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**Editorial Note**

After the flourishing one year journey along with four consecutive issues of the Bangladesh Journal of Tariff and Trade, we feel encouraged to publish the fifth issue. This issue has covered the articles namely 1) A Study on the Situation of Safety Measures at the Readymade Garments (RMG) Industry of Bangladesh, 2) Alternative medicines prospects in Bangladesh, 3) Practice of Workers Participation Committee at the RMG Industries in Bangladesh: an Observation and 4) EU-ASEAN Free Trade Agreement (FTA): Possible Impact on Bangladesh.

The contributors of this issue had tried to address the issues of dialogue, negotiation or the matters of governments and private sectors before signing any agreement, protocol, MoU on tariff and trade at bi-lateral, sub-regional, regional and global level. I am hopeful that the articles covered in this issue will help to enrich the understanding of the stakeholders about development of trade and investment in particular.

It is our pleasure that we have been able to publish a research journal successfully during our one year of journey. Already we have collected two ISSN (both for print and online) and Copy Right Certificate. Moreover, we have started to publish the research work of prominent researchers of our country. BTC welcomes any kind of advice as well as constructive criticism from the readers to improve the quality of the journal.

I, avail myself of this opportunity to express my heart-felt thanks and gratitude towards the Chairman of the Commission Mushfeka Ikfat, Advisory & Editorial Board members and others who are related with the journal publication activities for their continuous support and co-operation in maintaining the standard and quality of the journal.

Mohd. Khalid Abu Naser

Editor in Chief

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**Bangladesh Journal of Tariff and Trade**

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**ABSTRACT**

The readymade garment (RMG) industry in Bangladesh has experienced an unprecedented growth over the last three decades and become a fast growing industry in Bangladesh. This industry plays a vital role in the economy. The prospects of RMG sector, however, in Bangladesh not only depend on availability of cheap labor and government’s liberal policy but also depend on compliance with codes of conduct. Compliance means to comply with something or yield to the wishes of another. RMG sector of Bangladesh needs to improve the factory working environment and various social issues related to the industry. Bangladesh Garment Manufacturers and Exporters Association (BGMEA) and Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) set standards for compliance like factories must have alternative stairs, basic fire equipment, approved layout plan from concerned authority for ensuring safe building construction, group insurance for workers, hygienic sanitation facility and first aid appliance, as well as ensuring minimum wages and flexible jobs for the workers (Rahman, Md. Arifur and Hossain, Mir Sohrab, 2010). This paper examined the existing safety practices of RMG factories in Bangladesh, particularly factories located in Dhaka city in sample based.

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**Key Words: Benefits, Compliances, Safety.**

**1. Introduction**

## 1.1 Background

The RMG industry has been Bangladesh’s key export industry and a main source of foreign exchange for the last 25 years (Ahamed, Ferdous, 2012). It has grown over the space of a few short decades to become the second largest in the world (www.ilo.org).As a result of an insulated market guaranteed by Multi Fibre Agreement (MFA) of General Agreement Tariff and Trade (GATT) and supportive policies of the Government of Bangladesh (GoB), it attained a high profile in terms of foreign exchange earnings, exports, industrialization and contribution to the GDP within a short period. The RMG sector has become a key driver of the Bangladesh economy and the nation’s development. RMG exports totaled US$24.5 billion (2013-14) accounting for over 80% of the nation’s export earnings and employing some 4.2 million workers, 80% of whom are women (www.ilo.org).

Despite the phenomenal success of the RMG sector, poor working conditions in the factories and a lack of Social compliance are serious concerns which have, since 2006, led to labor unrest and damage to institutions and property. The loss of 1,136 lives when Rana Plaza collapsed on 24 April 2013 sent shockwaves worldwide (www.ilo.org). Coming just months after the fatal fire at Tazreen Fashions in which 112 died it was clear that the Bangladesh RMG sector had reached a crucial juncture (www.ilo.org). Business could not continue as usual. Fundamental changes relating to safety, inspection and compliance had to be made if the lives of over four million workers (www.ilo.org) were to be safeguarded and the confidence of global buyers retained.

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Compliance with health and safety standards is an important issue especially worker safety is very important in RMG industry. The government has taken some steps to improve the situation. Within these backgrounds, this study is an endeavor to look forward for adequate measures which will be useful for the future policy makers for the betterment of the RMG sector in Bangladesh.

**1.2 Statement of the Problem**

The RMG industry in Bangladesh has experienced an unprecedented growth over the last three decades and become a fast growing industry in Bangladesh. This industry plays a vital role in the economy in terms of export earnings, employment generation, poverty alleviation and empowering the woman. For development of this sector, Bangladesh needs to emphasize on the factory working environment, social issues, labor relations and compliances with codes of conduct (Rahman, Md. Arifur and Hossain, Mir Sohrab, 2010).

The prospects of RMG sector, however, in Bangladesh not only depend on availability of cheap labor and government’s liberal policy but also depend on compliance with codes of conduct. Compliance means to comply with something or yield to the wishes of another. RMG sector of Bangladesh needs to improve the factory working environment and various social issues related to the industry. International buyers are very particular about compliance with codes of conduct before placing any import order. Poor housekeeping, storage system, ineffective monitoring and controlling system, disorganized production layout, lack of team–based work, rented factory premises, narrow staircases, closed environment, insufficient light and air, clean drinking water, separate wash room for male and female, etc. are common practices in most of the RMG factories in Bangladesh (Rahman, Md. Arifur and Hossain, Mir Sohrab, 2010).

Bangladesh Garment Manufacturers and Exporters Association (BGMEA) and Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) set standards for compliance like factories must have alternative stairs, basic fire equipment, approved layout plan from concerned authority for ensuring safe building construction, group insurance for workers, hygienic sanitation facility and first aid appliance, as well as ensuring minimum wages and flexible jobs for the workers (Rahman, Md. Arifur and Hossain, Mir Sohrab, 2010). There are many recognized compliance bodies worldwide like ILO, ISO 14001, WRAP, BSCI, ETI, SAI, FLA. Owners of RMG factories and government can seek help from those bodies to improve the standard of environment as well as products of their industries. In this paper, the existing safety practices of RMG factories in Bangladesh, particularly factories located in Dhaka city are examined in sample based.

**1.3 Rationale of the Study**

As RMG sector is the nucleus of the country’s economy, so carrying out study for further upliftment of the sector is the demand of time to bring meaningful change removing ongoing volatility in the industry. At present the garments sector of the country is arguably unstable pointing out the necessity of in-depth study and analysis to heel it. Majority of the garments workers are unhappy with their toilsome labor but the security and safety net in the working place. The recent Rana plaza catastrophe and Tazreen fire tragedy with horrendous casualties have added further justifiability to initiate and conduct research study centring this issue. In addition, there is a dearth of notable study on the security and safety net of the garments workers in the country.

The current study is perceived to be a valuable addition in the existing literature relating to the security and safety grid of the garments workers from the legal, equitable and social aspect. From a narrower viewpoint, this study will contribute to ensure some instant benefit of the garments workers, for example their job security, social security, living standard, and service benefits along with working safety will be augmented. Motivation of the workers will lead to better productivity of the industry expediting further change for the country to expand its position and global market with recognition and clean image. From a broader perspective, this study will contribute to the socio-economic development of the country. The demonstrations and movements of the garments workers to ensure their rights every now and then create a serious social and political instability. Hence, if the garments workers are guaranteed maximum security and safety in their workplace, there will be a social stability, harmony and tranquility in lieu of the unwanted movements and demonstrations.

**1.4 Objectives of the Study**

**1.4.1 General Objective**

General objective of the study is to understand the situation of safety measures in the Ready Made Garment (RMG) industry of Bangladesh in line with the national and international legal framework.

**1.4.2 Specific objectives**

1. To know the socio-economic and demographic information of the respondents;
2. To find out the employment and working conditions of the RMG workers;
3. To identify present situation of safety measures in the RMG industry;
4. To identify the role of national and international organizations for ensuring safety measures in the RMG sector; and
5. To provide appropriate suggestions for developing policies, and programs at macro and micro levels for ensuring safety measures for the RMG workers.

**1.5** **Concept of Terms**

1. **Definition of Safety**

Safety is the state of being "safe" (from [French](https://en.wikipedia.org/wiki/French_language) *sauf*), the condition of being protected against physical, social, spiritual, financial, political, emotional, occupational, psychological, educational, or other types or consequences of failure, damage, [error](https://en.wikipedia.org/wiki/Error), [accidents](https://en.wikipedia.org/wiki/Accident), [harm](https://en.wikipedia.org/wiki/Harm), or any other event that could be considered non-desirable. Safety can also be defined to be the control of recognized hazards to achieve an acceptable level of risk. This can take the form of being protected from the event or from exposure to something that causes health or economical losses. It can include protection of people or of possessions (www.en.wikipedia.org).

1. **Meaning of Safety**

There are two slightly different meanings of *safety*. For example, *home safety* may indicate a building's ability to protect against external harm events (such as weather, home invasion, etc.), or may indicate that its internal installations (such as appliances, stairs, etc.) are safe (not dangerous or harmful) for its inhabitants (www.en.wikipedia.org).

Discussions of safety often include mention of related terms. Security is such a term. With time the definitions between these two have often become interchanged, equated, and frequently appear juxtaposed in the same sentence. Readers unfortunately are left to conclude whether they comprise a redundancy. This confuses the uniqueness that should be reserved for each by itself. When seen as unique, as we intend here, each term will assume its rightful place in influencing and being influenced by the other (www.en.wikipedia.org).

Safety is the condition of a “steady state” of an organization or place doing what it is supposed to do. “What it is supposed to do” is defined in terms of public codes and standards, associated architectural and engineering designs, corporate vision and mission statements, and operational plans and personnel policies. For any organization, place, or function, large or small, safety is a normative concept. It complies with situation-specific definitions of what is expected and acceptable (www.en.wikipedia.org).

Using this definition, protection from a home’s external threats and protection from its internal structural and equipment failures (see Meanings, above) are not two types of safety but rather two aspects of a home’s steady state (www.en.wikipedia.org).

In the world of everyday affairs, not all goes as planned. Some entity’s steady state is challenged. This is where security science, which is of more recent date, enters. Drawing from the definition of safety, then: “Security is the process or means, physical or human, of delaying, preventing, and otherwise protecting against external or internal, defects, dangers, loss, criminals, and other individuals or actions that threaten, hinder or destroy an organization’s ‘steady state’, and deprive it of its intended purpose for being” (www.en.wikipedia.org). Using this generic definition of safety it is possible to specify the elements of a security program (www.en.wikipedia.org).

1. **Limitations of Safety Concept**

Safety can be limited in relation to some [guarantee](https://en.wikipedia.org/wiki/Guarantee) or a standard of [insurance](https://en.wikipedia.org/wiki/Insurance) to the quality and un harmful function of an object or organization. It is used in order to ensure that the object or organization will do only what it is meant to do. It is important to realize that safety is relative. Eliminating all [risk](https://en.wikipedia.org/wiki/Risk), if even possible, would be extremely difficult and very expensive. A safe situation is one where risks of injury or property damage are low and manageable (www.en.wikipedia.org).

1. **Safety Measures**

*Safety measures* are activities and precautions taken to improve safety, i.e. reduce risk related to human health. Common safety measures include (www.en.wikipedia.org):

* [Chemical analysis](https://en.wikipedia.org/wiki/Chemical_analysis)
* [Destructive testing](https://en.wikipedia.org/wiki/Destructive_testing) of samples
* [Drug testing](https://en.wikipedia.org/wiki/Drug_test) of employees, etc.
* Examination of activities by specialists to minimize physical stress or increase productivity
* Geological surveys to determine whether land or water sources are polluted, how firm the ground is at a potential building site, etc.
* [Government regulation](https://en.wikipedia.org/wiki/Government_regulation) so suppliers know what standards their product is expected to meet.
* [Industry regulation](https://en.wikipedia.org/wiki/Regulation) so suppliers know what level of quality is expected. Industry regulation is often imposed to avoid potential government regulation.
* [Instruction manuals](https://en.wikipedia.org/wiki/Instruction_manual) explaining how to use a product or perform an activity
* Instructional videos demonstrating proper use of products
* [Root cause analysis](https://en.wikipedia.org/wiki/Root_cause_analysis) to identify causes of a system failure and correct deficiencies.
* [Internet safety](https://en.wikipedia.org/wiki/Internet_safety) or Online Safety, is protection of the [user](https://en.wikipedia.org/wiki/User_%28computing%29)'s safety from cyber threats or [computer crime](https://en.wikipedia.org/wiki/Computer_crime) in general.
* Periodic evaluations of employees, departments, etc.
* [Physical examinations](https://en.wikipedia.org/wiki/Physical_examination) to determine whether a person has a physical condition that would create a problem.
* Safety margins/Safety factors. For instance, a product rated to never be required to handle more than 200 pounds might be designed to fail under at least 400 pounds, a safety factor of two. Higher numbers are used in more sensitive applications such as medical or transit safety.
* Self-imposed regulation of various types.
* Implementation of standard protocols and procedures so that activities are conducted in a known way.
* Statements of ethics by industry organizations or an individual company so its employees know what is expected of them.
* [Stress testing](https://en.wikipedia.org/wiki/Stress_testing) subjects a person or product to stresses in excess of those the person or product is designed to handle, to determining the "breaking point".
* [Training](https://en.wikipedia.org/wiki/Training) of employees, vendors, product users
* Visual examination for dangerous situations such as emergency exits blocked because they are being used as storage areas.
* Visual examination for flaws such as cracks, peeling, loose connections.
* X-ray analysis to see inside a sealed object such as a weld, a cement wall or an airplane outer skin.

1. **RMG (Ready Made Garments)**

The [economy of Bangladesh](https://en.wikipedia.org/wiki/Economy_of_Bangladesh) is largely dependent on [agriculture](https://en.wikipedia.org/wiki/Agriculture). However the Ready–Made Garments (RMG) sector has emerged as the biggest earner of foreign currency. The RMG sector has experienced an exponential growth since the 1980s.The sector contributes significantly to the [GDP](https://en.wikipedia.org/wiki/GDP). It also provides employment to around 4.2 million Bangladeshis, mainly women from low income families.

**1.6 Methodology**

This section describes about the Research Plan. It will explain how the study was directed. It describes the study area, research design, study population, sampling technique and procedure, sources of data, instrumentation, field work and methods of data analysis.

**1.6.1 Study Area**

The study is basically confined on Readymade Garments sector within Dhaka city.

|  |
| --- |
|  |
| **Figure 01. The Map of Dhaka Industrial Area (**www.[cusdhaka.org](http://cusdhaka.org/bulletin-articles/spatial-pattern-of-manufacturing-industries-in-the-greater-dhaka-urban-region-gdur)**)** |

**1.6.2 Study Design**

“The success of every research is dependent on the research design employed (Polit & Hungler, 1991)”. “Every component of the research methodology is informed by the design (Polit & Hungler, 1991)”**. “**The value of, and need for, objective, methodologically sound research is undeniable (Polit & Hungler, 1991)”. “Only through sound research designs can threats to validity be eliminated and, also draw scientifically valid conclusions to inform practice (Polit & Hungler, 1991)”. This research’s target is to measure the safety issues at the RMG sectors of Bangladesh. Primarily it’s based on qualitative research where the circumstances were interpreted by the interviews and case study. Thus the design for this study was an accumulation of qualitative and quantitative research. Quantitative research is defined as "the numerical representation and manipulation of observations for the purpose of describing and explaining the phenomena that those observations reflect (Crotty, 1998, p. 23)" while qualitative research is "the non-numerical examination and interpretation of observations, for the purpose of discovering underlying meanings and patterns of relationships (Crotty, 1998, p. 23)”. Through these definitions it has proved that quantitative and qualitative research helps to identify the reasons for using each methodology differently. “Although the use of a single methodology has been advocated by a number of researchers, many of the supporting arguments are decidedly pragmatic, such as time constraints (Creswell, 1994)”.

Jayaratne (1993) indicates that “a researcher should aim to achieve the situation where blending qualitative and quantitative methods of research can produce a final product, where the significant contributions of both approaches can be highlighted”. Though some researchers believe that “qualitative and quantitative methodologies cannot be combined because the assumptions underlying each tradition are so vastly different, others think they can be used in combination only by alternating between methods where qualitative research is appropriate to answer certain kinds of questions in certain conditions and quantitative is right for others”. Snyder (1995) notes “employing both qualitative and quantitative approaches in a study offers three main advantages”. “Firstly, the mixed method increases the comprehensiveness of overall findings, by showing how qualitative data provides explanations for statistical data (Snyder, 1995)”. “Secondly, the method can expand the dimensions of the research topic (Snyder, 1995)”. “Thirdly, the method can increase the methodological rigor as findings in both phases could be checked for consistency (Snyder, 1995)”. Mixed method approach could boost our concepts of the socio-cultural impacts of tourism on rural communities.

**1.6.3 Sources of data**

Primary and Secondary data sources were used for this study. The Primary data gathered from the Interviews through structured Questionnaire. The Secondary data were gathered from literatures of books, policies, journals and articles of the relevant documents. “These multiple sources of data offered the researcher the opportunity of viewing the study from its many facets (Gross, 1971; Yin et al., 1983)”. “This advantage was of particular interest to the study as it is noted in the literature that multiple sources of evidence provide for better case studies (Gross, 1971; Yin et al., 1983)”.

**1.6.4 Study population and unit of Analysis**

All the respondents of this study are workers and officers employed in the RMG industry in Dhaka city and every worker and officers were counted as ‘a unit’ of analysis of the study.

**1.6.5 Sampling techniques**

According to Seidu (2006), “purposive sampling helps to select only those variables that relate to the objectives of the study”. Crouch (2006) suggested that “in the case of qualitative research, thus for interview‐based research, small samples of less than 20, enhances the validity of fine‐grained and in‐depth inquiry”. Margarete (1995) also indicated that “if the survey sample size falls below 30, the reliability will be low”. Therefore, “a researcher should always aim at having at least samples by obtaining more referrals in case some of those approached do not participate (Tamakloe 2011)”. According to the researchers, this study considered a total sample size of 30-40 (both female and male) to get an acceptable result. Besides, four case studies was also conducted for in-depth information regarding safety situation of RMG industry.

**1.6.6 Data Collection Technique**

Primary data was collected through a detailed interview schedule. Besides, Focus Group Discussion (FGD), observation, informal discussion and case study guideline were used as supportive techniques. As secondary source the review, included the available reports, gazettes of respective industries, relevant literature and studies on RMG sectors, BGMEA and BKMEA report international organizations like, ILO, Accord-Alliance and annual reports and documents of GOs and NGOs involved in various safety support services/ activities, documents etc.

**1.6.6.1 Interview Schedule**

To get the information, an Interview Schedule (Annexure B) was used. The schedule was filling-up with face-to-face interviews of the respondents. This is because most of the respondents were illiterate or primary level educated.

**1.6.6.2 Variables of Safety Measures (Interview Schedule were prepared through these guidelines)**

* 1. Satisfaction with existing safety facilities.
  2. Condition of structure of factory building.
  3. Adequacy of fire extinguishing appliances.
  4. Firefighting practice facility.
  5. Adequate and wide fire doors.
  6. Wide aisles for fire fighters to entre and rescue.
  7. Training as to use of machine safely.
  8. Sufficiently wide floors, stairs and pathways.
  9. Floors, stairs and pathways free from blockade.
  10. Effective lighting, ventilation and room-temperature control system.
  11. Density of workers in workplace.
  12. Awareness program

**1.6.7 Ethical consideration**

According to Heermance (1924), “practices are ethical if, in the long run, they make for the well-being of the human species and for normal human relations”. “If there is friction and social loss, it is a sign of unethical conditions (Heermance 1924)”. It was strictly ensured that, the participants who participated at the interview sessions were coming voluntarily. All participants were well informed about the purpose of the survey before the interview. The confidentiality of the Interview and that individual information were strictly maintained.

**1.6.8 Methods of data analysis**

The data obtained from the questioners were analyzed manually by using the simple statistical analysis and graphical presentations.

**2. Literature Review**

Many researchers have investigated working conditions in the Bangladesh garments industry. In fact Working conditions in the RMG sector are below standard and do not meet the ILO standards (Ahamed, Ferdous, 2012). Labor standards and rights are commonly ignored in the RMG factories in Bangladesh: poor practices include the absence of trade unions, informal recruitment, and irregular payment, sudden termination, wage discrimination, excessive work, and abusing child labor (Ahamed, Ferdous, 2012). Moreover workers suffer various kinds of diseases due to the unhygienic environment and a number of workers are killed in workplace accidents, fires and panic stampedes (Ahamed, Ferdous, 2012). Absence of an appropriate mechanism to ensure the enforceability of the available laws for protecting workers’ rights and maintaining workplace safety continues to be a concern in the RMG sector (Ahamed, Ferdous, 2012). As the sector is an important foreign exchange earning component, some changes are required (Ahamed, Ferdous, 2012).

Working conditions in the RMG sector frequently violate international labour standards, and Codes of Conduct (Qudus and Uddin S., 1993; Dasgupta S., 2002). Recruitment policies are highly informal compared to western standards and there are no written formal contracts and appointment letters. They are therefore vulnerable to losing their jobs at any time. However, fear of losing their jobs and lack of alternative job opportunities compel workers to continue in unsatisfactory employment (Bansari, 2010).

Kumar (2006) focuses; Garments workers are concerned with long working hours or double consecutive shifts, personally unsafe work environment, poor working conditions, wage and gender discrimination. Indeed, employers treat the RMG workers as slaves, exploiting workers to increase their profit margins and keep their industry competitive in the face of increasing international competition (Kumar A., 2006).

Continuous work schedule, wage penalties, physical and verbal abuse are common. Women workers face physical abuse and sexual harassment inside as well as outside the factories, but management does not ensure the security of women workers. Alam (2004) suggested regulatory measures and its strict implementation and monitoring by the government agency that could overcome work place in security problem of garments workers in Bangladesh.

Work areas are often over crowded with limited workspaces, causing occupational hazards such as musculoskeletal disorders and contagious diseases. Injuries, fatalities, disablement and death from fire and building collapses are frequent in the RMG sector (Majumder P, 1998). The absence of labor standards monitoring system and ineffective building codes, poor enforcement and outdated labour laws, and a lack of awareness of labor rights among workers.

Labour unrest is common in the RMG sector (Ahamed, Ferdous, 2012). In most cases, employers do not draw attention to workers’ rights and ignore labour standards and discarding fair labour practices (Ahamed, Ferdous, 2012). Formation of a trade union is often thwarted by severe repression, dismissal, arrest, assault by hooligans hired by employers, and other practices which are in violation of the international labor standards and Codes of Conduct (ILO, 2003). Morshed advocates the key role of Cambodian labour unions in the clothing sector and as mediator’s between workers and factory owners to settle disputes and discuss wages (Morshed, 2007). To avoid unrest in the RMG sector, Khan (2006) argued for strengthening Social compliance issues and labour standards to improve wages, working hours, overtime, job security, the right to form trade unions, social security and also occupational health and safety.

Bangladesh is considered to have the child labour problem especially in the RMG sector. In most cases, children often commence work at a very young age; as a result, they are suffering serious injuries and sometimes death in the workplace (Rahman, Khanam, and Nur 1999).

Bangladeshi exporters have been under continuous pressure to comply with international labour standards (Ahamed, Ferdous, 2012). Ensuring Social compliance is very important in the garments industries to both maintain quality of products as well as meeting the expectations of the export market (Ahamed, Ferdous, 2012). However, Bangladeshi exporters have been under continuous pressure to comply with international labour standards (Ahamed, Ferdous, 2012). Therefore, an effective initiative by the Government in this regard can provide a basis for negotiating with buyers for a unique set of Codes of Conduct, based on national laws and core labor standards (Ahamed, Ferdous, 2012).

Khan (2006) suggested that NGOs, civil society, trade unions and other stakeholders should work together to adopt the Code of Conduct for a viable and competitive RMG industry. The government, NGOs, international agencies, buyers and other stakeholder groups promote full compliance with mandatory requirements as specified in the law.

This literature review indicates that most garments factories in Bangladesh pay little attention to labour standards and labour rights, disallow trade union activities, unsafe working environment, and ineffective laws and discard fair labor practices, and compliance enforcement is limited and limited role of stakeholders(Ahamed, Ferdous, 2012). This has led to the labor unrest in the RMG sector (Ahamed, Ferdous, 2012). Consequently, many international buyers now demand compliance with their own Codes of Conduct before placing import orders for Bangladeshi garments (Ahamed, Ferdous, 2012). Therefore, an effective initiative by the Government in this regard can provide a basis for negotiating with buyers for a unique set of Codes of Conduct, based on national laws and core labour standards. At the same time, significant reform of the relevant agencies along with sufficient strength and skills to perform their duties and responsibilities is a prerequisite to monitor Social compliance (Ahamed, Ferdous, 2012).

**2.1** **Background of RMG Industries in Bangladesh**

The term “garment” is used interchangeably with “apparel” and “clothing”. “Garment” includes readymade woven garments as well as knitwear and hosiery. The products of the garments industry are very diverse, ranging from industrial work wear basic shirt. The concept of “textile complex” or “textile chain” includes the ginning of fiber, spinning yarn, weaving fabrics and operations like dyeing, processing, printing, finishing the fiber and finally making the Readymade Garment (RMG). The final product is garment (M. Monjur Morshed, 2007).There are about 5000 readymade garment factories in Bangladesh, out of which 2100 factories are in Dhaka city and 860 are in Gazipur (According to BGMEA) (Mustafa K., Mohammed M. B. and Sanjida H., 2010).

In the 1950s, labors in the Western World became highly organized; forming trade unions. This and other changes provided workers greater rights including higher pay; which resulted in higher cost of production. Retailers started searching for places where the cost of production was cheaper. Developing economies like Hong Kong, Taiwan and South Korea presented themselves as good destinations for relocations because they had open economic policies and had non-unionized and highly disciplined labor force that could produce high quality products at much cheaper costs. In order to control the level of imported RMG products from developing countries into developed countries, Multi Fiber Agreement (MFA) was made in 1974. The MFA agreement imposed an export rate 6 percent increase every year from a developing country to a developed country (www.garmentsacknowledgement.blogspot.com).

