



Institute of Social Studies

Graduate School of Development Studies

TRADE IMPACT ON BANGLADESHI READY-MADE GARMENTS (RMG) WORKERS

A Research Paper presented by:

MOHAMMAD KAMRUL ISLAM CHOWDHURY

Bangladesh

In Partial Fulfillment of the Requirements for Obtaining the Degree of:

Master of Arts in Development Studies
Specialisation:

Public Policy and Management

Members of the Examining Committee:

Dr. Joop de Wit

Prof. Mansoob Murshed

The Hague, The Netherlands
December 2005

This document represents part of the author's study programme while at the Institute of Social Studies; the views stated therein are those of the authors and not necessarily those of the Institute.

Research papers and theses are not made available for outside circulation by the Institute.

Enquires:

Postal Address:

**Institute of Social Studies
P.O. Box 29776
2502 LT, The Hague
The Netherlands**

**Telephone : -31-70-4260460
Telefax: -31-70-4260799
e-mail: postmaster@iss.nl**

Location:

**Kortenaerkade 12
2518 AX, The Hague
The Netherlands**

ACKNOWLEDGEMENTS

This research paper owes a debt of gratefulness to a large number of people who contributed valuable research inputs and suggestions. I am particularly grateful to Dr. Joop de Wit, Senior Lecturer and Dr. Mansoob Murshed, Professor of the Institute of Social Studies (ISS), The Netherlands who supervised my paper and provided long-standing guidance.

I also greatly acknowledge the assistance of Mr. Yannick du Pont and Mijke Elbers of Evert Vermeer Foundation, Amsterdam in my primary data collection and for their special research inputs. I am especially grateful to Mr. Rafael Coloma, In Charge-Bangladesh Affairs, Director General (Trade), D.2, Brussels. for his valuable information through email.

I would like to express my sincere gratitude to Mr. Golam Hossain, Joint Secretary (Export), Ministry of Commerce, Bangladesh along with Mr. Ruhul Amin, Research Officer of the Textile Cell in the same Ministry for assisting my paper through their valuable time in interviews and necessary government documents. Special thanks to Mr. Lutfor Rahman (Matin), Chairman, Luman Group and Former Director of BGMEA along with other officials in BGMEA including Deena Salwa, Research Officer and Sayeed Mahmood (Compliance Cell), Mr. Rafiqul Islam (Labour Cell) and Mr. Mansoor Khaled, Sr. Deputy Secretary and P.S. to President, BGMEA. I am grateful to all officials of Export Promotion Bureau for their valuable suggestions in this paper. My heartiest appreciation goes to all my friends specially Anthony, fleur and Mariana for their inspiration and inputs.

All the female garment workers of the field study who spent their time in interviews and provide suggestions are the real contributors of this paper and I owe a debt of appreciation to them.

Abstract

Bangladesh has been one of the significant exporters of garments with in a short span of time in international trade and this success story linked with Multi-fibre Arrangement providing a guaranteed sale for LDCs like Bangladesh. Since January 1, 2005 the MFA phase –out has pushed Bangladesh in a competitive world where quotas are completely abolished and Bangladesh has to compete huge exporters like China. There were series of predictions and dialogues that Bangladeshi RMG industry – contributing almost 70% of the country’s export earnings would have collapsed and thousands of female garment workers could be jobless. The paper briefly reviews the impact of MFA phase-out and seeks to examine the basis of those predictions through literature review, Interview and informal meetings with key stakeholders with in the country. Finally, this paper aims at reviewing EU trade policy and key areas of concerns that EU can consider for the export growth of LDCs like Bangladesh and concludes with some policy recommendations to cope with Post-MFA challenges.

List of abbreviations

ATC	Agreement on Textile and Clothing
BBS	Bangladesh Bureau of Statistics
BEPB	Bangladesh Export Promotion Bureau
BGMEA	Bangladesh Garments Manufacturers and Exporters
Associations	
BILS	Bangladesh Institute of Labour Studies
BNC	Bangladesh National Council
BTMA	Bangladesh Textile Mills Association
BKMEA	Bangladesh Knit Manufacturers and Exporters Associations
CBW	Central Bonded Warehouse
EPZ	Export Processing Zone
EU	European Union
FY	Fiscal Year
GATT	General Agreement on Tariffs and Trade
JBC	Jiban Bima Corporation
GDP	Gross Domestic Product
GSP	Generalized System of Preferences
LC	Letter of Credit
MFA	Multi Fibre Arrangement
NBR	National Board of Revenue
NGO	Non Government Organization
PRSP	Poverty Reduction Strategy Paper
RMG	Readymade Garments
TRADE	Tariff Relief Assistance for Developing Economies Act
USA	United States of America
VAT	Value Added Tax
WTO	World Trade Organization

Table of Contents

1.0 Introduction and Background	1
1.1 Working title.....	1
1.1.1 Prelude: General Context.....	1
1.1.2 Justification of the research.....	3
1.1.3 Research Objectives.....	4
1.1.4 Research question.....	5
1.1.5 Scope and limitation.....	6
1.2 Methodology and process.....	6
1.2.1 Sources of data.....	6
1.2.2 Sampling issues.....	7
1.2.3 The limitation of the study and problems in field work.....	7
1.2.4 Structure or layout of the paper.....	7
Chapter Two Conceptual and theoretical framework.....	8
2.0 Introduction.....	8
2.1 Concepts.....	9
2.2 Theories: Policy process.....	10
2.3 Trade and poverty linkage.....	11
2.4 Poverty & quality of life.....	13
2.5 Gender needs.....	14
2.6 Comparative evidence from China.....	15
2.7 Summary of key issues.....	17
Chapter Three Impacts of EU trade policy on RMG sector in Bangladesh.....	18
3.0 Introduction.....	18
3.1 Quota & Tariff.....	18
3.2 Generalized System of Preference (GSP) benefit.....	19
3.3 Regional Trade Bloc.....	20
3.4 EU policy on social development: Trade and social rights.....	21
3.5 Criticism of labour standard issues.....	22
Chapter Four Development and prospect of RMG sector in Bangladesh.....	24
4.0 Introduction.....	24

4.1 Growth of RMG sector in Bangladesh.....	25
4.2 Bangladesh's position in global apparel trade.....	27
4.3 Global apparel trade trend: From GATT to MFA.....	28
4.4 Export trends: RMG exports to the EU and US during the ATC period.....	29
4.5 Predictions about post-MFA impact.....	31
Chapter Five The role of the state in coping post-MFA Challenges: policies and programme.....	33
5.1 Bangladesh export policy: Key issues.....	34
5.1.1 Government programme for export growth: National Coordination Council on MFA.....	35
5.1.2 Simplification of custom formalities.....	35
5.1.3 VAT waiver for export industries.....	35
5.2 Safety net for workers.....	36
5.2.1 Technical assistance.....	37
Chapter Six Role of private actors: Policies and programmes.....	38
6.0 Bangladesh Garment Manufacturers and Exporters Association (BGMEA) initiatives.....	38
6.1.1 Market expansion in U.S.A.....	38
6.1.2 Lobbying for GSP benefits.....	39
6.1.3 Central Bonded Warehouse (CBW).....	39
6.1.4 Organizing dialogues among political parties/stakeholders.....	40
6.1.5 Lobbying for preferential trade blocs and relaxed ROO.....	40
6.2 Group Insurance coverage for workers.....	41
6.3 Establishment of compliance cell for workers.....	42
Chapter Seven Perceptions, Experiences and Changing conditions of female Garments workers: An analysis of data.....	44
7.0 Introduction.....	44
7.1 Status of women in Bangladesh.....	44
7.1.1 Socio-economic background of the female garment workers.....	45
7.1.2 Perception about profession.....	49
7.1.3 Awareness about MFA phase-out.....	50

7.1.4 Opinion about alternative job placement in case of layoff.....	50
7.2 Analysis of data.....	50
Chapter Eight Conclusion and Recommendations.....	55
8.0 Recommendations for the government.....	55
8.1.1 Marketing of Bangladeshi apparel products.....	55
8.1.2 Joint Lobbying for market access.....	55
8.1.3 Supporting textile sector.....	56
8.1.4 Central Bonded Warehouse.....	56
8.1.5 labour standards.....	56
8.1.6 Investment opportunities.....	57
8.2 Recommendations for BGMEA.....	57
8.2.1 Strengthening the compliance cell.....	57
8.2.2 Joint lobbying for market access.....	57
8.2.3 Product up gradation.....	58
8.3 Recommendations for worker’s leaders.....	58
Conclusion	
References	
Annexure 1	
Table 1 Age distribution of the female RMG workers	
Table 2 District of origin of the female RMG workers	
Table3 Expenditure pattern of the female RMG workers	
Table 4 Awareness about MFA phase-out	
Table 5 Opinion about alternative job placement in case of layoff	
Table 6 Risks of post-MFA	
Table 7 Coping strategies in post-MFA era	
Annexure 2	
Questionnaire	
Annexure 2.1 List of interviews and correspondences	
Study Map	

Chapter One

WORKING TITLE

1.0 IMPACT OF MFA PHASE OUT ON THE QUALITY OF LIFE OF THE FEMALE READY-MADE GARMENTS (RMG) WORKERS IN BANGLADESH

1.1.1 Prelude: General Context

Lipi (18), a girl from Gopalganj district under Barishal division has been working at Husham Dresses Ltd. - a woven garment in Kachukhet main road, Dhaka for the last the 3 months as Sewing machine operator. Before joining here, she worked for another sub-contract factory for 3 years which has been closed down 3 months back. She could not tell about the reason for factory closure but she expressed that few of her friends also lost their jobs due to such closure. She lost her father 4 years back and had been supporting her family since then with her scanty income from the job. She got married with a day labourer in Dhaka city who was impressed with her as she has income-earning potentials. Now, she has been living in a tiny tin-shed house adjacent to Kachukhet bazar with her husband and one son and can somehow manage the expensive living cost of Dhaka. She expressed deep fretfulness and was afraid that she might be back to village if she loses her job in the garment factory (Lipi, Husham Dresses Ltd., An Interview taken on September 12, 2005). Like Lipi, thousand of female workers working in the RMG industries are on verge of job losses as a consequence of MFA phase-out.

The garments industry of Bangladesh stands for one of the recent success stories of industrial development in a poor, developing country of South Asia counting about

\$5 billion worth of product each year which is a little over three-fourths of the country's total export earnings. Starting from scratch in the late 1970's, it is playing a pivotal role in generating a means of livelihood to poor migrant female labourers and introducing the first wave of mass integration of unskilled women into formal labour force in Bangladesh. In 2000-2001, 1.8 million workers -90% of them women- were employed in 3,480 garment factories.¹ The industry has flourished because of its cheap labour market and the favoured international textiles and clothing regime under the Multi-Fibre Arrangement (MFA). Though Bangladesh exports to 90 countries, United States and the EU counts the largest market consuming 95% of the apparel exports. The rapid growth in the garments sector was observed to a large extent due to the quantitative restrictions imposed by major importing countries under the MFA. The MFA has already been phased out since December 2004. Now, Bangladeshi apparel products may lose by giant exporters like China because the volume of Chinese exports to the European Union (EU) has been increasing drastically due to its price competitiveness in low-end garments production.

The EU is considered to be one of the key players in the World Trade Organization. It negotiates as one single actor on behalf of the Union's 25 member countries with a common trade policy. The negotiation process is executed through several layers relevant directly to developing countries. Among those the EU is characterized by the deepest integration with a common external tariff, common agricultural policy, common competition policy and common basic rules governing four basic freedoms: movements of goods, services, capital and persons. EU has agreements for Free Trade Areas (FTA) with eastern and central European countries and Generalized System of Preferences (GSP) to least developed countries. As Sapir (1998) points out that the EU Most Favoured Nation (MFN) tariffs apply uniformly to only six countries today: Australia, Canada, Japan, New Zealand, Taiwan and the United States. Though zero MFN duties in EU on more than one fifth of the items has an ameliorating effect on the resulting trade diversion, in products of potential comparative advantage of

¹ Shefali, Mashuda Khatun, 2002 *Impact of International Trade Regime on Female Garment Workers in Bangladesh* see for details <http://www.sweatshopwatch.org/global/bangladesh.html>

developing countries, the impact may still be large. Given the EU integration with many richer countries is deeper; developing countries may suffer a loss of market access despite the preferences in their favour. It is contested that some developing countries face discrimination on account of deeper preferences to others.²

As the RMG sector contributes significantly to the country's economic growth through enormous export earnings and also regarded as the key employer of a large number of unskilled female labour force, the impact of trade policies adopted by major importing countries especially the EU is needed to be assessed with careful observation for the betterment of a developing country like Bangladesh. The thrust of the paper also aims to assess the impact of MFA phase-out on the quality of life of the female RMG workers in Bangladesh.

1.1.2 Justification of the research

Ready-Made Garments industry in Bangladesh is the key contributor of the country's export earnings and employs a large number of migrant female labour forces. It is considered as the driving force of economic development of the country. The industry has experienced major decline due to global economic recession, EU's special preference to Pakistan's RMG industry, the accession of China into the WTO and the economic fall-out from the September 11, 2001 terrorist attack in the United States after its 18 years of steady operation. Almost 1,276 factories were closed down and approximately 350,000 workers became jobless as a consequence.³ Such trade shocks with massive retrenchments may lead to deterioration of law and order situation, vulnerable situation for the family members dependent on the income of workers in factories and can create chaotic situation due to worker's strike due to decline in wage earnings and ultimately is a major threat to steady economic growth. For Bangladesh,

² Panagariya, Arvind, 2002 *EU Preferential Trade Policies and Developing Countries*, Centre for International Economics, University of Maryland, College Park MD 20742, USA.

³ See for details <http://www.sweatshopwatch.org/global/bangladesh.html>

it is important to maintain a consistency in export volume to existing market and to try to broaden the export base and expansion of market simultaneously. Any changes in EU trade policy will certainly have an impact on the growth of this sector and hence such policies are needed to be examined thoroughly to enable key policy makers to negotiate within the possible areas of mutual assistance without contravening policy objectives and equity issues as a whole. As a Bangladeshi student at the Institute of Social Studies (ISS), I therefore feel immense interest to review the trade policy of European Union and its impact on the RMG sector of the country with special focus on the recent MFA phase out started from 1 January 2005.

1.1.3 Research objectives

This research is concerned with understanding socio-economic and working conditions of garments workers, the different stages of progress of the RMG sector from its early stage, existing trade policies of the government to promote exports to major buyers, the impact of MFA phasing out from December 2004 and the programmes undertaken by the garments factory owners regarding enlargement of both the export base and the volume. I am especially interested in collecting information about:

- Growth trends of the RMG sector in Bangladesh
- Problems that hinder the rapid growth of the RMG sector in Bangladesh due to changing world trade policy.
- Perceptions and plans of key government and business officials on how to extend access to global apparel market.
- The guiding principles of EU trade policies instruments.
- Impacts of MFA phase-out on female garment workers in Bangladesh

1.1.4 Research question

Main question:

Through this research, an attempt to assess the impact of recent MFA phase out on the garments workers of Bangladesh and anticipated changes in their livelihood strategies was made. In order to assess the impact, in-depth understanding of the EU trade policies- textile policy in particular, the decision making process within the EU, the perceptions of key decision makers regarding policy objectives and implementation process, current textile policy of GOB, plans to tackle the MFA fall out and the role of key private actors in Bangladesh etc. have been studied in brief and finally recommendations are made to facilitate export growth in this sector.

My main question is:

What are the major impacts of EU trade policies (Textile) on the female garment workers of RMG (Ready-Made garments) sectors in Bangladesh?

