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**BANGLADESH**

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***A Trade Impact Review for Bangladesh***  
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This research brief summarizes the findings from a larger report “A Trade Impact Review for Bangladesh” prepared by the Greater Access to Trade Expansion (GATE) Project. The research explores the linkages between macroeconomic policy changes in Bangladesh and micro-level changes in employment, enterprise development, prices, and consumption levels in Bangladesh, particularly the differential affects on gender. The larger paper summarizes the findings from three separate reports: (1) a gender and pro-poor analysis of the shrimp value chain; (2) a gendered CGE model of Bangladesh; and, (3) a legal and regulatory analysis. The analysis employs a pro-poor and gender sensitive approach throughout.

**INTRODUCTION**

The 2006 World Bank report “Assessing World Bank Support for Trade 1987-2004” contributes to the ongoing debate regarding the relationship between trade liberalization, economic growth, and poverty reduction. The review found that trade liberalization alone was not sufficient to sustain economic growth and that the gains from economic growth—derived from increased domestic demand as resource allocation improved—were frequently concentrated among a limited array of sectors and beneficiaries. Moreover, the employment and poverty outcomes associated with trade reforms were mixed.

Liberalizing trade is a complex process and the effects of freer trade are multi-faceted; policymakers’ decisions concerning which sectors are opened and which remain protected may improve or erode the livelihoods of producers, workers, or consumers depending upon where they are located within the economy. Changes in the economy wrought by trade liberalization may be contradictory or complementary. Multiple effects take place simultaneously, and while demand and output in certain sectors may be enhanced by the mobilization of resources through liberalization, the distributional costs of resource reallocation can be significant.

Just as the effects of trade liberalization are multi-faceted, they are even further complicated as countries sign bilateral, regional, and multilateral trade agreements. Certain effects may be amplified while others are mitigated by newer precedent-setting trade commitments. As policymakers seek to harness the best aspects of trade liberalization and mitigate worker displacements and the loss of domestic markets, it is important they understand the effects of past liberalization policies on the poor, anticipate the potential effects of further trade commitments, and consider complementary policy and program initiatives to assist poor Bangladeshis in gaining from trade liberalization.

This report seeks to assist donors and policymakers in understanding the effects of trade policies on key sectors as well as on poor producers, consumers, and entrepreneurs. Additionally, this analysis employs a gender-perspective--assessing where men’s and women’s experiences under trade liberalization diverge—and suggests actions that would create more gender-equitable opportunities for both men and women to gain from trade liberalization.

**BANGLADESH AND GLOBAL TRADE**

Bangladesh is an economy firmly in transition from a primarily agrarian economy to one dominated by services. The contribution of agriculture to Gross Domestic Product (GDP) has declined from 56 percent of GDP in 1980 to 22 percent in 2003. Over the same period, value added in services has risen from 41 percent to 52 percent.

Between 1990 and 2003, real GDP in Bangladesh increased by almost 90 percent, averaging a sustained growth rate of about 5 percent per year. Yet, total employment only increased by 2.3 percent per year and the economy needs to grow at an average of 7-8 percent per year to absorb the more than one million new entrants into the labor market.

Since 1992, Bangladesh has implemented a series of liberalization measures to increase trade openness, revise and reduce tariffs and quotas, and improve customs and excise procedures. Bangladesh became a member of the World Trade Organization (WTO) in 1995 and has subsequently negotiated participation in a number of multilateral, regional, and bilateral trade agreements designed to lower tariff and non-tariff barriers.

Yet, Bangladesh remains heavily dependent on a limited number of exports to earn foreign exchange. Textiles, clothing, and footwear account for approximately 80 percent of all exports. Further liberalization and changes in global agreements on textile and clothing will affect the Bangladeshi economy differently in the short and medium term. At the same time, trade remains an important component of the Government's economic and poverty reduction strategies. For example, the October 2005 National Strategy for Accelerated Poverty Reduction (NSAPR) relies on increased trade, private sector investment, export-led growth, and small enterprise development as important mechanisms for reducing poverty and increasing incomes for low-income Bangladeshis.

