Trade Liberalisation and its Impact on Bangladesh Economy and Female Workers

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Abstract: Bangladesh has been liberalising her trade policy since after liberation. As a newly independent country, Bangladesh initially adopted import-substituting trade policy and gradually moved to forward export-oriented policy. Industrial, import, export and tariff policies have been continuously reformed to make them commensurate with international standard, more trade and investment friendly, export oriented, beneficial to workers, investors, trades and the need of the country. Continuous trade liberalisation did not only increased trade volumes, generate more internal revenues, and it also increased the opportunities for workers, especially female workers.

Key Worlds: Trade liberalisation, Gender, Bangladesh

Introduction:

Over the last decade, there have been an increase in the number of developing countries that have adopted trade liberalisation as part of their approach towards globalisation and participation in world markets. Nonetheless, there have also been concerns that trade openness will increase poverty and widen the distribution of income. Dollar and Kraay’s (2001) study of the relationship between growth and poverty reduction emphasizes two important findings. First, it argues that economic growth increases income inequality, it does benefit the poor (growth is pro-poor). Second, the authors claim that openness to international trade benefits the poor as much as it does the non-poor. There have been many interesting debates about these findings and the empirical research on the question of whether globalisation reduces or worsens income inequality remains inconclusive. Internationalisation may cause a global division of labour between developed and developing countries and this should warrant an examination of its effects on specific groups, particularly women as vulnerable group in developing countries. By constructing a theoretical model, Ertuck and Darity (2000) study the effects of trade liberalisation and find that changes in the gender composition of employment resulting from this global division of labour may impede the gains from trade liberalisation. The authors focus on two channels of the growth effects of gender relations; the role of unpaid female household labour in shouldering the social cost of labour power reproduction in the economy and the participation of women in the labour force (paid labour).

More participation of women in the labour force implies a negative effect through the first channel and a positive impact through the second channel. The analysis in Ertuck and Darity (2000) is based on two differential equations and phase diagrams, and on the assumption that trade liberalisation promotes growth in both the developed and the
developing countries, that there is conditional convergence, and that the long-term growth effects of demand are negligible. Ertuck and Darity also show that developing countries (the South) may be faced with divergent paths; increasing feminisation rates with falling per-capita income, or rising per-capita income with decreasing feminisation rates. The authors conclude that ‘the long-run impact of trade liberalisation in the South does not have effective implications for growth and female labour force participation simultaneously, even under the most favourable assumptions about the immediate impact of the policy change’.

Ertuck and Cagatay (1995) used a dynamic Keynesian growth cycle model to study the macroeconomic effects of the feminisation of the labour force and the impact of the intensification of female household labour during economic crisis, as well as the macroeconomic implications of secular changes in the feminisation of the labour force. The authors assume that an increase in the labour force feminisation promotes investment whereas higher intensity of female household labour is assumed to lead to higher savings, and identify conditions under which a gender-based recovery is successful.

Ertuck and Cagatay (1995) also show that for such recovery to succeed the positive impact of feminisation of the labour force on investment must be stronger than the impact of the higher intensity of women’s reproductive labour on savings. Based on the results of their theoretical analysis of the different macroeconomic impacts, the authors conclude that ‘high and high middle-income countries are more likely to benefit from feminization processes’. The implications of this conclusion are quite significant as it suggests that recovery from an economic contraction will be slower (or weaker) in low-income countries where the intensity of female household labour tends to rise faster than the feminisation of the labour force.