It also allowed developed countries to impose quotas on countries that exported at a higher rate than the bilateral agreements. In the face of such restrictions, producers started searching for countries that were outside the umbrella of quotas and had cheap labor. This is when Bangladesh started receiving investment in the RMG sector. In the early 1980s, some Bangladeshis received free training from Korean Daewoo Company. After these workers came back to Bangladesh, many of them broke ties with the factory they were working for and started their own factories. The hundred percent export-oriented RMG industry experienced phenomenal growth during the last 15 or so years. In 1978, there were only 9 export-oriented garment manufacturing units, which generated export earnings of hardly one million dollar. Some of these units were very small and produced garments for both domestic and export markets. Four such small and old units were Reaz Garments, Paris Garments, Jewel Garments and Baishakhi Garments. Reaz Garments, the pioneer, was established in 1960 as a small tailoring outfit, named Reaz Store in Dhaka. It served only domestic markets for about 15 years. In 1973 it changed its name to M/s Reaz Garments Ltd. and expanded its operations into export market by selling 10,000 pieces of men's shirts worth French Franc 13 million to a Paris-based firm in 1978. It was the first direct exporter of garments from Bangladesh. A woman entrepreneur established one of the oldest export-oriented garment factories, the Baishakhi Garment in 1977 (www.forum.daffodilvarsity.edu.bd). Desh Garments Ltd, the first non-equity joint-venture in the garment industry was established in 1979. Desh had technical and marketing collaboration with Daewoo Corporation of South Korea. It was also the first hundred percent export-oriented company. It had about 120 operators including 3 women trained in South Korea, and with these trained workers it started its production in early 1980. Another South Korean Firm, Youngones Corporation formed the first equity joint- venture garment factory with a Bangladeshi firm, Trexim Ltd. in 1980. Bangladeshi partners contributed 51% of the equity of the new firm, named Youngones Bangladesh. It exported its first consignment of padded and non-padded jackets to Sweden in December 1980 (www.garmentsacknowledgement.blogspot.com).

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| **Figure 02: The RMG Workers in Bangladesh** ([www.dhakatribune.com](http://www.google.com.bd/url?sa=i&source=imgres&cd=&ved=0CAsQjB0wAA&url=http%3A%2F%2Fwww.dhakatribune.com%2Fop-ed%2F2013%2Fsep%2F26%2Fwages-rmg-industry&ei=xohfVaPPNqPTmAWQhoHADw&psig=AFQjCNElh8Aev2KDQZKOYGC5KKzCqsTNRQ&ust=1432410694977164)) | |

Within a short period, Bangladeshi entrepreneurs got familiar with the world apparel markets and marketing. They acquired the expertise of mobilizing resources to export-oriented RMG industries. Foreign buyers found Bangladesh an increasingly attractive sourcing place. To take advantage of this cheap source, foreign buyers extended, in many cases, suppliers' credit under special arrangements. In some cases, local banks provided part of the equity capital. The problem of working capital was greatly solved with the introduction of back-to-back letter of credit, which also facilitated import of quality fabric, the basic raw material of the industry. The government assigned high priority to the development of RMG industry (www.garmentsacknowledgement.blogspot.com).

Till the end of 1982, there were only 47 garment manufacturing units. The breakthrough occurred in 1984-85, when the number of garment factories increased to 587. The number of RMG factories shot up to around 2,900 in 1999. Bangladesh is now one of the 12 largest apparel exporters of the world, the sixth largest supplier in the US market and the fifth 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 and 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 (www.garmentsacknowledgement.blogspot.com).



**Table 01: Growth of the RMG in Bangladesh** (www.bgmea.com.bd)

At present there are about 5000 garment industries in the country and 75 percent of them are in Dhaka. The rest are in Chittagong and Khulna. These Industries have employed fifty lacks of people and 85 percent of them are illiterate rural women. About 76 percent of our export earning comes from this sector (www.forum.daffodilvarsity.edu.bd).

The country's RMG sector, to a creditable level has relieved Bangladesh from over populous unemployment burden through providing the largest employment next to agriculture, transport, and trade and industry sector. This sector has uplifted the neglected section of the population, thus radically transforming the socio-economic condition of the country. Such empowerment and employment raised awareness regarding children education, health safety, population control disaster management only so for. It is an epoch making event in the history of Bangladesh (www.forum.daffodilvarsity.edu.bd).

**2.2** **Working Conditions at the RMG Sectors**

Working conditions in the RMG sector frequently violate international labor standards and Codes of Conduct. Recruitment policies are highly informal compared to western standards and there are no written formal contracts and appointment letters. They are therefore vulnerable to losing their jobs at any time. However, fear of losing their jobs and lack of alternative job opportunities compel workers to continue in unsatisfactory employment. Continuous work schedule, wage penalties, physical and verbal abuse are common. Women workers face physical abuse and sexual harassment inside as well as outside the factories but management does not ensure the security of women workers. However, regulatory measures and its strict implementation and monitoring by the government agency that could overcome work place in security problem of garments workers in Bangladesh. The working environment in Bangladesh RMG sector is below standards (www.bizstudyportal.com).

Most factories do not have adequate ventilation and exhaust fans that leave the garments workers exposed to toxic substances and dust. Raw materials contain dust and fibre particles that hang in the air. Dye, a toxic substance emitted from colored cloth, spreads in the workroom. As a result, many workers suffer from constant fatigue, headaches, anaemia, fever, chest, stomach, eye and ear pain, cough and cold, diarrhoea, dysentery, urinary tract infection and reproductive health problems due to overwork, uncongenial working conditions, and wide-ranging labor law violations. In fact the Factories Act of 1965 sets the occupational safety and health standards in Bangladesh, but like every other aspect of the Labor Code, it is rarely enforced due to the lack of resources and corrupt practices in the system (www.bizstudyportal.com).

Work areas are often overcrowded with limited workspaces causing occupational hazards such as musculoskeletal disorders and contagious diseases. The absence of labor standards monitoring system and ineffective building codes, poor enforcement and outdated labor laws and a lack of awareness of labor rights among workers (www.bizstudyportal.com).

Labor unrest is common in the RMG sector. In most cases, employers do not draw attention to workers’ rights and ignore labor standards and discarding fair labor practices. Formation of a trade union is often thwarted by severe repression, dismissal, arrest, assault by hooligans hired by employers and other practices which are in violation of the international labor standards and Codes of Conduct (ILO, 2003). To avoid unrest in the RMG sector, research recommended for strengthening Social compliance issues and labor standards to improve wages, working hours, overtime, job security, the right to form trade unions, social security and also occupational health and safety. Moreover, research suggested that NGOs, civil society, trade unions and other stakeholders should work together to adopt the Code of Conduct for a viable and competitive RMG industry. The government, NGOs, international agencies, buyers and other stakeholder groups promote full compliance with mandatory requirements as specified in the law (www.bizstudyportal.com).

**2.3 Industrial Relations at RMG Sectors in Bangladesh**

The relationship between employers and employees is known as industrial relations (IR) where employers include the owners and its representatives comprising management personnel and where employee means the operatives and workers who have no decision making power for the development of company. Government is known as the third party in industrial relations. Good relationship among employers, employees, and the government is important for industrial growth, sustainability, profitability, and well-being irrespective of any sector or industry (www.textiletoday.com.bd).

Textile industry is one of the important industries in Bangladesh having nearly 13% contribution to the Gross Domestic Product (GDP). This industry employs near about 5 million people and it is the second largest contributor to foreign currency reserve after remittance in terms of net of export and net of remittance. Readymade Garments (RMG) is considered as the backbone of this sector which employs 3.6 million people. This is considered as backbone because this RMG industry creates scopes for the other backward linkage industries including fabric manufacturing industry, wet processing industry, spinning industry, etc (www.textiletoday.com.bd).

So this is very important to maintain affable industrial relations in RMG industry. We should always remember while maintaining industrial relations especially in RMG industry that 80% of the 3.6 million employees are women who have no capacity to contribute in the GDP other than being RMG operatives or homemakers and we also should remember that our RMG industry remains competitive in the global market for this low cost workforce and we are holding second position in garment selling in the global market with 5% market share (www.textiletoday.com.bd).

New type of industrial relations to be formulated considering the garments owners’ interest, interest of the management, interest of the middle group including buying house, and interest of the operatives (the cutting and making force, the competitive advantage force, the pivotal factor of garments production, the RMG industry subsisting force) (www.textiletoday.com.bd).

Both the parties should maintain mutually beneficial relationship for the betterment of the nation and its socio economic environment. Declaring lay off for resentment or go for strike or firing operatives for strike are not the way of solution, ultimately these are the example of bad industrial relations (www.textiletoday.com.bd).

In 1994,  workers  called  a  strike  for  establishing  minimum  wages  and  implementing labor  laws  in  the  RMG  sector. As  a  result,  a  tripartite  committee,  headed  by  the then  Labor  Minister  was  formed.  It consisted of three workers’ representatives and three representatives from employers and governments. The functions of the Committee were to review the demands of garments workers, and monitor violation of labor laws.  In 1997, a bilateral committee, consisting of representatives from Grand Alliances of Workers and BGMEA, was formed to resolve factory level disputes, and was successful in many cases (Fair Wear Foundation, 2013).

From 1994 to 2006, RMG workers’ unions signed seven agreements with the BGMEA covering minimum wages for garments workers, recognition of trade union activities, provision of appointment letters and identity cards to the workers, fixing working hours and ensuring maternity leave and other holidays. The national tripartite agreement was concluded between the government, BGMEA and the organizations representing garments workers in 2006. Popularly known as the national tripartite memorandum of understanding, it is seen as a major step towards resolving the abovementioned issues. Most of the demands were subsequently incorporated in the Bangladesh Labor Law Act 2006 (Fair Wear Foundation, 2013).

**2.4 Multilateral Bodies which are working for workers**

* **BGMEA/Registered Trade Union Federation bi-lateral committee**: formed in 1997 to address labor issues such as maternity leave, overtime, payment of wages, minimum wages.
* **Conciliation-cum-Arbitration Committee (CAC):** Since 26th April 1998 the CAC in accordance to Industrial Relations Ordinance (IRO)‐1969 works to solve disputes and grievances.
* **Wage Board:** Section 138 (clause i) of the labor law sets the provision for the establishment of a minimum wage board. The wage board, according to clause-ii of the same article would comprise of:

• A chairman

• A neutral (i.e., belonging to no party) member

• A representative of the enterprise owners

• A representative of the workers for cases where specific industries are involved one member each from the owners’ side and the workers’ side from the industry would be taken as members of the wage board for that specific industry.

* **Ministry of Labor and Employment’s Directorate of Labor and Inspection** (DoL): is responsible for implementation and monitoring of all labor and industrial laws. The DoL provides conciliatory service for settlement of industrial disputes. DoL is the accrediting and regulatory agency for the trade unions in Bangladesh. Director of DoL is also the Registrar of Trade Unions. The DoL office also mediates inter‐union and intra‐union conflicts/disputes through informal discussion etc.
* **Ministry of Commerce:** is responsible for regulating domestic and international trade, and formulating and implementing import and export policies for the country within the legal structure set by the Imports and Exports (Control) Act, 1950 and the Import Policy Order.

**2.5 International Legal framework relating to safety**

**2.5.1 ILO Conventions relating to Safety (www.ilo.org)**

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| **Name of the ILO**  **Convention** | **The Convention deals with (main**  **objectives) the …** | **Bangladesh**  **has ratified**  **Yes/ No** |
| Medical Examination of  Young Persons (Industry)  Convention, 1946 | Medical examination for fitness for employment in industry of children and Young persons. | No |
| Radiation Protection  Convention, 1960 | Protection of workers against ionizing radiations. | No |
| Hygiene (Commerce and  Offices) Convention, 1964 | Hygiene of the workers working in the trading establishments, or in establishments, institutions and administrative services in Which the workers are mainly engaged in office work. | No |
| Medical Examination of Young  Persons (Underground Work)  Convention, 1965 | Medical examination of young persons in order to ensures their fitness for employment in underground places. | No |
| Medical Care and Sickness  Benefits Convention, 1969. | Medical care and sickness benefits of the Workers. | No |
| Working Environment (Air  Pollution, Noise and Vibration)  Convention, 1977 | Working environment of the workers, such as atmospheric pollution, noise and vibration and so forth. | No |
| Occupational Safety and Health  Convention, 1981 | Safety and health and the working Environment. | No |
| Occupational Health Services  Convention, 1985 | Establishing and maintaining a safe and healthy working environment. | No |
| Asbestos Convention, 1986 | Safety in the use of asbestos | No |
| Chemicals Convention, 1990 | Safety in the use of chemicals at work | No |
| Night Work Convention,  1990 | Protect the health of the night workers and to assist them to meet their family and social Responsibilities and so forth. | No |
| Prevention of Major Industrial  Accidents Convention, 1993 | Prevention of major accidents involving hazardous substances and the limitation of the consequences of such accidents. | No |
| Promotional Framework for  Occupational Safety and  Health Convention, 2006 | Promote continuous improvement of occupational safety and health with a view to prevent occupational injuries, diseases and deaths of the workers. | No |

(N.B.: This conventions followed by the Protocol of 2002 to the Occupational Safety and Health Convention, 1981)

**2.6 National Legal framework relating to safety**

**2.6.1. Bangladesh Labor ACT, 2006 (XLII OF 2006)**

**2.6.1.1Chapter- VI: Safety**

This chapter has described about the Safety (from Section No. 61-78) issues, which are as follows (www.vivhaan.com):

* **Section # 61. Safety of building and machinery**

(1) If it appears to the Inspector that any building or part of a building or any part of the ways, machinery or plant in an establishment is in such a conditions that it is dangerous to human life or safety, he may serve on the employer of the establishment an order in writing specifying the measures which, in his opinion, should be adopted, and requiring them to be carried out before a specified date.

(2) If it appears to the Inspector that the use of any building or part of a building or of any part of the ways, machinery or plant in the establishment involves imminent danger to human life or safety, he may serve on the employer of the establishment an order in writing prohibiting its use until it has been properly repaired or altered.

* **Section # 62. Precaution in case of fire**

1. Every establishment shall be provided with at least one alternative connection stairway with each floor and such means of escape in case of fire and firefighting apparatus, as may be prescribed by rules.
2. If it appears to the inspector that any establishment is not provided with the means of escape prescribed under sub-section (1) he may serve on the employer of the establishment an order in writing specifying the measures which in his opinion, should be adopted before a date specified in the order.
3. In every establishment the doors affording exit from any room shall not be locked or fastened so that they can be easily and immediately opened from inside while any person is within the room and all such doors, unless they are of the sliding type, shall be constructed to open outwards or where the door is between two rooms, and all such doors, unless they are of the sliding type, shall be constructed to open outwards or where the door is between two rooms, in the direction of the nearest exit from the building and no such door shall be locked or obstructed while work is being carried on in the room.
4. In every establishment every window, or other exit affording means of escape in case of fire, other than the means of exit in ordinary use, shall be distinctively marked in Bangla and in red letters of adequate size or by some other effective and clearly understood sign.
5. In every establishment every window, door, or other exit affording means of escape in case of fire to every person employed therein.
6. A free passage-way giving access to each means of escape in case of fire shall be maintained for the use of all workers in every room of the establishment.
7. In every establishment wherein more than ten workers are ordinarily employed in any place above the ground floor, or explosive or highly inflammable materials are used or stored, effective measures shall be taken to ensure that all the workers are familiar with the means of escape in case of fire and have been adequately trained in the routine to be followed in such case.

(8) In factories wherein fifty or more workers and employees are employed shall arrange at least once in a year a mock fire-fighting and the employer shall maintain a book of records in this regards.

* **Section # 63. Fencing of machinery**

(1) In every establishment the following shall be securely fenced by the safeguards of substantial construction which shall be kept in position while the part of machinery required to be fenced are in mention or in use, namely-

1. Every moving part of a prime mover, and fly wheel connected to a prime mover;
2. The head-race and tail-race of every water wheel and water turbine;

(c) Any part of a stock-bar which projects beyond the head stock of a lathe; and

(d) Unless they are in such position or of such construction as to be as safe to every person employed in the establishment as they would be if they were securely fenced-

(i) Every part of an electric generator,- a motor or rotary converter,

(ii) Every part of transmission machinery, and

(iii)Every dangerous part of any machinery:

Provided that, for the purpose of determining whether any part of machinery is safe as aforesaid, account shall not be taken of any occasion when it being necessary to make an examination of the machinery while it is in motion, such examination or operation is made or carried in accordance with the provisions of section 64.

(2) without prejudice to any other provision of this Act relation to the fencing o machinery, every set screw, bolt and key on any revolving shaft, spindle wheel or pinion and all spur, worm and other toothed or friction gearing in motion with which such worker would otherwise be liable to come into contact, shall be securely fenced, to prevent such contact.

* **Section # 64. Work on or near machinery in motion**

(1) Where in any establishment it becomes necessary to examine any part of machinery referred to in section 61 while the machinery is in motion or as a result o such examination to carry out any mounting or shipping of belts, Lubrication or other adjusting operation while the machinery is in motion such examination or operation shall be made or carried out only by a specially trained adult male worker wearing tight-fitting clothing whose name has been recorded in the register prescribed in this behalf and while he so engaged such worker shall not handle a belt at a moving pulley unless the belt is less than fifteen centimeters in width and unless the belt-joint is either laced or flush with the belt.

(2) The Government may, by notification in the official Gazette, prohibit, in any specified establishment, the cleaning, lubricating, or adjusting by any person of specified part of machinery when those parts are in motion.

* **Section # 65. Striking gear and devices for cutting off power**

(1) In every establishment-

1. suitable striking gear or other efficient mechanical appliance shall be provided and maintained and used to move driving belts to and from fast and loose pulleys which from part of the transmission machinery, and such gear or appliances shall be so constructed, placed and maintained as to prevent the belt from cropping back on the first pulleys;
2. Driving belts when not in use shall not be allowed to rest or ride upon shafting in motion.

(2) In every establishment suitable devices for cutting off power in emergencies from running machinery shall be provided and maintained in every work-room.

* **Section # 66. Self-action machines**

No traversing part of a self-acting machine in any establishment and no material carried thereon shall, if the space over which it runs is a space over which any person is liable to pass whether in the course of his employment or other distance of forty five centimeters from any fixed structure which is not part of the machine:

Provided that the chief Inspector may permit the continued use of a machine installed before the commencement of this Act which does not comply with the requirements of this section on such conditions for ensuring safety as he may think fit to impose.

* **Section # 67. Casing of new machinery**

In all machinery driven by power and installed in any establishment after the commencement of this Act-

(a) Every set screw, belt or key or any revolving shaft, spindle wheel or pinion shall be so, sunk, encased or otherwise effectively guarded to prevent danger; and

(b) all spur, worm and other toothed or friction gearing which does not require frequent adjustment while in motion shall be completely encased unless it is so situated as to be as safe it would be if it were be if were completely encased.

* **Section # 68. Cranes and other lifting machinery**

The following provisions shall apply in-

(a) Every part thereof, including the working gear, whether fixed or movable, ropes and chains and anchoring and fixing appliances shall be-

(i) Of good construction, sound material and adequate strength,

(ii) Properly maintained,

(iii) thoroughly examined by a competent person at least once in every period of twelve months and a register shall be kept containing the prescribed particulars of every such examination;

(b) no such machinery shall be loaded beyond the safe working load which shall be plainly marked thereon; and

(c) while any person is employed or working on or near the wheel-tract of a traveling crane in any place, where he would be liable to be struck by the crane, effective measures shall be taken to ensure that crane does not approach within six meter of that place.

* **Section # 69. Hoists and lifts**

(i) In every establishment every hoist and lift shall be-

(a) Of good mechanical construction, sound material and adequate strength,

(b) Properly maintained,

(c) Shall be thoroughly examined by competent person at least once in every period of six months, and a register shall be kept containing the prescribed particulars of every such examination;

(2) every hoist way and lift way shall be sufficiently protected by an enclosure fitted with gates, and the hoist or sift and every such enclosure shall be so constructed as to prevent any person or thing from being trapped between any part of the hoist or lift and any fixed structure or moving part;

(3) The maximum safe working load shall be plainly marked on every hoist or lift and no load greater than such load shall be carried thereon;

(4) The cage of every hoist or lift used for carrying persons shall be fitted with a gate on each side from which access is afforded to a landing;

(5) every gate referred to in subsection (2) or (4) shall be fitted with interlocking or other efficient device to secure that the gate cannot be opened except when the cage is at the landing and that the cage cannot be moved unless the gate is closed.

(6) The following additional requirements shall apply to hoists and lifts used for carrying persons and installed or reconstructed in an establishment after the commencement of this Act, namely-

(a) Where the cage is supported by rope or chain there shall be at least two ropes or chains separately connected with its attachments shall be capable of carrying the whole weight of the cage together with its maximum load;

(b) Efficient devices shall be provided and maintained capable of supporting the cage together with its maximum load in the event of breakage of the ropes, chains or attachments;

(c) An efficient automatic device shall be provided and maintained to prevent the cage from over-running.

(7) The chief Inspector may permit the continued use of a hoist or lift installed in an establishment before the commencement of this Act which does not fully comply with the provisions of subsection (1), (2), (3), (4) and (5) upon such conditions for ensuring safety as he may think fit to impose.

* **Section # 70. Revolving machinery**

(i) in every room in an establishment in which the process of grinding is carried on, there shall be permanently affixed to, or placed near, each machine in use a notice indicating the following-

(a) Maximum safe working peripheral speed of every grind stone or abrasive wheel:

(b) The speed of the shaft or spindle upon which the wheel is mounted;

(c) The diameter of the pulley upon such shaft or spindle necessary to secure such safe working peripheral speed.

(2) The speeds indicated in notices under sub-section (1) shall not be exceeded.

(3) Effective measures shall be taken in every revolving vessel, cage, basket, flywheel, pulley dice or similar appliance driven by power is not exceeded.

* **Section # 71. Pressure plant**

If in any establishment any part of the plant or machinery used in manufacturing process is operated at a pressure above atmospheric pressure, effective measures shall be taken to ensure that the safe working pressure of such part is not exceeded.

* **Section # 72. Floors, stairs and means of access**

In every establishment -

(a) all floors, stairs, passages and gangways shall be of sound construction and properly maintained and where it is necessary to ensure safety steps, stairs, passages and gangways shall be provided with substantial handrails;

(b) there shall, so far as is reasonably practicable, be provided and maintained safe means of access to every place at which any person is, at any time, required to work; and

(c) all floors, ways and stairways shall be clean, wide and clear of all obstructions.

* **Section # 73. Pits, sumps, opening in floors, etc.**

(1) In every establishment, every fixed vessel, sump, tank, pit or opening in the ground or in a floor which, by reason of its depth, situation, construction or contents is or may be a source of danger, shall be either securely covered or securely fenced.

* **Section # 74. Excessive weights**

No person shall be employed in any establishment to lift, carry or move any load so heavy as to be likely to cause him injury.

* **Section # 75. Protection of eyes**

The Government may, in respect of any manufacturing process carried on in any establishment, by rules, require that effective screens of suitable goggles shall be provided for the protection of persons employed on, or in the immediate vicinity of a process which involves-

(a) risk of injury to the eyes from particles or fragments thrown off in the course of the process, or (b) risk to the eyes by reason of exposure to excessive light or heat.

* **Section#76. Powers to require specifications of defective parts or tests of stability**

If it appears to the inspector that any building or part of a building or any part of the ways, machinery or plant in an establishment, is in such a condition that it may be danger us to human life or safety, he may serve on the employer of the establishment an order in writing, requiring him before a specified date-

(a) to furnish such drawings, specifications and other particulars as may be necessary to determine whether such building, ways, machinery or plant can e used with safety, or

(b) to carry out such tests as may be necessary to determine the strength or quality or any specified parts and to inform the Inspector of the result thereof.

* **Section # 77. Precautions against dangerous fumes**

1. In any establishment no person shall enter or be permitted to enter any chamber, tank, vat pit, pipe, flue or other confined space in which dangerous fumes are likely to be present to such an extent as to involve risks of persons being overcome thereby, unless it is provided with a manhole of such size, as may be prescribed or other effective means of egress.

(2) No portable electric light of voltage exceeding twenty-four volts shall be permitted in any establishment for use inside any confined space such as is referred to in sub-section (1) and where the fumes present are likely to be permitted to be used in such confined space.

(3) No person in any establishment shall enter or be permitted to enter any such confined space until all practicable means have been taken to remove any fumes which may be present and to prevent any ingress of fume and unless either-

(a) a certificate in writing has been given by a competent person, based on a test carried out by himself, that the space is from dangerous fumes and fit for persons to enter, or

(b) the worker is wearing suitable breathing apparatus and a belt securely attached to a rope, the free end of which is held by a person standing outside the confined space.

(4) Suitable breathing apparatus, reviving apparatus and belts and ropes shall, in every establishment, be kept ready for instant use beside any such confined space. As aforesaid which any person as entered, and all such apparatus shall be periodically examined and certified by a competent person to be fit for use; and a sufficient number of persons employed in every establishment shall be trained and practiced in the use of all such apparatus and in the method of restoring respiration.

(5) No person shall be permitted to enter in any establishment, any boiler furnace, boiler, flue chamber, tank, at, pipe or other confined space for the purpose of working or making any examination therein until it has been sufficiently cooled by ventilation or otherwise to be safe for persons to enter.

* **Section # 78. Explosive or inflammable dust, gas, etc.**

1. where in any establishment any manufacturing process produces dust, gas, fume or vapour of such character and to such extent as to be likely to explode on ignition, all practicable measures shall be taken to prevent any such explosion by-

(a) effective enclosure of the plant or machinery used in the process;

(b) removal or prevention of the accumulation of such dust, gas, fume or vapour;

(c) Exclusion or effective enclosure of all possible sources of ignition.