The ending of the Multi-Fiber Arrangement (MFA) in January of 2005 and changes in the demand for agricultural exports, however, are likely to affect the Bangladeshi economy negatively. Consequently, there will be winners and losers as Bangladesh adjusts to these trends. If jobs are lost in some sectors, or the workforce becomes informalized, this may result in reduced wages and increased insecurity.

## **LABOR COMPOSITION AND WAGES**

Although the composition of the Bangladeshi economy is changing rapidly, men and women workers remain concentrated in agricultural activities: 59 percent of the total female labor force and 52 percent of the total male labor force was absorbed in agriculture in 2003. Manufacturing absorbs approximately 17 percent of the female and 10 percent of the male labor force, while the service sector accounts for 24 percent of the total female labor force and 38 percent of the total male labor force. Given the predominance of female and male labor participation in agriculture, further declines in the sector will be particularly deleterious for the rural poor, and for women in particular.

Between 1990 and 2000, skilled manufacturing workers have seen real wages increase 28 percentage points, while unskilled manufacturing workers have experienced a rise of 46 percentage points. In contrast, agricultural workers have only seen their wages rise by 6 percentage points in the same period. Under the recent trade liberalization, poor, rural agricultural workers gained the least.

## **GENDER AND TRADE IN BANGLADESH**

For Bangladesh to achieve the level of growth needed to reduce poverty, labor must be deployed efficiently. If gendered social norms restrict women's participation in the paid economy, then the labor force is not functioning efficiently.

Besides expanding Bangladesh's economy and contribution to trade, the full participation of Bangladeshi women in economic growth can also generate multiple benefits in terms of human capital development. Numerous studies have demonstrated that women's income is more often spent on expenses related to their children and households than on personal consumption. Bangladeshi female-headed households (FHH) with lower incomes than male-headed households (MHH) still spend more on food and medical care than better-off male-headed households.<sup>1</sup> Children from poorer FHHs in Bangladesh tend to be better nourished than children from less poor MHHs<sup>2</sup>. Similarly, other research in Bangladesh found that for every 100 taka lent to a woman, household consumption

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<sup>1</sup> Asian Development Bank "Country Gender Strategy, 2004" [www.adb.org](http://www.adb.org)

<sup>2</sup> *ibid*

increases by 18 taka as opposed to an 11 taka increase in consumption for every 100 taka lent to men<sup>3</sup>. In addition, Bangladeshi women's participation in the labor force can lead to positive changes in women's lives such as improved bargaining within the household, increased access to information, increased self-esteem and autonomy, and increased involvement in community decision-making<sup>4</sup>.

Yet, a number of factors combine to impede women's ability to participate in export-led growth or benefit from other aspects of trade liberalization. These include:

**Asymmetric rights and responsibilities** –Women in Bangladesh are expected to be responsible for the bulk of household provisioning: food and crop production; gathering water and fuel; caring for children and elders; as well as, cleaning the house which affects women's ability to participate in paid employment or gain access to education and training. According to 2003 labor force data, 68 percent of Bangladeshi women over the age of 15 report that they are primarily engaged in household work compared to 17 percent of men over the age of 15.

**Fertility and reproduction** –Social attitudes affect what types of economic activities are considered appropriate for pregnant women or mothers to engage in. Caring for children may restrict a woman's mobility and may lead her to choose economic activities that will allow her to care for her children while earning an income. As a result, women may enter or exit the labor market more frequently, have lower job tenure, acquire fewer on-the-job skills, and seek jobs (including the informal sector) where tenure is less important. Labor Force Survey data from 2003 indicates that women make up 58 percent of unpaid family workers and 85 percent of domestic workers.

**Gendered social norms** –In Bangladesh, gendered social norms reinforce discriminatory customary practices. For example, although the Constitution of Bangladesh guarantees to every citizen "the right to acquire, hold, transfer, or otherwise dispose of property," Muslim and Hindu customary laws discriminate against women in inheritance. These customary laws and expectations are upheld throughout the judicial system. As a result, women have less title to land meaning they have less collateral when trying to obtain credit or loans. Lacking assets and land title, women have a more difficult time launching small enterprises or benefiting from export-led crop production.