**Trade and Growth:**

There are number of empirical studies to examine the relationship between trade and growth (Coe and Helpman (1995); Edwards (1998); Harrison and Hanson, 1999; Rodriguez and Rodrik, 2001; Baliamoune, 2002; Yanikaya, 2003). The findings in the empirical literature are inconclusive. Some authors have shown that trade liberalisation is not significantly associated with growth or that trade liberalisation may have a negative impact on growth. Rodriguez and Rodrik (2001) undertook a thorough analysis of the effects of open trade policies (lower tariff and non-tariff barriers) and reviewed several previous works by influential scholars but found ‘little evidence’ that such policies had a major impact on growth. Moreover, in a research Rigobon and Rodrik (2004) use an identification-through-heteroscedasticity technique and cross-sectional data from a large group of developed and
developing countries, and show that openness (defined as the ratio of trade to GDP) has a negative effect on income and democracy, whereas income has a positive effect on openness. Mukhopadhyay (1999) also uses five years (1986, 1987, 1989, 1991, and 1993) data from nine SSA countries (Ghana, Guinea-Bissau, Kenya, Madagascar, Malawi, Mauritania, Senegal, Togo, and Zambia) and concludes that the liberalisation of imports for some SSA countries has led to a decline in growth in the late 1980s and early 1990s. Similarly, Balianoune (2002) examines the dynamics of time series cross-sectional data from Africa and reports that increased openness to trade has led to income divergence, rather than convergence, within the continent; with openness causing income in poorer countries to grow slower relative to higher income countries. This finding stands in sharp contrast to the conclusion in Sachs and Warner (1997): that openness increases the speed of convergence. Thus, the effect of openness to trade on growth is ambiguous.

Background of trade and gender study:

The role of gender in development began to increasingly attract attention in the late 1980s and early 1990s. In 1995, the United Nations Development Programme (UNDP) introduced two new indices to capture gender related development and women’s empowerment; the Gender-related Globalisation and Gender Inequality Development Index (GDI) and the Gender Empowerment Index (GEM). The GEM tries to capture gender inequalities based on women’s empowerment in terms of power over economic resources (shares of women and men in earned income), economic participation and decision-making power (female and male shares of jobs classified as professional and technical, and administrative and managerial), and political decision-making and power (female and male shares in parliamentary seats). The GDI is ‘an overall well-being indicator that simply adjusts the Human Development Index (HDI) downward by existing gender inequalities in longevity, education, and incomes’ (Klasen, 2004). It is not a measure of inequality but rather it measures the aggregate loss in well-being (human development) as a result of gender inequality; in other words it imposes a penalty for gender inequality.

The above mentioned two indices have been criticised by many scholars. Bardhan and Klasen (1999) contend that the usefulness of these indices is limited as a result of the method and the assumptions underlying their construction, and that they could lead to misleading international comparisons. It turns out that because the differences between HDI and GDI are driven mainly by large gender gaps in earned income, whereas gaps in longevity and education have only negligible contribution, some parts of the world end up with odd rankings.
Bardhan and Klasen (1999) conclude that 'the concentration of gender inequality penalty in the Middle East and North Africa, largely driven by the problematic earned-income component, is questionable, given the size and importance of gender gaps in longevity and education in other parts of the world, most notably South Asia. There is reason to doubt that the impact of gender inequality on human development in Saudi Arabia is, in absolute terms, 15 times larger than in China, seven times larger than in India, and eight times larger than in Bangladesh. It is also doubtful that the impact of gender inequality on human development in Ireland is three times larger than in Nepal and six times larger than in China'. Similarly, Pillarissetti and McGillivray (1998) argue that the GEM does not take into account several cultural and societal differences in different countries (particularly industrial versus traditional societies), including differences in aversion to gender inequality resulting from cultural and historical factors.