Sub questions:

- How the RMG sector was developed from the scratch in the late 1970s in Bangladesh?
- What are the key features of the textile sector policies of Bangladesh Government to accelerate export growth and what are the strategies to cope with new challenges in global trade?
- What is the role of private actors like the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) in coping with global changes in the world business environment and the process of negotiation with foreign buyers?

- What are the guiding principles of the EU trade policy (Textile) and their possible impacts on the Bangladesh RMG sector?
- What are the prospects for female RMG workers when they loss their job?

1.1.5 Scope and limitations

This study aims at exploring the trade policy of the EU particularly the textile policy and it was very challenging to interview and exchange views with key policy makers of the EU and also the Ministry officials at home during the field work. I was prepared to make prior appointments to interview these VIP and CIPs (Commercially Important Person) from both ends and was careful about getting in time when such appointments were made.

European Union website, BGMEA newsletters, daily newspapers and study reports from different NGOs have also been consulted in preparing this paper.

1.2 Methodology and Process

1.2.1 Sources of Data

This study is based on both primary and secondary data. For primary data, field study took place from August 3 -September 20, 2005 in Dhaka city, Bangladesh and a semi-structured questionnaire was prepared in mid-July 2005 at the Institute of Social Studies (ISS), the Netherlands under the guidance of Mr. Joop de Wit, Senior lecturer of Public Policy and Management department of the same institute who supervised this paper. The questionnaire (see annexure 2) survey included 40 female garment workers from 2 (two) garment industry in Dhaka city- Styline Knitting Industries and Husham Dresses (see location in annexure 2) and interviews with 20 (twenty) government/BGMEA officials, Worker's leaders and trade experts were also noted

along with 2 (two) case studies of workers for in-depth understanding of post-MFA impact on female garment workers of Bangladesh.

1.2.2 Sampling issues

At present, Ready-made Garment (RMG) industries are the fastest growing industry in Bangladesh with more than 4000 operating units employing a work force of 2 million, 80% of which are female within the country (Huq, 2005). It seems to be very difficult to maintain the representativeness of sample within the scope of this study. Keeping this in mind, 20 workers from 1 (one) Knit garment (Styleline Knitting Industries) and another 20 workers from 1(one) Woven garment (Husham Dresses) were selected randomly for questionnaire survey.

1.2.3 The Limitations of the Study and problems in the fieldwork

Getting formal appointments of Ministry and BGMEA officials were very tough because of their busy schedule.

1.2.4 Structure or layout of the paper

In this paper titled “The impact of MFA phase-out on female garment workers of Dhaka city: An overview”, the scope, objectives and methodological issues have been discussed in brief in the first chapter. The second chapter deals with analytical framework and key concepts of this study and the key issues in the European Union’s trade policy instruments were discussed in brief in the third chapter. Chapter four pin points the growth and prospects of Bangladesh’s RMG industry and the role of Bangladesh Government and other private actors were highlighted in Chapter five and six respectively including their major policies and coping strategies in post-MFA era. Chapter Seven describes in brief the working conditions and perceptions of the respondents interviewed in this study including female garment workers of two different factories. Finally, this paper ends with some policy recommendations.

Chapter Two

Conceptual and Theoretical Framework

2.0 Introduction

This Chapter contains an analytical framework for impact analysis of MFA phase-out on the quality of life of female RMG workers as well as different perspectives centred in the multi-faceted trade arena with some focus on gendered theories. Several study reports, books, journals and European Union's websites were consulted to have an idea on the subject matter. Professor Sadequl Islam (2001) in his book titled "The Textile & Clothing Industry of Bangladesh in a changing World Economy" has evaluated the competitive position of Bangladesh in comparison of selected developing countries and has provided an overview of world trade in textile and clothing, policy instruments of developed countries, regional trade blocs and other relevant issues. The book also explores the impact of world trade agreement on textile and clothing sectors of different regions through the Global Trade Analysis Project (GTAP) and finally proposes some policy recommendations for making trade policy more coherent and credible to all stakeholders.

Khondker, Razzaque and Ahmed (2005) in a paper prepared for International Labour Office titled "Exports, Employments and Working Conditions: Emerging Issues in the Post-MFA RMG Industry" have examined the exports trends with relevant statistics during ATC period and analysed the changes in employment and working conditions in the post-MFA period. They also described in their paper about issues like wage-productivity relationship, setting up standards for decent working conditions and role of different stakeholders in promoting decent work.

Repon and Ahamed (2005) in a recent study report titled "Social & Economic Costs of Post-MFA: Worker's Perspectives" have emphasized on impact of globalisation on Bangladesh economy from workers perspectives with special focus to post-MFA

challenges and coping strategies of different stakeholders. They particularly put emphasis on impact on wage rate, employment, working conditions and social protection and ended with some legal, structural and strategic recommendations for Bangladeshi RMG sector to survive in a quota free world.

I will analyse my research through simple correlation of trade, growth, employment and living standards with special emphasis on Bangladesh perspective. Key terms and concepts in this paper are: MFA phase out, trade liberalization, poverty etc.

2.1 Concepts

MFA phase-out: Since 1 January 1995, international textiles and clothing trade has been rising through fundamental change under the 10-year transitional programme of the WTO's Agreement on Textiles and Clothing (ATC) which was previously known as Multi Fibre Arrangement (MFA). On 1 January 2005, the MFA, which administered garment and textiles imports to the EU and US through a system of quotas since 1974, came to an end. This quota system provided shelter and protection from rigours of global competition to many developing countries. From 2005, clothing brands and retailers will have greater freedom to consolidate their supply base, concentrating on those countries offering the best deals and may shift their orders or substantially reduce sourcing from poor garment producing countries (ETI, 2004).

Trade Liberalization: Trade liberalization (or free trade) is an economic concept referring to the selling of products between countries without tariffs or other trade barriers. International trade is often constricted by different national taxes, other fees imposed on exported and imported goods, as well as non-tariff regulations on imported goods. Theoretically, free trade negates all these restrictions. Some multi-national entities, such as the European Union, have implemented free trade in some forms between their member states (Custom Union).⁴ In fact, trade liberalization was initiated

primarily by Bretton Wood Institutions as an integral element of the structural adjustment package. It refers to a situation where a country is equated as outward oriented if its trade reforms are directed towards impartiality, liberality and openness with a provision of investment growth opportunities, improved price incentives and market access (SAPRIN, 2002).

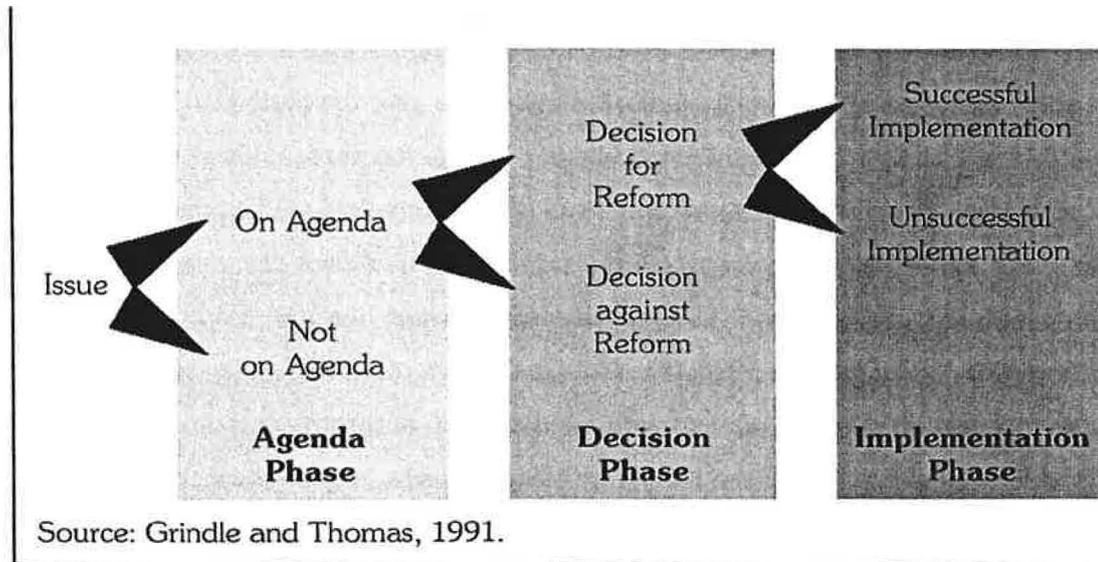
Poverty: The traditional economic approach to measuring poverty is to calculate either the income or consumption expenditure of a household over the period of time under consideration (usually a year) and then to identify as poor the households or individuals who fall below some minimally acceptable level (the poverty line). As Hagenars (1986) puts it “ *Poverty is a situation in which the welfare, derived from the command over resources of a household falls below a certain minimum welfare level, called the poverty threshold*”(Hagenars 1986:10). Thus, poverty is defined simply as a lack of income or consumption. The problem with the definition of poverty is that it combines together multidimensional aspects including income, assets, environment, educational attainment, health, incapacity, intolerance, vulnerability and so on. Rowntree defined poverty “*as a level of total earnings insufficient to obtain the minimum necessities for the maintenance of merely physical efficiency including food, rent and other items.*” It was evident from his study that mortality rate was more than twice as high among the very poor as among the best paid section of working classes (World Bank: 2001).

2.2 Theories: Policy Process

Public policy studies deal with an array of issues (administration, policy outcomes, allocation of resources, etc) and can concentrate on several objectives (contribution to better policy, better prediction of outcomes, better understanding of different variables, assessment of policy feasibility etc.) related with the formulation and implementation of the policy itself. Policy process assumes that policies are not automatic solutions resulting from particular social problems and it does not judge the

⁴ Encyclopedia : Trade liberalization, see details at www.nationmaster.com/encyclopedia/trade-liberalization

state as a privileged actor different from other social actors. Linear model of policy making reveals that policy process passes several layers starting from agenda-setting, to policy formulation, implementation and evaluation at the final end. Linear model emphasize on the decision making as the key moment and thus underscores the importance of implementation (Mooij: 2003)



Grindle and Thomas (1990) capture the view that policy making is an interactive process where implementation poses the most important part. They shed light on the dynamism of policy making and emphasized on interest groups who confront with each other during the implementation phase and try to feed their agenda in every stage of the policy process⁵. The diagram shows clearly the different stages of policy process. Grindle and Thomas (1990) also stress on the role of the donor agencies and questioned whether these agencies often prefer top-down approach for a new policy to be adopted and are restricted to check on compliance at intervals, not necessarily they encourage all stakeholders to participate in the process(Mooij : 2003)

2.3: Trade and poverty linkage

International trade experts have expressed the view that export growth in processed

⁵ See details <http://www.policyproject.com/pubs/workingpapers/wps-11.pdf>

commodities or manufacturers will support sustainable economic growth in developing countries in an integrated world economy. Secured market access is always a benefit for LDCs but protectionist measures by developed countries like countervailing duties and anti-dumping⁶ (AD) procedures may pose risk to LDC countries when their export becomes more competitive (Murshed :2002)

As Murshed (2004) pointed out critically that “.....*the North are enjoying an inherent advantage in global trade over the South not because of their technological advancement or dynamism rather it happened due to the colonial exploitation in the 18th and 19th centuries which has gradually made the South almost marginalized in world trade*”. He also emphasized that increased international trade even when it promotes growth unfortunately creates demand for highly skilled workers and ends in greater income inequality. According to Madisson (1995), per capita gross domestic products (GDP) currently stand at just under 20:1 between developed regions and less developed regions of the world, up from 3:1 in the early 19th century. He argued that positive economic growth too can be associated with rising inequality although it may lower poverty via a trickle down effect which is not necessarily pro-poor. For pro-poor growth income inequality has to be reduced through redistribution towards the poor. Thus, the current donor’s agenda focusing solely on poverty reduction instead of reducing inequality demonstrates the distorted nature of North-South interaction he added (Murshed: 2004)

It is important for a labour-abundant country to facilitate trade openness if it replace imports by more exports of labour-intensive goods and generate employments for its labour market. Thus, if poverty prevails extensively among people who are actually or potentially part of the labour market, increasing demand for labour will help to alleviate poverty in a smoothly operating labour market.(Murshed :2004).

⁶ According to Article 2.1 of WTO (1994), a product is considered as being dumped, i.e. introduced into the commerce of another country at less than its normal value, if the export price of the product exported from one country to another is less than the comparable price, in the course of trade, for the like product when destined for consumption in the exporting country.

The classic examples of East Asian success stories over the 1970s and 80s portray the Stolper-Samuelson model and suggest that if the supply of labour to the formal sector remains entirely fixed, employments can not increase rather, it is brought back to equilibrium by increase in wages to certain level it requires. Thus, increased wages have a direct impact on poverty if some of the workers are either poor or part of poor families. (Murshed: 2004).

On the contrary, in a situation when the supply of labour is perfectly elastic at the prevailing wage, an increase in labour demand is managed by increasing employment with no change in wages and the poverty impact depends significantly on the previous jobs and earnings status of the newly shifted workers from subsistence or other sectors. If there is no change in their income, then poverty impact is not notable but if the case is reverse, it contributes to poverty alleviation measures. This is the new trend in development when whole economies are transformed over a period of decades of which trade liberalization is an important part of the process. (Murshed: 2004).

2.4 Poverty & Quality of Life

In 1979, Morris published a Physical Quality of Life Index based on health and education criteria which was further extended by Esters who used an Index of Social Progress based on forty-four welfare relevant social indicators including non-economic indicators (like the status of women and children, politics, effects of disasters, cultural diversity and defence expenditures). This Index calculated over 100 countries between 1970 and 1980 and came out with some surprising results placing Costa Rica and some other countries in Eastern Europe in higher rank than UK and the USA (Leslie: 2002).

Basic need theorists emphasize more on results than inputs in order to measure the adequacy of development policy. For instance, life expectancy is a better measure of health services than the number of people per doctor and calorie supply per capita is more fruitful to measure the nutritional status than total production of food. Thus,

basic needs approach brings a shift from '*how much is being produced To what is being produced, in what ways for whom and with what impact*' (Hicks and Streeton 1979: 577).

This approach was further developed by the United Nations Development Programmes (UNDP) in its Human Development Report (Published annually since 1990). The report initiated Human Development Index (HDI) based on three basic indicators: Longevity (measured by life expectancy at birth), knowledge (adult literacy and mean year of schooling, and income (real income per capita). Later, separate measures of poverty and deprivation for developing countries (HPI-1) and industrialized countries (HPI-2) added further refinements of the HDI and UNDP reports always recognized intra-country differences as well.

2.5 Gender Needs

Gender is a term which refers to the cultural construction of male and female identities including the expectations held about the characteristics, aptitudes and likely behaviours of both women and men (femininity and masculinity). Gender roles and expectations are learned. They can change over time and they vary within and between cultures. Systems of social differentiation such as political status, class, ethnicity, physical and mental disability, age and more, modify gender roles (Bryceson: 1995).

Caroline Moser reveals the conceptual distinction between practical and strategic gender needs. Practical gender needs (PGNs) capture those needs that reflect as the immediate response of women's perceived necessity without demanding the issue of gender divisions of labour and women's subordinate position in society. These are practical in nature and try to shed light on inadequacies in living conditions such as water provision, health care, and employment and so on. On the contrary, Strategic gender needs (SGNs) refer to those needs which are formulated from the subordinate position of women to men starting from structural change towards more equality and balance of power between men and women. These are contextual in nature and relate to

the gender divisions of labour, power and control in conjunctions with issues as legal rights, domestic violence, equal wages, and women's control over their bodies. Achieving SGNs assist women to ensure greater equality and change in existing roles, thereby challenging women's subordinate position (de Wit: 2004)

In my research, I will try to assess the impact of MFA phase out on the garment workers, most of which are typically unskilled female workforce. The following diagram will demonstrate the possible impacts and measurable indicators for analysis. I am aware that the diagram only highlights a few aspects but in reality the problems are related with a lot of factors and a bit complex in nature.