**Consumption patterns**—Household resources, including food, may be prioritized for wage earners, frequently men or boys. Furthermore, as primary caregivers who are responsible for household provisioning, women may be more affected than men by changes in the price of food, education expenses, or health care provision. When prices rise or service provision declines, women may be required to compensate directly by reducing their consumption or indirectly by expanding their role as caregivers. A recent study found that in rural Bangladesh, preschool boys received a disproportionate share of animal and fish proteins. Adult women consumed roughly the same amount of animal and fish products that preschool boys consume despite the greater need for adult women for these proteins.

**Class, age, ethnicity, religion, and geography**—Class age, ethnicity, religion, and location influence an individual's access to resources and ability to engage in economic activities. Even outcomes such as mobility and use of transport will vary for women from different socio-economic classes. Religious and ethnic minorities often have fewer social and economic opportunities, and women in these groups typically face even further reduced options. Women in urban and rural areas have different types of employment opportunities available to them. For example, urban women may find work as domestic servants or in the garment factories, while rural women are disproportionately employed as casual labor in agriculture.

Differences in ethnicity and location also affect outcomes for women in Bangladesh. Tribal women in the Chittagong Hill tracts, for example, were found to play a greater role in household decision-making than their Bengali counterparts. However, these tribal women live in isolated communities with few available services and experience greater exclusion from sectors that have benefited from economic growth<sup>5</sup>.

## **TRADE IMPACT REVIEW METHODOLOGY**

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<sup>3</sup> Smith et al. "The Importance of Women's Status for Child Nutrition in Developing Countries" in Quisumbing, Agnes (ed.) *Household Decisions, Gender and Development: A Synthesis of Recent Research*, International Food Policy Research Institute, Washington, DC, 2003.

<sup>4</sup> Salway, Sarah, Sonia Jesmin and Shahana Rahman "Women's Employment in Urban Bangladesh: A Challenge to Gender Identity?" *Development and Change* 36(2): 317-349 (2005); Institute of Social Studies, Oxford, UK.

<sup>5</sup> Asian Development Bank, Bangladesh Resident Mission "Bangladesh: Gender, Poverty, and the MDGs," Manila, Philippines, 2004.

The aforementioned findings are readily familiar to donors and policymakers concerned with gender issues in Bangladesh. They do, however, provide an important context within which to view trade-related changes in the macro, meso, and micro- economy

Expanding on the McCullough framework<sup>6</sup> regarding the impact of trade liberalization, this report includes a gender analysis, reviews the constraints that affect Bangladeshi women's economic agency, and investigates how trade liberalization reduces or reinforces existing gender inequalities.

The TIR analysis draws from and synthesizes several other studies that GATE undertook regarding gender and trade in Bangladesh. These included: a Computable General Equilibrium (CGE) model; a gendered value chain analysis of the shrimp sector; and, a legal and regulatory analysis.

The CGE model is a gender-augmented model that differentiates between female and male workers in the labor market and accounts for non-market activities (household work and leisure) in addition to standard market activities. The model simulates the effects of trade changes in the Bangladesh economy, emphasizes linkages among actors and sectors (both market and non-market), provides quantification of direct and indirect results, and offers insights from an economy-wide perspective to complement sector-specific in-depth analysis.

The gender value chain analysis of the shrimp sector highlights the different positions and contributions of men and women across the value chain and uncovers the economic, organizational, and asymmetric relationships among actors located along different points of the industry. This analysis consists of three discrete but complementary components: a segmentation analysis; an analysis of power and governance within the chain; and an entitlements and capabilities analysis.

The legal and regulatory study analyzes Bangladesh's major trade commitments, and trade-related policies, laws, and institutions, on three levels: (1) the *content* of these trade commitments and related policies, laws, and institutions; (2) their possible *interactions* with Bangladesh's other international commitments, national laws, and policies related to poverty reduction and gender equality, and with societal norms and practices that influence women's status and opportunities; and, (3) *law and policy changes* or other measures that could expand the benefits of trade liberalization more widely, or better mitigate the adjustment costs of trade liberalization for vulnerable groups, especially poor women.