**Trade and Gender:**

Research on the relationship between trade liberalisation (or globalisation) and gender inequality is fairly recent, perhaps with the exception of Becker (1957). In his seminal work on discrimination, Becker (1957) argues that there is a negative relationship between employer discrimination and the degree of competition in the product market. So, increased competition that results from higher openness to international trade tends to reduce discrimination, including gender-based discrimination. The relationship between gender inequality, trade and growth is also complex, and involves direct and indirect transmission mechanisms. The direct transmission channels between trade and gender inequality follow from Becker’s argument that trade liberalisation causes more competition and more competition leads to less discrimination (Becker, 1957). Trade liberalisation is often expected to cause exports in unskilled-labour intensive sectors in developing countries to rise and that would lead to higher demand for unskilled labour so that the skilled-unskilled wage gap falls. This proposition is tested by Black and Brainerd (2002) in their empirical study of the impact of globalisation on gender discrimination. Using data from US manufacturing industries, the authors show that higher competition, as a result of trade, contributes to reducing the ability to discriminate against women in concentrated industries. It appears that trade shocks (increased competition) have contributed to improving women’s wages in those industries relative to competitive industries. However, in many developing countries, and particularly Sub Saharan Africa (SSA), women work mainly in the agricultural sector which tends to benefit less, if at all, from trade liberalisation. In the SSA countries women, as food crop producers, play an important role in food security.
Cagatay (2001) argues that ‘international trade reform tends to advantage large and medium scale producers, since small farmers, especially women, often lack access to credit, new technologies, marketing know-how and the like needed to take advantage of new markets’. In addition, Cagatay and Ertuck (2004) emphasise the positive association between trade and gender inequality in the labour market in semi-industrialised economies. However, the authors also stress a negative relationship between other types of gender inequalities, and growth and integration as they conclude that ‘in some instances, gender inequalities (such as in labour markets) have been used as an instrument of international competition and are associated with higher growth rates in the case of semi-industrialised economies. They have induced governments to be complacent about such inequalities, even though they are well recognised. In other cases, gender inequalities (in asset ownership, access to credit, education) have dampened growth rates and successful integration in the world economy’ (Cagatay and Ertuck, 2004).

Many case studies show that there are negative effects of globalisation on women in developing countries. Such as, Tauli-Corpuz (2001) examines globalisation and its impact on indigenous women in the Philippines and discusses important issues including the feminisation and flexibilisation of labour in industry and services, the liberalisation of agriculture, and the social, health, environmental and economic impacts of globalisation on indigenous women. The author reports that there are several negative effects such as indigenous women’s inability to compete with imported crops, the increased threat to food security and increased health hazards, and the erosion of small-scale home-based handicraft industry (traditionally run by indigenous women). Similarly, using 1997 data on female workers in export-processing industries in the Dominican Republic, Safa (2002) finds that globalisation may hurt low-income women. Several studies have focused on the effect of Structural Adjustment Programs (SAPs) on women’s welfare. For example, Collier (1990, 1993), and Cagatay and Ozler (1995) have examined the impact of SAPs on women’s participation in the labour force. Elson (1995) has made a convincing case that ‘the macroeconomic models underpinning the design of structural adjustment programs are gender-blind’. However, Haddad et al. (1995) have argued that gender inequality can impair economic adjustment policies. Thus, there may be bi-directional causality between economic adjustment policies and gender inequality.

Using summarised data (from the post-World War II period) on GDP growth, labour force growth, labour force participation by gender in OECD countries, and trends in growth in developing countries, Howes and Singh (1995) studied the long-term world economy and the gender dimension, and found that women in the South (developing countries)
have been increasingly supplying labour to export-oriented manufacturing sectors. These sectors have traditionally been labour-intensive. Thus, we would expect countries that have increased their integration in world markets by becoming more export-oriented to have higher gender inequality in education but not in employment, as women may leave school early to join the labour force (Baliamoune-Lutz, 2005). Since many developing countries that are export oriented tend to have a large share of female employment in export sectors that produce price-elastic goods gender-wage inequality, by enhancing export growth, may actually have a positive impact on economic growth. Women’s weaker bargaining power renders them less likely to object to lower wages, thus constituting a ‘docile’ labour force (Elson and Pearson, 1981). Seguino (2000) uses cross-sectional data (using averages over the period 1975–95) and panel data (of five-year averages over the period 1975–95) from a group of semi-industrialised export oriented countries and shows that gender inequality reflected in lower wages for women (relative to men) contributed to higher growth through its positive effect on exports. In fact, particularly in export-oriented semi-industrialised countries, trade may constitute a major mechanism through which gender inequality contributes to higher growth.