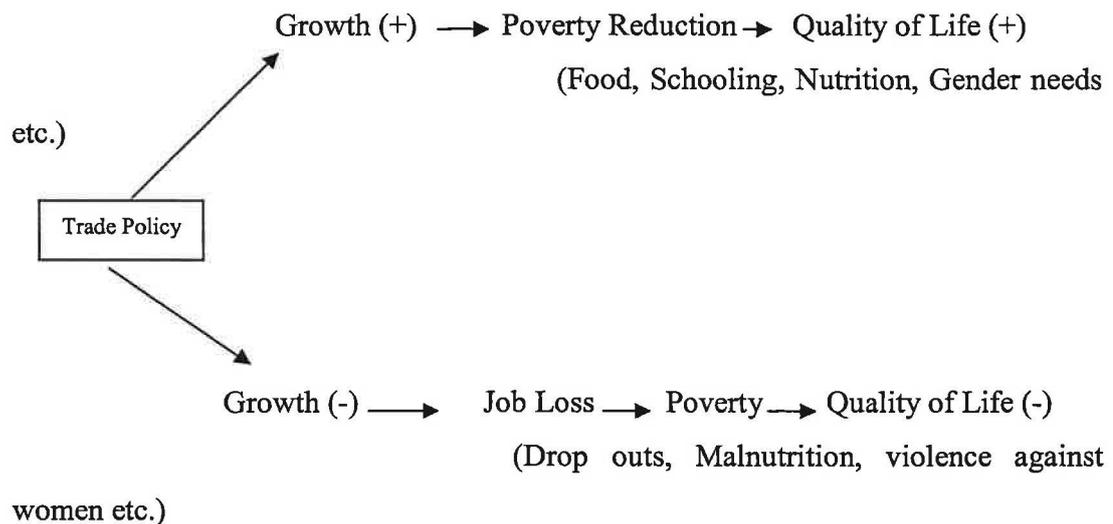


Fig: Social impact of trade policy in Bangladesh (Source: Author)

2.6 Comparative evidence from China

Trade experts have argued in different literatures that post-MFA era has posed a threat of massive job loss since many apparel exporting LDCs including Bangladesh may lose by China due to its price competitiveness (Kearney : 2005). Hence, I feel an overview of Chinese government policies will help to examine the existing policy agenda of the government of Bangladesh in RMG sector and see how the policy

process can effectively incorporate the objectives of poverty reduction via trade leading to a decent standard of living for female workers working in this sector.

As Yang and Su (2000) pointed out “... *Less than a quarter of a century after Mao’s death, however, the color of China has changed from red to green. Over this period, China’s leaders have gradually overcome their ideological reluctance and steadily liberalized the terms of China’s participation in the global market place.*” In fact, China is leading in global apparel trade because of its economies of scale and low price. China shifted up from fourth rank in global economy in 2003 to third rank in 2004 with its external trade reaching US\$ 1,155 billion. EU imports from China between January and June 2005 has increased substantially between 83% and 541% with average unit price drops up to 62% in case of dresses. The EU share of imports from China as of total extra-EU imports in this period has increased in certain instances considerably - 54% in brassieres, 55% in flax yarn, and 36% for trousers at the expense of other LDCs.

Chinese government has taken several measures to boost up exports including removal of administrative barriers to trade and creating an enabling environment for private sector development. For example, as at January 2005, licensing control in several commodities has been reduced to 3 from 8 in 2003. In similar vein, the average tariff rates were further reduced to 9.9% in 2005 from 10.4% in 2004, progressively down from 15.3% in 2001. In addition, China has introduced a bidding system for export commodities quota to manage the exports of 20 categories of commodities and it has created room for enterprises and individuals Chinese to register for trading right through the amended Foreign Trade Law in effect from July 2004 and VAT rebate for exporters⁷. Thus, overseas Chinese, building on ethnic networks have channelled billions of dollars into China and developed its vibrant export industries (Weidenbaum

⁷see http://europa.eu.int/comm/trade/issues/sectoral/industry/textile/memo120905_en.htm

and Hughes, 1996). Furthermore, local government authorities have been delegated the power to approve investment projects less than \$ 30 million and easy regulatory measures together with incentives have made China an attractive investment destination gradually. By now, China is considered to be the largest FDI recipient among developing countries since 1993 (Yang and Su, 2000)

2.7 Summary of key issues

In this paper, impact of MFA phase-out on quality of life of the female RMG workers will be analyzed with special focus on practical and strategic gender needs and link between employment and these needs will also be discussed in brief. As gender analysis explores on women and men having different experiences, competencies and needs, gender-sensitive planning leads to effective policy formulation to identify and meet the different needs of men and women. Employment generation obviously raises income and income can purchase basic needs requirements for a household. Moreover, female empowerment enables female to enjoy honor (psychological empowerment) and recognition with in the family and society (cognitive/political empowerment). RMG sector is contributing employment generation to female workers by bringing them into formal labour force. Therefore, the thrust of my paper lies on the impact of MFA phase-out on female RMG workers and in the following chapter the analysis begins with a thorough examination of the EU trade policy on RMG sector in Bangladesh.

Chapter 3

Impacts of EU trade policy on RMG sector in Bangladesh

3.0 Introduction : The European Union in its “ Coherence for development commitments” has prioritized the contribution towards MDGs and at the level of developing countries-the Council emphasized on full respect for gender equality, adequate governance and human rights issue. The Union further stresses its commitment to integrate trade into development strategies and assist developing countries in carrying out reforms where necessary (Policy Coherence for Development: 2005). But it is evident that the farmers in the European Union get US\$ 86.80 billion yearly subsidy and thus their market remain well protected. Similarly, developed countries like the USA protect their farmers through enormous subsidies amounting roughly US\$ 20,000 per year whereas a Mexican farmer earns only US\$ 1 daily (Daily Protean Alo, 19 September, pp.14). This Chapter discusses in brief the key trade policy instruments of the EU and takes note on the coherence issues of its development commitments to developing countries.

3.1 Quota & Tariff:

The European Union is considered to be the second largest buyer of Bangladeshi apparel products and the share of the EU (including intra-EU imports) of world apparel imports in 1997 was 42%, compared to 47.5% in 1990. The main trade policy instruments governing EU trade in textile and clothing are quotas and tariffs. At present, the EU maintains 209 quotas on textile and clothing from 21 countries including 7 non-WTO countries. EU imposes no quotas on textiles and clothing from least developed countries like Bangladesh except Category 4 (Knitted shirts, t-shirts and certain other products belonging to HS chapter 61), Category 6 (men’s and women’s trousers and shorts made from cotton or man-made fibres, covered in HS chapter 62) and Category 8 (non-knitted men’s shirts made from cotton or man-made fibres) that are subject to the system of double-checking surveillance.

The European Union has taken a stage-by-stage integration approach of textile and clothing in the WTO framework whereas countries like US have submitted a programme for the entire transition period. EU offer duty free access of LDC country's textile product under GSP scheme including Bangladesh with restrictions linked with rules of origin (Islam : 2001). As an UNCTAD note on Trade and Development Report (TDR.99) puts it: "*Developing countries have been striving hard, often at considerable cost, to integrate more closely into the world economy. But protectionism in developed countries has prevented them from fully exploiting their existing or potential competitive advantage. In low-technology industries alone, developing countries are missing out on an additional \$700 billion in annual export earnings as a result of trade barriers*" (UNCTAD, 1999b). In the similar vein, Oxfam study shows that taxes on Bangladeshi exports contributed \$331 million in the revenue to the U.S government in 2001 whereas net Overseas Development Assistance (ODA) from the United States to Bangladesh totalled just \$87 million in the same year (DAC, 2002).

3.2 Generalized System of Preference (GSP) benefit

The European council had taken up the *Everything but Arms* (EBA) initiative in February 2001 granting all products from LDCs, except for arms and weaponry, duty free access without any quantitative restrictions – which is the GSP entitlement. GSP and EBA entitlement of a product is determined on the basis of the rules of origin (ROO) and the determining status can be assessed in simple terms. For example, if the conversion from yarn to fabric and fabric to garment products take place within the same country, the garment attains originating status of that country and receives full GSP benefits. This two-stage transformation requirement of ROO seems to be difficult to satisfy for Bangladesh due to lack of backward linkage industries. EU has sanctioned a special concession under SAARC accumulation- if garment is made with fabric imported from other SAARC countries like India and Pakistan and satisfies the value addition requirement, it can get GSP. By relaxing ROO under SAARC accumulation, the first stage of the two-stage transformation can be carried out in

another SAARC member country, provided maximum value addition takes place with in Bangladesh (BGMEA: 2004)

Bangladeshi Knit apparel and sweaters get GSP as it can satisfy the two-stages of conversion requirements being less capital intensive and less sophisticated in technological application. These products are produced in Bangladesh from yarn satisfying the requirement of the regular rules of origin. On the other hand, woven apparel with few exceptions can hardly avail full GSP due to huge capital involvement and lack of adequate woven fabric manufacturing units within the country. Entrepreneurs have been in disappointment for this negative effect and as a result investment in woven factories is in declining trend. In 1999, only 99 woven factories were established out of a total of 258 new garment factories which came down to 46 in 2002 and only 36 in 2003. By April, 2005 only 13 new woven factories were established and these were also mainly expansion projects of factories with backward linkage. Almost no new stand alone woven factories are coming up. The share of the new investment in the woven sector has decreased from 39% in 2001 to only 14% today; though globally woven constitutes about 70% of apparel trade (BGMEA: 2004)

In several policy dialogues organized by BGMEA, experts were of the opinion that lobbying for modifying ROO in the context of Bangladesh can solve this problem so that apparel made from fabric instead of yarn becomes eligible to receive GSP. The other alternatives is modify the accumulation of origin to make it global instead of limiting it to SAARC; and in place of maximum value addition making it 25% or less as is the case with Canada offering better GSP facilities (BGMEA :2004)

3.3 Regional Trade Bloc

Bangladesh is also lagging behind in multi-lateral and regional trade blocs negotiations. For example, two big markets for Bangladesh- – the US and EU have either occupied or in the process of entering into free trade agreements with many other potential competitors on the basis of competitiveness or for many other political and economic

considerations. Bangladesh, being not too attractive destinations and due to lack of reciprocal trade opportunity has been excluded from free trade area considerations and there by market access is becoming narrower resulting to factory closure in many cases especially for sub-contract factories. These factories used to produce on small bulk of orders transferred to them by big producers on contract basis.

A major observable fact implies that the rapid rise of bi-lateral trade between EU countries in Central and Eastern Europe and the Mediterranean region is focused on the outward-processing trade (OPT) which had been more than doubled in value during 1990-97. This type of trade as similar to that of the production-sharing provision in the United States suggests implications of exporting fabric to labour-abundant countries and leads the re-import of finished products into the EU, with EU tariffs applied on the value-added only. The differential application in term of tariffs for imports from the Central and East European countries and imports from other countries is noteworthy. For example, while imports of textiles and clothing from Poland, Bulgaria, Hungary, Romania, the Czech Republic, and the Slovak Republic have enjoyed duty-free access since January 1, average tariff rates of 9% to 12% were imposed in case of imports from MFN sources (Islam: 2001).

3.4 EU policy on Social Development: Trade and Social Rights

European Union is concerned about the link between trade and social rights issues. It emphasizes on working conditions that promote sustainable development through health and safety provision for the workers. Core Labor Standards ensure economic development through many windows such as productivity, incentives and equal treatment to men and women and so on and freedom of association and collective bargaining are addressed in the European Charter of Fundamental Rights. World Commission on the Social Dimension of Globalization under the guidance of the ILO was formed in 2002 which came up with a report "A fair globalization – creating opportunities for all" published in February 2004 and has created new impetus for steps forward on the link of trade and social development. The EU incorporated new synergy

in its own Trade Policy Review Mechanism (TPRM) in October 2004 to pave the way to tie up the core labor standards issues with productivity and economic growth. The Union also promoting its GSP benefits to those developing countries that assure the upholding of core labor standards as defined by ILO (Trade and Social Conditions: 2005) .But of course the opponents of the labor standard issue are of the opinion that these issues put extra burden on developing countries and may displace many workers which may be an obstacle to economic growth.

3.5 Criticisms of Labor Standard Issues

Labor standard issues were brought forward significantly during the WTO meetings in Seattle. US cited poor labor conditions in a range of circumstances varying from low wages of workers in Shengen, China, to the use of children in carpet and textile production in Pakistan, and to the employment of slave labor in Peru. US Department of Labor published a 210 page report called “By the Sweat and Toil of Children” which claimed the practices of child labor from the tobacco plantations of Brazil to the coffee fields in Guatemala and Honduras (US Department of Labor: 1995)

Developing countries, however argue that labor standards and humanitarian claims are nothing but simply a guise for protectionist measures. Human Resource Minister of Malaysia has expressed, “*We certainly would not agree to reflect those (labor) standards rigidly in our legislations as this will stifle economic growth, resulting in the eventual displacement of workers*” (New Straits Times 1995:15). Similarly, Renato Ruggiero, the WTO’s former Director General pointed out, “*Using trade restrictions to enforce labor standards would not only be susceptible to protectionist abuse but could, by reducing their economic growth, also reduce the ability of low income countries to afford better labor standards* (BNA Management Briefing 1995: 12)”

While interviewing officials of BGMEA, they were also in the same opinion that there was no uniformity of labour standards set by foreign buyers. Some emphasize more on cleanliness of the working place, some are serious on working hours, worker’s

benefits and some may be on the quality only. They were optimistic about the recent improvements made by compliance cell and labour cell of BGMEA and hoping to meet overseas buyer's confidence on labour issues in particular. The wages will be increasing following the export growth and these can never happen overnight they added (S. M. Sayeed Mahmood, Deputy Secretary, BGMEA, Interview on 12 September 2005, Dhaka). Freeman (1994) concurred with this view point that inter-country equity can be improved by providing information to consumers about labour standards and social issues and that "labelling alternative" will help consumers to fiddle with their demand in accordance with their taste for labour market conditions in other countries (Freeman,1994). In fact, low income countries like Bangladesh can bring higher standards of living and also better working conditions if the country can increase the per capita income and increased purchasing power of good and services of its citizens through export growth leading to overall economic strength via trade. In the following chapter, the growth and prospects of RMG sector in Bangladesh will be discussed in brief to examine the export trend in the post-MFA period.

Chapter Four

Development and Prospects of RMG Sector in Bangladesh

4.0 Impact of Globalization on Bangladesh economy

During the 1990s, globalization has kicked off a shift of economic activity from agriculture to export-oriented industries and import-oriented services in Bangladesh and government took some reformative measures to liberalize trade by reducing trade barriers. Before exploring the post-MFA impact on female garment workers, it is pertinent to focus briefly on some aspects of trade liberalization and its impact on issues of economic growth, employment and labour migration. The following table illustrates the trends more clearly in terms economic growth, employment and labour migration:

Trade liberalization and Growth trends	Growth rate (%) 1980	Growth rate (%) 1990	Share in National income FY80	Share in National Income FY04
Agricultural sector	2.5	3.2	32.7	22.5
Industrial sector	5.8	7.0	16.8	27.3
Income-inequality	Top 5 % (1995-1996)	Bottom 5% (1995-1996)	Top 5% (2000)	Bottom 5%(2000)
	27	1	46	1

It shows that trade liberalization appears to contribute significantly to change the dominance of agriculture sector and pushed forward the industrial sector resulting an increase of 27 times and 46 times of the income of bottom 5% in favour of top 5% population in 1995-1996 and 2000 respectively. Bangladesh Bureau of Statistic's

sample vital registration system shows nearly two-thirds of the migrated labour force from among 62 randomly sampled villages was from rural to urban areas. About 6% of the total labour force migrated during this period shifted from agriculture to other service related jobs (BBS, 2003). Obviously Bangladesh, being an agriculture dependent country could have gained from trade liberalization if they could have market access in agricultural products in northern countries which seem to be difficult as those markets are protected by enormous subsidies. As a consequence, export-oriented industries, especially the clothing sector took the lead to contribute to the economic growth of Bangladesh significantly and a silent revolution in women empowerment happened to change the joint family culture and *purdah*⁸ traditions in rural areas.