Finally, the TIR includes additional original analysis of price data for key goods and services, wage data, a gender analysis of labor force survey data, a probability analysis of correlates of household poverty mapping import penetration and export orientation ratios, and a Duncan index calculation of key labor sectors.

## KEY FINDINGS

### TRADE AND POVERTY

- **Poor households spend significantly more on food than wealthier households.** Poor households spend 67 percent of total household expenditures on food. In contrast, the wealthiest households spend 46 percent of total household expenditure on food. In contrast to trade theory, food prices have risen in the past few years despite greater import penetration. Higher food prices will be particularly difficult for female-headed households and rural poor households who may also be affected by import-penetration in commodity sectors.
- **Households that depend on agriculture for the majority of their income are disproportionately likely to be poor,** experiencing poverty rates of 53 percent. Rural, landless households experience poverty rates of 60 percent. These households are also less likely to seamlessly move to other economic activities should trade expansion result in a contraction of their labor or a loss of livelihoods.
- **Living in a rural area, being from a female-headed household or from a large household increases the likelihood of the household being poor.** Female-headed households have a 7 percentage point

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<sup>6</sup> Neil McCulloch, Alan Winters and Xavier Cirera. Trade Liberalization and Poverty: A Handbook. London: Department for International Development. 2004.

increase in the likelihood of being poor. Rural households have a 17 percentage point increase in the likelihood of being poor.

- **Working in an export-oriented sector slightly reduces the likelihood of being poor.** Similarly, working in an import-oriented sector slightly increases the likelihood of being poor. A one percentage point increase in import penetration increases poverty by about 0.4 percentage points.

## TRADE, LABOR, & WAGES

- **Although sex-segmentation in the labor force fell by 10 percent between 1990-2000, men and women continue to occupy very different jobs.** Women are less likely to be employers, employees, self-employed, day laborers, or apprentices than men and are over-represented as unpaid family workers or domestic workers.
- **Women earn less than men in most occupations, even for the same numbers of hours of work.** This means that female-headed households must work longer hours to earn as much as male-headed households. Increased training for female workers as well as better labor monitoring and compliance including issues of wage discrimination are needed.
- **According to the CGE simulations, even if the textile industry were to maintain its competitiveness in the future, women would be at a higher risk of losing their jobs than men and face more restricted options.** This is due to the fact that if the industry switched to producing more higher-value items, these items are more capital intensive and require more highly trained workers and supervisors. In other parts of the world, this type of switch has prompted the “defeminization” of the labor force.
- **The CGE modeling found that if women lose jobs in the garment industry the actual decline in employment is greatest for women with primary education and least for women with no education.** Women with no education may find new employment in agriculture, especially vegetable production and livestock although this is very low-waged. Women who were formerly employed in the garment sector may also end up as unpaid family labor in subsistence production. Women with primary education appear to be better able to find other employment in sectors where wages are slightly higher than in agriculture.

## TRADE & AGRICULTURE

- **In agriculture, women are not located in sectors or tasks where they would benefit from increased trade liberalization.** Women are disproportionately engaged in growing cotton, horticulture, dairy farming, providing irrigation services, and sap production for tanning leather. The majority of these sectors is neither export-intensive nor experiences high import penetration.
- **Although women are a growing proportion of agricultural day laborers and workers, they earn a little less than 60 percent of male wages per hour.** This reflects sex-segmented tasks and sex-based mobility restrictions.
- **In shrimp cultivation and export women receive lower wages than men for the same jobs throughout the sector.** Women shrimp fry catchers earn 64 percent of male catchers, 71 percent of men’s wages in the packing section of processing plants, and 60 percent of men’s wages in the cooking/breeding section of the processing plants.
- **Women’s employment throughout the shrimp sector is more casual or temporary than men’s.** Although more men are working as shrimp farmers in the sector, 73 percent of women’s labor is in temporary or casual employment. Similarly, within the processing plants, 92 percent of women’s labor time is considered temporary or casual.