**Trade liberalisation in Bangladesh:**

After emerging as an independent country, Bangladesh had been pursuing an import-substituting industrialisation strategy since mid 80s. The key objectives of which were to: (i) creating employment opportunities and reduce poverty, (ii) protect the country’s infant industries, (iii) reduce the balance of payments (BOP) deficit, (iv) efficient use of the scarce foreign exchanges, (v) ward off international capital market and exchange rate shocks, (vi) minimise fiscal imbalance, and (vii) to achieve higher economic growth and self-sufficiency of the nation. The basic policy tools used under this policy regime included high import tariffs, quantitative restrictions, foreign exchange rationing and overvalued exchange rate. In the face of the failure of such an inward-looking strategy’s delivering the desire outcomes along with rising internal and external imbalances, trade policy reforms were introduced in the early 1980s. Since then trade liberalisation has become an integral part of Bangladesh’s trade policy. The major administrative instruments employed to implement the import policy during this period were the foreign exchange allocation system and the Import Policy Orders (IPOs). Under the IPOs, items were classified into categories as to whether their importation were allowed, prohibited or required special authorisation. With the exception of a few cases, licenses were required for all other imports. The argument behind the import-licensing system was that such a system would ensure the allocation of foreign exchange to priority areas and protect vulnerable local industries from
import competition, create employment opportunities and reduce different disparities. However, the system was subject to criticism for not being sufficiently flexible to ensure its smooth functioning under changing circumstances. Moreover, it was characterised by complexity, deficiency in administration, cumbersome foreign exchange budgeting procedures, poor inter-agency coordination, rigid allocation of licenses and time-consuming procedures (Bhuyan and Rashid, 1993).

**Import liberalisation:**

During 1980s, a moderate import liberalisation has been taken place. In 1984, a major change was made in the import policy regime with the abolition of the import-licensing system, and imports were permitted against letters of credit (L/C). There had been significant changes in the import procedures and in the IPOs with respect to their contents and structure in 1986. Prior to 1986, the IPOs contained a lengthy *Positive List* of importable items, in 1986 the *Positive List* was replaced by two lists, namely the *Negative List* (for banned items) and the *Restricted List* (for items importable on fulfilment of certain prescribed conditions). Imports of any items outside the lists were allowed. These changes might be considered as significant moves towards import liberalisation, since no restrictions were then imposed on the import of items that did not appear in the IPOs. With the aim to increase the elements of stability and certainty of trade policy, IPOs with relatively longer periods replaced the previous practice of issuing import policy annually. Since 1990, the Negative and Restricted Lists of importable items had been consolidated into one list, namely the ‘Consolidated List’ (Ahmed, 2001).

The range of products subject to import ban or restriction has been curtailed substantially from as high as 752 in 1985-86 to only 63 in 2003-06. Import restrictions have been imposed on two grounds: either for trade related reasons (i.e., to provide protection to domestic industries) or for non-trade reasons (e.g., to protect environment, public health and safety, and security). Therefore, only the trade-related restrictions should be of interest to policy reforms and liberalisation. The evolution of import restrictions in Bangladesh at the HS 4-digit level, where it is found that over the past two decades the number of trade-related banned items has declined from 275 to 5. In a similar fashion, other restricted and mixed (a combination of ban and restriction) import categories fell quite rapidly. In 1987-88 about 40 percent of all import lines at the HS-4 digit level was subject to trade-related quantitative restrictions (QRs), but these restrictions had drastically been reduced to less than 2 percent. Number of goods subject to banned or restricted for different reasons summarized below in graph and table:
## Removal of Quantitative Restrictions (QR) at 4-digit HS Classification Level