1. Where in any establishment the plant or machinery used in a process is not so constructed as to withstand the probable pressure which such an explosion as aforesaid would produce, all practicable measure shall be taken to restrict the spread and effects of the explosion by the provision in the plant or machinery of chokes,

(3) Where any part of the plant or machinery in an establishment contains any explosive or inflammable gas or vapour under pressure greater than atmospheric pressure, that part shall not be opened except in accordance with the following provisions, namely-

(a) before the fastening of any joint of any pipe connected with the part of the fastening of the cover of any opening into the part is loosened, any flow of the gas or vapour into the part or any such pipe shall be effectively stopped by a stop-valve or other means;

(b) Before any such fastening as aforesaid is removed, all practicable measures shall be taken to reduce to pressure of the gas or vapour in the part or pipe to atmospheric pressure;

(c) where any such fastening, as aforesaid, has been loosened or removed, effective measures shall be taken to prevent any explosive or inflammable gas or vapour from entering the part or pipe until the fastening has been secured; or as the case may be, securely replaced: Provided that the provisions of this sub-section shall not apply in the case of plant or machinery installed in the open air.

(4) No plant, tank or vessel which contains or has contained any explosive or inflammable substance shall be subjected in any establishment to any welding, brazing, soldering or cutting operation which involves the application of heat unless adequate measures have been first taken to remove such substance and any fumes arising there from o to render such substance shall be allowed to enter such plant, tank or vessel after any such operation until the mental has cooled sufficiently to prevent any risk of igniting the substance.

**2.7 Worker safety at RMG industry in Bangladesh**

Compliance with health and safety standards is an important issue. Worker safety is very important in readymade garment (RMG) industry. Especially in Bangladesh, garment industry always suffering several devastating accident. Fire is a common problem in readymade garment industry. Bangladesh has more than 4,500 RMG factories that employed more than four million workers. The reason behind this readymade industry concentration in Bangladesh is chief labor cost. But the worker safety issue is very poorly maintained here due to inadequate follow-up.

**2.7.1 Safety**

According to the BLA, 2006 the employers are required to provide basic safety measures which include, *inter alia*, safety of buildings, securely guarding all parts of dangerous machinery, precautions for working on machinery, emergency devices for cutting off power, provide protective equipment, measures to prevent fire and so forth. Besides, the existing law has also dealt with the occupational safety and health issues of the labours. Safety of buildings, machinery and plants is to be ensured to the satisfaction of the inspectors. The inspector of labour has been given huge power in this regard. If it appear to the inspector that any building or part it or any machinery or plant in an establishment is in such a condition that it is dangerous to human life or safety, he may serve to the employer and order in writing specifying the measures which in his opinion should be adopted and requiring them to be carried out within a specified time. In case a building or machinery involves imminent danger to human life or safety, the inspector may order in writing prohibiting its use until it has been properly repaired or altered. Regarding the precaution against fire, section 62 of the Bangladesh Labor code, 2006 provides that every establishment shall have an alternative stair connected to every floor as a means of escape in case of fire and be equipped with fire extinguisher with adequate warning systems. In practice the scenario is totally different as the workers face unsafe, cramped and hazardous conditions which often lead to work injuries and factory fires. Since 1990, more than 400 workers have died and several thousand more have been wounded in 50 major factory fires. We can give the examples of Tazreen Fashions and Rana Plaza incidents in this matter.

In the case of working at the machinery, every plant or machinery shall be of good construction, sound material, and adequate strength and free from any patent defect, properly maintained in a safe condition, fitted with a suitable safety valve or other effective device.

Section 63 provides that every moving part of a prime mover and every fly wheel connected to a prime mover, the head-race and tail-race of every water wheel and water turbine, any part of a stock-bar which projects beyond the head stock of lathe, every part of an electric generator, motor or rotary converter, every part of transmission machinery and every dangerous part of any machinery shall be properly fenced.

Section 68 of the Act provides that every part of lifting machinery including working gear, ropes and chains and anchoring and fixing appliances shall be of good construction, sound material and adequate strength; properly maintained; thoroughly examined by a competent person at least once in every period of twelve months, and a register shall be kept containing the prescribed particulars of every such examination. As per section 78A, an employer shall not engage any workers in work without providing and ensuring use of personal safety equipment, and in doing so, a record book shall be maintained as designated by the owner and each of workers shall have to be aware on the risk of the work through trainings. If those are not used by workers concerned, they are to be held liable thereof.

Regarding safety of floors and stairs, section 72 of the Act provides that in every establishment, all floors, stairs, passages and gangways shall be of sound construction and properly maintained and where it is necessary to ensure safety steps, stair, passages and gangways shall be provided with substantial handrails and there shall be provided and maintained safe means of access to every place at which any person is required to work and all floors, stairs and gangways shall be wide ad obstacle free. For overall safety of workers employed, gangways, stairs, gate, go-down and common utility areas shall be under closed circuit cameras.

According to section 74 of the Act, no person shall be employed in any establishment to lift, carry or move any load so heavy as to be likely to cause him injury. To protect the workers from dust and fumes, they would be provided with the effective screens of suitable goggles as well as suitable breathing apparatus, reviving apparatus and belts and ropes shall be kept ready for instant use beside any such confined space. Though the Labor Act provides very compressive provisions for the safety of the workers at the working place, but these are hardly practiced.

The High Court Division of the Supreme Course of Bangladesh issued directives to-

(a) Establish a national committee to monitor compliance of garment factories with applicable laws on fire safety, and make recommendations accordingly;

(b) Secure payment of adequate compensation to the workers injured in the KTS fire and to the dependents of the deceased;

(c) Inspect all garment factories in Dhaka, Chittagong and Narayanganj to ensure compliance with fire safety measures; and

(d) Ensure appropriate protective measures in all garment factories. The Court directed the respondents to submit their reports within three weeks and present accounts of the compensation amount paid to the victims or their dependents.

In addition to, chapter VII of the Act laid down provisions regarding the health as well as safety for the employees in the commercial and industrial establishments. The Act sets some occupational health and safety standards for the workers which includes, *inter alia,* notification to the workers of the hazardous and harmful operations, of certain accidents and dangerous occurrences happened to their workplaces; prohibition of women workers from working emotion of any part of the machinery, or at dangerous machine and underground and under water.

To this end, the Act authorizes the government to declare any operation that exposes workers to a serious risk of bodily injury, poisoning or disease to be hazardous and to make rules for securing the safety of the workers employed on factory or industrial establishments.

In case of any accident, any explosion, fire, forceful entrance of water or fumes as a result of accident occurring in an establishment or where any disease mentioned in second schedule of the BLA, 2006 is visible, then the government may appoint a competent person to enquire into the causes thereof. The person so appointed to hold an enquiry shall have all the powers of a civil court under the Code of Civil Procedure, 1908 for the purpose of enforcing the attendance of the witnesses and compelling the production of documents and material objects.

In the case of employment of adolescent and women in certain work, the Act imposes some restrictions. As per section 39, no adolescent shall be allowed in any establishment to clean, lubricate or adjust any part of machinery while that part is in motion or to work between moving parts, of any machinery which is in motion. An adolescent shall not be allowed to work at any machine unless (i) he has been fully instructed as to the dangers arising in connection with the machine and (ii) has received sufficient training in work at such machine.

To ensure the safety in general and occupational health safety in particular, the Act requires employers of the establishments where 5,000 or more workers are employed, to arrange a Health Centre. Where in any factory, 50 or more workers are employed, there shall be a Safety Committee formed and functioned in the manner prescribed by the Rule. However, the role of this committee is not clearly defined. In fact, such committee made up of management and some workers chosen by the employer has become a powerless body.

**2.7.2 Building Safety**

Regarding the housing of heavy duty RMG industry with less costly building is also a cause of concern for future collapse like Rana Plaza, which was the second highest building collapse related disaster after the World Trade Centre in September 11. All the seven factories in Rana Plaza has all sorts of compliance secured by the BGMEA, Factory Inspection Department, Directorate of Environment, Fire Service Department, by the except the building related one. The Comprehensive Disaster Management Program found that there are 78,000 risky buildings which will be collapsed if an earthquake with 6 magnitude hits. DEFI and Fire Service have identified 943 unsafe factories out of 3,143 they visited and out of 943 buildings 150 are extremely risky which should be demolished or otherwise they may collapse at any time.60 Nobel Laureate Professor Yunus in support of the Garments Industry Transparency Initiative (GITI) and Happy Workers Tag has suggested for the betterment of workers’ rights to heel the industry in the days ahead.

So factory owners must follow building code strictly. Those who will not follow it must be punished severely. As this labor intensive industry, there must be a ‘Special Approval Authority (SAA)’. All members of this team must be expert and factors like earthquake must be considered.

**2.7.3 Focus on safety of garment workers**

The readymade garment sector has been a boon for Bangladesh. The World Trade Organization declared Bangladesh as the second largest RMG exporter after China in 2010-2011 when the country's export grew 43.36% to $15.66 billion in spite of global recession in 2007-2008.

Bangladesh retained its position in the following fiscal 2011-2012 by exporting garments worth $19.09 billion. The outlook for the 2014-15 fiscal is set to exceed $20 billion. Bangladesh now claims 4.8% of the global RMG trade of $412 billion. According to McKinney and Company, an International Management Consulting firm, Bangladesh apparel exports will reach $36 billion by 2020.

But all these prospects appear to have been shaken by a fire tragedy on November 24, 2012, at Tazreen Fashions LTD, where 112 workers died according to official count. Most people who work in the industry come from poor families and have dependents in varying numbers to support. On January, 27, 2013, the Smart Garment fire at Mohammadpur took the lives of seven garment workers and injured 20. Approximately 33 major fire incidents at garment factories resulted in tragic end of 500 lives. The reasons behind this are bad workmanship of factory buildings, inadequate number of exits, closure of gates, lack of safety measures, narrow road obstructing fire service operation and lack of rescue equipment’s. The factory owners make their factories without safety measures and keep doors locked during a fire.

The government is constitutionally bound to protect the lives of the people while owners of factories have legal and moral duty to ensure safety of workers. The safety of life is an inherent right guaranteed by Articles 31 and 32 of the Constitution. In short, Article 31 guarantees right to life while Article 32 prohibits action which is detrimental to life, body or property. Death of people in the name of industrialization cannot be accepted. Business organizations like BGMEA, BKMEA and FBCCI did not take adequate measures to ensure safety of workers in case of accident.

Whenever any incident takes place, the government and the affected organizations mourn the deaths and show some activity. After some days, their promises do not result in actions. The buyers are now pressing factory owners to improve working conditions, hike wages of workers and ensure labor rights and other compliance issues. Following the event, many International non-government organizations campaigned for restricting purchase of Bangladeshi garments until the garment factory owners here ensure workers' safety and labor rights.

The apparel sector may face some hurdles this year unless the issues of proper working environment, better wages and labor rights are resolved. Several factors such as availability of cheap labor, quota facility, cash incentives against export, and entrepreneurial skills have helped the RMG sector grow since the country's entry into the global market. Bangladesh enjoyed quota-free status till 1985. Now Bangladesh is not only a supplier of basic garments, but also a major exporter of high-end apparel items. Export Promotion Bureau data show that RMG sector's contribution to the country's exports was 3.9% in fiscal 1983-1984. Now it stands at nearly 80%.

At present, the sector employs 3.5 million workers, 80% of whom are women. The constitution of Bangladesh guarantees equal rights to women and men, and laws are in place to safeguard women's rights. One example is the 2006 Bangladesh Labor Law, which protects the fundamental rights of women workers, including the right to maternity leave. At the international level, Bangladesh has ratified the UN Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) as well as ILO Convention 111 on Discrimination in Employment and Occupation.

After the inferno at Tazreen Fashion, the BGMEA and several government agencies came out with pledges of taking actions against factories that would be found guilty of non-compliance with safety regulations. People know that no action has been taken against the owners of garment factories. No factory has been closed for not having safety arrangements.

It seems that there is a culture of impunity for the factory owners in force, which has encouraged them to remain unconcerned about safety and security of the workers. The government has decided to conduct a study on the garment sector, which is a positive step. Renowned local organisations will conduct the study to determine the numbers of garment factories on an area basis, total workers, and their problems and possible solutions. The government has already taken steps to establish a garment "palli" and dormitories for workers. The government, for the first time, has formed a national industries health and Security Council. Its task is to formulate national policy for workers' rights. The process is underway.

**2.7.4 Necessary Actions to Improve the RMG Sectors of Bangladesh**

**2.7.4.1 Proper Implementation of Bangladesh Labor Act 2006**

Bangladesh Labor Act 2006 was passed by the parliament with effect from October 11, 2006. This new labor law has repealed 27 existing labor laws including Factories Act 1965, Payment of wages Act 1936, Shops and Establishments Act 1965, maternity benefit Act 1939, Industrial Relations Ordinance, 1969, Employment of labor (S.O) Act 1965 etc. The following major factors from Bangladesh Labor Act, 2006 are taken into consideration for this study:

**(i) Conditions of Service and Employment**

It includes conditions of employment, classification of workers, letters of appointment and identity card, service book, form of service book, entries in the service book, register of workers and supply of tickets and cards (Section 3-9, Bangladesh labor Act 2006).

**(ii) Health and Hygiene**

The Act describes the terms and conditions of cleanliness, ventilation and temperature, dust and fume, disposal of waste and effluents, overcrowding, lighting, drinking water, latrines and urinals, etc. (Section 51-59, Bangladesh labor Act 2006).

**(iii) Safety and Health**

It includes safety of the building and machinery, precaution in case of fire, fencing of machinery, work on or near machinery in motion, cranes and other lifting machinery, hoists and lifts, floors, stairs and means of access, etc. (Section 61-72, Bangladesh labor Act, 2006).

**(iv) Working Hours and Leave**

It describes the rules and regulation of daily hours, interval for rest or meal, weekly hours, weekly holiday, compensatory weekly holiday, spread over, night shift, extra allowances for overtime, casual leave, sick leave, annual leave with wages, festival holidays, etc. (Section 100-118, Bangladesh labor Act 2006).

**(v) Wages and Payment**

It contains special definition of wages, responsibility for payment of wages, fixation of wage-periods, time of payment of wages, wages to be paid in current coin or currency notes, deductions for absence from duty, etc. (Section 120-126, Bangladesh labor Act 2006).

**(vi) Trade Unions and Industrial Relations, Disputes**

It narrates the rules and regulation of special definition of worker, trade unions of workers and employers, collective bargaining agent, participation committee, industrial disputes, lockout and strike, etc. (Section 175-211, Bangladesh labor Act 2006).

**(vii) Penalty and Procedure**

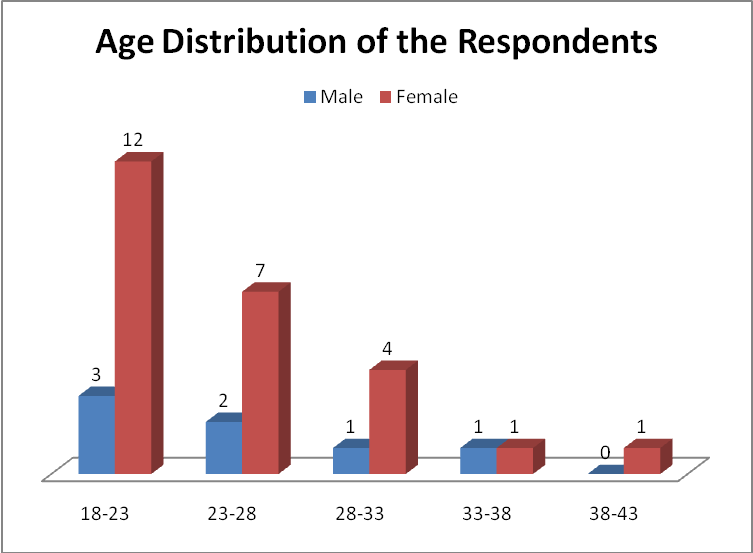
It shows the penalty for non-compliance of labor court’s order, penalty for employment of child and adolescent, penalty for unfair labor practices, penalty for illegal strike or lockout, penalty for taking part in or instigating go-slow, penalty for general offences by workers, penalty for other offences, etc. (Section 283-307, Bangladesh labor Law 2006).

**3. Results and Discussion**

**3.1 Socio-demographic characteristics of respondents**

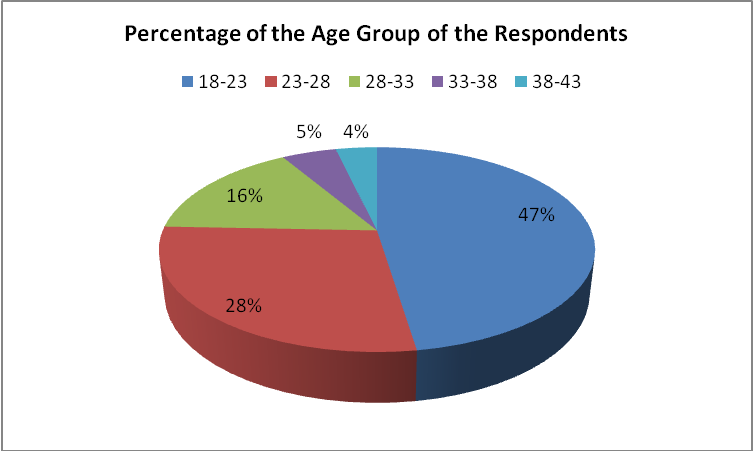
# Under this section, the descriptive statistics of the sample is presented. In examining the demographic characteristics of respondents, the following demographic variables were analyzed: sex; age; educational background; employment status, occupation, and marital status. In all, 36 respondents participated in the study. This was made up of 32 workers who responded to the questionnaire and 04 officials.

Of the 32 respondents, seven of them were males, while 25 were females. Thus, more than half of the respondents were females. The age of respondents was also analyzed. It can be observed from figure no 03 that, most of the respondents are between 18-33 ages.



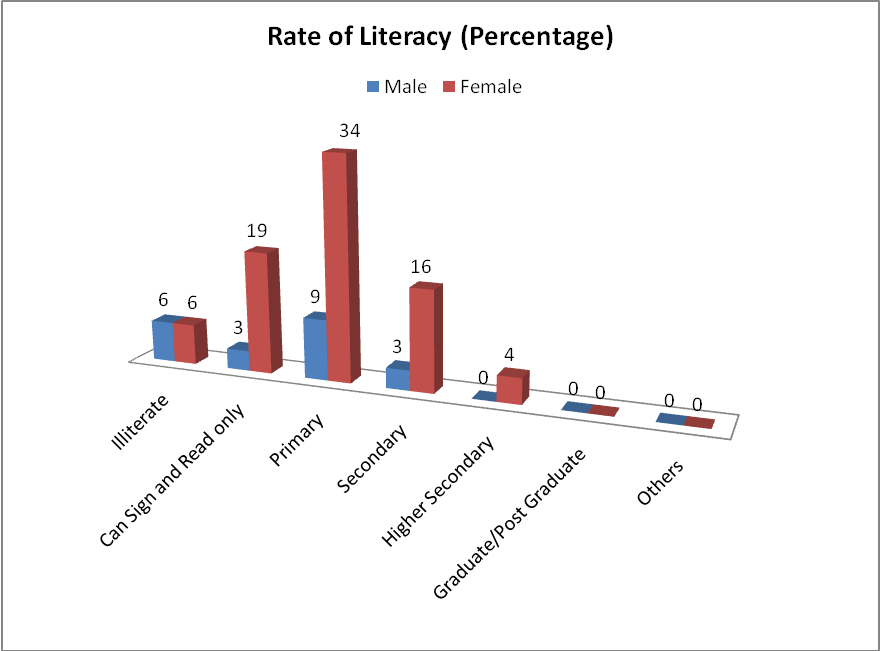
**Figure 03: Gender wise age group distribution (Source: Field Data-2016)**

This result is justified by the figure no 04. It can be observed from the pie chart that, 47% of the respondents belongs to 18-23 age group. The next major age group of the respondents is 23-28 ages (28%). On the other hand, the minor respondents age group is 38-43. Only 4% respondents belongs from that group.



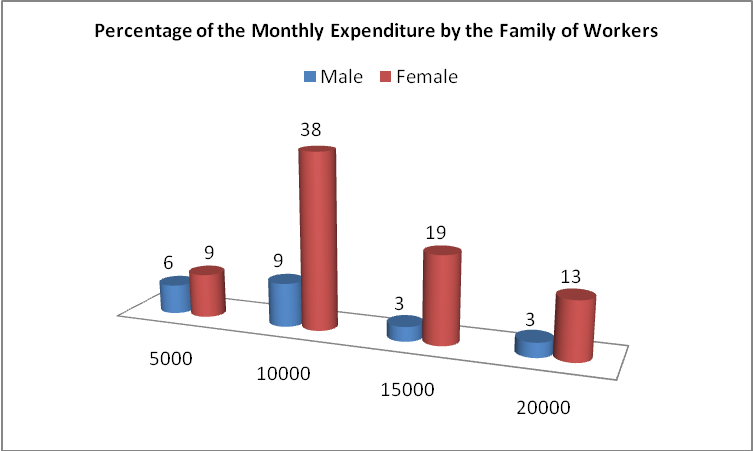
**Figure 04: Percentage of the age group of the Respondents (Source: Field Data-2016)**

It can be observed from the figure no. 05 that most of the respondents had primary level of education (34% of female and 9% of male workers). The second most respondents had only signing and reading capability.



**Figure 05: Percentage of the Literacy rate of the Respondents (Source: Field Data-2016)**

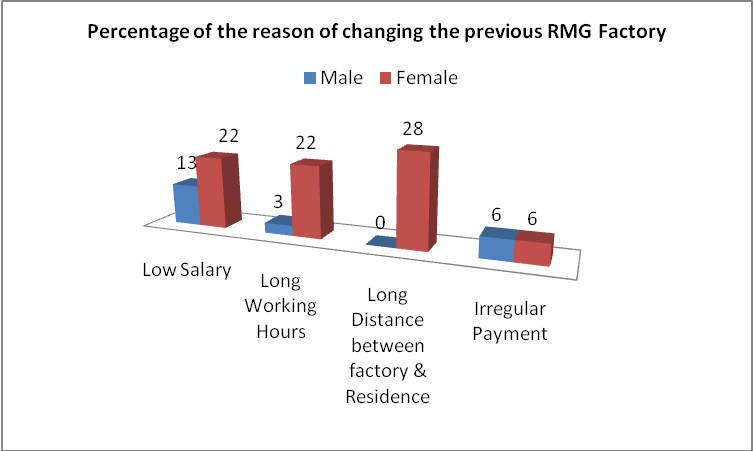
About the monthly expenditure issue, it can be observed from figure no. 06 that, most of the workers family expenditure is between 10,000-15,000 Taka. Only a few forkers family expenses crossed the level of 15,000 Taka and tangsed to 20,000 Taka.



**Figure 06: Percentage of the Monthly Expenditure rate of the Respondents (Source: Field Data-2016)**

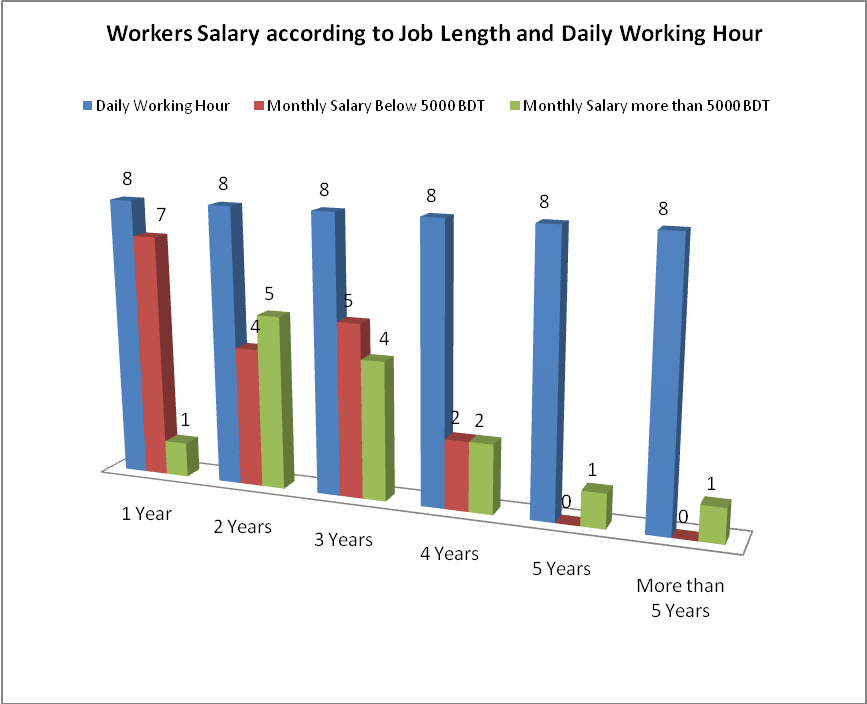
**3.2 Employment and Working conditions related Information**

It can be observed from the figure no. o7 that the basic reason of leaving the previous workplace differs in Gender. For female workers, the most reason (28% respondents) was long distance between factory and residence and for the male workers (13%) the reason is low salary.