## CONCLUSIONS

In some ways, Bangladesh has benefited from increased trade openness. GDP has risen and the country has sustained a nearly 5 percent growth rate between 1990 and 2000. Yet, despite these strides, the economy remains heavily dependent on exports in textiles and, to a much lesser extent, agriculture, two sectors that are particularly vulnerable to changes in external demand, exchange-rate fluctuations, and input-cost increments. Moreover, throughout the economy, the labor market is highly sex-segmented and women are concentrated in lower-waged, more flexible and contingent positions. This is problematic because women are disproportionately isolated from the potential benefits associated with liberalization. Improving women’s equitable engagement in the labor market

would reduce any inefficiencies associated with sex-segmentation and improve the terms and conditions of their employment. Moreover, increasing women's income can yield beneficial spillover effects for the household and for increased human capital development.

## RECOMMENDATIONS

- **Expand educational and vocational training programs** for women to reduce sex-segmentation in the labor market.
- **Encourage women's equitable entry into the labor market** through job centers that could provide assistance to women in searching for, gaining, and accepting new employment.
- **Promote greater export diversity**, with a particular focus on activities that women can participate in. For example, working with HORTEX and BRAC on their sericulture and horticulture projects would expand opportunities for women.
- **Encourage domestic sourcing** and forward and backward linkages among small producers along export-oriented value chains.
- **Revise the Industrial Policy** to address the needs and concerns of women entrepreneurs (e.g., through special incentives and other measures).
- **Help small women's businesses form groups to import raw materials**, and allow women's business groups to open joint letters of credit.
- **Adopt a preferential government policy** to procure local products from women-owned businesses.
- **Establish an RMG workers compensation fund** to provide severance for workers whose factories closed without receiving their promised wages and benefits. Financing could come from factory owners that are members of BGMEA who could each contribute to the fund. Such a fund could also be used to compensate survivors and victims of RMG factory fires or collapses.
- **Develop new legislation on patents and plant varieties.** The TRIPS Agreement and related decisions of WTO bodies provide important flexibilities to Bangladesh and other LDCs. The Government should ensure that the new Patents and Designs Act and Plant Variety and Farmers' Rights Protection Act takes full advantage of the transition periods and flexibilities provided in the TRIPS Agreement, especially related to the patenting and compulsory licensing of pharmaceuticals and the protection of farmers' rights to save seeds. In line with the outcome of the recent WTO Ministerial Meeting in Hong Kong, development partners should ensure that their trade arrangements and development assistance programs support Bangladesh's rights under the TRIPS Agreement.
- **Support the adoption of geographic indications.** Handicrafts produced in particular regions of Bangladesh could benefit from legal protection, which would also enhance the internal and external marketing of these distinctive products. The Government therefore could consider legislation to provide simple, transparent, and inexpensive procedures for establishing and protecting geographic indications for handicrafts and other artisan products.
- **Invest in capacity development for geographic indications.** In the event that geographic indications do receive protection, it would be important to provide practical information and training on geographic indications to artisans, especially women. Development partners and private sector trade bodies could assist the Government in providing this information and training

## ABOUT THE GREATER ACCESS TO TRADE EXPANSION (GATE) PROJECT

The GATE Project, funded by USAID's Office of Women in Development and implemented by Development & Training Services, Inc. (dTS), works with seven USAID Missions to better integrate gender considerations into economic growth and trade-related programs in order to help expand areas of opportunity and mitigate the adverse effects of economic and trade expansion for poor women and men. This full report was produced for USAID/Bangladesh by the GATE Project. The report was prepared by Sarah Gammage of GATE and drew on additional GATE research including a CGE model prepared by Marzia Fontana of the University of Sussex, a legal and regulatory analysis prepared by Eugenia McGill, an independent consultant, as well as a shrimp value chain study prepared by Sarah Gammage, Kenneth Swanberg, Mubina Khandkar, Md. Zahidul Hassan, Md. Zobair, and Abureza M. Muzareba.

To receive the full report, or for more information on other gender and trade-related research, please email [GATEProject@onlinedts.com](mailto:GATEProject@onlinedts.com) or call 703-465-9388.