4.1 Growth of RMG Sector In Bangladesh

In Bangladesh, the Ready-made Garment sector got a momentum in the late 70s and since then its share in the export earnings of the country is notable and considered to be a success story of Bangladesh. According to BGMEA profile expressed in the BATEXPO (Bangladesh Apparel & Textile Exposition) 2004 booklet, BGMEA stated its journey with just 12 member units in 1977 and today it has grown into a massive organization with 3,975 member units. It is evident that domestic market for readymade garment, excepting children wears and men's knit underwear (*genji*) was virtually non-existent in Bangladesh until the sixties. Initially it was predominantly individual tailors made garments as per specifications provided by individual customers who supplied the fabrics. Since the late 1970s, the RMG industry started developing in Bangladesh primarily as an export-oriented industry and attained high importance in terms of employment, foreign exchange earnings and its contribution to GDP. According to the activity report 1999-2004 of the Bangladesh National Garments Workers Federation (NGWF), the number of Garment workers in Bangladesh is 1.6 million out of which number of woman and men workers is

⁸ Purdah refers to the conservative Islamic norms in rural areas of Bangladesh that prohibits women to move out of their homes and interact with people outside.

1.320.000 and 280.000 respectively.⁹ The following table shows the growth of garment industry at a glance:

Comparative statement on export of RMG and total export

Year	Number of garment factory	Export of RMG (in million US\$)	Total export of Bangladesh (in million US\$)	% of RMG's to total export
1983-84	134	31.57	811.00	3.89
1984-85	384	116.2	934.43	12.44
1985-86	594	131.48	819.21	16.05
1986-87	629	298.67	1076.61	27.74
1987-88	685	433.92	1231.2	35.24
1988-89	725	471.09	1291.56	36.47
1989-90	759	624.16	1923.70	32.45
1990-91	834	866.82	1717.55	50.47
1991-92	1163	1182.57	1993.90	59.31
1992-93	1537	1445.02	2382.89	60.64
1993-94	1839	1555.79	2533.90	61.40
1994-95	2182	2228.35	3472.56	64.17
1995-1996	2353	2547.13	3882.42	65.61
1996-97	2503	3001.25	4418.28	67.93
1997-98	2726	3781.94	5161.20	73.28
1998-99	2963	4019.98	5312.86	75.67
1999-2000	3200	4349.41	5752.20	75.14
2000-2001	3496	4859.83	6467.30	75.14
2001-2002	3618	4583.75	5986.09	76.57
2003-2004	3957	5686.09	7602.99	74.79

RMG industry not only grew as an emerging export-oriented industry but it supported the linkage industries supplying fabrics, yarns, accessories, packaging materials, etc. to expand as well. Moreover, increased demand for services like transportation, banking, shipping and insurance has created additional employment approximately for some

⁹ See details at *Garments Industries of Bangladesh*
<http://www.nadir.org/nadir/initiativ/agp/s26/banglad/>

200,000 workers. Initially, Bangladesh RMG industry was basically based on sub-contracting factories that produce products on C-M (Cut and Make) basis as the country could not develop its backward linkage industries to supply adequate yarn and fabric for RMG industries. *Reaz Garments* was the pioneer exporter since 1960 which started its job with a small tailoring outfit called *Reaz Store*. But it got a head start to expand its export in 1978 through selling 10,000 pieces of men's shirts worth French Franc 13 million to a Paris-based firm. In fact, the hundred percent export-oriented RMG industries experienced unique growth during the last 15 or so years. Later, Desh Garments Ltd and Trexim Ltd. with strong technical and marketing collaboration with South Korean firm Daewoo and Youngones Corporation emerged as the non-equity joint-venture in the garment industry in 1979 and 1980 respectively.¹⁰

Thus, within a short period, Garment sector acquired the expertise of mobilizing resources to export-oriented RMG industries and built a marketing network with the global apparel markets. This growth was facilitated by the Multi-fibre Arrangement (MFA) by which export of apparels from major exporters like India and China was restricted by quota to enter to the USA and Canadian market. As a result, Bangladesh became one of the attractive destinations for those importing countries for its product quality and low price and RMG industry grew up dramatically with supporting schemes in both export and import dealings from the government of Bangladesh.

4.2 Bangladesh's position in Global Apparel trade

Bangladesh is now 8th largest apparel exporters of the world, the 6th largest supplier in the US market and the 5th largest supplier of T-shirts in the EU market. The industry has grown during the 1990s roughly at the rate of 22%. In the past, until 1980, jute goods topped the list of merchandises exported from Bangladesh and contributed more than 50% of the total export earnings. By late 1980s, RMG exports replaced jute and jute goods and became the number one in terms of exports (WTO: 2003).

¹⁰ See details http://banglapedia.search.com.bd/HT/G_0041.htm

Readymade Garment Industry accounted for 3.89% of the total export earnings of the country in 1983-84 which went up to 75.67% in 1998-99. However, since the domestic capacity meets less than 8% and 40% of the demand for woven and knit fabrics respectively, almost 70% of the earnings went for importing raw materials fabrics to produce the garments exported.¹¹

4.3 Global Apparel trade trend: From GATT to MFA

International trade in textile and clothing represents a typical example of “managed trade”. During the 1974-94 periods, international textile and clothing trade were negotiated bilaterally under the rules of Multifibre arrangement (MFA) despite the fact that some developed countries such as Japan and Switzerland did not maintain quotas (Islam :2001). Since the beginning of 1995, apparel exports from developing countries to developed countries has been in operation through a structural arrangement under the transitional period of the WTO’s Agreement on Textiles and Clothing (ATC) and the WTO members agreed to eliminate quota system by 1 January 2005 by integrating the General Agreement on Tariffs and Trade (GATT)¹² rules. The first Multifibre Arrangement was initiated in 1974 as a protectionist measure to safeguard the domestic industries of the importing developed countries because the LDCs were able to supply at a lower unit cost due to cheap labour .Some import-competing firms in the Northern countries feared that this could threaten their domestic jobs and the feasibility of their textile and clothing industry. Hence, they lobbied for quantitative restrictions and since then textile trade observed a major departure from the basic GATT rules and particularly the principles of non-discrimination.

From MFA to ATC:

On 1 January 1995, Multifibre Arrangement (MFA) was replaced by the WTO

¹¹ see http://banglapedia.search.com.bd/HT/G_0041.htm

¹² General Agreement on Tariffs and Trade or commonly known as GATT is the multilateral trade agreement signed at the Geneva Conference in 1947 which acts both as a forum for multilateral negotiations on trade disputes through gradual elimination of tariffs and other trade barriers and establishes rules of conduct for International trade relations.

Agreement on Textile and Clothing (ATC) which administered a removal process of quotas phase by phase through a 10-year transitional period (1995-2004) and expired with the full elimination of import quotas on 1 January 2005. In accordance with the Article 2 of ATC, this process was carried out progressively in three stages (3 years, 4 years and 3 years). In Bangladesh, these quotas were administered under the Textile Trade and Quota Administration Rules 1991 and were allocated through “Quota Allocation & Monitoring Committee”¹³ considering performances, emerging local industries and some other criteria that suit the country’s industrial development. (Bangladesh Gazette, 10 April, 1991). Let us now look at export trends in the US and EU during the ATC period:

4.4 Export Trends: RMG Exports to the EU and US during the ATC Period

The EU is considered to be the second largest buyer of Bangladesh T&C products. Both the US and the EU account for about 94 per cent of Bangladesh’s RMG exports. Bangladesh has been lobbying for duty-free access to US market for a long time and the Trade Bill act is yet to be passed in the US congress which will open new windows in garment exports for 16 LDCs including Bangladesh. Although US Charge d’ Affaires Judith Chammas on Sept 13 has expressed that political and extremist violence overshadows the economic growth and development in Bangladesh and the Trade Bill will not be considered if things remain unchanged, but policy makers still remain hopeful due to effective measures taken by the government in recent times especially by the Rapid Action Battalion (RAB).¹⁴ But, throughout the ATC transition period Bangladesh’s exports of T&C products in the EU had not been subject to any quantitative restrictions or tariff barriers as it had been successful to fulfil the EU rules of origin (ROO) requirements particularly in the Knitting sector. The notable difference in the exports trends in both markets seems to be due to the backward integration and value addition. For example, knit products has grown more rapidly in

¹³ “Quota Allocation & Monitoring Committee” means the Quota Allocation & Monitoring Committee constituted under Rule 11(1) (a) consisting of the representatives of the Ministry of Commerce, the EPB & the BGMEA prescribing the terms of reference.

¹⁴ See details at Government vs. Tuesday Group, Dhaka Courier 16 September 2005, pp 7-8

the EU than the US as the knit- RMG has been in a better position to comply with the two stage EU-ROO criterion to qualify for the zero tariff access, while low backward integration in production does not make most of the woven-RMG eligible for similar preferential treatment despite the fact that woven-RMG dominates (in absolute value terms) knit wear in both markets. The following table illustrates the difference more clearly:

Export share of Knit and woven apparel from Bangladesh in 2003 (in %)		
	USA	EU
Woven	82	46
Knit	18	54

Source: BGMEA keynote presentation, May 30, 2004

According to the estimate of Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA), 90 new factory has been set up after the MFA phase out and Bangladesh is expecting to exports 1 billion US\$ knit products with in the next 1 year starting from October 2005. President, BKMEA Mr. Fazlul Haque has expressed that Bangladesh's knit industry has been expanding after MFA phase out despite the negative assumption of factory closure by World Bank, IMF and ADB (Daily Protham Alo, September 23, 2005 pp-11).

Phases of MFA	Date of Integration	No. of quota phased out by USA	No. of MFA Quota for Bangladesh		
			Fully Integrated	Partially Integrated	Total
Phase 1	01.01.1995	4	0	0	0
Phase 2	01.01.1998	46	0	1	1
Phase 3	01.01.2002	42	1	2	3
Phase 4	01.01.2005	99	29	2	31

Source: Repon & Ahamed: 2005)

In fact, Bangladesh export to USA includes 191 MFA quota categories and around 70 percent of Bangladesh's total export to USA consists of 31 quota items that were integrated at the last phase on 1 January 2005. The remaining 160 items counting only 30 percent of the country's total RMG exports had no quota restrictions. The table shows the different phases of integration of Bangladesh quota categories in the US market. In fact, the US did not de-restrict any item that Bangladesh exports in first two phases. In Phase 3, Bangladeshi items came into place - one item was fully de-restricted which includes trousers, breeches, shorts (category 847) and partial de-restriction was on another 2 items covering cotton gloves & mitters (category 331) and other cotton manufacturers (category 369). The remaining 29 items were fully de-restricted at the final stage of the phase-out. In Bangladesh case, the country had mixed experience from the second and third phases of ATC. In January 1998, the exports volumes of those quota categories integrated at Phase 2 increased from US\$ 75.9 million in 1997 to US\$ 120.4 million in 2001. Later, it came down to 85.6 million in 2003 after China's accession to the WTO that suggests that quota-free environment initially created new opportunities for Bangladesh though it fell down in a race with big players like China (Repon & Ahamed: 2005). Therefore, much of Bangladesh's future export prospect will critically depend on how Bangladesh tackle drawbacks immediately and boost up export in the most recently liberalized categories.

4.5 Predictions about Post-MFA impact

As the Multifibre Arrangement (MFA) was expected to be phased out completely from January 1 2005, there were debates regarding the possible closure of factories and its impact on workers most of which are reported to be female migrated labour force. Several studies suggested that Bangladesh will lose its market failing to compete with huge exporters like China and will suffer seriously in a quota free world following a massive retrenchment.

Comparative Statement of exports in FY 2003-2004 and FY 2004-2005 (Million US\$)

Export item	Export target 2004-2005	Exports in real term		Comparison of real export of July-June 2004-2005 with export target (in %)	Real Export July-June 2003-2004	Comparison between July-June 2003 & July-June 2004-2005 (in %)
		June 2005 June 04-05	July-			
Woven	3850.00	377.89	3598.20	(-)6.54	3538.07	(+) 1.70
Knit	2500.00	283.68	2819.47	(+12.78)	2148.02	(+) 31.26

Source: Textile Cell, Ministry of Commerce, Bangladesh

On the other hand, a more optimistic view suggested faster growth opportunities and claimed to get more order shifted from China to Bangladesh after the phase out. However, almost all the 10 Garment owners and experts interviewed in this study were of the opinion that the exporters are already booked with the previous year's order till now and they strongly suggested that adverse impact would have occurred if a comprehensive programme is not taken off soon. The table shows the recent trends in exports after the MFA phase out and it is clear that knit products are clearly ahead of woven products and it has counted 12.78 percent increase than the projection for FY 2004-2005 whereas the latter has calculated 6.54 percent decrease than the projection for the same period. But both the items have increased their volume of exports comparing with the previous FY 2003-2004. Therefore, these initial figures can drastically rise or fall in the future and the deciding factors of survival in a competitive quota-free world for Bangladesh will be discussed in brief in the chapter five of this paper.

Chapter Five

The Role of the State in Coping Post-MFA Challenges: Policies, Programmes

5.0 Introduction: This study aims at assessing the possible impact of post-MFA phase-out and it has been articulated from the collected data that a consensus of all stakeholders through effective dialogues has to be reached at to find out a comprehensive plan of action in order to survive in a quota-free world. Among those stakeholders, government comes first to initiate participation of all stakeholders involved. As Bangladesh's apparel industry was supposed to enter into a new era with the expiry of the MFA system from January 1 2005, dialogues have been continuing on developing coping strategies for a long time. Mr. Rafael Coloma, in charge of Bangladesh Affairs in D.G (Trade), Brussels has communicated through an email interview (Email dated Monday, 24 October, 2005) that "...*Bangladesh can't sustain steady export growth in future through cutting price strategy. In fact, Bangladesh has lost 8.8% in value and 1.4% in volume since MFA phase-out. Concerning products restricted under ATC for its exports fell by 11.2% in value but increased 1.8% in volume.*" Keeping all the predictions in mind, government undertook some programmes based on several studies and suggestions from different stakeholders.