<table>
<thead>
<tr>
<th>Year</th>
<th>Restricted for trade reason</th>
<th>Restricted for non-trade reasons</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Banned</td>
<td>Restricted</td>
<td>Mixed</td>
</tr>
<tr>
<td>1985-86</td>
<td>275</td>
<td>138</td>
<td>16</td>
</tr>
<tr>
<td>1986-87</td>
<td>252</td>
<td>151</td>
<td>86</td>
</tr>
<tr>
<td>1987-88</td>
<td>257</td>
<td>133</td>
<td>79</td>
</tr>
<tr>
<td>1988-89</td>
<td>165</td>
<td>89</td>
<td>101</td>
</tr>
<tr>
<td>1989-90</td>
<td>135</td>
<td>66</td>
<td>52</td>
</tr>
<tr>
<td>1990-91</td>
<td>93</td>
<td>47</td>
<td>39</td>
</tr>
<tr>
<td>1991-92</td>
<td>78</td>
<td>34</td>
<td>25</td>
</tr>
<tr>
<td>1992-93</td>
<td>13</td>
<td>12</td>
<td>14</td>
</tr>
<tr>
<td>1993-94</td>
<td>7</td>
<td>19</td>
<td>14</td>
</tr>
<tr>
<td>1994-95</td>
<td>5</td>
<td>6</td>
<td>12</td>
</tr>
<tr>
<td>1995-97</td>
<td>5</td>
<td>6</td>
<td>16</td>
</tr>
<tr>
<td>1997-2002</td>
<td>5</td>
<td>6</td>
<td>16</td>
</tr>
<tr>
<td>2003-06</td>
<td>5</td>
<td>8</td>
<td>10</td>
</tr>
</tbody>
</table>

(Razzaque, Abdur and Raihan, Selim, 2007)

### QR

(Razzaque, Abdur and Raihan, Selim, 2007)

## Imports into Bangladesh

After the elimination of quantitative and other restrictions, imports into Bangladesh have been increased significantly. During 1985-86 financial year total import was 1,356 million US$ and it reached to 21,629 million in 2007-08 which is about 15 times higher. Imports and growth of imports are graphically present below.

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The latest Import Policy Order, 2006-2009, also reiterates government’s commitment for continued liberalisation of the import regime in Bangladesh. These commitments are manifested in the stated objectives of this import policy order, which are to:

- make the Import Policy Order further liberalised to keep pace with the gradual development of globalisation and free market economy under the WTO;
- provide facility for import of technology for international competition;
- provide facility for easy import for the export support industries for the purpose of placing export industries on a sound base, and with this end in view, co-ordinate the import policy of the country with the industrial policy, export policy and other development programs;
• make easier the availability of industrial raw materials for increasing competition and efficiency by gradual removal of restrictions on import of finished goods;
• ensure the supply of quality and hygienic goods; and
• procure the import of goods, on an emergency basis, in crisis times with the aim of ensuring the supply of basic staple goods while fulfilling the interests of the people of the country.

Tariff reforms in Bangladesh:

From the late 1980s the tariff regime of Bangladesh has become increasingly liberalised. Much of this reduced protection was achieved through the reduction in the maximum rate. In 1991-92, maximum tariff rate was 350 percent, which came down to only 25 percent in 2009-10. The number of tariff bands was 24 in the 1980s, 18 in the early 1990s and only 4 in 2009-10. The percentage of duty free tariff lines has more than doubled between 1992-93 and 1999-2000 (from 3.4 percent to 8.4 percent). Bangladesh has no tariff quotas, seasonal tariffs and variable import levies (WTO, 2000). All these measures have greatly simplified the tariff regime and helped streamline customs administration procedures.