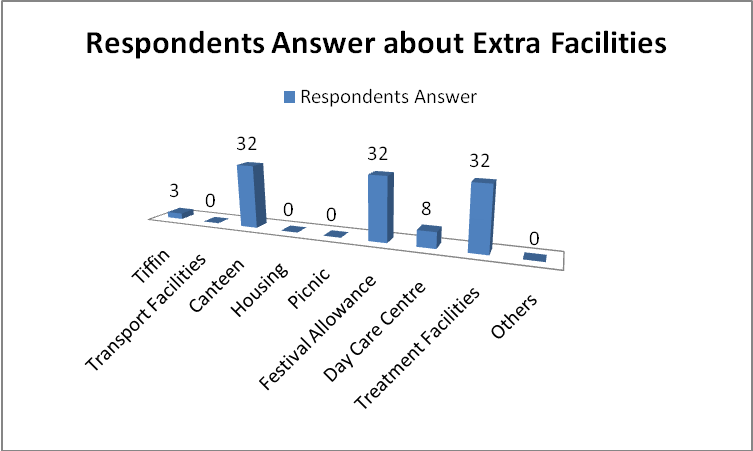
**Figure 07: Percentage of the reason of Changing Job from previous RMG (Source: Field Data-2016)**

To observe about the Job Length, Working hour and Salary it can be observed from the figure no. 08 that every workers has to work eight or more than eight hours. Most of the workers were new or one year of job experience and a few worker had work experience more than five years. Most of the workes got salary below than 5000 Taka. The workers who had previous job experience or experience more than 2-3 years, they were able to get money more than 5,000 Taka per month. Many time, the workers have to work more than eight hours to finish their assigned works and they did not get any sort of extra money for it. But, the offcers denied it during their interview session. They all told that, their factory had 3 shifts thus after finishineg the 8 hrs shift, the workers have to leave their work place.



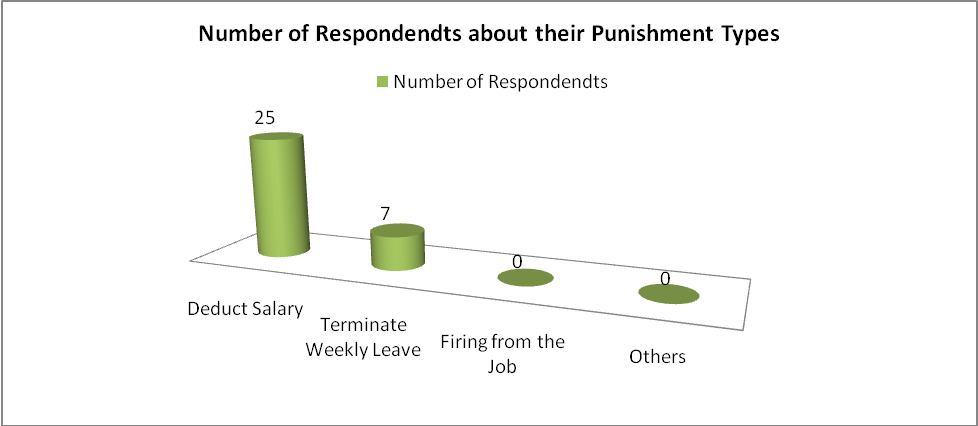
**Figure 08: Percentage of Workers Salary according to Job Length and Daily Working Hour (Source: Field Data-2016)**

Most of the respondents said that they got Canteen, Festival Allowance and treatment facilities. A few female respondents said they got day care centre for their child. The figure no. 09 represents this answer. At the interview session, the officers said that, they provided Tiffin towards the workers. Most of the officers got transport facilities from their organization but the workers did not get any transport facilities.



**Figure 09: Respondents Answer about the extra facilities which are provided by the employers (Source: Field Data-2016)**

The punishment in case of absentism is almost same at the RMG sector of Bangladesh. At the figure no. 10, 25 respondents said that the authority deducted salary in case of absentism. 7 respondents said the authority terminated their weekly leave. But, the officers said at their interview that, they were maintaining the proper procedure and before deducting any sort of salary or leave, they were provided formal letter or oral cautionary towards the workers about this issue. The workers said that, before the deduction, they did not get any cautionary from the authority.



**Figure 10: Respondents Answer about the Punishment types in case of Absentism (Source: Field Data-2016)**

**3.3 Safety Measures at Workplace**

It can be observed from the figure no. 11 that, a few worker had any knowledge about safety work initiatives by the authority at his/her factory. 94% respondents provided their negative respond about this issue. Basically, they were totally ignorant about this issue. More than 66% of the respondents expressed their negative opinion about adequate lighting, ventilation, room temperature control system and so on. They have no knowledge about it and they always performed their duties inspite of their discomfort.

78 Percent respondents replyed that the authority did not provided any responsibilities about safety responsibilities. 91% said that, they had no idea about active fire alarm system, whether it existed or not or any drill practice. 84% of the respondents said that they had no consciousness about safety work environment.

On the other hand, the officers said their interview that, they all took initiatives about safety issues. They provided trainings and proper equipments to overcome the fire and other accidents.

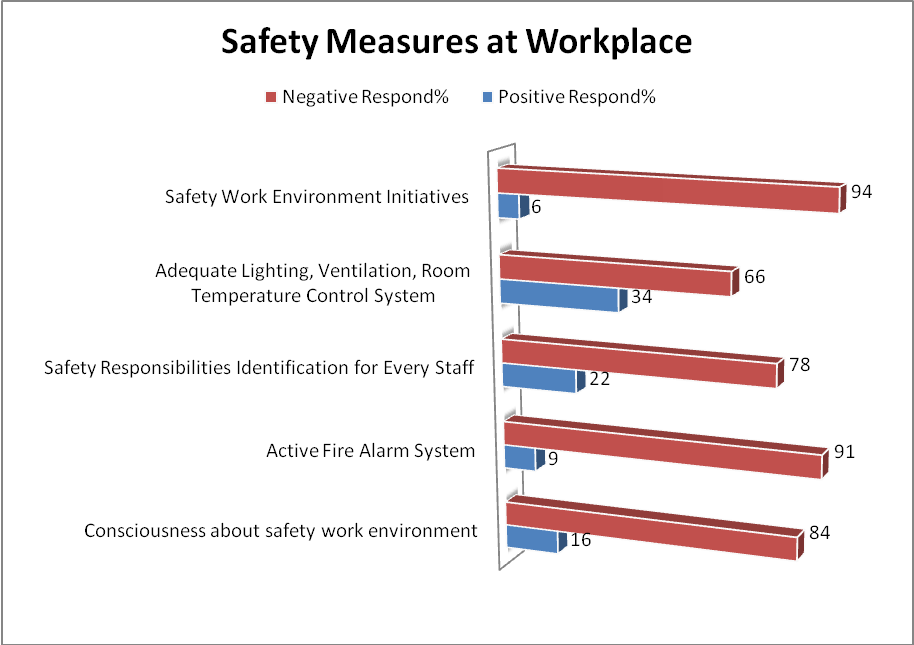


Figure 11: Respondents Percentage about the Safety Measures (Source: Field Data-2016)

The respondents had a few knowledge about safety work environment. It can be observed from the figure no. 12 that, only five respondents had any idea about safety committee formulation. The most respondents (eight) had awareness about regular checking because of accidents. Some of them got training thus they had idea about safety training. On the other hand, the officers told that, they all provided proper training and awareness towards the workers.

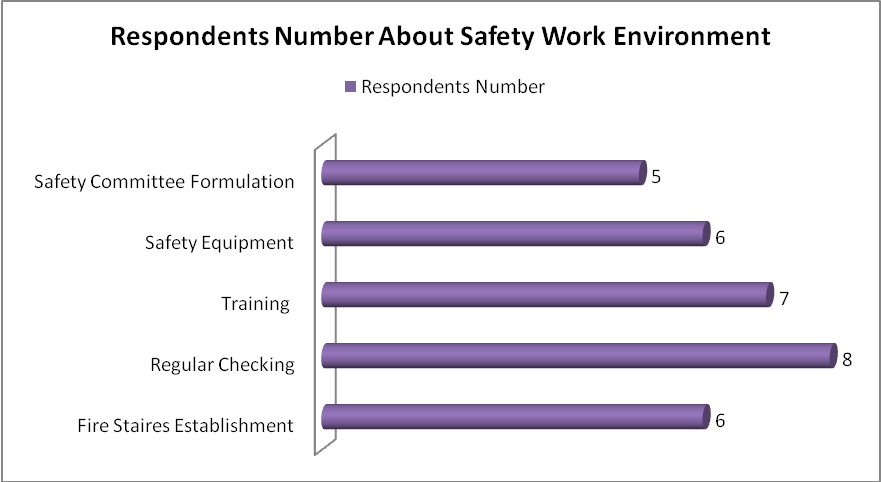


Figure 12: Respondents Percentage about the Safety Environment at RMG (Source: Field Data-2016)

The respondents had apathetic view about safety initiatives. From the figure no. 13, it can be observed that, 53% workers had negative view about treatment facilities. 59% respondents said that the access of exit from the factory building was difficult. 75% respondents said that there was no infrastructural problem at their factories. 53% said the exit doors were not so easy to open. 100% respondents said that during working hour, the main door had to be locked which can occuer seviour accidents. 53% of the respondents said that they did not get any fire drill practice. 63% of the respondents said that their factory had alternative stairs which can be helpful for immergency situations. 94% of the respondents said that, their factory had fire extinguisher but whether it was updated and workable or not, they were unable to say anything about it. On the otherhand, the officers said that, they all provided treatment facilities, proper training as well as the updated security and fire fighting systems.

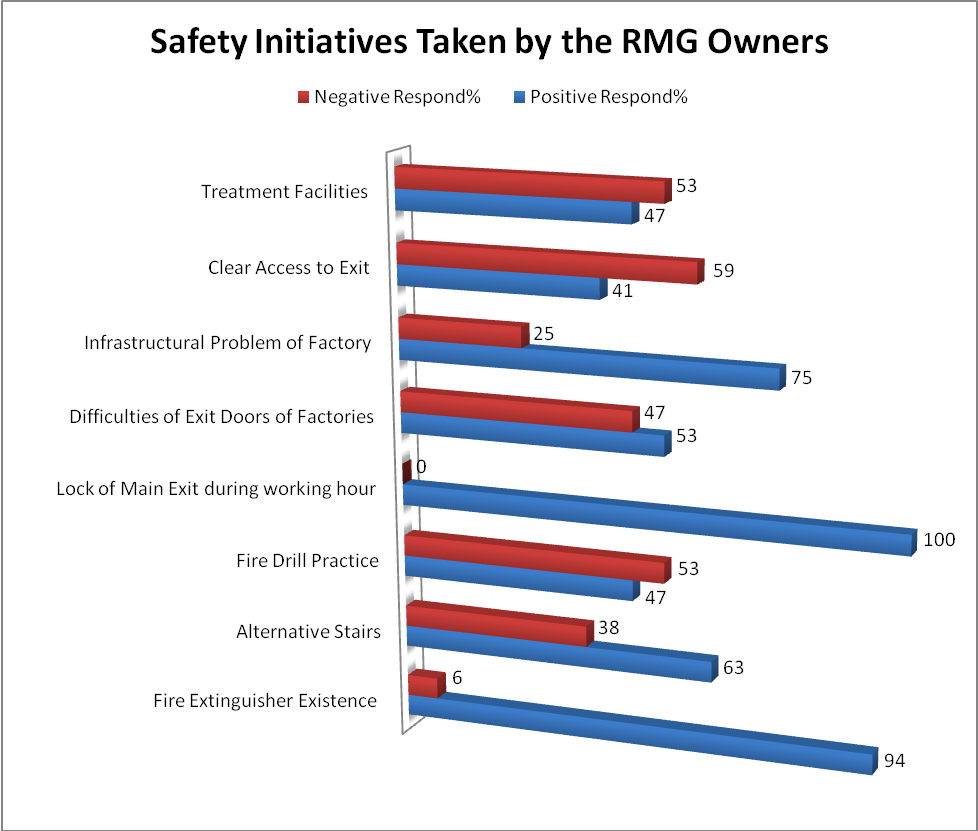


Figure 13: Respondents Percentage about the Safety Initiatives at RMG taken by the Owners about the Safety Measures (Source: Field Data-2016)

It can be observed from the figure no. 14 that, most of the respondents (10 person) provided suggestions about easy access of enter/exit doors. Some of them emphasised on Training and awareness about safety issues. Some others said about proper safety tools.

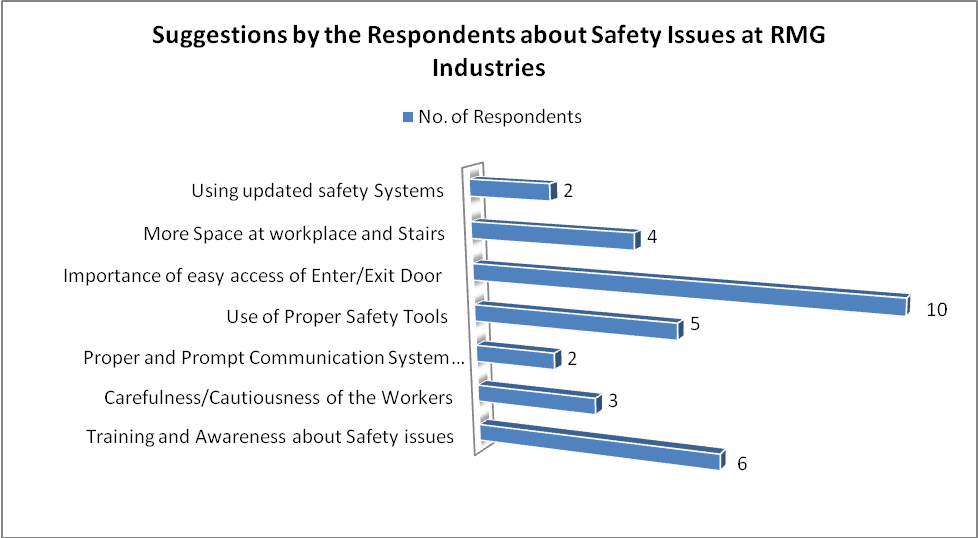


Figure 14: Suggestions by the Respondants about Safety Issues (Source: Field Data-2016)

**3.4 Case Studies**

**3.4.1 Mr. Md. Masum Mia, Palmal Sweaters Factory**

Mr.Md. Masum Mia was working at Palmal Sweater Factory Ltd. He had been working there more than three years as an operator. His recruitment was internal and oral. He did not get any formal appointment letter. He had a few concerns about safety at the employment. He knew only about fire extinguisher which existed at the outdoor of main building but he did not know how to drive it. He had a few ideas about the extra facilities for the workers. He had concerns about canteen, treatment facilities, fire services and day care centre. This is because the factory only provided these facilities towards the workers.

**3.4.2 Ms. Rehana Begum, Dana Bottoms**

Ms. Rehana Begum was working at Dana Bottoms Ltd., 77/20, Dogormora, Savar, Dhaka. She had been working there more than two years as an operator. Her recruitment was internal and oral. She did not get any formal appointment letter. She had a little bit concerns about safety at the employment. She knew fire extinguisher system, safety stair systems. The authority provided training about it. But those training was not proper and revised thus she forgot how to utilize the fire extinguisher. She had a little bit ideas about the extra facilities for the workers. She had concerns about canteen, treatment facilities, rest rooms and day care centre. The authority had medical treatment system. This factory had no maternity benefit scheme. She had no idea about the authority’s initiatives on safety work environment. To ensure the safety work environment, her suggestion was that, the factory had to establish more exit door as well as more workers to prevent the disaster situation and helping the afflicted workers.

**3.4.3 Mr. Meer Mosharraf Hossain, Armana Apparels Ltd.**

Mr. Meer Mosharraf Hossain was working at Armana Apparels Ltd, 232-234, Tejgaon I/A, Dhaka-1208. He had been working there more than four years as an operator. His recruitment was through formal interview. He did not get any formal appointment letter. He had a little bit concerns about safety at the employment. He knew about fire extinguisher and housekeeping but he did not know how to drive the fire equipments. He had ideas about the extra facilities for the workers such as festival bonus. The authority of this factory took some initiatives to ensure the health security of the workers by separating the fabric/finished goods store and separate space for boiler and generator. He had concerns about First Aid treatment and fire security system. This is because the factory provided these trainings towards the workers. His suggestions were to develop fire and electrical safety system at the factory and update it regularly.

**3.4.4 Ms. Nupur, Dana Bottoms**

Ms. Nupur was working at Dana Bottoms Ltd., 77/20, Dogormora, Savar, Dhaka. She had been working there more than two years as an operator. Her recruitment was internal and oral. She did not get any formal appointment letter. She had a little bit concerns about safety at the employment. She knew fire extinguisher system, safety stair systems and safety tools. The authority provided training about it. But those training was not proper and revised thus she forgot how to utilize the fire extinguisher. She had a little bit ideas about the extra facilities for the workers. She had concerns about canteen, treatment facilities, rest rooms and day care centre. The authority had medical treatment system. This factory had no maternity benefit scheme. She had no idea about the authority’s initiatives on safety work environment. To ensure the safety work environment, her suggestion was that, the factory had to establish more exit doors.

**4. Summary & Key Findings, Recommendations And Conclusion**

**4.1 Summary & Key Findings**

**4.1.1 About Socio-demographic characteristics of the respondents**

* Most of the respondents were in between 18-28 ages.
* Most of them had a few academic backgrounds (not more than primary education).
* Most of the respondents’ monthly expenditure was not more than 10,000 tk per month.

**4.1.2 About Employment and Working Conditions related information**

* More than 50 percent of the respondents were female.
* Most of them had a few work experience thus their salary reflects their inexperience issues.
* Most of the respondents’ have a few ideas about extra facilities but some common facilities.
* Most of the respondents faced salary deduction in case of absents.

**4.1.3 Safety Measures at Workplace**

* A few workers have any idea about safety work initiatives.
* The lighting, ventilation, room temperature control system is not proper.
* The authority provided a few responsibilities for safety towards the workers.
* The workers have a few concerns about safety work environment.
* The authorities are regularly checking the safety issues.
* A portion of workers got training on safety.
* A portion of workers know about the safety stairs and other safety tools.
* A few workers are informed about safety committee.
* Most of the respondents agreed that the main exit door is locked during work time and it is difficult to open.
* Some of the respondents got fire drill training.
* Most of the factory had fire extinguisher systems.
* Every respondents suggested and emphasized about easy access of exit/enter door.

**4.2 Recommendations**

Following measures need to maintain in Readymade Garments [industry](http://olefins.com.bd/worker-safety-products-bangladesh/) to ensure the safety working condition:

* Building structures, safety equipments, utility facilities, furniture settings, etc. within and outside the building of the factory compound, should be strictly followed by the fire codes.
* Buildings and its extensions must be in harmonized with legal standards and electrical equipments should be properly maintained.
* Alternative exits should be ensured along with stairs which will have connection with all the floors of the factory building. The size of stairways and exits must be followed by standard rules.
* Exit routes must be sufficient for the workers and must be remained unlocked during the working hours of the factory. It will be helpful for escape from danger.
* Fires in any industrial setting always cause casualties of life and property. The factory authority has to ensure the fire prevention measures at its factory compound.
* Evacuation drills should be organized at each factory buildings of Bangladesh in every year.
* All workers should be received fire safety trainings and instructions to properly use the safety tools in proper times. Managers, supervisors and workers should be trained up at fire & safety procedures and take responsibilities to ensure the safe exit of the building during an emergency.
* Appropriate first aid boxes should be provided by the industrial management in each floor of every industrial establishment.
* Factory owners should carefully handle all of the chemical materials used in production.
* [Eye Protection Glass](http://olefins.com.bd/product/eye-protection-glass/)es should be wearing by the workers to protect eyes from splashing liquid chemical materials and spark during welding works. Every factory should install a separate industrial eye wash section to rapidly relief eye injured by chemicals or particulate.
* The safety situations within and outside of the buildings of factories should be inspected by an independent surveyor to ensure safety issues. Anything identified during the survey should timely be solved properly.
* Safety Committees should be formed at the factory compound to uphold safety standards for workers.
* Hazardous materials should be stored by the authority in a proper storage procedure to minimize the risk of fire, explosion, serious personal injury and environmental contamination. Flammable chemical storage areas should be equipped with automatic fire extinguishing systems.
* Gloves should be provided to the workers by the factory authority to protect the skin from chemical exposure and face masks to protect against airborne dust and chemical particles.
* Most of the time improper electrical wiring and overloaded electricity leads to fires. Thus regular maintenance and proper electrical installations are very important which is very relevant with workers safety.
* Where a factory employs 1000 or more workers, there must be a qualified worker safety officer/s appointed to measure compliance of all the safety provisions.
* Child labor should be prohibited strictly and young personnel or a woman should not be handled heavy machineries which are in motion. Young persons’ should not be allowed to work on dangerous machines.

**4.3 Conclusion**

RMG industries are playing a very important role in the economic development of Bangladesh. But this industry is now in safety crisis. The core problems behind this lack of safeties are not proper implementation of existing laws. The Government and the policy makers should emphasize on this issue to enhance the safeties of the workers of the RMG Sectors in Bangladesh.

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| Alternative medicines prospects in Bangladesh  *Yousuf Ali Mozumder1* |

ABSTRACT

Alternative medicine means all others medicine other than allopathic medicine that is treated as mainstream medicine. Ayurvedic, Unani and Herbal medicines are the form of alternative medicines. These kinds of medicine closely related with cultural heritage of Bangladesh. All these medicines have an integral part of our religion, culture and values. Ayurvedic and Unani medicines are also known as traditional medicines. Herbal is another forms of alternative medicine and it is relatively younger than other two forms of medicines. Different forms of traditional medicines have been used in this country as an essential means of treatment of diseases. Homeopathic medicine is the form of alternative medicine. Now a day the practices of traditional medicines in this country have grown up due to conscious created toward natural herbs. Considering the side effects of allopathic medicine peoples have liking alternative medicines. Still people of rural areas, remote and hilly areas of the country and semi-urban areas of Bangladesh have preferred to use alternative medicine i.e. traditional medicine for the purposes of their treatment. The use of alternative medicines mostly depends on people’s culture, living standard, economic status, religious belief and also level of education. Now traditional medicine practice in Bangladesh followed holistic form of medicine systems (it is a form of healing that considers the whole person, body, mind, spirit, and emotions). It’s based on cultural habits, superstitions, religious customs and spiritualism. . In spite of local raw materials Bangladesh manufacturers of Herbal, Unani and Ayurvedic systems of medicines have to import some raw materials from different destinations of the world for the purposes for their medicine production. The majority of imported raw materials and medicinal herbs import from nearest destination India and China. Manufacturers of alternative medicines uses only 30% imported raw materials and the rest 70% raw materials uses from local source.

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**Keywords: Ayurvedic, Herbal and Unani**

1. **INTRODUCTION**

Herbal, Unani, Ayurvedic, Homeopathic medicines and others spiritual activities used in our country for the purposes of treatment diseases and fit their body, all of these are known as alternative medicine. On the other hand it may say that except allopathic medicine (i.e. mainstream medicine) all others medicines are alternative medicine. In this text discussion confined on alternative i.e.Herbal, Unani and Ayurvedic systems of medicines only. Alternatives medicines are ancient traditional systems of medicines. Out of alternative medicine Herbal is relatively modern system of medicine and Unani and Ayurvedic medicines have had long historical background in Bangladesh as well as rest of the world. Unani and Ayurvedic medicines are also a form of traditional medicines practiced all over the world including our country.

Unani systems of medicines are widely used in the countries of the Middle East, South Asia. It is based on the teachings of Greek physicians Hippocrates and Galen, and developed and had puts very significant contribution by the Muslim Arabian and Persian physicians such as Al-Razi, Ibn Sena, AL-Zahrawi, and Ibn Nafis. Unani medicine first arrived in India around 12th or 13th century with establishment and patronized by Delhi Sultanate (1206–1527) and Islamic rule over North India and subsequently flourished under Mughal Empire Alauddin Khilji had several eminent Unani physicians (Hakims) in his royal courts. Muslim scholars had contributed much more in the fields of Unani medicines.

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Ayurvedic systems of medicine are also a system of traditional Hindu medicinenative to the Indian subcontinent. It is also known as Ayurveda means ‘life knowledge’. According to the history of alternative medicine it is an older system of medicine. The origin of Ayurveda has been traced back to around 3,000 BC, it was originated that time as an oral tradition. Ayurvedic practices included the use of herbal medicines, mineral or metal supplementation, surgical techniques, opium, and application of oil based massages.

Herbal, Unani and Ayurvedic systems of medicine products have two branches one is known as medicine and other is herbal food supplements. Food supplements products are not treated as medicine.

2. USES OF ALTERNATIVE MEDICINES AND THEIR PRACTITIONERS

Ayurvedic, Unani and Herbal systems of alternative medicines are widely used and practices in Bangladesh. The major raw materials of these medicines are herbs and herbs come from medicinal plants. Bangladesh medicinal plants have had long historical background. Ancient to till date peoples of rural and hilly areas of Bangladesh in some cases have directly use medicinal plants for the purposes of their treatment i.e. they used it as an alternative medicine as raw form. Once in the rural areas there were medicinal plants specialists. They used to made medicine in their home in very small scale and homely environment. The manufacture of medicine used to visit patients home to know their physical condition and therefore prescribed and supply medicine as per their requirement. At the same way patients used to visit medicine manufactures home for the purposes of their treatment.

In some areas of Bangladeshn medicinal plants specialist and makers of medicine called ‘Kabaraj/Hakim’. At that time in the rural areas ‘Kabaraj/Hakim’ used to go hat (that sat one or twice a week) to communicate peoples and sell their medicine. Now a day to making Herbal, Unani and Ayurvedic medicines used modern technology, involved large capital, huge labor and set up factory now it is became an industry. The manufacturer of medicines now produces medicinal products as a commercial basis and marketing their products home and abroad.

3. COMPETITIVENESS OF THE PRODUCTS

Meanwhile the world becomes as a global village, business become more competitive and challenging nature. Now one country is not separated from other county and products markets have spread over the world i.e. became a partner of global markets. This global market trade and services now regulated by the World Trade Organization (WTO) rules and regulations. Bangladesh is one of the important members of WTO (World Trade Organization). It is playing role as leader of LDC (Least Developed Countries). Globalization has put pressure to comply international standard, technology, norms and regulations.