The Ministry of Commerce, Bangladesh in collaboration with World Bank support, conducted a strategic study called "Gherzi study" for the future growth of RMG industry. This study predicted that the 2001 export of \$5.1 billion may drop to \$ 3 billion in 2007 if government fails to take strategic plans to cope with post-MFA challenges. The study also added that if government can adjust to the changing needs of post-MFA era, the export can reach \$10 billion (Ministry Of Commerce, Bangladesh, 2004). Although it is too early to predict the post-MFA impact on export growth since it started from January 1, no study yet in fact denied the possibility of rigorous competition that Bangladesh may face due to its low productivity, low product diversification, low backward linkage and political instability. The recent IMF

study reveals that the export will decline by 5 percent on average during FY05-FY06, GDP growth could be 1 percent less in FY2006, and employment would drop by 10-15 percent (IMF:2004). Gherzi study¹⁵ emphasized on quality improvement of the products and the timely supply of the products to maintain the steady export growth in the competitive world in a quota-free regime. Moreover, labour standards are also a major concern of the buyers due to the recent collapse of Spectrum Sweater factory in Savar, 30 km northeast of Dhaka city on April 11 causing sixty-four workers death and 74 in injury leaving hundreds workers jobless as a result of the collapse. That factory produced orders for a wide range of European company including Cotton group (Belgium), Solo Invest, CMT Windfield (France), Inditex (Spain) Scapino (Netherlands) and New Wave Group Group (Sweden) (See Clean Clothes Campaign : 2005). Despite the criticisms of labour standards discussed earlier, the garment owners can hardly avoid responsibilities to ensure fire exit safety requirements in factories and can't say something merely an accident as it is happening frequently in the country. This chapter highlights some policies and programmes of the Government of Bangladesh to promote export growth as well as policies on labour standard and safe net issues of female garment workers in brief.

5.1 Bangladesh Export Policy: Key features

Bangladesh Export Policy 2003-2006 has provided 5 years tax holiday for newly installed export-oriented units in Dhaka, Chittaganj and Khulna and for other divisions the tax holiday is extended up to 7 years. It has offered several other facilities for export growth including export loan, bond facilities, export development fund, project loan, cash assistance, assistance for product marketing and getting foreign direct investment, income tax exemption, air transport facility with exempted transports fare etc. for its highest priority sector. Highest priority sectors have been listed as Software & ICT products, Agro-products and Agro-processing products, Light Engineering products, leather and high priced readymade garments (Export Policy, Bangladesh

¹⁵ Post-MFA Development Strategy and Technical Assistance for the RMG Sector. Gherzi Textile organization (GTO), Zurich, Switzerland and Project management and Associates (PPMA), Dhaka, March 2003)

2003-2006). Besides, there were growing concern on coping post-MFA challenges after January 1 2005 and several measures taken to maintain steady growth of RMG export and worker's issues are discussed below:

5.1.1 Government's Programmes for export growth: *National Coordination Council on MFA*

A high power National Coordination Council (NCC) has been formed by the Government with Dr. Kamal Uddin Siddiqui, Principal Secretary to the Prime Minister as the Convenor. The other members of the seven-member council are: Secretary of the Ministry of Commerce; Secretary of the Ministry of Finance; Secretary of the Ministry of Textile; Secretary of the Ministry of Shipping; Executive Chairman, BOI, and Chairman, National Board of Revenue (NBR). The council has already proposed some collective action plan including creation of a central bonded warehouse and setting up a Tk. 300 million fund to help industries to face the challenges of MFA phase-out.

5.1.2 Simplification of customs formalities

The National Board of Revenue (NBR) and the Bond Commissionerate have initiated simplified customs formalities to shorten lead time which include the minimization of assessment steps at Chittaganj port from 11 steps to 7 steps, releasing indemnity Bond from customs department to subcontracting factories without direct Letter of Credit (L/C), introducing three-month-long General Bond on expiry of the original three-year-General Bond etc.

5.1.3 VAT Waiver for Export Industries

From November 2004, Government has offered VAT waiver in handling charges in port

operations, freight forwarding, Shipping and insurance to all 100 % export oriented industries to make Bangladeshi products more price competitive in the world market. Government reduced the average non-weighted tariff rate from 47.4 percent to 15.65 percent and average import weighted tariff rate from 23.6 percent to 11.05 percent in FY 1993 and FY 2004 respectively. These initiatives together with measures to harmonize discrepancies between the operative and statutory tariff rates created more openness of Bangladesh economy resulting the average trade-GDP ratio from 21 percent during 1980s to about 26 percent and 32 percent in 1990s and FY 2004 respectively. (Repon & Ahamed: 2005).

5.2 Safety net for Workers:

Ministry of Commerce, GoB¹⁶ has formed a seven-member GIREC (Garment Employees Retraining & Employment Cell) Cell¹⁷ in the Textile Cell of Export Promotion Bureau (EPB) with Director General (DG), Textile Cell as the Convenor. The other members include 1 Deputy Chief (Cell), 1 Assistant Chief (Cell) and 4 support staff. In the beginning of January 2005, all employees being retrenched due to factory closures as a consequence of Post-MFA phase-out were advised to report to the cell and apply for assistance for rehabilitation and training. Mr. Abu Kalam Azad, Deputy Director (Post-MFA Cell, EPB) has communicated during my interview with him that Tk. 200 million has been allocated to provide training and rehabilitation of retrenched workers but no disbursement of fund occurred due to no-show up of retrenched workers. He further added that few employees reported after advertisement in daily newspapers (Daily Sangram dated 27.01.05 and few others) but could hardly prove themselves retrenched as a consequence of post-MFA factory closure; rather their factories were closed for bankruptcy and other reasons. On the other hand, Md. Towhidur Rahman, President, Bangladesh Apparels Workers Federation (BAWF) has the opinion that those no-show ups were due to communication gap as they expected such advertisements from Ministry of Labour and Employment and had ignored

¹⁶ GoB denotes Government of Bangladesh

¹⁷ Cell is a sub-unit /office dealing with specific tasks/issues. For example, Textile cell of Ministry of Commerce, Bangladesh deals specifically textile and clothing issues/policies.

Ministry of Commerce. Moreover, workers hardly read newspapers – which was also a fact for ultimate communication gap he added.

5.2.1 Technical assistance

Government has already proposed double shifts arrangements in the technical institutions (GED, 2004) to meet the growing need for technical and vocational education in a post-MFA competitive environment. Other initiatives of the Government include assessment study of market's job demand, introduction of training provider's agreement with industries, companies and NGOs, designing curriculum of vocational institutes. In the following chapter, the private actor's role in both export promotion and labour standard issues will be analysed to find possible areas of GO-Private actor coordination to cope with post-MFA challenges.

Chapter Six

Role of Private Actors: Policies, Programmes

6.0 Bangladesh Garment Manufacturers and Exporters Association (BGMEA)

Initiatives:

BGMEA aims at supporting both private sector and the government as a government approved trade body to uphold the interest of the RMG industry, negotiating with foreign and local government agencies, providing information to overseas buyers and local manufacturers through newsletters, circulars etc., facilitating course in fashion designing through its own Institute of Fashion & Technology (BIFT) and also dealing with trade negotiations to get easier market access and GSP benefits etc (Bangladesh Apparel and Textile Exposition : 2004). This Chapter discusses in brief the recent initiatives of BGMEA to cope with post-MFA challenges and the information presented here have been collected from different issues of BGMEA newsletters and informal meetings with BGMEA officials in Dhaka. First, I will describe BGMEA policy towards export growth in RMG sector and then progress on labour standard issues will be discussed in brief.

6.1.1 Market expansion in USA

After the MFA phase-out, buyers are now free to choose any option and hence there is no guaranteed sale as it was before under the managed trade. Now, sourcing pattern of the buyers will change. BGMEA has estimated that in the post-MFA era, buyers are expected to buy from about 20 countries by 2006 and from less than 10 by 2010 which was previously 40 to 60 approximately. Many of the 40 or so countries that will lose business will be LDCs like Bangladesh. BGMEA has already appointed lobbying firm to ensure duty free access to USA market through a move of TRADE Act bill (Tariff Relief Assistance for Developing Economies Act, 2005) in the Congress on 17 February 2005. Mr. Kolbe and Mr. Crowley in the House of Representatives presented

the bill at the first session of 109th US Congress aiming at extending certain trade preferences to certain least-developed countries including Bangladesh. A BGMEA delegation also visited USA to meet with US Senators, Congressmen, trade leaders to lobby in this regard and it is still under consideration.

6.1.2 Lobbying for GSP benefits

BGMEA is also lobbying for relaxed rules of origin in the European Union. In several dialogues between government of Bangladesh and EU delegates, BGMEA officials have requested EU trade officials to relax the rules of origin under its Generalized System of Preferences (GSP) facilities for Bangladesh.

6.1.3 Central Bonded Warehouse (CBW)

Bangladesh can not shorten production lead time on outbound shipping time as it is far away from Europe and US. But, through efficient policy and procedures by the government, it can save on back-to-back LC opening time which is about 4 days, raw material production time by the supplier which is about 15 days, in bound sailing time which is 21 days, and port clearance time which is about 5 days. If these 45 days can be saved, then lead-time can cut down up to 60 days and makes the country in better competitive countries. All studies remained in similar vein so far – both by national organizations like CPD and international organizations like IFC, Gherzi, Oxfam, and major donor agencies like the World Bank and IMF advocating strongly that Central Bonded Warehouse (CBW) can be the best solution to shorter lead-time. Development agencies, apparel importers, and the European Commission itself expressed support to the notion that rules of origin needed to be simplified and relaxed. Sri Lanka has been able to reduce the lead time from 90 days to 60 days through introducing CBW for basic items. To survive in the competition in long term, Bangladesh has to find a way out to deliver faster comparing with other competing countries. (BGMEA: 2004). During the interview, 45 percent of the respondents in this study have emphasized on

buyers sourcing strategy for low price and 20 percent pointed the lead time as a risk factor leading to market loss for Bangladesh (See Table 6 in Annexure 1).

BGMEA has organized several policy dialogues with different stakeholder including policy makers in Ministries and has met cabinet members to set up a CBW in order to shorten production lead time. However, government is very sensitive about this due to the possible risk of damage to local textile industries. Usually, CBW works like a unit to store raw materials in bulk for garment production. As the local textile mills can not supply adequately the required raw materials for garment production, garment owners are demanding to set a CBW so that they can import raw materials from neighbouring countries in bulk in advance and use it immediately when they get orders from foreign buyers. But the opponents of CBW fears about closures of local textile mills if CBW is established.

6.1.4 Organizing dialogues among political parties/stakeholders

BGMEA organized a series of dialogues in different times to stop political instability (Strike, Law and order situation etc.) that hampers garment exports and may damage Bangladesh's image in the international spectrum. Similarly social dialogues takes place through BGMEA, BKMEA and BTMA as a continuing process time to time depending upon changing situations, labour and compliance issues, workers-employers relation etc. to reach broad consensus in national issues

6.1.5 Lobbying for Preferential trade blocs and relaxed ROO

Import tariff burden on the buyer can be tackled by taking advantage of preferential trade regimes. Canada is the fastest growing export market for Bangladesh that provides unlimited duty free access under its LDC initiative. The Canadian importer saves 7 to 10 percent on custom duties if they buy from Bangladesh. Similarly, EU also a friendly market for Bangladesh RMG providing unrestricted duty-free access under EBA-GSP. The EU importer can save about 13 percent on import tariff – higher

than what the Canadian importer can save (Islam: 2005). Bangladesh can do better if the rules of origin (ROO) are relaxed in woven products in the EU case as it is that much flexible in case of knit products. In this study, 25 % of the respondents counted GO-Private actors joint lobbying efforts as one of the crucial coping strategies (See Table 7 in Annexure 1).

6.2 Group Insurance coverage for workers

BGMEA has introduced a Group Insurance Policy for the garments workers in co-operation with Jiban Bima Corporation (JBC). Under this policy, Tk 8000 has to be paid as premium by garments factory unit annually and this policy will cover 20 workers with insurance benefit of Tk. 1,00,000¹⁸ (Taka One Lac) to be paid to heir in case of death of the worker caused by accident in the factory . 310 units were enlisted in this scheme by 2003-2004 and it rose to 824 units by 2004-2005.

BGMEA had received technical assistance worth US\$ 2, 90,000 from the United Nations Populations fund (UNFPA) to implement “*Family Welfare and Reproductive Health Education Services for Garment workers*” and it has established 10 Medical Centers in Dhaka and Chittagong to provide Primary healthcare, free medicine and advocacy services on reproductive health issues to the garment workers. Moreover, it has launched has been launching a project “*A Partnership Approach to Improving Labour Relations and Working Conditions in the Bangladesh Garment Industry* “ in collaboration with ILO since 01 March, 2002 to build awareness and ensure occupational health and safety, human resource management, labour and welfare and continued monitoring of child labour in the garment factories. This project had already visited 242 factories in Dhaka and 62 factories in Chittaganj till 30 August 2004¹⁹. So, BGMEA officials are optimistic to out-compete China upon improving labour standards and taking a comprehensive policy through broad based stakeholder

¹⁸ Taka is the currency of Bangladesh. 80 taka is equivalent to 1 euro with fluctuation from time to time due to changes in exchange rate.

¹⁹ See <http://www.bangladeshgarments.info/batexpo/batexpo2004/socialwelfare.cfm>

consultation since China is facing protection under the safe guard mechanism imposed by the Northern countries by restricting Chinese export in to those markets.

6.3 Establishment of Compliance Cell for workers

Following the growing requirements of foreign buyer's compliance issues, BGMEA has established a Compliance Cell in November 2003 for the garment manufacturers which monitors the working conditions and safety measures of its member units. BGMEA has also circulated a colourful poster and going to arrange advertisement in the media to raise awareness and warn sick industries to meet compliance requirements of the buyers immediately. The cell in collaboration of ILO, UNICEF and other international agencies monitors the health and safety of workers through watchdog committees regularly. The first initiative undertaken by the cell was signing of a Memorandum of Understanding on 4th July 1995 whereby child labourers below the age of 14 were retrenched from the BGMEA member units and enrolled in 336 BGMEA/ILO/UNICEF special schools run by GSS (Gono Shahajja Shangstha) and BRAC (BGMEA, 2004).

In this study, 35 % of the respondents recommended for a strong compliance plan since overseas buyers are increasingly emphasizing on social rights issues and there is risk of boycott of Bangladeshi apparel products if core labour standards are not met. Although the respondents in this study have expressed satisfaction about their working place but there are ample evidence in lots of sub-contract factories where working conditions are reported to be poor. Female workers are forced to work 14 – 16 hours a day, and in some cases throughout the night and these unskilled workers in the garment sector receive 800 taka a month, about 10 euro. In addition to low wages below poverty levels, garment workers face sexual, physical and verbal abuse and risky conditions²⁰. In the last 10 years there were more than hundred fires in factories in Bangladesh causing more than 5000 workers injured in these fires and 246 workers

²⁰ See details <http://www.waronwant.org/?lid=1722>

were killed²¹. In a recent gazette notification of Ministry of Labour and Employment, GoB (April 13, 2005) has exempted export-oriented industries from the provision of sub-section (1) (b) of Section 65, Factory Act, 1965 provided that female workers shall not be on duty from 8 pm – 7 am without her consent. In this connection, Md. Towhidur Rahman, President, Bangladesh Apparels Workers Federation (BAWF) has the opinion during my interview with him that it will enable female workers to earn overtime at the expense of possible social problems due to lack of security for those workers working late night (Md. Towhidur Rahman, President, BAWF , Interview on September 2005, BGMEA, Dhaka, See the full list in Annexure 2.1). Now, let us look at the female garment workers perceptions about their working environment and their awareness about post-MFA impact.

²¹ See details <http://www.cleanclothes.org/news/00-12-00.htm>

Chapter Seven

Perceptions, Experiences and Changing Conditions of Female Garments workers: An analysis of data

7.0 Introduction : This chapter discusses in brief the perceptions of garments owners and experts depending on their experiences through personal interview from 40 female garments workers interviewed from 1 knit and 1 woven factory in 2 different location in Dhaka city (20 from each factory) with a brief overview of status of the woman in Bangladesh. The questions were explained to them and their opinions were tallied to get a pen picture of the real situation of their socio-economic conditions and views regarding working conditions, perceptions on post-MFA impact etc in particular.