One important aspect of the tariff structure in Bangladesh relates to the use of import taxes which have protective effects (also known as para-tariffs) over and above the protection provided by customs duties (World Bank, 2004). These taxes have been the infrastructure development surcharge (IDSC), supplementary duties (SD), Regulatory duties (RD). Although these taxes have been primarily imposed for generating additional revenues, in the absence of equivalent taxes on domestic production they have provide extra protection to local industries. Similarly, while the Value Added Tax (VAT) is supposed to be trade-neutral, exemptions for specified domestic products have also resulted in its having some protective content. Some of these para-tariffs, such as the IDSC, are applied across-the-board to all or practically all imports, and can be considered as general or normally applied protective taxes which affect all or nearly all tariff lines. Others are selective and protective taxes in that they are only applied to selected products, for example the ‘supplementary’ duties. The para-tariffs employed during the 1990s and early 2000s in Bangladesh are summarised in It appears that, despite the lowering of customs duties, the presence of para-tariffs did not significantly lower the total protection rate.
Reforms in tariff structure:

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>No. of tariff bands</th>
<th>Maximum rate</th>
<th>Un-weighted rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991-92</td>
<td>18</td>
<td>350</td>
<td>70.0</td>
</tr>
<tr>
<td>1992-93</td>
<td>15</td>
<td>300</td>
<td>47.4</td>
</tr>
<tr>
<td>1993-94</td>
<td>12</td>
<td>300</td>
<td>36.4</td>
</tr>
<tr>
<td>1994-95</td>
<td>6</td>
<td>60</td>
<td>25.9</td>
</tr>
<tr>
<td>1995-96</td>
<td>7</td>
<td>50</td>
<td>22.3</td>
</tr>
<tr>
<td>1996-97</td>
<td>7</td>
<td>45</td>
<td>21.5</td>
</tr>
<tr>
<td>1997-98</td>
<td>7</td>
<td>42.5</td>
<td>20.7</td>
</tr>
<tr>
<td>1998-99</td>
<td>7</td>
<td>40</td>
<td>20.3</td>
</tr>
<tr>
<td>1999-00</td>
<td>5</td>
<td>37.5</td>
<td>19.5</td>
</tr>
<tr>
<td>2000-01</td>
<td>5</td>
<td>37.5</td>
<td>18.6</td>
</tr>
<tr>
<td>2001-02</td>
<td>5</td>
<td>37.5</td>
<td>17.1</td>
</tr>
<tr>
<td>2002-03</td>
<td>5</td>
<td>32.5</td>
<td>16.5</td>
</tr>
<tr>
<td>2003-04</td>
<td>5</td>
<td>30</td>
<td>15.6</td>
</tr>
<tr>
<td>2004-05</td>
<td>4</td>
<td>25</td>
<td>13.5</td>
</tr>
</tbody>
</table>

(Razzaaque, Abdur and Raihan, Selim, 2007)

Export Liberalisation:
An important element of trade policy reform has been the use of a set of generous support and promotional measures for exports. While the import liberalisation was meant to correct the domestic incentive structure in the form of reduced protection for import-substituting sectors, export promotion schemes were undertaken to provide the exporters with an environment where the previous bias against export-oriented investment could be reduced significantly. Important export incentive schemes available in Bangladesh include, amongst others, subsidised rates of interest on bank loans, duty free import of machinery and intermediate inputs, cash subsidy, and exemption from value-added tax and excise duties. The following table summarises some of the most
important incentive schemes that have been put in place in the country. A few sectors, especially the ready-made garments (RMG), have been major beneficiaries of these reforms. Different export promotional programmes in different Export Policy Orders are summarised in the following table:

<table>
<thead>
<tr>
<th>Programme</th>
<th>Nature of activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retention of Earnings in Foreign Currency</td>
<td>Exporters are now allowed to retain a portion of their export earnings in foreign currency. The entitlement varies in accordance with the local value addition in exportable. The maximum limit is 40 percent of total earnings although for low value added products such as RMG the current ceiling is only at 7.5 percent.</td>
</tr>
<tr>
<td>Export Credit Guarantee Scheme</td>
<td>Introduced in 1978 to insure loans in respect of export finance, it provides pre-shipment and post-shipment (and both) guarantee schemes</td>
</tr>
<tr>
<td>Special Facilities for Export Processing Zones (EPZs)</td>
<td>To promote exports, currently a number of EPZs are in operation. The export units located in EPZs enjoy various other incentives such as tax holiday for 10 years, duty free imports of spare parts, exemption from value added taxes and other duties.</td>
</tr>
<tr>
<td>Export Performance Benefit (XPB)</td>
<td>This scheme was in operation from mid-1970s to 1992. It allowed the exporters of non-traditional items to cash a certain proportion of their earnings (known as entitlements) at a higher exchange rate of WES. In 1992 with the unification of the exchange rate system, the XPB scheme ceased.</td>
</tr>
<tr>
<td>Bonded Warehouse</td>
<td>Exporters of manufactured goods are able to import raw materials and inputs without payment of duties and taxes. The raw materials and inputs are kept in the bonded warehouse. On the submission of evidence of production for exports, required amount of inputs is released from the warehouse. This facility is extended to exporters of RMG, specialized textiles such as towels and socks, leather, ceramic, printed matter and packaging materials, who are required to export at least 70 percent of their produce.</td>
</tr>
<tr>
<td>Duty Drawback</td>
<td>Exporters of manufactured products are given a refund of customs duties and sales taxes paid on the imported raw materials that are used in the production of goods exported. Exporters can also</td>
</tr>
</tbody>
</table>

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Like imports, export earnings also increased at accelerating rate. In 1985-86 financial year total export volume was US$ 819.21, in 1991-92 1993.92 and 2007-08 it reached to US$ 14,110.80 million. Now export earnings are about 20% GDP but in 1985-86 it was only 5 percent.
Apart from supporting the main items, non-traditional sectors with high export potentials have also been identified as privileged activities, for which special facilities are offered through export policies. For example, in the Export Policy of 2009-12 software and ICT products, agro products (including agro-processed goods), light engineering goods (including auto parts and bicycles), leather goods, and high value readymade garments were identified as ‘thrust sectors’ and several incentives such as the provision of project loan with low interest rate on a priority basis, income tax rebate, cash support with other financial facilities, export credit under relaxed conditions and with subsidized interest rate, concessions on air freight, support for marketing, etc.

Government has also provided generous institutional support to the exporters in excess of the above incentive schemes. Various institutions such as the Duty Exemption and Drawback Offices (DEDO), and the Export Promotion Bureau (EPB) provide promotional, directional, and marketing assistance and particularly the activities of the latter are worth pointing out that include, amongst others, providing input to Government’s trade policy, assisting DEDO, disseminating trade information, undertaking national export training programmes, organizing and participating trade fairs, and managing quota allocations for RMG units. The commitment of Bangladesh’s government in providing continued support to an export-oriented trade regime is further manifested in the current export policy in Bangladesh (the Export Policy 2009-2012). The objectives of the current Export Policy are:

- To achieve optimum national growth through increase of export in regional and international market;
- To narrow down the gap between the country’s export earning and import payment through achievement of the export targets;
- To undertake timely steps for production of exportable goods at a competitive price with a view to exporting and
strengthening existing export markets and making dent in new markets;

- To take the highest advantage of entering into the post Uruguay liberalized and globalized international market;
- To make our exportable items more attractive to the market through product diversification and quality improvement;
- To establish backward linkage industries and services with a view to using more indigenous raw materials, expand the product base and identify and export higher value added products;
- To simplify export procedures and to rationalize and solidify export incentives;
- To raise the quality and grading of export products to internationally recognized levels.
- To make the export regime more liberal and up to date consistent with the needs of globalisation, WTO rules and bilateral trade negotiations contact;
- To encourage the export of labour intensive (especially female labour intensive) commodities;
- To ensure easy availability of raw materials for the production of exportable items;
- To increase productivity, value addition and enhance product diversification;
- To develop product quality, encourage the use of developed, appropriate and environment-friendly technologies, improve the design and increase the production of high value added products;
- To adopt new strategies for expanding export products; ensure good use of IT or computer technology, E-commerce and other technologies;
- To develop necessary infrastructures and in required cases backward and forward linkage industries to ensure production of maximum volume of exportable items;
- To create new markets, find exporters and provide all assistance to existing exporters;
- To develop expert manpower on international trade through appropriate training; and
- To equip trade bodies, businessmen and concerned people with necessary knowledge on systems of world trading.