According to the report of World Health Organization (WHO), about 80% of the world population used alternative medicine for their primary health care. The dependency of alternative medicine has increasingly growing up day by day.

Specialization in the sub- sector

Presently, specialization is key factors of efficiency in the fields of medicine. People likes to choice specialized person for the treatment of their diseases. Now competition has increase many folds, the existence of the medicine manufacturing firms depends on efficiency, goodwill, innovation and technological advancement. Opportunities have created to diversify their products of Herbal, Unani and Ayurvedic systems of medicines manufacturing firms. As a part of modernization Herbal, Unani and Ayurvedic systems of medicines firms have changes older forms of production systems and enter in to new convenient, cost efficiency forms of production. Besides traditional forms of production they are now entered in to modern forms of products say producing medicine as tablet, capsules, teas, extracts and fresh or dried plants. Organizational competition has created opportunity of worldwide market of their products.

Earlier it is mentioned that Herbal, Unani and Ayurvedic systems of medicines products have treated as medicine. The producer of these medicines products produces another products that called food supplements. Food supplements products are not treated as medicine. As per present drug policy (2005), for the purpose of production and marketing of food supplements products there are no requirement of any approval from Directorate General of Drug Administration (DGDA) for the purposes of food supplements products. .

Numbers of manufacturing firms and their status.

The scenarios of the alternative medicines manufacturing firms in Bangladesh and their status may be seen from the following table:

Alternative medicines manufacturing firms and their operational status

|  |  |  |  |
| --- | --- | --- | --- |
| Name | No. of firms | Functional | Suspended |
| Herbal | 17 | 17 | - |
| Ayurvedic | 201 | 168 | 33 |
| Unani | 219 | 202 | 17 |
| Total | 437 | 387 | 50 |

Source: Directorate General of Drug Administration (2010)

From the above table it is seen that in Bangladesh total 437 manufacturing firms are engaging in production of Herbal, Unani and Ayurvedic systems of medicines. Out of 437 firms 17 numbers of firms are Herbal, 201 numbers of firms are Auurvedic and 219 numbers of firms are Unani medicine firms. It is seen that entire 17 Herbal manufacturing firms are in production. 202 Unani medicine firms are in production and the rest 17 numbers firms are not in production they are suspended. 168 Ayurvedic systems of medicine manufacturing firms are in production and the rest 33 numbers of Ayurvedic firms are suspended.

Location of the factories

The factories of manufacturing firms are scattered and located all over Bangladesh. But most of the factories are located in Dhaka, Chittagong, Gazipur, Comilla, Barisal, Bogra, Mymenshingh and Narayangonj. The total number of factories in Dhaka is 136, in Chittagong 32, in Comilla 22, Barisal 19, and Bogra 19. A small numbers of factories are located other districts of Bangladesh.

4. GOVERNMENT AFFORDS AND PROMOTIONAL ACTIVITIES OF ALTERNATIVE MEDICINES

After independent the Government of Bangladesh has recognized Unani and Ayurvedic systems of medicine. The Government has given priority to alternative medicine and has created opportunities in the country for providing patients care services through alternative medicine. In this regards total 198 posts of medical officers (from the Bachelor of alternative medical college) have been created by the government. Out of 198 posts 66 posts of medical officers for Unani systems of medicine, 66 medical officers for Ayurvedic systems of medicine and the rest 66 medical officers for Homoeopathic systems of medicine. All of the appointed medical officers are working in district hospitals along with mainstream medical officers.

To grow medicinal plants and to create awareness to the local beneficiaries about medicinal plants and Herbal, Unani and Ayurvedic medicines 467 demonstration herbal gardens have been established in Bangladesh. Medicinal plants gardens established one in each districts hospital and upazila health complex premises. The post of one herbal gardener has been created and appointed in each herbal garden to take care of the garden. There are 729 sanctioned posts for alternative medicine care in government position including homoeopathic medicines.

5. RAW MATERIALS OF ALTERNATIVE MEDICINE AND THEIR SOURCES

Raw materials of Herbal, Unani and Ayurvedic systems of medicines are combination of herbs, chemical and parts of the animal or animal originated products. In the production of Herbal, Unani and aAyurvedic systems of medicines manufacturers of Bangladesh to produced their medicinal products they used 70% of local raw materials and 30% of imported raw materials only. Out of 70% local raw materials only 10% raw materials are cultivated and the rest 90% are wild harvested raw materials. It is a big opportunity to the alternative medicines manufacturing industries of Bangladesh that most of the major raw materials are available in the country. Due to deforestation wild raw material will be reduced day by day.

Keeping mind the reducing situation of wild harvesting raw materials therefore immediate attempts need to be taken for the production of cultivated raw materials for alternative medicines industries in the country. To meet the challenge of sustainable development of alternative medicines industries intensive care may need to take initiative for cultivation of raw materials. It is hopeful that in the mean time cultivation of medicinal plants has been increased in the country.

Peoples now becoming trustful and liking alternative medicine for their treatment due to harmless characteristic of these medicines. Awareness regarding medicinal herbs and herbal medicine has been created towards alternative medicines home and aboard.

The World Health Organization (WHO) has been listed medicinal plants for the purposes of manufacturing alternative medicines. Medicinal plants are the major raw materials of Herbal, Unani and Ayurveduc systems of medicines. It is good news for Bangladesh that some of these plants can be easily grow in Bangladesh because of favorable environmental condition of its. Some of these alternative medicines raw materials are; garlic, turmeric, ginger, onion, aloe, Indian penny wort , marsh mint, arjuna, emblic myrobalan, margosa, creat, chebulic myrobalan, beleric myrobalan, black seed, vasaka, devil’s cotton, winter cherry, snake root, black basil, folium sennae, liqourice root, fenugreek, gum arabic tree, asparagus, plea seed etc.

It is mention earlier that many of alternative medicine plants grow in Bangladesh. Medicinal plants are mainly wild harvested in our country. Wild harvested medicinal plants should not be permanent sources of supply and it should be replaced by cultivation where possible. Besides now in Bangladesh medicinal plants are growing and cultivating scattered all over the country but some areas are famous for medicinal plants cultivation.

It was understood from previous study that 70% of the raw materials of Harbal, Unani and Ayurvedic systems of medicines are producing in country; on the other hand many of these raw materials have multipurpose uses in our country and our everyday cooking. As an example it is mentioned here the names of spices that uses as a raw material of medicines and on the other hand these spices are the one of the major ingredients of cooking stuff besides these have many other alternative uses.

6. CULTIVATION OF RAW MATERIALS IN BANGLADESH

Most of the alternative medicine manufacture ring firms have used their own raw materials and some of them have own plants garden. Besides, NGO of the country and others communities based organizations are engaged in helping farmers for productions, distributions and marketing of medicinal plants. Community based organizations are also involved in commercial cultivation. Major medicinal plants of the country are produced in the districts of Natore, Bogra regions, Chittagong, Mymensingh, Rangpure regions and some of them cultivated in Sylhet regions. It is seen that normally hilly areas are suitable for the production and cultivation of medicinal plants.

7. PROSPECTS OF THE INDUSTRY IN BANGLADESH

Future prospects of local raw material in Bangladesh is very potential, it is considered as a home of herbal plants where over 550 species of herbal plants grow in the country and these are available and suitable for producing herbal medicine in the country. About 25 plants of Bangladesh considered high priority herbs plants. On the other hand it was identified that due to various reasons for example numbers of rivers, less uses of fertilizer, favorable climate condition etc encourage production of medicinal plants . Moreover it is proved that the soil of Bangladesh may not be as heavily contaminated with pesticides and herbicides in comparison of the soil of China and India. This natural condition of Bangladesh will be create a positive image and motivation toward Bangladeshi medicinal plants by the foreign buyer/investors as well as personal choice of individuals may create demand for Bangladeshi medicinal plants and medicines manufactured in the country. The manufacturers of alternative medicines are in adventurous position to explore their products in the obverses market and export them by adding more value and can create more job opportunity in the country.

The manufacturers of alternative medicine of Bangladesh have export potentiality. For the purpose of export of alternative medicines pre condition laid down in the Drug Policy of Bangladesh (2005) that any drugs are allowed to produce in Bangladesh in accordance with the specific requirements of the importing country. Medicines may be exported in their genetic name or in their company brand name. According to the WHO (World Health Organization) the world market of the Herbal, Unani and Ayurvedic medicines and medicinal plants more than US$ 60 billion but in 2010, the world market focused US$ 150 billion (Estimated) in near future. WHO has farther forecasted that the global market for herbal products would be US$ 3 trillion by the year 2020 and US$ 5 trillion by the year 2050.

8. NATIONAL DRUG POLICY

National Drug Policy of Bangladesh regulates drug production, distribution, marketing and pricing etc. It was published in 18th April 2005. In the published Drug Policy along with mainstream medicine, alternative systems of medicines have been included in the National Drug Policy. The Director General of Drug Administration (DGDA) is the administering authority of all kinds of drug. It is quite impossible to the authority to monitor and control, laboratory testing and other related activities of medicine industry. Presently pharmaceuticals industry is a very large and promising sector in Bangladesh. It is exporting medicine i.e. pharmaceuticals products over 150 countries of the world. To manage the drug sector it is require separate monitoring authority for alternative medicines of Bangladesh. At the same way for the monitoring of Harbal, Unani and Ayurvedic medicines need separate authority and another alternative medicine is homeopathic medicines that needs also separate controlling and monitoring authority.

9. PROVISION IN THE EXPORT POLICY

In the export policy 2009-2012, alternative medicines sub-sector producing medicinal plants and medicine products have been considered as a Special Priority Sectors. Alternative medicines are entitled to have the benefits and facilities that are applicable to alternative medicine subsector. The sub-sector considered as a Special Priority Sectors.

26. As a Special Priority Sectors benefits and facilities are entitle to have project loans a normal interest rates on priority basis, export loans with soft terms and reduced interest rates, shipment of products at reduced air fare, duty draw-back/bond facilities, facilities for setting up of backward linkage industries including infrastructural development as to reduce production cost, expansion of technical facilities to improve the quality of products, assistance in marketing of products and in searching for foreign markets, possible financial benefits for utility services such as electricity, water and gas and necessary initiatives to attract foreign investments (FDI).

**10. UNIQUE FORMULA FOR ALL MANUFACTURING FIRMS**

Unani and Ayurvedic systems of medicines of Bangladesh are producing under formula approved by theEexpert Formulary Committee. Therefore the standard of the medicines should be equal to each and every firm. But in practical situation the standard of medicine one firm to other firms are not same. It may say that some manufacturing firms hoodwink to the interest of the common people by not for following standard set for them. Some Herbal Unani and Ayurvedic medicine firms are doing malpractices in the country, they are using advertising in a manner that common people coming for treatment and spending much more money but they are not getting proper benefits from its.

Food substitute

On the other hand in the name of food substitute many local and imported products are available in the country using colorful advertizing, promising treatments of many diseases and are misleading to the common peoples and making fraud with the people. There is no one to protect them; it should not be continue in the coming future. It may expect that the appropriate authority come forward for prevention of the malpractice of medicine.

11. ANOMALIES OF DRUG POLICY (2005)

National Drug Policy 2005 formulated for pharmaceutical and for all other alternative medicines. Pharmaceutical sub-sector industry is a vast sector in the country and its needs separate to monitor and control its functions but there is no separate body to oversee its activities.

Alternative medicines sub- sector is not a small one. Separate policy and administering and monitoring authority is require for alternative or traditional systems of medicines like Herbal, Unani and Ayurvedic systems of medicines in Bangladesh.

Emphasis has given for manufacturing Quality and standard drug in the country. There is a list of Essential Drugs in the country. In this regards government has made List of Essential Drugs for pharmaceutical sector only. But no list of Essential Drugs determined for Herbal, Unani and Ayurvedic systems of medicines.

Some of alternative medicine firms are producing food supplements products but no provisions have been made in this regard in the Drug Policy 2005 for production and marketing of food supplements. No separate monitoring authority, no price monitoring body of alternative medicines. In the drug policy it is mentioned that price should be ‘affordable’ this word needs to be clarification by the authority or it may necessary to establish a formula for pricing.

12. CONCLUSION

A central Herbal, Unani and Ayurvedic system of medicine testing laboratories are needed to be established. It will ensure the quality of the products. Research and Development (R&D) is the key element of any innovation that lead the products as well as country forward, therefore a research institute need to be established for the development of Ayurvedic, Unani and herbal medicines.

Availability of data/information’s are the key elements of measuring and making development policy intake, formulating policy, taking future action plan and focus ting of an industry but no database regarding production, sales, exports etc. are available. Necessary measures should be adapted in these regards. Directorate General of Drug Administration (DGDA) is the licensing authority, the manufacturing firms suppose to be submitting productions and others related data/ information to the DGDA but no productions and others related data/ information’s are available in the office DGDA. Office of the DGDA should consider as depository of production, sales and other related data/information’s.

Alternative medicine i.e. Herbal, Unani and Ayurvedic medicines are approved by the government but no medicines of this groups are not included as ‘Essential’ Drug list. There needs to be included some of them as ‘Essential’ Drug. The industry is a growing sector; cultivations of medicinal plants should be encouraged, necessary steps needs to be taken for the improvements of cultivation plants. It is need strong backwards linkages for the improvement of the alternative systems of medicines.

The domestic market of Herbal, Unani and Ayurvedic systems of medicine are very large due to huge population in the country. Therefore most of the firms are primarily focusing on catching domestic markets. Some large firms have little intension for exports markets. Trade liberalization has also created pressures on domestics firms to become export oriented to ensure their growth and prosperity. The Herbal, Unani and Ayurvedic systems of medicine identified as a priority sector and government made multi provisions in favor of producers as well as exporters of the products of the sub sector but no positive result reflected in the export scenario.

Some of the firms engaged as manufactures of counterfeit, adulterated and sub standard drugs and using enlighten packaging and writing attractive words into levels and advertising products in a manner to mislead the common peoples and there should be under system of exemplary punishment.

The manufacturers of Herbal, Unani & Ayurvedic systems of medicine should follow quality and international standard of products. There needs to put positive efforts to penetrate into the foreign markets.

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| Practice of Workers Participation Committee at the  RMG Industries in Bangladesh: an Observation  *Md. Jamal Uddin1*  *Md. Sayeed Bari2*  *Md. Raihan Ubaidullah3* |

**ABSTRACT**

The prospects of RMG sector in Bangladesh not only depended on availability of cheap labor and government’s liberal policy but also depend on compliance with codes of conduct. RMG sector of Bangladesh needs to improve the factory working environment and various social issues related to the industry. According to Bangladesh Labor Act-2006 (section 205-208) and the Amendment in 2013, there should be a participatory committee in each industrial setting. This paper examined the existing participatory committee practices of RMG factories in Bangladesh.

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**Key Words: Benefits, Compliances, Participatory Committee.**

**1. INTRODUCTION**

Industrial relations are multidisciplinary field that studies the [employment](http://en.wikipedia.org/wiki/Employment) relationship (Ackers, P., 2002). Industrial relations is increasingly being called employment relations or employee relations because of the importance of non-industrial employment relationships (Philip L., Adrian T., Mark S., 2003); this move is sometimes seen as further broadening of the [human resource management](http://en.wikipedia.org/wiki/Human_resource_management) trend (Paul B., Rebecca K., 2008). Indeed, some authors now define human resource management as synonymous with employee relations (Ed R., 2008). Other authors see employee relations as dealing only with non-unionized workers, whereas [labor relations](http://en.wikipedia.org/wiki/Labor_relations) is seen as dealing with unionized workers (John R O., Susan T C., 2005). Industrial relations studies examine various employment situations, not just ones with a unionized workforce. However, according to Bruce E. Kaufman "To a large degree, most scholars regard trade unionism, collective bargaining and labor-management relations, and the national labor policy and labor law within which they are embedded, as the core subjects of the field".

Workers’ participation in management is an essential ingredient of Industrial Relation as well as Industrial democracy. The concept of workers’ participation in management is based on Human Relations approach to Management which brought about a new set of values to labor and management. Traditionally the concept of Workers’ Participation in Management (WPM) refers to participation of non-managerial employees in the decision-making process of the organization. Workers’ participation is also known as ‘labor participation’ or ‘employee participation’ in management. In Germany it is known as co-determination while in Yugoslavia it is known as self-management. The International Labor Organization has been encouraging member nations to promote the scheme of Workers’ Participation in Management (www.whatishumanresource.com).

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## 2. BACKGROUND

Participation is the mental and emotional involvement of people in group situations that encourages them to contribute to group goals and share responsibility for them. There are three important ideas regarding participation in decision making-involvement, contribution and responsibility (Bhuiyan, Md. Anowar H., 2010). Firstly, participation means meaningful involvement - rather than mere muscular activity. A second concept in participation is that it motivates people to contribute. They are empowered to release their own resources and creativity to achieve the objectives of the organization. Participation especially improves motivation by helping employees understand their paths towards goals. Finally, participation encourages people to accept responsibility for their group activities. It is social processes by which people become self involved in an organization and want to see it work successfully (Newstrom & Davis, 2004).

Participation can have statistically significant effects on performance and motivation (Wagner, 1994). Participate practices may provide power opportunities earlier to minority workers in an increasingly diverse workforce, since such workers need not wait until reaching higher organizational levels (Bhuiyan, Md. Anowar H., 2010). It also helps to satisfy the awakening employee need for meaning and fulfillment at work. Participation typically brings higher output and a better quality of output. It tends to improve motivation because employees feel more accepted and involved in the situation. Turnover and absences may be reduced if the employees feel that they have a better place to work (Newstrom & Davis, 2004).

Employee motivation is the level of energy, communication and creativity that a company’s workers bring to their jobs. One approach to employee motivation has been to view, add-ins to an individual’s job as the primary factors in improving performance (Bhuiyan, Md. Anowar H., 2010). Endless mixes of employee benefits such as - health care, life insurance, profit sharing, employee stock ownership plans, child care, company cars and more - have been used by companies in their efforts to maintain happy employees in the belief that happy employees are motivated employees. The best employee motivation efforts will focus on what the employees deem to be important (Bhuiyan, Md. Anowar H., 2010). It may happen that employees within the same department of the same organization with better job design and reward systems will show increased longevity with the company, improved productivity and better morale. Empowerment, creativity and innovation, learning facility, quality of life and various monetary incentives are popular methods of motivation (Encyclopedia, 2008).

Workers’ participation in management implies mental and emotional involvement of workers in the management of Enterprise. It is considered as a mechanism where workers have a say in the decision-

The philosophy underlying workers’ participation stresses (www.whatishumanresource.com):

* democratic participation in decision-making;
* maximum employer-employee collaboration;
* minimum state intervention;
* realization of a greater measure of social justice;
* greater industrial efficiency; and
* higher level of organizational health and effectiveness.

It has been varyingly understood and practiced as a system of joint consultation in industry; as a form of labor management cooperation; as recognition of the principle of co-partnership, and as an instrument of industrial democracy. Consequently, participation has assumed different forms, varying from mere voluntary sharing of information by management with the workers to formal participation by the latter in actual decision-making process of management (www.whatishumanresource.com).

James, Debra and Laurie (2006) reported that while participation in workplace decision making may have positive effects on employees’ attitudes toward their work, it may have less impact on employee performance. In addition, the cost of implementing participatory management systems may far exceed the actual return. However, the commentators provide numerous professional examples to suggest that participation in workplace decision making in government setting not only improves employees’ attitudes toward work, but also increases their performance. Changes in the nature of organization and task environments, employees’ desires to participate in workplace decision making, as well as rapid advances in technology facilitating such exchanges, may make participation an even more important determinant of performance in the future.

Mariam Jamila, Bakhtear Uddin and Salma Ahmed (2006) reported that both the unskilled and semi-skilled women workers have an opportunity to be employed in the garments industry in Bangladesh. This paper found that women in the garments sectors of Bangladesh are not discriminated because they are women. Albeit there may be individual incidence of gender-based wage discrimination in the garments sector, most of the worker’s wage is determined by their skill, hours work, experience and age.

Bhuiyan (2010) reported that, participation tends to improve motivation because employees feel more accepted and involved in the situation. Their self-esteem, job satisfaction and cooperation with management may also improve. The results often are reduced conflict and stress, more commitment to goals, and better acceptance of change. Turnover and absence may be reduced because employees feel that they have a better place to work and that they are being more successful in their jobs. The act of participation in itself establishes better communication as people mutually discuss work problems. Management tends to provide workers with increased information about the organization’s fiancés and operations, and this sharing of information allows employees to make better-quality suggestions (Newstrom & Davis, 2004).

Bashir et. el. (2003) identified that the job design, structure and its relation to the motivation and performance of the employees in insurance industry sector of Bangladesh. A redesigned interview schedule study was conducted on 40 executives of various levels of two insurance companies in the private and public sectors. The finding of the study reveals that executives of the insurance sector in Bangladesh are motivated in their job in terms of task variety, clearly defined authority and responsibility, accountability, information processing, internal co-ordination and job security.

Sen and Khan (2003) showed a brief analysis on participative management visà-vis quality control circles in the context of some banks of Bangladesh. This study has laid emphasis on (a) the philosophy underlying participative management, (b) quality control circles, their essentials and importance, (c) quality audit and (d) adverse impact when quality circles fail. This paper may give some ideas about how quality circles and participative management can go together to attain the organizational objectives.

Emran M.A (2001) revealed that the extent of workers’ participation in the public sector industries is yet limited. The study puts forward steps necessary for an increase worker participation in management of the public sector industries, particularly in the Khulna Newsprint Mills Ltd. In the practice of decision making (Kneeland, 1999) and meeting management (Doyle & Straus, 1976) there is agreement that everyone engaged in a decision process or meeting should understand his or her role. The ladder of decision making helps to define that role. The ladder provides a way to articulate who makes the decision and offers employees more certainty about how their input, which consumes their time and resources, will be used. From these benefits, the ladder offers even greater benefit of improving the quality of decisions by incorporating employee values, information and alternatives to the decision. It also increases the potential for decisions to be implemented as employees help make and “own” the decisions. And the ladder offers the possibility of reducing employee skepticism about executive decisions and executive efforts to engage in employees’ numberone issue, time and resources (Bhuiyan, Md. Anowar H. ,2010).

Connor P.E. (1992) identified that emphasized by being personally and meaningfully involved, above and beyond just doing assigned tasks, employees are said to be more motivated and productive. Hossain M N (1992) revealed that job security is a de-motivating factor. But the study of Bashir et al (2003) reported that job security proves as a significant factor for both government and non-government enterprise. Roethlisberger, Coch and French and others conducted research on this topic. Their collective results suggested the general proposition that participation tends to improve performance and job satisfaction (Coch, 1948). Later research in organizations has repeatedly supported this proposition, as suggested by the authors of a comprehensive review “participation can have statistically significant effects on performance and satisfaction (Wagner, 1994). Participative practices may also provide power opportunities earlier to monitory workers in an increasingly diverse workforce, since such workers need not wait until reaching higher organizational levels before being allowed to contribute meaningfully. Participation also seems to help satisfy the awakening employee need for meaning and fulfillment at work. The use of participative practices is noteworthy. The educational level of the workforce often provides workers with unique capacities that can be applied creatively to work problems. These employees also acquire a greater desire for influencing work related decisions and an expectation that they will be allowed to participate in these decisions (Newstrom & Davis, 2004).

## 3. CONCEPT

**3.1 Definitions**

The concept of WPM is a broad and complex one. Depending on the socio-political environment and cultural conditions, the scope and contents of participation change (www.whatishumanresource.com).

* **International Institute of Labor Studies**

WPM is the participation resulting from the practices which increase the scope for employees’ share of influence in decision-making at different tiers of organizational hierarchy with concomitant (related) assumption of responsibility (www.whatishumanresource.com).

* **ILO** Workers’ participation, may broadly be taken to cover all terms of association of workers and their representatives with the decision-making process, ranging from exchange of information, consultations, decisions and negotiations, to more institutionalized forms such as the presence of workers’ member on management or supervisory boards or even management by workers themselves (as practiced in Yugoslavia) (www.whatishumanresource.com).

The main implications of workers’ participation in management as summarized by ILO (www.whatishumanresource.com):

* Workers have ideas which can be useful;
* Workers may work more intelligently if they are informed about the reasons for and then intention of decisions that are taken in a participative atmosphere
* According to Keith Davis, Participation refers to the mental and emotional involvement of a person in a group situation which encourages him to contribute to group goals and share the responsibility of achievement.
* According to Walpole, Participation in Management gives the worker a sense of importance, pride and accomplishment; it gives him the freedom of opportunity for self-expression; a feeling of belongingness with the place of work and a sense of workmanship and creativity.
* Clegg says, “It implies a situation where workers representatives are, to some extent, involved in the process of management decision making, but where the ultimate power is in the hands of the management”.
* According to Dr. Davis, “it is a mental and emotional involvement of a person in a group situation which encourages him to contribute to goals and share responsibilities in them”.

**3.2 Objectives of Workers Participation in Management**   
  
The objectives of workers’ participation in management are as follows (www.whatishumanresource.com):

* To raise level of motivation of workers by closer involvement.
* To provide opportunity for expression and to provide a sense of importance to workers.
* To develop ties of understanding leading to better effort and harmony.
* To act on a device to counter-balance powers of managers.
* To act on a panacea for solving industrial relation problems.

**3.3 Specific of Purpose of Workers' Participation**

* It helps in managing resistance to change which is inevitable. For the growth and development of industry, changes have to be welcomed, otherwise the organization will stagnate and be left behind. If the need for change is jointly felt by all partners of production its acceptance can be high. Workers' participation in change strategy can facilitate acceptable solutions with a view to secure effective and smooth implementations of decisions.
* Workers' participation can encourage communication at all levels. Since both partners of production are involved in the decision-making there will be fewer changes of distortion and/ or failure in communicating the decision.
* Joint decision- making ensures the there will be minimum industrial conflict an economic growth can be free form distracting strife.
* Workers' participation at the plant level can be seen as the first step to establishing democratic values in society at large.