7.1 Status of Women in Bangladesh:

In Bangladesh, patriarchal societal norms previously expect women to practice “purdah” covering in dress from head to toe and those women who work outside get resistance from local community especially from religious leaders popularly known as “Huzurs”²². But since 1980, different NGOs involved women in micro-credit programmes that offered small loan to women to run business in small scale and initiated a breakthrough to the situation. For example, at the end of 1993, women constituted 94 % of all the members of Grameen Bank and held 90% of its cumulative disbursement of US\$ 768 million (Hamid,1996). The RMG industry also contributed significantly to engage female workers in labour force and where there is no income earned by the male members of the family, women gained a respectful position within the family through their economic contribution. It is evident that women’s status in Bangladesh is socially, economically and culturally inferior to that of men. As Hamid

²² Huzurs refer to those people who lead prayers in mosques and are respected by all in the society.

(1993) pointed out that although 41 percent of the civilian labour force are women, their economic contribution to GDP is only 25 percent because of their high involvement as unpaid family labour, low rates when they are in wage labour and because of their lower levels in salaried employment. He also pin-pointed the differential in male-female wage rates (Female wages are 46 % of male wages), nutritional intake (78 % of their minimum caloric requirements compared to men) and literacy rates (male literacy rate was 45 % compared to 29 % for female in 1991(Hamid, 1995). Moreover, women can not concentrate fully on a pure career track due to due to their dual productive and reproductive roles especially during their childbearing years. As Kabeer (1996) puts it “*Women are generally poorer than men because they lack the range of endowments and exchange entitlements which male members of their household tend to enjoy. They are less able than men to translate labour into income, income into choice and choice into personal well-being.*” These differentials have been contested by both civil society and international agencies and there are ample opportunities to improve since Bangladesh government is trying to incorporate gender strategy in its policy planning. What are the perceptions of female RMG workers in this regard? These questions are hereby examined from the interviews taken during field research and the key findings are summarized below:

7.1.1 Socio-economic background of the female garment workers

Out of 40 female garments workers interviewed, majority (72.5%) belong to 18-20 age group and the remaining 27.5% were a bit older but confined to 21-25 age group only (See Table 1 in Annexure). All the female workers were reported to be migrated labour force. Among them, 35%, 25%, 12.5%, 7.5%, 5% and 15% belong to Kishoreganj, Khulna, Naogaon, Jessore, Barishal and Mymensingh district respectively (See Table 2 in Annexure). We can have an overview of the socio-economic conditions through the lens of education, family structure, financial condition, expenditure pattern and so on.

✦ **Educational attainment:** Of course educational attainment influence employment opportunities and now-a-days technological advancement has narrowed employment options for low-skilled people which are the case for most of the female garment workers of Bangladesh. The following table shows the level of education of the female garments workers interviewed in the study.

Education Level	No. of respondents	Share (%)
Illiterate	3	7.5
Can sign	5	12.5
Grade 5-Grade 9	28	70
S.S.C and above	4	10
	Total 40	Total 100

From the abovementioned table, it is clear that the educational level of female garment workers is not satisfactory. Only 10% of the workers could have passed S.S.C level and the remaining 90% were below S.S.C level including 20% more or less illiterate.

✦ **Family Structure:** In order to have a point of reference on how the employment of the female workers affects their quality of life, their family structure needs to be assessed and see how many people depend on their income. The following table demonstrates the family structure of the respondents.

Family status	No. of respondents	Share (%)
Single with parents	14	35
Married with no children	2	5
Married with 1-3 children	22	55
Married with 3-6 children	-	-
Widow/ Separated with parents	2	5
	Total 40	Total 100

It shows that, 60% of the female garments workers were found married out of which 5% were blessed with 1-3 children and 55% were blessed with more than 3 children, 35% were unmarried with their parents alive and the remaining 5% were found married but separated from husband. To have a closer look on the contributions made by the female garments workers to their families and how they upgrade their status to a great extent through enhanced bargaining power and decision making ability with their husbands and ensure better nutritional status to their children, one of the respondents Mamtaz by name was interviewed as a case study.

Case study 1: Mamtaz (23), a girl from Khulna, left village for a better life being influenced by a relative who worked in a garment factory of Dhaka. She passed S.S.C and could not continue further study due to poverty. Her father was a farmer and had been suffering from heart disease. She was the eldest of all 4 (four) brothers and sisters in her family. As 2 (two) of her brothers and sisters have been studying in schools, she decided to contribute their education and also in the family. Now, she has been working in the finishing section of Styline Knitting industries and draw Tk. 2000 plus overtime benefits monthly. She used to send money regularly to pay school fees of her brothers and sisters and started a little saving scheme in a bank. She, being financially solvent is now getting honour from all family members and shares family expenditures in consumption of better food for her kids with her husband who also takes her opinion in making family decisions. She claimed that her husband could have ignored her in those family decisions if she was not earning. She argued strongly that government and garment owners should work jointly to promote growth of this sector which employs a huge number of female labour forces and protect the existing factories from closures failing which their life will be in miserable situation she added.

↓ Financial condition: In fact, Mamtaz not only portray herself as a single respondent's case but she also reflects the conditions of a big community like her whose life's reality are almost the same. The following table shows the income level of the female garment workers in this study:

Income level	No. of respondents	Share (%)
0-1000	8	20
1001-2000	27	67.5
2001 and above	5	12.5
	Total 40	Total 100

It shows clearly that the salary structures of the female garment workers are not at all satisfactory. Most of them (67.5%) draw a monthly payment ranging from 1001-2000 taka and only 12.5% workers get more than 2000 taka per month. The remaining 20 % workers get less than 1000 taka. But all the workers interviewed have communicated that they used to get 60% of their basic pay as overtime for the extra time they work after their usual scheduled working hour 8 am-5 pm daily.

✚ Contribution to family: Female garment workers used to contribute twofold- one for their own family and the other to their parents. In Bangladesh, daughters after getting married usually keep on trying to help their parents in need if they are fortunate with a broad-hearted and solvent husband. But sometimes, poverty restricts such willingness to contribute in low-income communities and under this circumstances, working women are always in better foot. The following table shows, the contribution pattern of the female RMG workers:

Types of contribution	No. of respondents	Share (%)
Contribution to parents	18	45
Contribution to husband	5	12.5
Contribution to both	17	42.5
No contribution	-	-
	Total 40	Total 100

It shows that 45 % female garment workers used to contribute money to parents living in villages, 12.5 % workers used to share with their husband in their own family and hardly can manage to help parents and 42.5% workers somehow manage contribution

on both sides. While answering the consequences of such contributions, all the married workers interviewed in this study reported to enjoy prestige and bargaining capacity in family decisions and hence their position remain upgraded in the family. Out of those contributions, the vital part (70%) is spent for schooling of their own children and brothers and sisters back in the village and food, medical care for both parents and their own family constitute the remaining 30 % of their income (See Table 3 in Annexes).

7.1.2 Perception about profession: While the respondents were asked about how they feel about their profession with special reference to the working environment, pay structure and worker's benefits, their responses were coming out in some sort of qualitative statements. The following table captures the perceptions of the female workers regarding working environment, pay structure and worker's benefit and the percentage share of each criteria is shown in the respective boxes

Events	Satisfied	Good	Moderate	Excellent	Poor	Dissatisfied
Working environment (Enough Electrification, fire exit, separate toilets etc.	31 (77.5%)	4 (10%)	3 (7.5%)	2 (5%)	-	-
Pay structure	4 (10%)	4 (10%)	7 (17.5%)	-	18 (45%)	7 (17.5%)
Worker's benefit (overtime, maternity leave, safety net etc).	19 (47.5%)	7 (17.5%)	6 (15%)	8 (20%)	-	-

7.1.3 Awareness about MFA phase-out: Since MFA phase-out was expected to be a huge trade shock for low income countries including Bangladesh by different trade experts worldwide, this study aims also to cover an idea of awareness level of the would-be losers-the female garments workers. Unfortunately, 95% of the female garments workers were reported to be fully ignorant of the possible impacts of MFA phase-out and the rest 5% was fortunate to get some idea from newspapers and meetings (See Table 4 in Annexes)

7.1.4 Opinion about alternative job placement in case of layoff: What will happen if the factories are closed down? While explaining the possible situation to the female workers, 35 out of 40 respondents (87.5%) were fearing that they may back to the villages and only 5% respondents were optimistic about getting alternative jobs in case of layoff as they availed some vocational training before (See Table 5 in Annexes).

7.2 Analysis of data

This study aims at finding the possible impact of MFA phase-out on the quality of life of the female garments workers of Bangladesh and also tries to set forward some recommendations for future competitive export market of RMG on the basis of primary and secondary data. The primary data are based on the interviews taken from female workers in Bangladesh during field work and in this chapter the analysis will be based on their views with secondary data as supportive elements for analysis. Interviews taken from policy people will be used for analysis of policy recommendation part in the next chapter.

Poverty & basic needs: First of all, my argument goes whether job losses for female garments workers in a quota free world will push them below the poverty line or not. Since it is widely perceived that poor people remain always in a dilemma whether they will ensure medical treatment to aged members in the family in need or they will use

that money to ensure better food for their children and it seems very difficult to choose either. Thus, poor people always struggle to maintain a decent quality of life due to lack of access to basic needs that requires income to ensure entitlements. What is the poverty situation in Bangladesh now?

	Upper Poverty Line			Lower Poverty Line		
	1991-92	1995-96	2000	1991-92	1995-96	2000
Headcount Rate(p0)						
National	58.8	51.0	49.8	42.7	34.4	33.7
Urban	44.9	29.4	36.6	23.3	13.7	19.1
Rural	61.2	55.2	53.0	46.0	38.5	37.4
Poverty Gap (p1)						
National	17.2	13.3	12.9	10.7	7.6	7.3
Urban	12.0	7.2	9.5	4.9	2.6	3.8
Rural	18.1	14.5	13.8	11.7	8.6	8.2
Squared Poverty Gap (p2)						
National	6.8	4.8	4.6	3.9	2.5	2.3
Urban	4.4	2.5	3.4	1.5	0.7	1.2
Rural	7.2	5.3	4.9	4.3	2.8	2.6

Source: World Bank: 2002

Bangladesh had made remarkable progress in declining the incidence of poverty as measured by both the upper and lower cost-of-basic needs (CBN) poverty lines. Various Household Expenditure Surveys (HES) conducted by Bangladesh Bureau of Statistics (BBS) shows that it reduced poverty rate as measured by upper poverty line from 59 percent in 1991-1992 to 50 percent in 2000. In the same vein, the extreme poverty rate (below the poverty line) was also declined from 43 percent in 1991-92 to 34 percent in 2000. The table shows the trends in CBN Poverty measures where poverty gap (p1) calculates how far below the poverty line the poor are on average as a proportion of that line and the squared poverty gap (p2) measures both the distance separating the poor from the poverty line and the inequalities among the poor

From the data source, it is evident that rural poverty rate is higher in every cases and that is one of the reason for rural-urban migration in search of employment opportunities. As mentioned in Table 5 (see annexes), 87.5 % of the respondents feel that they have to go back to their villages if they loose jobs in garments factories and it affects definitely the rural poverty scenario of the country. But do they actually fall down below the poverty line if they are not employed? We can have an idea of that if we see the following poverty line calculations (in local currencies, not PPP-adjusted like the often used \$ 1 per person per day line) in selected countries from the World Bank data:

Country/Year	Poverty line per capita per month (Local currency)	Poverty line US\$ (prevailing exchange rate)
Bangladesh (2000)	Tk. 832	15.85
Upper Line: Urban	Tk. 652	12.42
Rural		
Lower Line : Urban	Tk. 628	11.96
Rural	Tk. 549	10.46
India (1999-00)		
Urban	Rs. 454	9.88
Rural	Rs. 328	7.14
Pakistan (1998-99)		
Urban	Rs. 665	13.27
Rural	Rs. 589	11.76

Source: World Bank 2002

In this table, it is clear that considerably higher poverty line is used to assess poverty in Bangladesh in comparison with India and Pakistan. If we look at the primary data, it is evident that 20 % of the respondents interviewed in this study correspond to the upper poverty line (urban), 67.5% of the female workers are a bit close upper poverty line and only 12.5% are in a safer position. But, in case of job loss, all are at stake undoubtedly.

Education: Education is regarded as the driving force for employment generation. Now, let's have a look at female employment trends in Bangladesh as the Government of Bangladesh has been making remarkable progress in improving women's lives in terms of education, health, nutrition, employment and so on. Female share in primary school shows an increasing ratio from 48:52 in 2002 to almost 50:50 in 2004 (Ministry of Foreign Affairs, 2004). According to the research report of CPD RMG sector was reported to be the leading employer for female workforce with 70.47% in 1990-91, 69.39% in 1991-92 and 66.05% in 1995-96 (CPD: 2001) and if we see the contribution of the female garments workers from the expenditure pattern (See Table 3 in annexes) it reflects a significant impact as 70% of the financial contributions made by the female workers goes for schooling of their kids and their brothers and sisters. And contributions for food, medical care, and housing are also significant. So, if they become jobless due to trade shocks, what happens to their families?

Nutrition: Trends show that Bangladesh has made progress in reducing child mortality rate from 94 per thousand live births in 1990 to 65 per thousand in 2004 (Ministry of Foreign Affairs, 2004). According to World Bank estimates malnutrition rates vary significantly across rural and urban areas, with children in rural areas (especially girl children) having a higher incidence of malnutrition than urban children in Bangladesh. If a large number of female workers in the RMG sector become jobless, the nutritional status of their own children in urban areas will not only be affected but also the dependent brothers and sisters back in villages will be affected.

Trade & Poverty: How trade is linked with growth and poverty? Dollar and Kraay (2001) have argued that policy changes towards trade liberalization in certain countries since the early 1980s has improved the living conditions of millions of people (Dollar D and Kraay A: 2001). But, Rodrik, Anderson and Marcouiller argued about institutional quality that determines the relation between trade and growth and considered institutional environments (Intellectual property rights / Transaction risks) as the driving force for trade and growth that exerts an important effect on income (Dani, Rodrik :2000). Whether trade leads to economic growth and help poverty

alleviation is thus a growing debate that links a lot of factors such as protectionism, uneven level playing field, inequality issue, technological advancement and control of policy makers over levels of trade, who controls global trade policies, what are the role of LDCs in trade policy making at the international level etc. However, my arguments is concentrated on the quality of life of the female garment workers whose opportunity cost is almost zero other than staying at home, getting early marriage, and thus facing health hazards. Aren't the impacts crucial on their living standards if they are no more employed in RMG industries? Of course, we can say RMG made difference not only in life pattern of its workers but also of those who are dependent on their earnings.

If we consider the policy context of central bonded warehouse which has been suggested by different study reports and donor's strategic suggestions, we can see how the CBW issue has not yet been resolved. As Thomas and Grindle (1990) have pointed out policy as an interactive process where conflict of interest groups is a common phenomenon, establishing CBW has been pushed in the same note in Bangladesh. This certain policy was in the agenda for a long but due to resistance from BTMA and BKMEA, Government is taking its time for careful scrutiny of the CBW. The same goes to the trade policy process in the international arena where protectionism by the North vs. market access policy by the South are in confrontation defending the interests of each side. But what are the way outs then considering the survival of RMG industry as an inevitable solution to improvement of quality of life via poverty reduction through export growth? Several recommendations have been made in the next chapter based on the analysis of both primary and secondary data.