Domestic revenue:
Elimination of quantitative restrictions, reduction of tariff bands, tariff rates and other non-tariff restrictions significantly contribute to domestic revenue generation. In FY1972-73, total revue income was BDT
1,712.30 million which includes taxes revenue BDT 1,698.00 million and which is only 3.43 percent to GDP. In financial year 2007-08 total revenue collection reached to BDT 598,346.60 million and it is 11.04 percent of GDP.

![Tax-GDP ratio chart](chart.png)

(Source: Annual Report 2008, National Board Revenue)

**Trade liberalisation and Bangladeshi female workers:**

Female workers in Bangladesh were traditionally linked to global markets through export of tea and raw jute. It is only with the emergence of the Ready Made Garments (RMG) sector in the late 1980s as Bangladesh’s leading export industry that the country’s female labour force was integrated into international markets in a more direct and intense way. The transition from traditional to non-traditional export-oriented activities is of considerable significance, because it brings out some critical dimensions of the evolving pattern of female employment in Bangladesh. First, export-oriented RMG, as a manufacturing activity, differs from the previous agro-based exports. Second, RMG units are concentrated mostly in urban areas, whereas earlier female-intensive processing activities were located in rural areas. Third, the rapid growth of the apparel sector and its increasing share in the export basket testifies to the importance and potential of female employment in exports, as well as industrialization, in Bangladesh. These three distinguishing features, *inter alia*, have important implications from a gender perspective, particularly in terms of employment opportunities, skill development and wage level. Female employment in manufacturing sectors of Bangladesh is still concentrated in one single activity, ready-made garments, while other textile subsectors are still predominantly male. In knitwear, for example, the sector with seemingly best prospects in the post-MFA phase, women constitute only 14 per cent of the labour force (Bhattarchaya, 1999, and Kabeer and Mahmud, 2004). Bhattarchaya (1999) in his writing suggests that, in Bangladesh, wage discrimination against women in the export textile
industry was lower than in any other manufacturing sector in the early stages, and has declined over time more than in other sectors. In Bangladesh, trends in female/male wage differentials in garments indicate a narrowing of the gap from 1983 to 1990, but a widening from 1990 to 1997. This change is attributed to a higher proportion of men taking up high skilled jobs and an increase in the number of temporary workers among women (Paul-Majumder and Begum, 2000).

Hewett and Amin (2000) find that female garment workers have a higher age at marriage and at first birth than women of similar socioeconomic background who do not work in the garment sector. Some of the garment workers can even take decisions on whom to marry and have fewer children. They are more likely to have better quality housing conditions and access to modern infrastructure. Women working in the garment sector have a higher propensity than other women to spend their money on jewellery, entertainment, cosmetics and gifts (controlling for income level). The nutritional intake of garment workers appears to be comparatively higher, but they are more likely than other women to suffer from a range of minor health problems. According to Hewitt and Amin (2001) additional health indicators show that female garments workers do not suffer from major health problems and that the cause of the minor problems might be urban living rather than factory conditions.

Many studies, such as (Kabeer, 2000; Hewett and Amin, 2000) appear to agree that women working in factories feel that their status has improved. Garments workers positively affected self-esteem and decision-making with benefits extended to other family members.

Conclusion: Trade liberalisation has improved the major economic activities and also improved social & economic standard of life of Bangladeshi female workers. Continuous reformed trade policies such as removal quantitative import restrictions, reduction of tariff rates, tariff bands, allowing tax holidays, duty drawbacks and other non-tariff facilities augmented economic activities and increased both imports and exports, tax GDP ratio These create ample opportunities for female people to work as a paid employee in garment and other manufacturing sectors. They can play role in household decision making activities and lead better life.

References


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