**3.4 Elements of Participation**

The term “participation” has different meanings for different purposes in different situations. McGregor is of the view that participation is one of the most misunderstood idea that has emerged from the field of human relations. Keith Davis has defined the term “participation” as the mental and emotional involvement of a person in a group situation which encourages him to contribute to group goals and share responsibilities in them. This definition envisages three important elements in participation. Firstly, it means mental and emotional involvement rather than mere physical activity; secondly, participation must motivate a person to contribute to a specific situation to invest his own resources, such as initiative, knowledge, creativity and ingenuity in the objectives of the organization; and thirdly, it encourages people to share responsibility for a decision or activity. Sharing of responsibility commits people to ensure the success of the decision or activity (www.whatishumanresource.com).

**3.5 Forms of Participation**

Different forms of participation are discussed below (www.whatishumanresource.com):

* **Collective Bargaining:** Collective bargaining results in collective agreements which lay down certain rules and conditions of service in an establishment. Such agreements are normally binding on the parties. Theoretically, collective bargaining is based on the principle of balance of power, but, in actual practice, each party tries to outbid the other and get maximum advantage by using, if necessary, threats and counter threats like; strikes, lockouts and other direct actions. Joint consultation, on the other hand, is a particular technique which is intended to achieve a greater degree of harmony and cooperation by emphasizing matters of common interest. Workers prefer to use the instrument of collective bargaining rather than ask for a share in management. Workers’ participation in the U.S.A has been ensured almost exclusively by means of collective agreements and their application and interpretation rather than by way of labor representation in management.
* **Works Councils:** These are exclusive bodies of employees, assigned with different functions in the management of an enterprise. In West Germany, the works councils have various decision-making functions. In some countries, their role is limited only to  receiving information about the enterprise. In Yugoslavia, these councils have wider decision-making powers in an enterprise like; appointment, promotion, salary fixation and also major investment decisions.
* **Joint Management Councils and Committees:** Mainly these bodies are consultative and advisory, with decision-making being left to the top management. This system of participation is prevalent in many countries, including Britain and India. As they are consultative and advisory, neither the managements nor the workers take them seriously.
* **Board Representation:** The role of a worker representative in the board of directors is essentially one of negotiating the worker’s interest with the other members of the board. At times, this may result in tension and friction inside the board room. The effectiveness of workers’ representative at the board depend upon his ability to participate in decision-making, his knowledge of the company affairs, his educational background, his level of understanding and also on the number of worker representatives in the Board.
* **Workers Ownership of Enterprise:** Social self-management in Yugoslavia is an example of complete control of management by workers through an elected board and workers council. Even in such a system, there exist two distinct managerial and operative functions with different sets of persons to perform them. Though workers have the option to influence all the decisions taken at the top level, in actual practice, the board and the top management team assume a fairly independent role in taking major policy decisions for the enterprises, especially in economic matters.

**3.6 Levels of Participation**

Workers’ participation is possible at all levels of management; the only difference is that of degree and nature of application. For instance, it may be vigorous at lower level and faint at top level. Broadly speaking there is following five levels of participation (www.whatishumanresource.com):

* **Information participation:** It ensures that employees are able to receive information and express their views pertaining to the matters of general economic importance.
* **Consultative participation:** Here works are consulted on the matters of employee welfare such as work, safety and health. However, final decision always rests at the option of management and employees’ views are only of advisory nature.

* **Associative participation:** It is extension of consultative participation as management here is under moral obligation to accept and implement the unanimous decisions of employees.
* **Administrative participation:** It ensure greater share of works in discharge of managerial functions. Here, decision already taken by the management come to employees, preferably with alternatives for administration and employees have to select the best from those for implementation.
* **Decisive participation:** Highest level of participation where decisions are jointly taken on the matters relation to production, welfare etc. is called decisive participation.

**3.7 Pre-requisites for Effective Participation**

The pre-requisites for the success of any scheme of participative management are the following (www.whatishumanresource.com):

1. Firstly, there should be a strong, democratic and representative unionism for the success of participative management.
2. Secondly, there should be mutually-agreed and clearly-formulated objectives for participation to succeed.
3. Thirdly, there should be a feeling of participation at all levels.
4. Fourthly, there should be effective consultation of the workers by the management.
5. Fifthly, both the management and the workers must have full faith in the soundness of the philosophy underlying the concept of labor participation.
6. Sixthly, till the participative structure is fully accepted by the parties, legislative support is necessary to ensure that rights of each other are recognized and protected.
7. Seventhly, education and training make a significant contribution to the purposeful working of participative management.
8. Lastly, forums of participation, areas of participation and guidelines for implementation of decisions should be specific and there should be prompt follow-up action and feedback.

**4.** **IMPORTANCE OF WORKERS PARTICIPATORY COMMITTEE AT RMG INDUSTRIES IN BANGLADESH**

Employee participation has an important influence in decision making for organizational effectiveness. If they have participation in this fact, the employees will feel that they are valued in the enterprise (Bhuiyan, Md. Anowar H. ,2010). They also provide necessary suggestions and guidelines to the organization for attaining its goal. As a result, development and necessary changes occur fruitfully in (1) setting goals, (2) making decisions, (3) solving problems and (4) designing and implementing organizational changes (Gilbraith et.el. 1993). Employees are committed to the desired goals of the organization if they are engaged in decision making and goal setting by exercising their self-directed and self-control activities. They always seek and accept responsibility to involve them in decision making process through intellectual, emotional and physical effort. Participation helps to resolve the conflict and reduce differences between the employees and the management. If importance is given to the employees in decision making, the cost of control also becomes least. So the involvement of employees in decision making process has been considered important in increasing the productivity of an organization (Bhuiyan, Md. Anowar H. ,2010).

Employee participation in workplace decision making is essential to motivate the employees (Bhuiyan, Md. Anowar H. ,2010). Broad participation in decision making ensures high performance by motivated employees. This participative process increases capacity of employees in problem solving and commitment to the organization’s success. The underlying logic is that by involving workers in those decisions that affect them and by increasing their autonomy and control over their work, employees can be made more motivated and more committed to the organization, more productive and more satisfied with their jobs (Ford and Fottler, 1995). Giving employees’ decision making authority increases their control over the tasks for which they are held responsible for. Participation tends to improve motivation because employees feel more accepted and involved in the situation. Their self-esteem, job satisfaction and co-operation with management also may improve. So employee participation in management, an important part of human relations, is deemed to be an important tool to boost up their motivation (Bhuiyan, Md. Anowar H. ,2010).

RMG sector is the largest foreign currency earning sector for Bangladesh and it expanding every year. Almost 5 million employees are engaged in this sector and they contribute greatly to our national economy. But there are a lot of problems in this sector. Lack of proper employee participation in decision making and motivation is one of them. To empower the workers of the RMG sectors, it is necessary to establish the Workers participatory committee at every RMG industry in Bangladesh (Bhuiyan, Md. Anowar H., 2010).

**5.** **CONTEXTUAL SITUATIONS OF WORKERS PARTICIPATORY COMMITTEE AT RMG INDUSTRIES IN BANGLADESH**

**5.1 Participation Committee Issues at Bangladesh Labor Act-2006**

The Participatory Committee issues were provided at Bangladesh Labor Act-2006 from Section 205-208 which are as follows:

* **Section No. 205- Participation committee:**

(1) The employer in an establishment in which fifty or more workers are normally employed shall constitute in the prescribed manner a participation.

(2) Such committee shall be formed with representatives of the employer and the workers.

(3) The number of representatives of worker in such committee shall not be less than the number of representatives of the employer,

(4) The representative of the workers shall be appointed on the basis of nomination given by the trade unions in the establishment.

(5) Each of the trade unions, other than the collective bargaining agent, nominating equal number of representatives and the collective bargaining agent nominating representatives, the number of which shall be one more than the total number of representatives nominated by the other trade unions.

(6) In the case of an establishment where there is no trade union, representatives of the workers on a participation committee shall be chosen in the prescribed manner from amongst the workers engaged in the establishment for which the participation committee is constituted.

(7) Where an establishment has any unit in which at least fifty workers are normally employed, a unit participation committee, may, on the recommendation of the participation committee, be constituted in the manner prescribed by Rules.

(8) Such unit committee shall consist of the representatives of the employer sand the workers employed in or under that unit.

(9) The provisions of this section applicable in case of participation committee shall mutatis-mutandis apply to the unit participation committee.

* **Section No. 206- Function s of participation committee:**

(1) The functions of the participation committee shall be of inculcate and develop sense of belonging and workers commitment and, in particular-

(a) to Endeavour to promote mutual trust, understanding and co-operation between the employer and the workers;

(b) to ensure application of labor laws;

(c) to foster a sense of discipline and to improve and maintain safety, occupational health and working condition;

(d) to encourage vocational training, workers education and family welfare training;

(e) to adopt measures for improvement of welfare services for the workers and their families;

(f) to fulfill production target, improve productivity, reduce production cost and wastes and raise quality of products.

(2) A unit participation committee shall, subject to the supervision of the participation committee, discharge, as far as practicable, those functions as the specified in sub-section (1).

* **Section No. 207-Meetings of the participation Committee:**

(1) The participation committee shall meet at least once in every two months to discuss and exchange views and recommend measures for performance of the functions under section 202.

(2) The proceedings of every meeting of the participation committee shall be submitted to the Director of Labor and the conciliator within seven days of the date of the meeting.

* **Section No. 208- Implementation of recommendations of participation committee:**

(1) The employer and the registered trade union shall take necessary measures to implement the specific recommendation of the Participation committee within the period specified by the committee.

(2) If, for any reason, the employer or the registered trade union finds it difficult to implement the recommendations within the specified period, he or it shall inform the committee about it and make all out efforts to implement the same as early as possible.

**5.1.1 General Situation on Trade Union Rights now-a-days**

Until the 1980s, collective bargaining was mostly practiced in State owned industries in Bangladesh.  During the 1980s and 90s, trade union activities were reduced following the large-scale privatization of state owned industries. Following the World Bank led Structural Adjustment Policy (SAP) era, pro-business policies fostered growth of export oriented industries. Widespread restrictions on trade union rights during this period have been documented by researchers (Rashid M. A., 2006).

The absence of industry wide constructive collective bargaining arrangements is seen by many observers to contribute to conflict in the garment industry. Some unions are affiliated to political parties, which add an extra layer of complexity. Low awareness among workers of collective bargaining rights and management resistance to unionization both contribute to low union membership levels. Due to state of emergency, from November 2006 December 2008, trade unionism was banned, and there have been documented cases of union leaders being tortured, arrested and harassed (Rashid M. A., 2006).

**5.2 Reform of the Labor Law/Labor Act-2006**

As a first step, Bangladesh has amended the 2006 Labor Act to make it more in line with International Labor Standards. The amendments were passed by Parliament on 15 July 2013 and notified in the Bangladesh Gazette on 22 July 2013. The Government approved the new labor law with a total of 87 sections of amendments to boost workers' rights as regards trade union registration and improving occupational health and safety conditions at the industries. On the issue of freedom of association, the legislation also puts in place provisions for assurance that union members will not be transferred to another factory of the same owner after labor unrest (www.trade.ec.europa.eu).

Another important amendment deleted a provision in the labor law requiring the Registrar of Trade Unions to provide employers with the names of union leaders at the time of registration of a trade union. The provision had led to the mass terminations of union leaders' employment prior to registration (www.trade.ec.europa.eu).

While government officials are no longer required to share the names of union leaders with employers, reports of authorities still sharing such information informally with employers persist. The amendment to the labor law will also allow workers to consult with external experts for advice during collective bargaining. In the public industrial sector, workers will now be allowed to elect 10% of their enterprise officers from outside the workplace (www.trade.ec.europa.eu).

Several provisions to improve workplace safety have now been included in the law, such as the creation of Occupational Safety and Health (OSH) Committees in factories with 50 workers or more (www.trade.ec.europa.eu). The labor inspectorate has the responsibility to inspect health and safety conditions of workplaces and conduct on-the-spot inspections (www.trade.ec.europa.eu).

New provisions require the establishment of safety welfare officers in workplaces with more than 50 employees and workplace health centers in workplaces with over 5,000 employees. Under the amendments, compensation for work-related deaths will be provided after two years in employment, compared to the current three years (www.trade.ec.europa.eu).

The Amendments of the Section No. 205 of the Act No. 42 of 2006 (Bangladesh Labor Act-2006) are described at Section No. 58 of the Act No. 30 of 2013 (Bangladesh Labor Act Amendment-2013) which is as follows:

* **Section No. 58-Amendment to Section 205 of the Act No. 42 of 2006**

In Section 205 of the said Act-

(a) After the word “owner” in sub-section (1), a group of words- “with direct involvement of workers working in the establishment” shall be inserted;

(b) In Sub-Section (6), the word “nominated” shall be replaced by “elected”;

(c) After sub-section (6), the following sub-section (6a) shall be inserted, e.g.:-

“6(a) For an establishment where there is no trade union, until a trade union is formed, the workers’ representatives to the Participation Committee shall run activities related to workers’ interests in the establishment concerned.”

(d) Sub-Section (9) shall be replaced by Sub-Sections (9), (10) and (11), e.g.:-

“(9) The employers shall not transfer an official and member elected or nominated by workers to a Participation Committee without their consent during the tenure.

(10) The employer shall not bring any charge or take any revenge against a member to the Participation Committee who has acted upon on good faith as a member of such a committee.

(11) The provisions of this section applicable in case of Participation Committee shall *mutatis-mutandis* apply to a Unit- Participation Committee.”

5**.2.1 Trade Union Registration**

The amendments to the Labor Law adopted on 15 July 2013 included improvement of the process for the registration of trade unions and the formation of Worker Participation Committees (www.trade.ec.europa.eu):

* **Registration Process:** A provision has been deleted regarding submission of the list of workers intending to form trade unions to factory owners/management.
* **Participation Committees:** A provision has been added to the labor law specifying that Worker Participation Committees (WPCs) must be directly elected by workers rather than selected. WPCs are platforms for worker-management dialogue and are required by Bangladeshi law (www.foreign.senate.gov). Workers elect their representatives to the WPC, which then meets with management once every month or two to discuss worker concerns. While WPCs give workers some voice, they are essentially powerless and have no leverage when dealing with management (www.foreign.senate.gov). There are also instances of management influencing the selection of worker representatives to WPCs (www.foreign.senate.gov). WPCs are clearly no substitute for genuine representation of workers’ interests through unions and collective bargaining agreements.
* **External Experts:** Workers and employers will be able to obtain support from external experts in collective bargaining at the enterprise level. The years of 2013 and 2014 have seen significant growth in trade union registration with registration of 187 new trade unions (96 in 2013) in the RMG industry increasing the total number of unions from 136 to 323. In addition, workers are now more vocal where anti-union discrimination occurs and some cases of unfair labor practices (ULP) have been investigated and cases filed in the Labor Courts. However, there are reports of increased denial of trade union registration, anti-trade union discrimination and harassment.

**6. PRACTICE OF WORKERS' PARTICIPATION COMMITTEE AT THE INDUSTRIES OF BANGLADESH**

Following the Tazrin Garments and Rana Plaza tragedy, Bangladesh RMG industry fall on a question of survival. To overcome the situation Bangladesh government to take steps to improve the safety of garment factories and worker’s rights Govt. declared to review law to ensure workers safety and rights at workplace and accordingly changed in the law. So, enterprise and factory to should form active Participation Committee as per Labour 2006 & amendment 2013. But till today majority did not form “Participation Committees” and workers representatives were not elected even factories forming this committee only in paper. Even factories those have informal or selected participation committee and the members from both side are not trained on how to conduct social dialogue/meeting to solve any problem at the factory level (www.bdjobstraining.com).

On the other hand, majority factories still did not any room to “Participation Committees” to conduct social dialogue/meeting to improve working conditions of factories but keeping meeting minutes in the paper to face buyers/brands social compliance audit. As a result brands and buyers are pressuring factories to form effective and functional participation committee immediately to avoid any unwanted unrest at the factory level.

The main problem is that the people those are working in the compliance, administration even human resource division/section have little or no adequate/required knowledge and understanding to handle the workers issues through participation committee. One major aspect of the trade union’s/Participation committee’s willingness towards dialogue, in fact there is no real cooperation or willingness to Working conditions in the Bangladeshi garment sector through Social dialogue of participation committee. Due to lack of awareness of Participation Committee and their activities, lack of participation of workers in Participation Committee’ activities, there is a very little presence of Participation Committee in factories and last very little number of workers are involved in social dialogue tables with employers.

**6.1 Practice of Workers' Participation Committee at the RMG Industries of Bangladesh: Practical Instances**

A group of observers visited 08 (eight) RMG industries situated in and besides Dhaka to observe about the recent scenario of Workers Participatory Committee existence and practices. The results of the observations are as follows:

**6.1.1 Observations**

* The Workers Participation Committee provision was provided at section no 205 of Bangladesh Labor Act-2006 (Act No 42 of 2006). This section amended at the Act of 30 of 2013. The formation procedure was described at the section no 206, arrangement of Participation Committee was described at 207 and the implementations of the recommendations of the Participation Committee was described at section no 208 of the Labor Act-2006. The findings are saying that some companies are trying to maintain these provisions of “Participation Committee”.
* Some industries tried to establish a Workers participatory Committee at their industries. Those Committees had 85-90% representation from the workers and 10-15% from the owners. But, whether the representatives of the workers were elected/nominated by the general workers or not, the authorities were unable to say anything about it. There is no Trade Union Activities at those RMG industries. These is no specific constitution, the manner procedure or how the committee is running-the ways or the rule which is followed by the participatory committee whether it is approved by the whole workers or not. The industry authorities did not say anything about the attitude of the owners representatives at the Committee, whether it is friendly & sharing or dominating and suppressive. The Authority did not say anything about the “Mutatis-Mutandis” (the necessary changes having been made) issues, whether the change is/was going on with the concern of the workers or not.
* According to the **Section of 206** of Bangladesh Labor Act-2006, the Participatory Committee has to deal with the Labor Laws, Labor Welfare Measures, Training, Education, Safety, Occupational Health, Welfare Measures about the workers’ family members, increase co-operation between workers and managements, increase of production and so on. How many of these issues are deal by the Participatory Committee at those industries it is unknown and the relevant personnel were unable to say specific about it.
* According to the **Section of 207** of Bangladesh Labor Act-2006, the Participatory Committee has to seat in meeting at least once in two months. The authorities of those industries informed the observers that the committees were seat once in each month and in every meeting the committee ensures 90% representation of the workers and 10% representation of Management. According to the subsection (2) of the section of 207, every meeting resolutions and recommendations shall be submitted to the Director of Labor and the conciliator within seven days of the date of the meeting. The authorities were unable to ensure about this issue.
* According to the **Section of 208** of Bangladesh Labor Act-2006, the Employer has to implement the recommendation of the Participatory Committee within the period specified by the committee. How many recommendations are implemented by the authority of those industries, the authorities was unable to mention about it.

**6.1.2 Recommendations**

* Workers participatory Committee should be established in each industries of Bangladesh. Those Committees should ensure 90% representation from the workers and 10% from the owners.
* The representatives of the workers should be nominated by the general workers. There should be a specific constitution/rule, the manner procedure or how the committee is running-the ways or the rule which is followed by the participatory committee whether and it should be approved by the whole workers. The Government can introduce new policies for this purpose.
* The attitude of the owners representatives at the Committee should be friendly not be dominating.
* “Mutatis-Mutandis” (the necessary changes having been made) issues should be followed by the industry authority and adopt with the committee.
* The Participatory Committee has to deal with the Labor Laws, Labor Welfare Measures, Training, Education, Safety, Occupational Health, Welfare Measures about the workers’ family members, increase co-operation between workers and managements, increase of production and so on.
* The Participatory Committee has to seat in meeting at least once in one month. In every meeting the committee ensures 90% representation of the workers and 10% representation of Management should be ensured. Every meeting resolutions and recommendations should be submitted to the Director of Labor and the conciliator within seven days of the date of the meeting.
* The Employer has to implement the recommendation of the Participatory Committee within the period specified by the committee. How many recommendations are implemented by the authority of those industries, the authorities was unable to mention about it.

Although there are lot of gaps between the laws and reality about the Participatory Committees in Bangladesh just because of its new perceptions, but these endeavors should get immense appreciations. This is because a few RMG Industries in Bangladesh have workers participatory committee.

**7. CONCLUSION**

Employee participation is a very important component of operating for the future enterprise. Participation is helping management to decide in selecting the courses of action in enterprise. It gives the employee an opportunity to express their viewpoints about action. Participating in goal setting, the employees can play a vital role in achieving business target. Workers can select their work schedules which ensure workforce diversity in organization. If the enterprise selects payment and overtime system according to the employees’ opinion, it increases productivity of them. So, employee participation has a positive effect on performance and motivation. Participation in decision making in industry results in satisfaction of employees and an increase in productivity and profit. It empowers the employer to achieve the organizational goal. The observations from the field visit will be helpful for understand the present situation, nature and types of workers participation and motivation system in Ready Made Garments (RMG) sector of Bangladesh which may be useful for the future researchers to research more about the workers participation issues at the industrial sectors of Bangladesh.

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| --- |
| EU-ASEAN Free Trade Agreement (FTA): Possible Impact on Bangladesh  *Md. Mamun-Ur-Rashid Askari[[1]](#footnote-2)* |

**Abstract**

The EU has specific trade policies through which it is firmly committed to the promotion of open and fair trade with all its partner countries. The EU and the Association of South East Asian Nations (ASEAN) has the same commitment to regional integration. They both had been trying to build a closer trade relationship amongst its member countries for a long time as it was predicted that this agreement will enable both the regions to enjoy zero tariff benefit for most of their export items (more than 90%) in both countries’ markets. On the other hand, Bangladesh as a Least Developed Country (LDC) enjoys zero duty benefit in the EU under "Everything but Arms" scheme i.e. Bangladesh does not have to pay a tariff (or a very low duty for some items) for all of its exports to the EU market. The zero tariff benefit helped Bangladesh to boost its export to the EU. At present, Bangladesh’s export in EU market is heavily relies on a few products specially RMG products. So, Bangladesh’s exports might be affected under this FTA. In this perspective, the possible impact of EU-ASEAN FTA in light of the government’s FTA guidelines has been analyzed in this report. This study report focused on the overall economic situation of all EU and ASEAN member countries, their present trade position and regimes, bilateral and regional trade relations and other relevant issues. In light with the methodology and data available this paper first tries to identify the products which might be affected if the agreement is signed and then provides some recommendations to cope with the situation. In addition to that, this report provides special emphasis on the exports of RMG products in the EU market. To find out the linkages and relationships with trade issues which require an analytical framework and to calculate trade indicators like Revealed Comparative Advantage (RCA), Trade Concentration Index (TCI), Finger Kreinin Index (FKI), Relative Export Competitive Pressure Index (RECPI), TradeSift-a trade and FTA analyzing software developed by Sussex University of UK is used.

**----------------------------------------------------------------------------------------------------------------**

**Introduction**

Over the last two decades or so, Regional Trade Agreements (RTAs) have become increasingly prevalent among WTO member states. As per WTO database, there were 419 RTAs in force by February 2016, of these RTAs, Free Trade Area Agreements (FTAs) and Partial Scope Agreements account for about 90%, while customs union account for about 10%. In recent years, it has been an increasing concern for the Government of the People’s Republic of Bangladesh to negotiate forming an FTA with potential trade partners as well as to analyze possible impact as a third country with a view to exploring the export opportunities and challenges faced in the world market and in the specific market. There is no denying the fact that the EU is one of the major export destinations for Bangladesh. Over the periods trade between EU and Bangladesh has been increased. Bangladesh as an LDC obtains EBA (Everything But Arms) facility for exporting Bangladeshi originating products in the EU market. Bangladesh’s export performance depends a lot upon the EU market. Thus, EU market is very important for Bangladesh. On the other hand, most of the ASEAN countries are important trading partner of the EU and recent developments indicate an FTA negotiation is underway. Hence this impact analysis is very important for Bangladesh.

**The EU-ASEAN FTA Background**

ASEAN and the EU originally started region-to-region negotiations for FTA in 2007. After seven rounds of negotiations the plans were quietly dropped in March 2009. The reason was the political disagreements over Myanmar’s human rights record and political regime. On August 4, 2014 there was a post by ASEAN Briefing in which it states-“The *‘Myanmar problem’* has long been a stumbling block for EU-ASEAN relations, to the extent that the EU-ASEAN Ministerial Meetings were suspended for several years in the 1990s as a result of the issue.”[[2]](#footnote-3)

In order to increase trade and investment between EU-ASEAN it was proposed during the previous negotiations that the FTA agreement would cut or eliminate existing tariff and non-tariff barriers as usually happen in case of forming an FTA. “According to some estimates, ASEAN exports to the EU would have increased by more than 18.5 percent as a result, representing a two percent boost to ASEAN’s GDP by 2020.” EU exports would also benefit, but not so dramatically, with an expected two percent increase as stated in the same post. Foreign ministers attended in the 20th EU-ASEAN Ministerial Meeting in Brussels in 2014 have raised the possibility of resuming negotiations for an EU-ASEAN FTA once the ASEAN Economic Community comes into effect at the end of 2015.

**Trade related assistance to ASEAN**

It is noted that, trade related assistance to ASEAN is remarkable. As part of this assistance the EU and the ASEAN Secretariat conduct seminars on different topics such as technical barriers to trade, liberalization of services, regional economic integration, and trade facilitation. The EU also finances on trade related regional projects such as: Enhancing ASEAN FTA Negotiating Capacity Programme, ASEAN Regional Integration Support Programme (ARISE), EU-ASEAN Statistical Capacity Building Programme (EASCAB), ASEAN Project on the Protection of Intellectual Property Rights (ECAP III). In addition to the trade negotiations with individual ASEAN member countries, the EU cooperates closely with the ASEAN region as a whole. Such cooperation is usually maintained through an EU-ASEAN dialogue.