Chapter Eight

Conclusion and Recommendations

After thorough analysis of the data and consulting of the expert's opinion in different issues of BGMEA newsletter, the following recommendations can be made as coping strategies of post-MFA challenges:

8.0 Recommendations for the Government

Government of Bangladesh needs to formulate a national policy on RMG to survive in a quota free world. Taking into considerations all the points raised from the above discussions on the RMG issue, it is clear that Bangladesh's RMG sector developed from scratch by the blessings of MFA by which major exporters including China and India were restricted to the US and the EU market. The following measures can be considered as coping strategies by the Government in post-MFA era:

8.1.1 Marketing of Bangladeshi Apparel Products

Bangladeshi products should be made highly attractive and the price also should be competitive. Marketing of apparel products of Bangladesh through Trade show world wide will definitely broaden our export base. Necessary investment should be made in up gradation of quality and web-based marketing so that foreign buyers get an acquaintance with Bangladeshi products. More investment in ICT sector will help to boost exports indirectly.

8.1 .2 Joint Lobbying for Market Access

Ministry of Commerce in collaboration with BGMEA and trade experts can arrange bi-lateral and multi-lateral trade negotiation meetings with the EU and US trade officials regularly and can inform the progress Bangladesh has made in up gradation

of product quality and working conditions for the workers. I support the view of Sewell & Tucker (1988) counting importance on South-South cooperation in both trade and production as an alternative strategy that can facilitate market expansion within the same region instead of attempting to penetrate less open industrial country markets. I believe, Government of Bangladesh can investigate such possibilities with in SAARC framework to strengthen regional co-operation in trade.

8.1.3. Supporting Textile Sector

If we consider the China's success in trade, we see state support behind the growth of the textile sector. About 50 percent of China's textile industry and about 25 percent of its clothing industry are state owned and heavily subsidized. China needs to find job for 15 million new workers every year (BGMEA 2004). Bangladesh government can allocate sufficient budget for establishing more textile mills to ensure supply of raw materials for the garments industry in time. Side by side, government can encourage private entrepreneurs to install more textile industries in the country.

8.1.4 Central Bonded Warehouse

I do support the different study reports by Gherzi, Oxfam and IFC suggesting the establishment of CBW to reduce production lead time. Reducing lead time can make Bangladesh as a more attractive destination by foreign buyers and can keep product price low by reducing the costs of raw material, financing, shipping, transportation, and carrying inventory (Huq, 2005). Central Bonded Ware house can therefore be a deciding factor for buyers if quality and compliance issues are taken up well.²³

8.1.5 Labour Standards

Despite all the criticisms regarding the labour standards issues raised by the overseas

²³ From the garmenting point of view, lead-time is the number of days between receipt of order by the producer and receipt of finished goods by the purchaser.

buyers, government should ensure the health and occupational safety concerns prevailing in the RMG industries. More dormitories and medical centres should be built in factory premises enabling the female workers to work free from all kind of risks of harassments and regular visit to factories to improve working environment is necessary to identify sick industries. These industries should be given technical assistance for further improvements in stead of declaring lay off.

8.1.6 Investment Opportunities

Government should ensure the sound law and order situation to encourage more foreign direct investment in textile industries. The recent bomb blasts in Bangladesh is obviously portraying a negative impression world wide about investment prospects in Bangladesh. Government can demonstrate its strong commitment to ensure favourable law and order situation for foreign investment by enacting and implementing speedy trials to miscreants. Bangladesh Embassies and foreign missions world wide can play a vital role to promote Bangladeshi products in their capacities through motivating Bangladeshi citizens to invest in local industries.

8.2 *Recommendations for BGMEA*

8.2.1 Strengthening the Compliance Cell

BGMEA should monitor strictly the existing labour standards in their member units and assist government in identifying sick industries. BGMEA can also seek technical assistance from developed countries and send delegations to compare the working environments prevailing in those countries to get familiarities with the technological know-how and possible areas of improvements.

8.2.2 Joint Lobbying for Market Access

BGMEA can send delegations and assist Ministry of Commerce to continue lobbying

for increased market access. Side by side, BGMEA can motivate new entrepreneurs to built new industries in rural areas to avoid the negative impact on environment due to rural-urban migration.

8.2.3 Product Up gradation

To compete with other exporters in a quota free world, Bangladeshi products should be more attractive in quality and BGMEA can assist government in marketing of Bangladeshi products. Training on fashion designing through institutional back up will be an added advantage to survive in post-MFA era where buyers have more options to source from and BGMEA can demonstrate the commitments to labour standards through introducing stickers on the products as a marketing strategy.

8.3 Recommendations for Worker's Leaders

- Workers associations should raise awareness among workers about their rights and privileges through meetings, leaflets, demonstration rally etc.
- Negotiating with BGMEA and government to ensure decent working conditions.
- Initiate informal meetings and demonstration to cope with accidental hazards in factories in collaboration with BGMEA.

Conclusion

Of course, Bangladesh should not be over ambitious to be benefited by accident or controlled growth of other competing countries since global trade pattern is a changing phenomenon itself. Rather, it can learn lesson from Japan and Korea. In Japan, high growth rates were made possible by light industries such as textiles and garments around the end of 1800s and at that time migrated female labour force was abundant and cheap. The working conditions were poor and they had to work twelve hours a day within unhygienic factory premises. But later working conditions improved due to

sustained economic growth and increased labour supply and government decided to relocate its industries in rural areas to avoid air pollution as an alternative measures. The garment factories were set up in abandoned schools and old bowling alleys to minimize capital investment. Side by side, high-tech companies were established and those companies started to recruit married female workers on part-time works leading to a decline in low skilled jobs. In the similar vein, the assembly type labour-intensive industries led faster economic growth during the industrialization process in Korea. Female workers were paid as little as 60 % of that male workers received as wages. The country switched to sophisticated technology-intensive industry and before the take of stage, it educated its labour force so that they can easily make transition to high-tech professions through training (Simai: 1995).

In this study, 90% of the female garment workers were found to be below Secondary level of their education. This illustrates that they can hardly switch to other jobs in case of crisis. If garment factory owners can not afford to increase wages to maintain a decent quality of life for workers in cities, they can install their industries in rural areas and thus mitigate current massive trend of rural-urban migration and its negative impact on environment. Otherwise, only gender card to expand market access will not suffice to maintain steady growth in exports in this technology-driven world market.

Women empowerment is no doubt an issue of international concern now-a-days and for Bangladesh it is much more important as it has been interpreted to be liberation from male dominance. Moreover, self-reliance guarantees women to be independent of both their own families and their husband's families during crisis moments such as widowhood, divorce and abandonment. It also enables women to meet their practical gender needs and ensure their participation in social events with more recognition. Several studies have illustrated that the average monthly income of female-headed households (FHHs) in rural areas is 35% lower than that of male-headed households (MHH) and is 33% less in urban areas. One study by Helen Keller International have identified that even FHH with lower income used to spend more on food and medical care, made better choices of nutritious food and had better nourished children than

MHH. The percentage of undernourished (body mass index less than 18.5 kg/m²) nonpregnant women was approximately 45% and 40% in MHH and FHH respectively (ADB: 2004). As Elson (1992) has pointed out: *“If women can sell their labour or other products and get decent cash income of their own, this lessens their economic dependence upon men, increases their economic value, and may increase their bargaining power within the household.”* I do feel the same that RMG industries have addressed significantly women’s immediate and practical needs and pave the way towards more gender equality with their male counterparts through empowerment.

Thus we can conclude that if job losses occur among the female workers in Bangladesh as a sudden trade shock due to the MFA phase-out in RMG industries, it has manifold impact which captures – education, nutrition, life expectancy, bargaining power for women and more honour within the family, safety, capabilities vis-à-vis everything that determines the patterns of their quality of life as a whole. And needless to mention that poverty reduction can not occur without growth in low-income LDCs like Bangladesh and exports of garments help growth leading to better quality of life.

References

Asian Development Bank 2004 : Bangladesh Gender, poverty and the Millennium Development Goals- Country Gender Strategy, Bangladesh Resident Mission and Regional and Sustainable Development Department, Asian Development Bank, Manila, Philippines 2004.

International Monetary Fund (IMF) 2004, *Bangladesh 2004: Second Review: Briefing Paper*, IMF, Dhaka in Ministry of Commerce, 2004

Bangladesh Garments Manufacturers and Exporters Association - BGMEA news letter, volume 15, May 2004, issue 5, page 3-9

Bangladesh Garments Manufacturers and Exporters Association BGMEA, 2004: Keynote presentation on *Post-MFA & Bangladesh, The Imperatives of Readiness*, Transcript of the views exchanged among stakeholders and parties involved, May 30, 2004, Ball Room, Dhaka Sheraton Hotel, Bangladesh.

Bangladesh Bureau of Statistics-BBS. 2003. Report of the Household Income and Expenditure Survey 2000. Dhaka in Khondoker, Bazlul H. & others, Exports, Employment and Working Conditions: Emerging Issues in the Post-MFA RMG Industry, A Paper Prepared for the International Labour Office, July 2005

BNA Management Briefing 1995: 12 'WTO Makes "Good Beginning" in 1995, Director General Says', 13 December in Murshed, S. Mansoob: 2002, *Globalization, Marginalization and Development*, Routledge, London, 2002, pp-48.

Bryceson, Deborah F, 1995: Gender relations in rural Tanzania: Power politics or cultural consensus? In Creighton, Colin & Omari, C.K. "Gender, Family and Household in Tanzania, Ashgate Publishing Limited, England, 1995, pp-37-38

Centre for Policy Dialogue (CPD) 2001, *Independent Review of Bangladesh Development 2001*, CPD, Dhanmondi, Dhaka)

Clean Clothes Campaign: 2005 see details <http://www.cleanclothes.org/news/05-07-13.htm>

Dani, Rodrik 2000, Comments on "Trade, Growth, and Poverty," by D. Dollar and A. Kraay, Harvard University, See <http://ksghome.harvard.edu/~drodrik/Rodrik%20on%20Dollar-Kraay.PDF>

de Wit, JW 2004 The Role of Women in Policy Making and Governance, Class Lecture, INT 1102, Session 8 14 October 2004, Institute of Social Studies (ISS), The Netherlands.

Dollar, D and Kraay, A 2001. "Trade, Growth, and Poverty" World Bank, Washington, in Birdsall, Nancy & Hamoudi, Amar 2002, Commodity Dependence, Trade, and Growth: *When "Openness" is Not Enough*, See www.wider.unu.edu.

Elson. 1992 "*From Survival Strategies to Transformation Strategies: Women's Needs and Structural Adjustment*" in L. Beneria and S. Feldman.

Ethical Trade Initiative (ETI) 2004 *MFA Phase-out*, ETI Seminar Paper, 27 October 2004.

Export Policy 2003-2006: Government of the People's Republic of Bangladesh, Ministry of Commerce, December 2003, Bangladesh Secretariat, Dhaka, Bangladesh.

Freeman, R.B., 1994 'A *Hard-Headed Look at Labour Standards*', in W. Sengenberger and D. Campbell (eds.), *International labour Standards and Economic Interdependence*, Geneva: ILO in Murshed, S. Mansoob: 2002, *Globalization, Marginalization and Development*, Routledge, London, 2002).

GED- General Economic Division. 2004, *Unlocking the Potentials: National Strategy for Accelerated Poverty Reduction* (revised draft as on January 12, 2005) , Government of Bangladesh, Dhaka in Khondoker, Bazlul H. & others, *Exports, Employment and Working Conditions: Emerging Issues in the Post-MFA RMG Industry*, A Paper Prepared for the International Labour Office, July 2005..

Hamid, S 1993 *Institutional Framework in Bangladesh and in Netrokona District*, Working Paper 3, Netrokona Integrated Agricultural Production and Water Management Project, Appraisal Report, IFAD, Rome in Hamid, S. 1996 : *Why Women Count Essays on Women in Development in Bangladesh*, University Press Limited, Motijheel C/A, Dhaka, Bangladesh. Pp-139

Hamid, S. 1995, *Gender Dimensions of Poverty* in H.Z. Rahman and M. Hossain (eds.) *Rethinking Rural Poverty*, Sage Publications, New Delhi Rome in Hamid, S. 1996 : *Why Women Count Essays on Women in Development in Bangladesh*, University Press Limited, Motijheel C/A, Dhaka, Bangladesh. Pp-121

Hicks and Streeton 1979: 577 in Sklair, Leslie: *Globalization, Capitalism & its alternatives*, Oxford University Press, 2002, pp 21).

Hagenaars, Aldi J.M. 1986:10 *The Perception on Poverty*, Elsevier Science Publishers B.V., Amsterdam, Netherlands, 1986.

Huq, Annisul, 2004, President, BGMEA in BGMEA news letter, volume 15, May 2004, issue 5, page 3-9

Islam, Sadequl, 2001: *The Textile & Clothing Industry of Bangladesh in a Changing World Economy*, The University Press limited, Centre for Policy Dialogue (CPD), Motijheel C/A, Dhaka. Pp-18-28

Kabeer, N. 1996, “*Agency, Well-being and Inequality: Reflections on the Gender Dimensions of Poverty*” in IDS bulletin, Poverty, Policy & Aid, Vol. 27, no 1

Khondoker, Bazlul H. & others, 2005: *Exports, Employments and Working Conditions: Emerging Issues in the Post-MFA RMG Industry*, A paper prepared for the International Labour Office, June 2005

Kearney, Neil, Disaster looms for Textiles and Clothing Trade after 2005? See details at www.itglwf.org/displaydocument.asp?DocType=Background&Index=595&Lan...

Madisson, A 1995, 2001 “*Economic Commission for Latin America and the Caribbean*” in Ocampo, Jose Antonio and Martin, Juan 2003, Stanford University Press and the World Bank, Washington , DC 20433, pp-100-101

Ministry of Foreign Affairs, Bangladesh, 2004: *Keeping the Promises: Bangladesh's Achievements towards MDGs*, External Planning Wing, Bangladesh, p-16

Ministry of Commerce, 2004 “*Post-MFA Action Programme (PMAP)*”, Government of the People’s Republic of Bangladesh, Ministry of Commerce, Bangladesh Secretariat, Dhaka , Bangladesh ,June 2004

Mooij, Jos, 2003: Smart Governance? Politics in the Policy Process in Andhra Pradesh, India, Working Paper 228, Overseas Development Institute, 111 Westminster Bridge Road, London, SE1 7JD, UK, October 2003

Murshed, S Mansoob : 2004 *The New Millennium and Developments in the Field of Development*, Speech on the Occasion of the Inauguration of the MA 2004 Programme, September 10th 2004

Murshed, S. Mansoob, 2002, *Globalization, Marginalization and Development*, Routledge, London, 2002, pp-48).

New Straits Times 1995:15 'ILO Standards Not Just Yet, 17 June in Murshed, S. Mansoob: 2002, *Globalization, Marginalization and Development*, Routledge, London, 2002, pp-48).

Development Assistance Committee (DAC), 2002: Data on ODA from OECD, DAC Online, Database, Paris, 2002 in Oxfam Briefing Paper, 2004, *Stitched Up: How rich-country protectionism in textiles and clothing trade prevents poverty alleviation*, April 2004.

Policy Coherence for Development, 2005: *Communication from the Commission to the Council, the European Parliament and the European Economic and Social Committee*, Brussels, 12.4.2005 COM (2005) 134 final.

Repon, A.R. Chowdhury & Ahamed, Syeed ,2005 Social & Economic Costs of Post-MFA: Workers Perspectives, Bangladesh Institute of Labour Studies (BILS), International Labour Organization (ILO), June 2005, pp-15-18

Sewell, John W. & Tucker, Stuart K. 1988, *Growth, Exports & Jobs in a Changing World Economy Agenda 1988*, Transaction Books, New Brunswick (USA) and Oxford (UK)

Simai, Mihaly 1995, *Global Employment An International Investigation into The Future of Work*, Vol.1 United Nations University World Institute for Development Economic Research (UNU/WIDER), Zea Books Ltd, London and New Jersey and United Nations University Press, Tokyo. Pp-173-180

SAPRIN, 2002 “Trade Liberalization Policies and Their Impact on the Manufacturing Sector” in “Structural Adjustment: The SAPRI REPORT – The Policy Roots of Economic crisis, Poverty and Inequality”, Structural Adjustment Participatory Review International Network (SAPRIN), Washington DC, April 2002.

