and employers to receive benefits from the creation of a faster, safer, and more transparent wage payment system. H&M suggests that the system has the potential to empower women workers to control their own incomes, and thus strengthen their economic independence. The living wage initiative was started in 2013. H&M tracks the average take-home wage in the form of a graph, which shows that Bangladesh has the lowest wage rates in comparison with other supplier countries (H&M homepage).

Table 6 Transition of increasing minimum wages by rank (Bangladesh Taka)

rank	2010	2013	2018	2019.1
grade1	9,300	13,000	17,510	18,257
grade2	7,200	10,900	14,630	15,416
grade3	4,120	6,805	9,590	9,845
grade4	3,763	6,420	9,245	9,347
grade5	3,455	6,042	8,855	8,875
grade6	3,210	5,678	8,405	8,420
grade7	3,000	5,300	8,000	8,000

* The wages for each grade are set separately in the export processing zone

Source : JETRO homepage <https://www.jetro.go.jp/biznews/2019/01/15b73d00f056be3f.html> (last accessed 2020. May 12)

However, H&M and CCC have conflicting views about wages and worker safety in Bangladesh (CCC homepage). The version of a case about wages in China posted by CCC on its website was different from the version on the FR site.

Inditex also emphasises cooperation with outside agencies as well as with FR and H&M. Inditex implemented pioneering procedures in Brazil for controlling the supply chain in collaboration with unions, NGOs, academic institutions, and business associations (Inditex homepage) until 2011; however, as of 2018, it does not have any factories in Brazil.

Table 6 shows the increase in minimum wages. Although wages have been increasing, there was a strike in 2019 wherein more than 100 garment factories were shut down. H&M's contract factories also stopped production in 2019 (Nikkei, 2019).

V Results and discussion

The guarantee of minimum wages is a significant part of an employer's basic obligation. In the global supply chain, wages are not just an issue to be settled between the employer and employees in local factories, but an issue that needs to be tackled as part of CSR initiatives by MNEs.

However, it is a complex and difficult issue for MNEs, because while CSR in the environmental field may help cost reduction and the creation of new markets; improving working conditions in developing countries raises costs instead and rarely fosters the creation of additional markets (Vogel, 2005).

Among the efforts by various MNEs in Bangladesh, H&M's efforts to influence local

wages have been fairly vigorous, perhaps because they have a larger proportion of contracted factories, as compared to the other two MNEs in this study. Although donation and other forms of support are important, the long term efficacy of these activities is doubtful since they are outside the purview of the main business and do not generate profits directly.

FR differs from the other two MNEs. They have engaged in a social business through a joint venture. The social business creates local employment and transfers know-how to local areas. For FR, this social business is separate from the main business carried out with contract factories.

Economic growth in Bangladesh has not remained unaffected by the various initiatives of the MNEs. The minimum wages have been rising and the country will shed its LDC status by 2024. However, the issue of poverty has not been sufficiently addressed. The country is not seen as a future market and there has not been any transfer of large-scale technologies by MNEs till now.

The increasing wages should contribute to the alleviation of poverty and pave the way to elevate low income groups to new, middle-class consumers. This is one of the impacts envisaged by the BOP strategy. However, there were few direct initiatives with regard to contract factories, and no BOP strategies are in place to increase factory workers' incomes and push them towards becoming middle-income earners, because of the separation of markets and production bases. Although most MNE efforts have been made under the ambit of CSR activities, they have not found favour with the local populace.

There is also the possibility of MNEs relocating their manufacturing from Bangladesh to other lower wage countries and LDCs such as Afghanistan, Bhutan, Cambodia, Laos, Myanmar, Nepal, Yemen, and East Timor in Asia. Although there are 33 LDCs in Africa, FR is less likely to relocate to Africa because they prefer to retain their production base and main markets in Asia. They may, however, relocate to Myanmar or Cambodia, from Bangladesh.

Technological development is essential to industrial development. However, new technology does not always galvanize a country's economy. For example, with the sewing robot, it is estimated that the Tianyuan plant in Arkansas can produce 1.2 million T-shirts a year for around 33 cents per piece—this unit price is now lower than is possible in any low-cost country (ILO, 2019). According to the ILO, it is not clear if technological progress can overcome the competitive advantage of low labour and manufacturing costs in

developing countries. The development of new technologies in developed countries has not yet spilled over or been transferred in any major way to Bangladesh.

VI Conclusion and further research prospects

This paper surveys the approach to BOP by MNEs. In particular, it focuses on the apparel industry, which has the potential to tackle the issue of poverty because of its supply chains and the labour-intensive nature of the product. By examining the three largest apparel MNEs' main markets and their contract factories by country, we attempted to clarify whether the MNEs view each country as a market and/or a production base. From the results, it was observed that there are some points in common about contracted factories and that Bangladesh does not appear to be viewed as a market for these three MNEs. Bangladesh's economic growth and activity depends heavily on its apparel exports. Even though the standard of living has been rising, employee and public dissatisfaction remains high.

The involvement of MNEs in alleviating Bangladesh's poverty was initiated by governments and public organisations due to the influential role of MNEs and their social responsibilities as corporates. The bidirectional approach to poverty by public and private organisations is valuable, but it is feared that the responsibility of defending the rights of individuals, will be transferred from the government to companies entirely (Fleming and Jones, 2013), and this would be unsustainable in the long run.

It cannot be said with certainty that the data examined for this study are sufficient. The data from each company and the CCC were limited. There is also the need to focus on wages. Furthermore, examining Cambodia will also produce better comparative results and allow better analysis, as its circumstances are similar to those of Bangladesh.

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