Singapore is the first ASEAN country to conclude an FTA negotiations with the EU In December 2012. The FTA is expected to allow duty-free access on all EU imports into Singapore and it is also expected that gradually tariffs on all Singaporean products will be abolished. There are three sets of FTA negotiations that are currently underway between the EU and Malaysia, Vietnam and Thailand. It is expected that these FTAs including the EU-Singapore agreement, will be contribute as the basis for a rejuvenated region-to-region FTA.

**Economic Overview of Bangladesh**

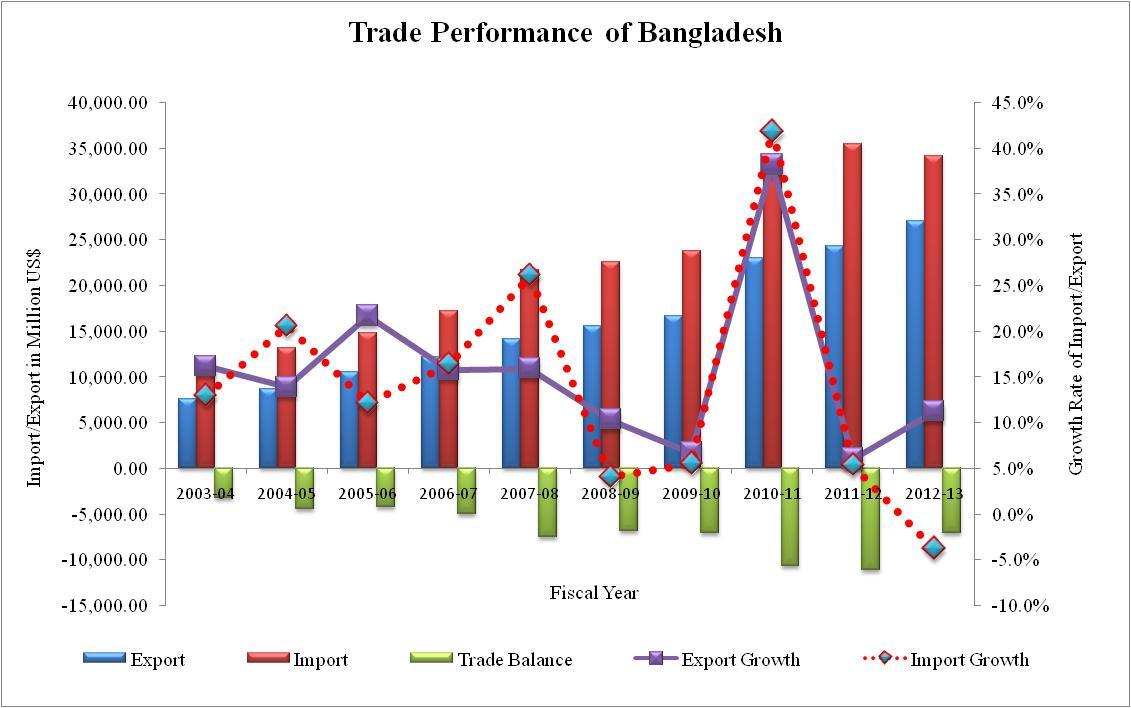
Economy of Bangladesh has achieved a sustainable economic growth during last decade. The real GDP growth over the last five years consistently remained on an average above 6 percent. During the last three years, the economy is constituted with GDP of US$ 133.40 billion with per capita GDP of US$ 880 in 2011-12, US$ 150.00 billion with per capita GDP of US$ 976 in 2012-13 and US$ 173.82 billion with per capita GDP of US$ 1,115 in 2013-14. Bangladesh is one of the most densely populated countries in the world wherein food security is one of the major challenges. Its natural resources are only natural gas, fertile soil, water and coal. The land is devoted mainly to rice, jute, wheat and sugar cane cultivation. The main agriculture products of Bangladesh are rice, jute, tea, sugarcane and wheat. Its main industrial products are woven garments, knitwear, jute goods, frozen fish, seafood, pharmaceuticals, textiles, chemical fertilizer, leather products, light engineering products, melamine/plastic products, ship breaking for scrap, ceramic products and sugar.

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# Trade Performance of Bangladesh

Over the recent past years, Bangladesh’s economy has become more exposed to the global economy. Both export and import have increased rapidly in last ten years, which also resulted in increase of trade deficit (Figure 1).

**Figure 1:** Trade Performance of Bangladesh



**Source:** Bangladesh Economic Review 2013

Bangladesh’s export is concentrated to a limited number of products, e.g. clothing which constitutes more than three fourth of country’s total export earnings. Its major export items are woven garments, knitwear, jute and jute goods, frozen foods, leather & leather products, pharmaceuticals, chemical products, home textiles, footwear, light engineering products, ceramic products, melamine products and bicycle (Table 1).

**Table 1:** Composition of Bangladesh’s Export (Values in million USD)

| **Commodity classification** | **2007-08** | **2008-09** | **2009-10** | **2010-11** | **2011-12** | **2012-13** | **2013-14** |
| --- | --- | --- | --- | --- | --- | --- | --- |
| 1.Primary commodities of Which | 988 | 870 | 884 | 1,316 | 1,267 | 1,310 | 1,380 |
| a) Frozen food | 534 | 455 | 445 | 625 | 598 | 544 | 638 |
| b) Tea | 15 | 12 | 6 | 3 | 3 | 2 | 4 |
| c)Agricultural Products | 120 | 147 | 189 | 262 | 304 | 350 | 421 |
| d) Raw Jute | 165 | 148 | 196 | 357 | 266 | 230 | 126 |
| e) Others | 153 | 108 | 48 | 69 | 96 | 183 | 209 |
| 2. Industrial goods, Of which | 13,123 | 14,695 | 15,713 | 21,612 | 23,035 | 25,718 | 28,797 |
| a)Woven garments | 5,167 | 5,919 | 6,013 | 8,432 | 9,603 | 11,040 | 12,442 |
| b) Knitwear | 5,533 | 6,429 | 6,483 | 9,482 | 9,486 | 10,476 | 12,050 |
| c) Leather | 284 | 177 | 226 | 298 | 330 | 400 | 506 |
| d) Jute goods | 318 | 269 | 540 | 758 | 701 | 801 | 698 |
| e)Fertilizer & chemical products | 216 | 280 | 103 | 105 | 103 | 93 | 93 |
| f) Footwear | 170 | 187 | 204 | 298 | 336 | 419 | 550 |
| g)Ceramic products | 38 | 32 | 31 | 38 | 34 | 38 | 48 |
| h) Engineering products | 3 | 189 | 311 | 310 | 375 | 367 | 367 |
| i) Petroleum by products | 185 | 142 | 301 | 261 | 275 | 314 | 162 |
| g) Handicrafts | 6 | 6 | 4 | 4 | 5 | 6 | 8 |
| k) Others | 1,203 | 1,065 | 1,497 | 1,626 | 1,787 | 1,764 | 18,74 |
| Total Export (1+2) | 14,111 | 15,565 | 16597 | 22,928 | 24,302 | 27,028 | 30,177 |

**Source:** Bangladesh Economic Review 2014

The major export destinations of Bangladesh are the United States, Germany, United Kingdom, France, Italy, Belgium, the Netherlands, Spain, Canada and ASEAN (Table 2).

**Table 2:** Prime export destinations of Bangladesh (Values million USD)

| **Fiscal Years** | **USA** | **Germany** | **UK** | **France** | **Canada** | **Italy** | **Belgium** | **Nether Lands** | **Japan** | **Others** | **Total** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| FY 01 | 2,500 | 790 | 598 | 366 | 126 | 296 | 254 | 328 | 108 | 1,102 | 6,467 |
| FY 02 | 2,219 | 681 | 648 | 414 | 110 | 262 | 211 | 283 | 96 | 1,061 | 5,986 |
| FY 03 | 2,155 | 821 | 778 | 419 | 170 | 259 | 290 | 278 | 108 | 1,271 | 6,548 |
| FY 04 | 1,967 | 1,299 | 898 | 553 | 284 | 316 | 327 | 290 | 118 | 1,551 | 7,603 |
| FY 05 | 2,412 | 1,354 | 943 | 626 | 335 | 369 | 325 | 292 | 122 | 1,875 | 8,655 |
| FY 06 | 3,030 | 1,764 | 1,049 | 678 | 406 | 426 | 359 | 327 | 138 | 2,350 | 10,526 |
| FY 07 | 3,441 | 1,955 | 1,174 | 732 | 457 | 516 | 436 | 459 | 148 | 2,861 | 12,178 |
| FY 08 | 3,591 | 2,175 | 1,374 | 953 | 533 | 579 | 488 | 654 | 173 | 3,591 | 14,111 |
| FY 09 | 4,052 | 2,270 | 1,501 | 1,031 | 663 | 616 | 410 | 971 | 203 | 3,849 | 15,565 |
| FY 10 | 3,950 | 2,187 | 1,509 | 1,026 | 667 | 624 | 391 | 1,017 | 331 | 4,504 | 16,205 |
| FY 11 | 5,108 | 3,439 | 2,065 | 1,538 | 945 | 866 | 666 | 1,107 | 434 | 6,760 | 22,928 |
| FY 12 | 5,101 | 3,689 | 2,445 | 1,380 | 994 | 977 | 742 | 691 | 601 | 7,682 | 24,302 |
| FY 13 | 5,420 | 3,963 | 2,765 | 1,514 | 1090 | 1037 | 731 | 712 | 750 | 9,046 | 27,028 |

**Source:** Bangladesh Economic Review 2009 and 2013

Bangladesh’s economy is characterized by severe dependence on imports. Its major import items are cereal, capital machineries and equipments, chemicals, edible oil, fuel, iron and steel, textiles, fertilizer, petroleum products and cement clinker. Industrialization of Bangladesh is extremely depended on import of raw materials, capital machineries, and parts and accessories. Data presented in Table 3 shows that food items, petroleum, industrial raw materials and capital machinery occupied the major share of total import.

**Table 3:** Composition of Bangladesh’s import [Values in million USD]

| **Major Commodities** | **FY 07** | **FY 08** | **FY 09** | **FY 10** | **FY 11** | **FY 12** | **FY 13** | **FY14** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 1. FOOD GRAINS | 581 | 1,410 | 882 | 837 | 1,911 | 901 | 726 | 1,465 |
| i.Rice | 180 | 874 | 239 | 75 | 830 | 288 | 30 | 347 |
| ii. Wheat | 401 | 536 | 643 | 761 | 1,081 | 613 | 696 | 1,118 |
| 2. Milk & cream | 83 | 137 | 96 | 106 | 161 | 221 | 214 | 289 |
| 3.Spices | 76 | 80 | 62 | 109 | 127 | 138 | 118 | 183 |
| 4. Oil seeds | 106 | 136 | 159 | 130 | 103 | 177 | 242 | 508 |
| 5.Edible oil | 583 | 1,006 | 865 | 1,050 | 1,067 | 1,644 | 1,402 | 1,761 |
| 6. Pulses (all sorts) | 195 | 327 | 234 | 350 | 292 | 243 | 422 | 455 |
| 7. Sugar | 294 | 396 | 413 | 650 | 654 | 1177 | 731 | 902 |
| 8.Clinker | 240 | 347 | 314 | 333 | 446 | 504 | 487 | 619 |
| 9.Crude petroleum | 524 | 695 | 584 | 535 | 923 | 987 | 1102 | 929 |
| 10. POL | 1,709 | 2,058 | 1,997 | 2,021 | 3,186 | 3,922 | 3,642 | 4,070 |
| 11. Chemical | 668 | 890 | 960 | 972 | 1,254 | 1,210 | 1,302 | 1,498 |
| 12.Pharmaceutical products | 49 | 62 | 80 | 103 | 116 | 119 | 119 | 120 |
| 13. Fertilizer | 357 | 632 | 955 | 717 | 1,241 | 1,381 | 1,188 | 1,026 |
| 14. Dyeing, tanning etc. materials | 161 | 218 | 259 | 275 | 333 | 375 | 399 | 538 |
| 15.Plastics and rubber articles thereof | 643 | 808 | 840 | 966 | 1,302 | 1,366 | 1,366 | 1,793 |
| 16. Raw cotton | 858 | 1,212 | 1,291 | 1,439 | 2,689 | 2,084 | 2,005 | 2,426 |
| 17. Yarn | 582 | 691 | 792 | 718 | 1,391 | 1,384 | 1,356 | 1,506 |
| 18. Textile and articles thereof | 1,892 | 1,892 | 2,099 | 1,986 | 2,680 | 3,023 | 3,273 | 3,584 |
| 19. Staple fiber | 97 | 110 | 112 | 118 | 180 | 428 | 455 | 493 |
| 20.Iron,steel and other base metals | 985 | 1,179 | 1,502 | 1,453 | 2,004 | 2,224 | 2,335 | 2,657 |
| 21. Capital machinery | 1,929 | 1,664 | 1,420 | 1,595 | 2,325 | 2,005 | 1,835 | 2,332 |
| 22. Others including EPZ | 4,545 | 5,679 | 6,591 | 7,275 | 9,273 | 10,003 | 9,365 | 8,604 |
| Grand Total : | 17,157 | 21,629 | 22,507 | 23,738 | 33,658 | 35,516 | 34,084 | 37,757 |

**Source:** Bangladesh Bank

Major sources of imports of Bangladesh are ASEAN, China, Singapore, Japan, Hong Kong, Taiwan, South Korea, the USA and Malaysia (Table 4) of which Singapore and Malaysia are ASEAN members. They are also Indian Ocean Rim Association (IORA) member countries. Other member countries of ASEAN are not a significant import partner of Bangladesh. It can be observed from the table that about more than 20% of Bangladesh’s imports is coming from IORA countries and 14% is coming from ASEAN countries. Of them Singapore (3%) and Malaysia (4%) are the two major sources. It is necessary to state that as formation of FTA between EU and ASEAN, each member country has to implement tariff reduction program (TRP) from the date of its coming into force. As a result, Bangladesh might have some impact on its export in the two markets.

**Table 4:** Major import sources of Bangladesh [Values in million US$]

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Fiscal Years** | **China** | **ASEAN** | **Malaysia** | **Singapore** | **South Korea** | **Japan** | **Taiwan** | **Hong Kong** | **USA** | **Others** | **Total** |
|
| **FY 01** | 709 | 1,184 | 148 | 824 | 411 | 846 | 412 | 478 | 248 | 4,075 | 9,335 |
| **FY 02** | 878 | 1,019 | 145 | 871 | 346 | 655 | 312 | 441 | 261 | 3,612 | 8,540 |
| **FY 03** | 938 | 1,358 | 169 | 1,000 | 333 | 605 | 328 | 433 | 223 | 4,271 | 9,658 |
| **FY 04** | 1,198 | 1,602 | 255 | 911 | 420 | 552 | 377 | 433 | 226 | 4,929 | 10,903 |
| **FY 05** | 1,642 | 2,030 | 276 | 888 | 426 | 559 | 439 | 565 | 329 | 5,993 | 13,147 |
| **FY 06** | 2,079 | 1,868 | 302 | 849 | 489 | 651 | 473 | 626 | 345 | 7,064 | 14,746 |
| **FY 07** | 2,571 | 2,268 | 334 | 1,035 | 553 | 690 | 473 | 747 | 380 | 8,106 | 17,157 |
| **FY 08** | 3,137 | 3,393 | 451 | 1,273 | 620 | 832 | 478 | 821 | 490 | 10,134 | 21,629 |
| **FY 09** | 3,452 | 2,864 | 694 | 1,769 | 865 | 1,016 | 498 | 851 | 461 | 10,029 | 22,507 |
| **FY 10** | 3,819 | 3,214 | 1,232 | 1,550 | 839 | 1,046 | 542 | 788 | 469 | 10,239 | 23,738 |
| **FY 11** | 5,918 | 4,569 | 1,760 | 1,294 | 1,124 | 1,308 | 731 | 777 | 677 | 15,500 | 33,658 |
| **FY 12** | 6,440 | 4,743 | 1,406 | 1,710 | 1,544 | 1,455 | 792 | 703 | 709 | 16,014 | 35,516 |
| **FY 13** | 6,301 | 4738 | 1,497 | 1,076 | 1,297 | 1,181 | 734 | 606 | 537 | 16,117 | 34,084 |

**Source:** Bangladesh Economic Review 2013 and Bangladesh Bank

**[N.B:** The import values by countries represent only the imports under cash. Import under IDB loans, grants are incorporated in “Others” Column.]

# Trade Regime of Bangladesh

Till today tariffs remains the main instrument of Bangladesh for protecting domestic industries from imports and one of the major sources of revenue earnings. In FY 2011-12, simple average tariff was 14.83% which is slightlyincreased to 15.10% in2012-13[[3]](#footnote-4). Other than customs duty Bangladesh levies Supplementary Duty (SD), Regulatory Duty (RD), VAT, Advance Trade VAT (ATV), and Advanced Income Tax (AIT) on imports. Among these taxes, VAT, ATV and AIT are trade neutral. If SD and RD are added to import tariffs then average total protective tariff may rise to 28% which increased to 30.25% in 2012-13.[[4]](#footnote-5). Product wise tariff summary of Bangladesh applied in 2011-12 is given below:

**Table 5:** MFN tariff structure in Bangladesh, 2011-12

|  | MFN applieda | | Final bound | | | TTIb | |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Avg. | Range | Avg. | Range | %age  bound | Avg. | Range |
| Overall average | 14.9 | 0-25 | 172.4 | 0-200 | 17.8 | 54.5 | 0-830.1 |
| HS01-24 | 19.4 | 0-25 | 191.0 | 15-200 | 79.9 | 54.8 | 0-598.8 |
| HS25-97 | 13.9 | 0-25 | 92.7 | 0-200 | 4.1 | 54.5 | 0-830.1 |
| WTO agriculture | 13.1 | 0-25 | 192.3 | 15-200 | 100.0 | 54.6 | 0-598.8 |
| Animals and products thereof | 14.5 | 0-25 | 196.5 | 50-200 | 100.0 | 42.4 | 0-59.2 |
| Dairy products | 20.7 | 5-25 | 167.3 | 30-200 | 100.0 | 61.2 | 29.5-90 |
| Fruit, vegetables and plants | 14.7 | 0-25 | 191.8 | 30-200 | 100.0 | 44 | 0-90 |
| Coffee and tea | 16.3 | 12-25 | 187.5 | 50-200 | 100.0 | 69.3 | 37.8-151.7 |
| Cereals and preparations | 10.3 | 0-25 | 194.1 | 50-200 | 100.0 | 56.8 | 0-598.8 |
| Oil seeds, fats and oils and their products | 7.2 | 0-25 | 194.6 | 50-200 | 100.0 | 30.8 | 0-105.4 |
| Sugars and confectionary | 16.4 | 0-25 | 191.7 | 50-200 | 100.0 | 62.2 | 3.6-151.7 |
| Beverages, spirits and tobacco | 22.8 | 25-25 | 200.0 | 200 | 100.0 | 285.1 | 59.2-598.8 |
| Cotton | 1.9 | 0-5 | 200.0 | 200 | 100.0 | 20.3 | 0-29.5 |
| Other agricultural products n.e.s. | 9.0 | 0-25 | 189.3 | 15-200 | 100.0 | 30.6 | 0-90 |
| WTO non-agriculture | 11.5 | 0-25 | 38.8 | 0-200 | 2.7 | 54.5 | 0-830.1 |
| Fish and fishery products | 16.0 | 0-25 | 45.0 | 30-50 | 1.8 | 47.7 | 0-90 |
| Minerals and metals | 10.2 | 0-25 | 39.5 | 0-50 | 1.1 | 45.4 | 0-151.7 |
| Chemicals and photographic supplies | 8.7 | 0-25 | 53.7 | 5-200 | 3.3 | 40.5 | 3.6-151.7 |
| Wood, pulp, paper and furniture | 13.0 | 0-25 | 38.9 | 15-50 | 3.2 | 51.4 | 3.6-151.7 |
| Textiles | 16.8 | 3-25 | 37.5 | 10-50 | 0.7 | 75.3 | 6.7-151.7 |
| Clothing | 19.6 | 12-25 | n.a. | n.a. | 0.0 | 123.5 | 37.8-151.7 |
| Leather, rubber, footwear and travel goods | 10.7 | 0-25 | 3.0 | 3 | 0.6 | 51.4 | 8.6-128.6 |
| Non-electric machinery | 5.4 | 0-25 | 46.4 | 3-125 | 5.0 | 33.4 | 3.6-151.7 |
| Electric machinery | 11.5 | 0-25 | 44.1 | 3-50 | 2.7 | 43.2 | 5-151.7 |
| Transport equipment | 16.0 | 0-25 | 20.1 | 3-50 | 3.7 | 107.2 | 3.6-830.1 |
| Non-agricultural articles n.e.s. | 10.6 | 0-25 | 21.7 | 15-50 | 6.7 | 47.2 | 3.6-213.4 |
| Petroleum | 15.4 | 5-25 | n.a. | n.a. | 0.0 | 49.1 | 24.5-90 |

**a** Based on custom duties only.

**b** Total tax incidence (TTI) includes custom duties, supplementary duties, VAT, advance income taxes, regulatory duties and advanced trade VAT.

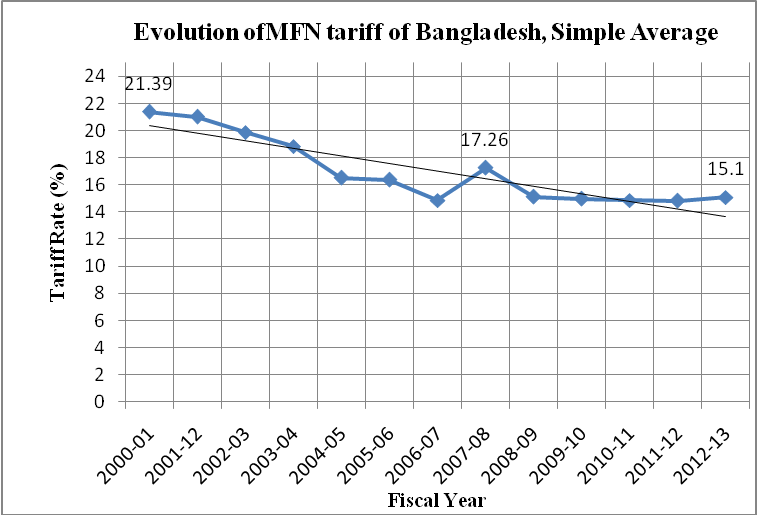
Note: Calculations exclude specific rates. Calculations on bindings are based on the 2011/12 tariff schedule.

Source: Trade Policy Review 2012, Bangladesh

**C3. Evolution of MFN Tariff of Bangladesh**

There are a number of rules of thumb, which are well grounded in economic theory, that help in evaluating the relative importance of trade diversion and trade creation. One of the rules is that the higher are the initial tariffs, the greater is the likelihood of both trade creation and trade diversion. In other words, the impact of a PTA/FTA is expected to be higher if there is a higher initial tariff. The logic behind this argument is that reduction of tariffs may increase consumer welfare through trade creation or increase social welfare through trade diversion if the country has significant volume of trade with the PTA/FTA partner(s). Bangladesh provided tariff concessions to some countries such as India, Indonesia, Iran, Malaysia, Mozambique, Singapore, Sri Lanka, Tanzania and Thailand under the Global System of Trade Preferences (GSTP) of them Malaysia, Singapore and Thailand are ASEAN countries. Besides, India and Sri Lanka have been enjoying tariff concessions from Bangladesh under SAFTA agreement. The rest of the ASEAN ccountries have not been enjoyed any preferential tariff from Bangladesh; MFN tariff rate would be applicable for them. That means comparatively higher tariffs have to pay for imports from Bangladesh. Higher tariff preference on well traded goods would generate large surge of import and lower tariff preference and preference on non-traded or negligible traded goods would generate little increase in import. The following figure shows the evolution of MFN (un-weighted) tariff rate of Bangladesh. The evolution of MFN tariff shows that Bangladesh’s average MFN tariff has been declining over the last decade, reduced from 20.38% in FY 2000-01 to 15.10% in FY 2012-13, which is shown in the following figure:

**Figure 2:** Evolution of MFN Tariff of Bangladesh



**Source:** Bangladesh Economic Review 2013

C4. Workers Remittance

Workers' inward remittance is one of the most important factors in the economic growth of Bangladesh. The substantial share of remittance is coming from mainly Saudi Arabia, UAE, Kuwait, USA, Libya, Qatar, Oman, Singapore, Germany and Bahrain. Among those countries Singapore is the only country which is a member of ASEAN. In the recent years, significant amount of remittance is also coming from Iran, Japan, Malaysia, Australia, Italy, South Korea and Hong Kong (Table 6) of which Malaysia is the member of the ASEAN. Inward remittance has an impressive growth trend which remained strong in 2009-10 even in the face of global economic slowdown and continued to play an important role in strengthening the current account. During the last decade total remittance has increased about to six fold and in the next fiscal year it further increased. Total remittance was US$ 3,848.29 million in 2004-05 which increased to US$ 12,842.76 million in 2011-12. The country wise remittance contained in the following table shows that some ASEAN countries like Malaysia and Singapore are important destinations for human resources of Bangladesh. So, obviously it has a positive impact whenever Bangladesh will sign an FTA with those countries. It is evident from the above discussion that ASEAN is a significant destination of earning remittance for Bangladeshi workers.