Sklair, Leslie, 2002, *Globalization Capitalism & its alternatives*, Third Edition, Oxford University Press, New York, pp-20-21.

Suranovic, Steve 1997, *Trade Theories and Realities: Why Economists Should Study Fairness*, The Fair Trade Forum: Feature 1, See details at www.internationalecon.com/fairtrade/feature1.htm

Textiles Monitoring Body (TMB), The Agreement on Textiles and Clothing, see details at www.wto.org/wto/english/tratop_textile/texintro_e.htm

Thomas, J.W and M.S. Grindle 1990, ‘ After the Decision: Implementing Policy Reforms in Developing Countries’, *World Development* 18(8), pp. 1163-81 in Mooij,

Jos, 2003: Smart Governance? Politics in the Policy Process in Andhra Pradesh, India, Working Paper 228, Overseas Development Institute, 111 Westminster Bridge Road, London, SE1 7JD, UK, October 2003

Trade and Social Conditions: 2005

See http://europa.eu.int/comm/trade/issues/global/social/index_en.htm

US Department of Labour 1995, Vols. 1 and 3, a Report to the Committees on Appropriations United States Congress by the Bureau of International Labour Affairs in Murshed, S. Mansoob: 2002, Globalization, Marginalization and Development, Routledge, London, 2002, pp-48

UNCTAD, 1999b. Industrial countries must work harder for development if globalization is to deliver on its promises. Press release (UNCTAD/INF/2816). 1 September in Khor, Martin 2001. Rethinking globalization *Critical Issues and Policy Choices*, The United Press Ltd., Motijheel, Dhaka, Bangladesh, 2001.

Ward , Kathryn , Kamal , Nashid and others 2004 , *The Effects of Global Economic Restructuring on Urban Women's Work and Income-Generating Strategies in Dhaka*, Bangladesh in *Critical Sociology*, Volume 30, issue 1, Koninklijke Brill NV, Leiden. Pp-75-84.

Weidenbaum, Murray and Hughes, Samuel, 1996 *The Bamboo Network: How Expatriate Chinese Entrepreneurs Are Creating a New Economic Superpower in Asia*, New York: The Free Press in Prakash, Aseem and Hart, Jeffrey A. 2000, Responding to Globalization, Routledge, London. Pp-37

World Bank, 2001, Chen & Ravallion in *Nature and Evolution of Poverty*, New York, 2001 in Course Reader Rural Livelihood and Global Change 2005/06

World Bank 2002: *Poverty in Bangladesh: Building on Progress*, based on WB staff estimates in <http://www.bangladeshdevforum2003.com/matrix06.html>

WTO, International Trade Statistics 2003, See details <http://www.oecd.org/dataoecd/29/8/34042592.pdf>

Yang, Dali L. and Su, Fubing 2000 “*Taming the Market, China and forces of globalization*” in Prakash, Aseem and Hart, Jeffrey A. 2000, *Responding to Globalization*, Routledge, London. Pp-34-37

Annexure 1

Table 1 Age distribution of the female RMG workers

Age	No. of respondents	Share (%)
Below 18	-	-
18-20	29	72.5%
21-25	11	27.5%
More than 26	-	-
	Total 40	Total 100%

Table 2 District of origin of the Female RMG workers

Name of the district	No. of respondents	Share (%)
Kishoreganj	14	35
Khulna	10	25
Naogaon	5	12.5
Jessore	3	7.5
Barishal	2	5
Mymensingh	6	15
	Total 40	Total 100%

Table 3 Expenditure pattern of the female RMG workers

Types of expenditure	No. of respondent	Share (%)
Food, Medicare for parents	5	12.5
Investment	2	5
Food, Housing for own family	3	7.5
Schooling for own kids and brothers/sisters	28	70
Others	2	5
	Total 40	Total 100

Table 4 Awareness about MFA Phase-out

Level of awareness	No. of respondents	Share (%)
No idea	38	95
From seminar, meetings by worker's federation, BGMEA etc.	1	2.5
From newspaper etc.	1	2.5
	Total 40	Total 100

Table 5 Opinion about alternative job placement in case of layoff

Types of comments	No. of respondents	Share (%)
Can manage alternative job	2	5
Go back to village being jobless	35	87.5
Will decide later	3	7.5
	Total 40	Total 100

Table 6 Risks of post-MFA

Reasons	No. of respondents	Share (%)
Buyer's sourcing strategy for low price	9	45
Lack of backward linkage	6	30
Production lead time/ weak policy	4	20
Political consideration	1	5
	Total 20	Total 100

Table 7 Coping strategies in post-MFA era

Strategic suggestions	No. of respondents	Share (%)
Central bonded warehouse	4	20
Backward linkage industries	3	15
Strong Compliance plan	7	35
GO-Private actor (BGMEA, BKMEA, Worker's representative) joint lobbying	5	25
Others	1	5
	Total 20	Total 100

Annexure 2

QUESTIONNAIRE USED TO GUIDE INTERVIEWS
On
IMPACT OF MFA PHASE OUT ON FEMALE GARMENTS

IDENTIFICATION INFORMATION

SL no:

Name of the respondent (Garment worker)

Present Address: -----

Home district (Where they come from):

Date of Interview-----

Interview Starts-----

Interview Ends-----

RESPONDENT'S IDENTIFICATION

The Garment factory in which she works:

How long have you been working in this garment?

Working hours: Start----- End-----

Age: Present Age----- (Full)

Educational Attainment

-----Illiterate-----Sign only-----Class

MARITAL STATUS AND FAMILY INFORMATION:

Have you ever been married?

----- (if
yes)

What was your age during your first marriage?

How many times did you marry?

Married for how many years?

--

Who else do you have in your family?

--

Who live with you?

--

Do you live with your husband?

Where does your husband live?

Do you have get in touch with your family members? If yes how you used to maintain contact with your family members?

What are the occupations of parents?

Father: -----

--

Mother: -----

What are the educational statuses of Parents?

Father-----

Mother-----

Number of living off spring:

Presently where your children are living?

DESCRIPTION OF INCOME AND EXPENDITURE FROM WORK

How many hours do you work daily?

What is your salary structure? (Please mention the range only)

0-1000

1000-2000

2000 and above

What is your average daily expenditure (Taka)?

What are the main expenditure items and how much is spent on each item (monthly)?

How do you invest your savings? Use of Savings

Use of savings	Frequency
No Savings	
Saving in bank	
Contribution to Home	
Investment	
Other	
Total	

Who are dependent on your income?

How much do you earn per hour when you work overtime?

OTHER QUESTIONS:

Do you have any other job experiences? If yes

--

Do you think you can avail yourself with an alternative job in case of layoff?

--

--

--

--

--

--

--

--

--

--

Have you ever thought about the potential risk of job losses? If yes what is your preparation for that?

--

How are you at your present place?

Satisfied/ Dissatisfied/ No answer

SOCIAL SITUATION:

Do you face any problems regarding working place or conditions? (Resistance from religious leaders, family etc.)

HEALTH RELATED ISSUES OF GARMENTS WORKERS

Where you used to take your meal? Is there any canteen with in the Garments premises?

Do you visit doctors? If yes, monthly how many times you visit doctors on an average and what types of doctors?

Have you ever been faced any kind of harassment in the factory? If yes

Physical / mental / workload

What do you suggest for your better working conditions in the factory?

What kind of maternity benefits do you get?

AWARENESS ABOUT MFA PHASE OUT

Have you ever heard about MFA phase out? If yes

Seminar / Briefing by Workers Association / Newspaper / Others

What kind of problems you predict you have to face if you are no longer employed in the garments? (Possible effect on self, family etc)

Do you have knowledge/ awareness about labor standards/ worker's right?

Describing condition of the respondent's health by observing her?

Physical condition-----

Mental condition-----

What are the benefits of retrenchment for workers in your factory?

Have you (or your association) ever met with your Garments owner (or their association) in a dialogue to cope the challenges of MFA phase out from January 2005?

ALTERNATIVE SKILL DEVELOPMENT

Do you have expertise in any other kind of jobs?

.....
.....
.....

What are the BGMEA programmes for such skill development?

.....
.....
.....

FUTURE PLAN (FOR HERSELF & CHILDREN):

Have you ever tried to alter your profession? If yes, why

.....
.....

If no, Why?

.....
.....

According to you what are the preferred occupation for you in case of factory layoff?

Do you think you have enough job option to switch over? If yes

If no, who can provide you job facilities?

Garment owner

----Government

How do you rank (as Excellent, Good, Moderate, Poor, Vulnerable) your factory in terms of fire fighting safety measures, job security, employment benefits?

Regarding Fire fighting safety measures

Regarding job security

Regarding employment benefits

Thank you.

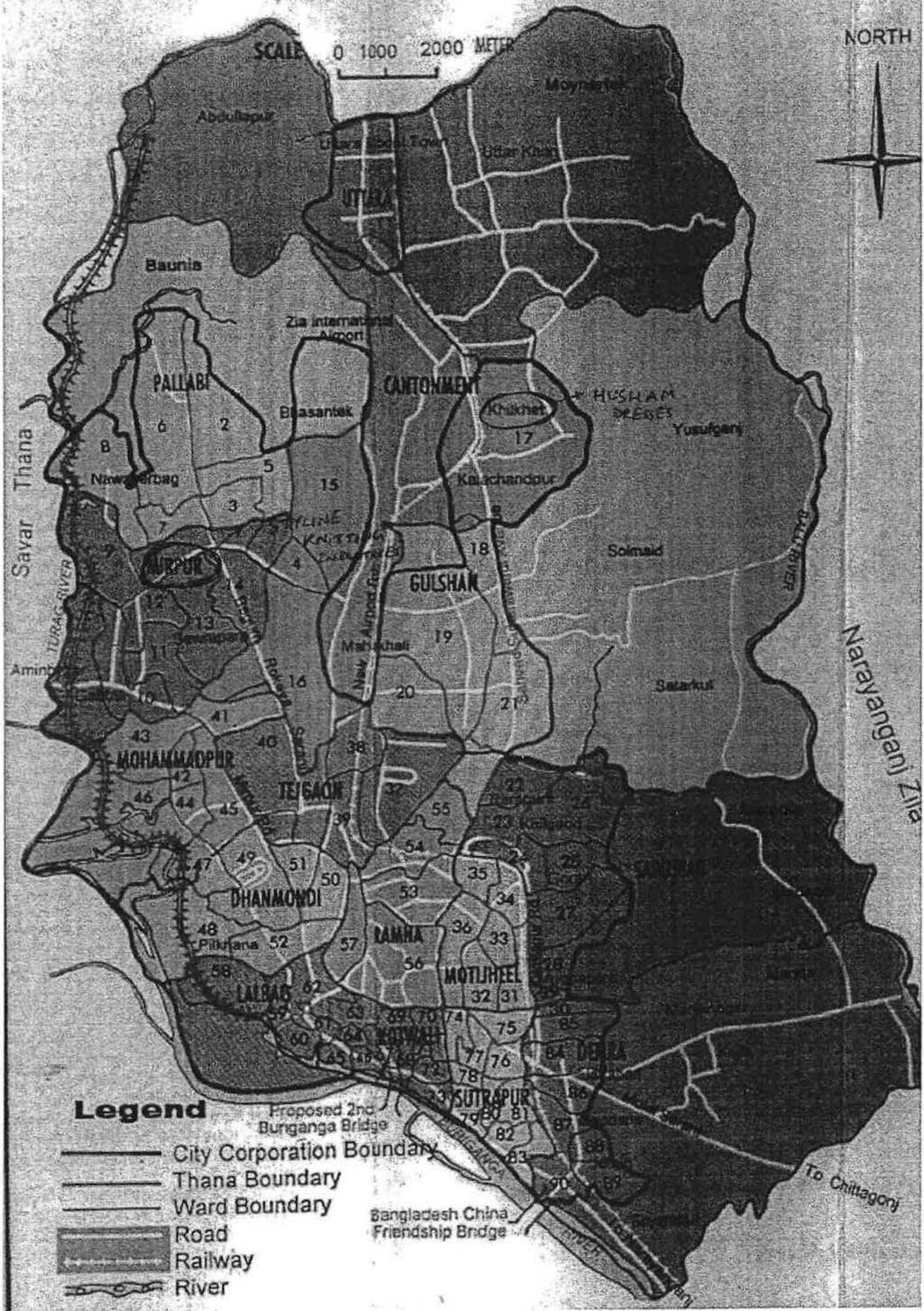
Annexure 2.1

List of Interviews and Correspondences

1. Abul Kalam Azad, Deputy Director (Post-MFA Cell), Bangladesh Export Promotion Bureau (EPB), Kawran Bazar, Dhaka, Bangladesh. Interview on September 12, 2005
2. Deena Salwa, Research Officer, Bangladesh Garment Manufacturers and Exporters Association (BGMEA), Kawran Bazar, Dhaka, Bangladesh. Interview on September 13, 2005
3. Golam Hossain, Joint Secretary, Ministry of Commerce, Bangladesh Secretariat, Dhaka, Bangladesh. Interview on September 13, 2005.
4. Md. Rafiqul Islam, Sr. Deputy Secretary (Labour), Bangladesh Garment Manufacturers and Exporters Association (BGMEA), Kawran Bazar, Dhaka, Bangladesh. Interview on September 12, 2005
5. Md. Lutfor Rahman (Matin), Chairman, Luman Group, 475-B, D.I.T Road, Malibagh, Dhaka. Interview on September 13, 2005
6. Munsur Khaled, Sr. Deputy Secretary & P.S. to President, BGMEA, Interview over phone on 1 September 2005
7. Md. Saiful Islam, Managing Director, Husham Dresses Ltd. 206/2, Rahman Bhaban (5th floor), Kachukhet, Dhaka, Bangladesh. Interview on August 13, 2005
8. Md. Towhidur Rahman, President, Bangladesh Apparels Workers Federation-BAWF, House-5, Avenue-2, Block-D, Mirpur-12, Dhaka, Bangladesh. Interview on September 13, 2005
9. Moin Millat Chowdhury, Executive Director, Nassa Taipei Denims Ltd, Export Processing Zone (EPZ), Comilla, Bangladesh, Informal meeting with five other executives on 22 September, 2005.
10. Nilesh Patel, Executive Director, Nassa Group, Export Processing Zone(EPZ), Comilla, Bangladesh .Interview on September 14, 2005
11. Ruhul Amin, Research Officer, Textile Cell, Ministry of Commerce, Bangladesh Secretariat, Dhaka, Bangladesh. Interview on September 13, 2005.

12. Rafael Coloma, In Charge-Bangladesh Affairs, Director General (Trade), D.2 Brussels. Email interview dated 24 October 2005.
13. S.M. Sayeed Mahmood, Deputy Secretary, BGMEA, 7-9 , Kawran Bazar, Dhaka, Bangladesh. Interview on September 13, 2005
14. Shafiul Alam, Managing Director, Styline Knitting Industries, Mirpur Zoo Road, Dhaka, Interview on September 13, 2005
15. Terrence Weerakoon, Technical Manager, Alster International Trading Company PTE Ltd, Banani, Dhaka. Interview on September 12, 2005terview on August 13, 2005

DHAKA CITY



□ MAP OF THE STUDY AREA □