Table 6: Country wise remittance expatriate Bangladeshi (Figures in million US$)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Countries** | **2006-07** | **2007-08** | **2008-09** | **2009-10** | **2010-11** | **20111-12** | **2012-13** |
| KSA | 1,734.70 | 2,324.20 | 2,859.10 | 3,427.10 | 3,290.00 | 3,686.89 | 3,834.02 |
| UAE | 804.84 | 1,135.10 | 1,754.90 | 1,890.30 | 2,002.60 | 2,406.84 | 2,831.22 |
| USA | 930.33 | 1,380.10 | 1,575.20 | 1,451.90 | 1,848.50 | 1,495.44 | 1,858.46 |
| Kuwait | 680.70 | 863.70 | 970.80 | 1,019.20 | 1,075.80 | 1,186.55 | 1,187.01 |
| Malaysia | 11.84 | 92.40 | 282.20 | 587.10 | 703.70 | 848.59 | 996.77 |
| UK | 886.90 | 896.10 | 789.70 | 827.50 | 889.60 | 987.33 | 993.90 |
| Oman | 196.47 | 220.60 | 290.10 | 349.10 | 334.30 | 401.27 | 609.95 |
| Singapore | 80.24 | 130.10 | 165.10 | 193.50 | 202.30 | 313.71 | 498.36 |
| Bahrain | 79.96 | 138.20 | 157.40 | 170.10 | 185.90 | 299.81 | 361.60 |
| Qatar | 233.17 | 289.80 | 343.40 | 360.90 | 319.40 | 335.21 | 287.49 |
| Others | 339.32 | 444.50 | 501.30 | 710.70 | 798.20 | 881.12 | 1,009.65 |
| Total | 5,978.47 | 7,914.80 | 9,689.20 | 10,987.40 | 11,650.30 | 12,842.76 | 14,468.43 |

Source: Monthly Economic Trends, Bangladesh Bank, Bangladesh Economic Review 2012

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# Foreign Direct Investment Inflow of Bangladesh

Foreign direct investment (FDI) has played a key role in the modernization of the Bangladesh economy for the last 15 years. As a least developed country, it needs FDI for its ongoing development process. Since independence, Bangladesh has been trying to be a suitable location for FDI. For this purpose, Bangladesh has gradually liberalized the investment policy and set up special zones and introduced lucrative incentive packages to attract FDI. Despite these initiatives, FDI inflow in Bangladesh has not yet been reached at optimum level because of some crucial challenges, such as political unrest, weak institutional factors, lack of government initiatives, infrastructural deficiencies and unfriendly economic environment. Hundred percent (100%) FDI inflow registered in the Board of Investment (BOI) during 1977-2010 shows that the most FDI has been coming from the UAE, KSA, UK, USA, the Netherlands, Egypt, Malaysia, South Korea, ASEAN, China, Singapore, Thailand and Hong Kong (Table 7). Among these Malaysia, Singapore and Thailand are members of ASEAN region. The other countries are Japan, Taiwan, Switzerland, Pakistan, Sri Lanka, Denmark, Finland etc. On the other hand, in terms of employment opportunities, the most important investor countries in Bangladesh are South Korea, UK, Hong Kong, Taiwan, China, USA and Japan including three ASEAN member countries such as Singapore, Malaysia and Thailand. The country wise joint venture investment shows that the most investment has been coming from KSA, Norway, USA, UK, Japan, Hong Kong, the Netherlands, France, South Korea, Germany, Italy, Canada and three ASEAN countries like Malaysia, Singapore and Thailand. The most employment generation has been made by the joint venture of UK, China, Japan, South Korea, Hong Kong, USA, Germany, the Netherlands and two ASEAN countries: Malaysia and Singapore. Therefore it is observed from the following table that some of the ASEAN countries have been investing in Bangladesh where the others’ investment is quietly absent in Bangladesh. In this situation, it seems better for Bangladesh to proceed towards forming PTA/FTA with IORA which has a possibility of increasing FDI inflows from these countries.

**Table 7:** The major investing countries in Bangladesh (1977-2010)

| SL | Country | No of units | Investment in  (USD million) | Employment opportunities  (in person) |
| --- | --- | --- | --- | --- |
| 01 | UAE | 6 | 2,229.898 | 6, 513 |
| 02 | KSA | 4 | 1,850.406 | 2,154 |
| 03 | UK | 45 | 952.035 | 26,194 |
| 04 | USA | 23 | 735.376 | 3,881 |
| 05 | The Netherlands | 7 | 351.197 | 595 |
| 06 | Egypt | 2 | 177.149 | 243 |
| 07 | Malaysia | 7 | 162.006 | 833 |
| 08 | South Korea | 88 | 123.708 | 46,089 |
| 09 | ASEAN | 43 | 93.803 | 7,982 |
| 10 | China | 54 | 55.622 | 7,071 |
| 11 | Singapore | 9 | 51.636 | 1,842 |
| 12 | Thailand | 8 | 48.418 | 804 |
| 13 | Hong Kong, SAR, China | 18 | 45.121 | 11,147 |

**Source:** Board of Investment, Bangladesh

**The European Union**

The EU is the largest economy in the world. Although growth is projected to be slow, the EU remains the largest economy in the world with a GDP per head of €25 000 for its 500 million consumers. It is the world's largest trading block. It is also the world’s largest trader of manufactured goods and services. The EU ranks first in both inbound and outbound international investments. The EU is the top trading partner for 80 countries. By comparison the US is the top trading partner for a little over 20 countries. The EU is the most open to developing countries. Excluding Fuels, the EU imports more from developing countries than the USA, Canada, Japan and China put together. The EU benefits from being one of the most open economies in the world and remains committed to free trade. The average applied tariff for goods imported into the EU is very low. More than 70% of imports enter the EU at zero or reduced tariffs. The EU’s services markets are highly open and arguably the most open investment regime in the world. The EU has not reacted to the crisis by closing markets. However, some the EU’s trading partners have not been as restrained as the EU has highlighted in the [Trade and Investment Barriers Report](http://trade.ec.europa.eu/doclib/html/149143.htm) and the [report on protectionism](http://trade.ec.europa.eu/doclib/html/149526.htm). In fact the EU has retained its capacity to conclude and implement trade agreements. The recent FTA with [South Korea](http://ec.europa.eu/trade/policy/countries-and-regions/countries/south-korea/) and with [Singapore](http://ec.europa.eu/trade/policy/countries-and-regions/countries/singapore/) is example of this and the EU has an [ambitious agenda of trade agreements](http://ec.europa.eu/trade/policy/countries-and-regions/agreements/) in the pipeline.

# EU position in world trade

In this section the facts and figures on the EU’s position in global markets has been discussed. The EU is in prime position when it comes to global trade. The openness of our trade regime has meant that the EU is the biggest player on the global trading scene and remains a good region to do business with. The EU has achieved a strong position by acting together with one voice on the global stage, rather than with 28 separate trade strategies. The EU is an attractive market to do business with. They have 500 million consumers looking for quality goods. EU is the world's largest single market with transparent rules and regulations. They have a secure legal investment framework that is amongst the most open in the world. They are the most open market to developing countries in the world Europe has become deeply integrated into global markets. Due to the ease of modern transport and communications, it is now easier to produce, buy and sell goods around the world which gives European companies of every size the potential to trade outside Europe. Workers often deliver their services across different countries within a multinational or by specific service contracts. As investors thrive in a stable, sound and predictable environment, they are looking for investment barriers to be dismantled and investments to be protected. Every day, Europe exports hundreds of millions of euro worth of goods and imports hundreds of millions more.

Europe is the world's largest exporter of manufactured goods and services, and is itself the biggest export market for around 80 countries. Together, the European Union's 28 members account for 16% of world imports and exports. Figure 3 shows global export of goods and commercial services in 2013. From the figure it is observed that EU covers 15% of global export in goods while United States covers 10%, China covers 15% and Japan covers 5% in 2013. On the other hand EU covers 25% of global export in services while United States covers 19%, China covers 6%, Japan covers 4% and India covers 4% in 2013.

Figure 3**:** Global Export of Goods and Commercial Services



**Source:** Eurostat and WTO.

Following table shows Trade in goods and commercial services of some countries like EU, United States, China, Japan and South Korea in 2013. It can be seen from the table that EU imports 2,188 Billion Euro while United States imports (2,079 Billion Euro), China(1,716 Billion Euro), Japan(750 Billion Euro), and South Korea(468 Billion Euro). On the other hand EU exports 2,415 Billion Euro while United States imports (1,688 Billion Euro), China(1,817 Billion Euro), Japan(648Billion Euro), and South Korea(506 Billion Euro).

Table 8: Trade in goods and commercial services 2013 in Billion €

|  |  |  |
| --- | --- | --- |
| **Country or region** | **Imports** | **Exports** |
| EU | 2,188 | 2,415 |
| United States | 2,079 | 1,688 |
| China | 1,716 | 1,817 |
| Japan | 750 | 648 |
| South Korea | 468 | 506 |

**Source:** Eurostat, Unctad

# EU key trade figures

The development of trade - if properly managed - is an opportunity for economic growth. So, EU trade policy seeks to create growth and jobs by increasing the opportunities for trade and investment with the rest of the world. By working together, Europe has the weight to shape an open global trading system based on fair rules – and to ensure that those rules are respected. The EU’s success is inextricably bound up with the success of our trading partners, both in the developed and developing world. For this reason, sustainable development is central to trade policy. Following information shows EU’s key trade facts:

* EU’s share of world exports and imports is 16.4 % in 2013.
* Foreign direct investment in EU: €3 947 billion in 2012
* EU outbound foreign direct investment: €5 207 billion in 2012
* Manufacturing trade surplus, oil excluded: more than €400 billion in 2013
* Services trade surplus: €110 billion in 2013
* EU development aid: €56.5 billion in 2013

**Main trading partners - EU28**

Following table shows the main trading partners of the EU28 covering EU’s export, import growth and trade balance with those countries. It can be observed the main trading partners of the EU are- USA, China, Russia, Switzerland, Norway, Turkey, Japan, South Korea, India and Brazil. There is no ASEAN member country in this list. In case on import EU’s highest growth is with China (11%), second highest with South Korea (8%), and third highest with USA(6%). On the other hand in case of import EU’s highest growth is with China and South Korea (Both 8%), second highest with Turkey(7%) and third highest with USA(4%) and fourt highest with Switzerland(3%).

Table 9: Main trading partners - EU28 - non seasonally adjusted data bn €

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| EU28 exports to | | | EU28 imports from | | | Trade balance | | |
| Jan-Nov 13 | Jan-Nov 14 | Growth | Jan-Nov 13 | Jan-Nov 14 | Growth | Jan-Nov 13 | Jan-Nov 14 | Growth |
| USA | 267.0 | 283.9 | 6% | 181.1 | 187.5 | 4% | 85.9 | 96.4 |
| China | 135.6 | 150.5 | 11% | 257.4 | 276.7 | 8% | -121.7 | -126.2 |
| Russia | 111.3 | 96.7 | -13% | 189.7 | 170.1 | -10% | -78.4 | -73.4 |
| Switzerland | 158.3 | 129.9 | -18% | 87.9 | 90.5 | 3% | 70.4 | 39.4 |
| Norway | 46.4 | 46.3 | 0% | 83.2 | 77.1 | -7% | -36.8 | -30.8 |
| Turkey | 71.7 | 68.2 | -5% | 46.5 | 49.7 | 7% | 25.2 | 18.5 |
| Japan | 49.5 | 49.1 | -1% | 52.2 | 50.2 | -4% | -2.7 | -1.2 |
| South Korea | 36.2 | 39.1 | 8% | 33.5 | 36.1 | 8% | 2.7 | 3.0 |
| India | 32.7 | 32.3 | -1% | 34.3 | 34.1 | -1% | -1.6 | -1.8 |
| Brazil | 36.9 | 33.9 | -8% | 30.5 | 28.8 | -6% | 6.4 | 5.1 |

Source: Eurostat

**D4. The EU’s biggest trade partners: Goods**

The following figure (2013) shows the EU’s biggest trading partners in goods in 2013. From the figure it can be observed that USA, China, Russia, Switzerland, Norway, Turkey, Japan, South Korea, Brazil and India are the major exporting partners of the EU. It is also notable that EU imports from Africa 168.3 Billion Euro and exports to Africa 154.7 Billion Euro while imports 102.4 Billion Euro from Central and South America and exports 120.9 Billion Euro, Other European countries: imports 477.6(Billion Euro); exports 488.7(Billion Euro), North America: imports 223.8(Billion Euro); exports 320.5(Billion Euro), Oceania: imports 14.6(Billion Euro); exports 39.0(Billion Euro) and Asia: imports 678.6(Billion Euro); exports 573.7(Billion Euro).

Figure 4: The EU’s biggest trade partners: Goods



Source: Eurostat.

**The EU’s biggest trade partners: Services**

Following figure shows the EU’s biggest trade partners in services in 2013. From the figure it can be observed that USA, Switzerland, China, Russia, Japan, Canada, India, Brazil and Hong Kong are the major service exporting partners of the EU. It is also notable that EU’s service exports is higher in the USA, Switzerland, China, Russia, Japan and Canada while service import is higher from those countries.

Figure 5: EU’s biggest trade partners: Services

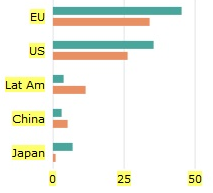


Source: Eurostat.

‘Foreign Direct Investment’ (FDI) means that a person or a company owns a business, or part of it, in another country. So ‘outflow of FDI from the EU’ is when somebody inside the EU owns businesses based in countries outside the EU.’ ‘Inflow’ is the other way around. Figures are the average for 2009–12 for the 27 EU countries overall. As the largest source of foreign direct investment, the EU supports clear rules to protect this form of finance, which plays a central role in establishing businesses and jobs abroad and building global supply chains. The aim is to provide investors with legal certainty and a stable, predictable, fair and properly regulated environment in which to conduct business. This is largely achieved through the WTO General Agreement on Trade in Services (GATS) and, where possible, in bilateral agreements. More recently, with the entry into force of the Lisbon Treaty, the EU has acquired the responsibility to negotiate on the protection of European investments in countries outside the EU.

Following figure shows the share of percentage of world FDI in 2012. The green bar (upper) shows the outward stock which is 45.5% and the lower bar shows the inward stock which is 34.2% in case of EU. It can be seen that almost half of the world FDI comes from the EU.

Figure 6: Share of world FDI in 2012 (%)



Source: Eurostat, Unctad

Following figure shows Outflow of FDI from the EU. It is evident from the figure that this Outflow of FDI from the EU is higher in the United States (28%) while Switzerland (11%), Brazil (8%), Russia(4%), China(4% except Hong Kong), Canada(4%), Norway(3%) and Offshore Financial Centers(14%).

Figure 7: Outflow of FDI from the EU



Source: Eurostat

Following figure shows Inflow of FDI into the EU. It is evident from the figure that this Inflow of FDI into the EU is higher from the United States (45%) while Switzerland (11%), Canada(4%), Norway(3%), Russia(3%), Brazil (2%), Singapore(2%), Hong Kong(2%), and Offshore Financial Centers(18%).

Figure 8: EU Inflow of FDI into the EU United



Source: Eurostat.

**D6. Association of South East Asian Nations (ASEAN)**

The Association of Southeast Asian Nations (ASEAN) is a geo-political and economic organization of 10 countries namely-Brunei Darussalam, Myanmar/Burma, Cambodia, Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand, Vietnam located in Southeast Asia. ASEAN was established on 8 August 1967 in Bangkok, Thailand, with the signing of the ASEAN Declaration (Bangkok Declaration) by the Founding Fathers of ASEAN, namely Indonesia, Malaysia, Philippines, Singapore and Thailand.

Following table shows some indicators of ASEAN country at a glance like total land area, population, GDP, GDP growth, GDP per capita, International merchandise trade(Export and Import), Foreign direct investments inflow and Visitor arrival. From the table it can be observed that GDP at current prices has increased from 1,884,068 US$ million in 2010 to 2,395,253 US$ million in 2013. International merchandise trade has been increased from 2,009,116 US$ million in 2010 to 2,511,517 US$ million. Foreign direct investments inflow has also been increased from 100,360 US$ million in 2010 to 122,377 US$ million in 2013.

Table 10: ASEAN at a glance

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Indicators | Unit | 2010 | 2011 | 2012 | 2013 | Remarks |
|
| **Total land area** | km2 | 4,435,670 | 4,435,674 | 4,435,617 | 4,435,618 |  |
| **Total population** | Thousand | 600,291 | 609,161 | 617,165 | 625,091 |  |
| **GDP at current prices** | US$ million | 1,884,068 | 2,184,833 | 2,321,075 | 2,395,253 | Cambodia 2013 figure taken from IMF WEO October 2014 |
| **GDP growth** | Percent | 7.8 | 4.9 | 5.8 | 5.2 | ASEAN figure is estimated using country growth rates and country share of world GDP valuated in PPP$ from the IMF WEO Database October 2014. |
| **GDP per capita at current prices** | US$ | 3,139 | 3,587 | 3,761 | 3,832 |  |
| **International merchandise trade** | US$ million | 2,009,116 | 2,388,444 | 2,476,427 | 2,511,517 | 2013 figures are as of 4 December 2014 |
| **Export** | US$ million | 1,051,614 | 1,242,199 | 1,254,581 | 1,271,128 |
| **Import** | US$ million | 957,502 | 1,146,245 | 1,221,847 | 1,240,388 |
| **Foreign direct investments inflow** | US$ million | 100,360 | 97,538 | 114,284 | 122,377 | 2013 figure are preliminary as of 30 July 2014 |
| **Visitor arrivals** | Thousand | 73,752.6 | 81,229.0 | 89,225 | 98,016 | 2013 figure are preliminary as of December 2014, Myanmar's figure only for Jan-July 2013 |

**Source:** ASEAN statistics, IMF, WEO Database

**D7. Selected basic indicators of ASEAN**

Following table shows some selected basic indicators of ASEAN countries as of December 2014. The total land area of ASEAN is 4,435,618 square kilometer with a total population of 625,090.5 thousand and GDP(at current prices) US$ million 2,395,252.5.

**Table 11**: Land, Population and GDP

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Country | Total land area | Total population | GDP at current prices | GDP per capita at current prices | |
|
| km2 | thousand | US$ million | US$ | US$ PPP |
| 2013 | 2013 | 2013 | 2013 | 2013 |
| Brunei Darussalam | 5,769 | 406.2 | 16,117.5 | 39,678.7 | 73,775.0 |
| Cambodia | 181,035 | 14,962.6 | 15,511.1 | 1,036.7 | 3,081.8 |
| Indonesia | 1,860,360 | 248,818.1 | 860,849.5 | 3,459.8 | 9,467.1 |
| Lao PDR | 236,800 | 6,644.0 | 10,283.2 | 1,547.7 | 4,531.6 |
| Malaysia | 330,290 | 29,948.0 | 312,071.6 | 10,420.5 | 23,089.0 |
| Myanmar | 676,577 | 61,568.0 | 54,661.2 | 887.8 | 3,464.4 |
| Philippines | 300,000 | 99,384.5 | 269,024.0 | 2,706.9 | 6,403.8 |
| Singapore | 716 | 5,399.2 | 297,941.3 | 55,182.5 | 78,761.9 |
| Thailand | 513,120 | 68,251.0 | 387,573.8 | 5,678.7 | 14,131.6 |
| Viet Nam | 330,951 | 89,708.9 | 171,219.3 | 1,908.6 | 5,314.7 |
| **ASEAN** | **4,435,618** | ***625,090.5*** | ***2,395,252.5*** | ***3,831.8*** | ***9,389.8*** |

**Sources:** ASEAN Finance and Macro-economic Surveillance Unit Database, ASEAN Merchandise Trade Statistics Database, ASEAN Foreign Direct Investment Statistics Database

Following table shows international merchandise trade and FDI of ASEAN countries. It can be seen that total export of ASEAN in 2013 is 1,271,128.1 million US$ of which Singapore has the highest export amounted for 4,10,249.7 million US$. The other countries which have higher exports are-Thailand (2,28,730.2 million US$), Malaysia(2,28,331.3 million US$), Indonesia (1,82,551.8 million US$) and Viet Nam (1,32,664.1 million US$). On the other hand total import of ASEAN in 2013 is 1,240,388.4 million US$ of which Singapore has the highest import amounted for 3,73,015.8 million US$. The other higher importing countries are-Thailand (2,49,517.1 million US$), Malaysia( 2,05,897.4 million US$), Indonesia(1,86,628.7 million US$) and Viet Nam(1,32,109.9 million US$).

**Table 12:** International merchandise trade and FDI of ASEAN

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Country | International merchandise trade | | | Foreign direct investments infow | |
| Exports | Imports | Total trade |
| US$ million | US$ million | US$ million | US$ million | US$ million |
| 2013 | 2013 | 2013 | 2012 | 2013 |
| Brunei Darussalam | 11,445.4 | 3,611.8 | 15,057.2 | 864.8 | 908.4 |
| Cambodia | 9,148.2 | 9,176.0 | 18,324.2 | 1,557.1 | 1,274.9 |
| Indonesia | ***182,551.8*** | **186,628.7** | *369,180.5* | 19,137.9 | 18,443.8 |
| Lao PDR | *2,592.8* | *3,292.0* | *5,884.9* | 294.4 | 426.7 |
| Malaysia | ***228,331.3*** | ***205,897.4*** | *434,228.7* | 9,400.0 | 12,297.4 |
| Myanmar | 11,436.3 | 12,009.1 | 23,445.4 | 1,354.2 | 2,620.9 |
| Philippines | 53,978.3 | 65,130.6 | 119,108.9 | 2,797.0 | 3,859.8 |
| Singapore | **410,249.7** | **373,015.8** | 783,265.5 | 59,811.5 | 60,644.9 |
| Thailand | **228,730.2** | **249,517.1** | 478,247.3 | *10,699.2* | 12,999.8 |
| Viet Nam | **132,664.1** | **132,109.9** | 264,774.0 | 8,368.0 | 8,900.0 |
| **ASEAN** | ***1,271,128.1*** | ***1,240,388.4*** | ***2,511,516.5*** | ***114,284.0*** | ***122,376.5*** |

**Source:** Sources ASEAN Finance and Macro-economic Surveillance Unit Database, ASEAN Merchandise Trade Statistics Database, ASEAN Foreign Direct Investment Statistics Database

The following table shows some other indicators of ASEAN countries’ Growth rate of gross domestic product at constant prices, Inflation rate (year-on-year growth of CPI at end of period) and Exchange rate at average of period and Unemployment rate. On an average the Growth rate (at constant prices) of gross domestic product in ASEAN is 5.2. The highest GDP growth rate is in Lao PDR which is 8.2 while the lowest rate is in Brunei Darussalam which is -1.8(Negative). Indonesia has got the highest (8.4) inflation rate while the lowest rate is in Brunei Darussalam (0.2).

**Table 13:** Other Indicators of ASEAN

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Country | Growth rate of gross  domestic product  at constant prices | Inflation rate  (year-on-year growth  of CPI at ***end of period***) | Exchange rate at ***average of period*** | | Unemployment  rate |
|
| percent | percent | national currency  per US$ | Currency | percent |
|  | 2013 | 2013 | 2013 |  | 2013 |
| **Brunei Darussalam** | **-1.8** | **0.2** | 1.25 | Dollar (B $) | 1.7 |
| Cambodia | 7.0 | 4.6 | 3,995 | Riel | 0.3 |
| Indonesia | 5.8 | **8.4** | 10,586 | Rupiah (Rp) | 6.2 |
| **Lao PDR** | **8.2** | 6.9 | 8,224 | Kip | 1.9 |
| Malaysia | 4.7 | 3.2 | 3.16 | Ringgit (RM) | 3.1 |
| Myanmar | 7.5 | - | 938 | Kyat | 4.0 |
| Philippines | 7.2 | 4.1 | 42.89 | Peso (PhP) | 6.4 |
| Singapore | 3.9 | 1.5 | 1.25 | Dollar (S $) | 2.9 |
| Thailand | 2.9 | 1.7 | 30.73 | Baht | 0.7 |
| Viet Nam | 5.4 | 6.0 | 20,934 | Dong | 3.6 |
| **ASEAN** | ***5.2*** | **n.a.** | **n.a.** | **n.a.** | **n.a.** |

**Sources:** ASEAN Macro-economic Database, ASEAN Merchandise Trade Statistics Database, ASEAN Foreign Direct Investment Statistics Database

Following table shows international merchandise trade covering ratio of exports and import to GDP, ratio of total trade to GDP, Growth of nominal value of exports and import including total trade and year-on-year change in foreign direct investments net inflow.

**Table 14:** Trade GDP ratio

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Country | International merchandise trade | | | | | | Year-on-year change in foreign direct investments net inflow | |
| Ratio of  exports to GDP | Ratio of imports to GDP | Ratio of total trade to GDP | Growth of nominal value of exports | Growth of nominal value of imports | Growth of nominal value of total trade |
| percent | percent | percent | percent | percent | percent | US$ million | percent |
|  | 2013 | 2013 | 2013 | 2013 | 2013 | 2013 | 2013 | 2013 |
| Brunei Darussalam | 71.0 | 22.4 | 93.4 | (13.2) | (1.7) | (10.7) | 43.6 | 5.0 |
| Cambodia | 59.0 | 59.2 | 118.1 | 23.0 | (18.3) | (1.8) | (282.2) | (18.1) |
| Indonesia | 21.2 | 21.7 | 42.9 | (3.9) | (2.6) | (3.3) | (694.0) | (3.6) |
| Lao PDR | 25.2 | 32.0 | 57.2 | (2.4) | (6.0) | (4.4) | 132.3 | 44.9 |
| Malaysia | 73.2 | 66.0 | 139.1 | 0.3 | 4.8 | 2.4 | 2,897.4 | 30.8 |
| Myanmar | 20.9 | 22.0 | 42.9 | 22.8 | 30.7 | 26.7 | 1,266.7 | 93.5 |
| Philippines | 20.1 | 24.2 | 44.3 | 3.8 | (0.4) | 1.5 | 1,062.8 | 38.0 |
| Singapore | 137.7 | 125.2 | 262.9 | 0.5 | (1.8) | (0.6) | 833.4 | 1.4 |
| Thailand | 59.0 | 64.4 | 123.4 | (0.3) | 0.7 | 0.2 | 2,300.6 | 21.5 |
| Viet Nam | 77.5 | 77.2 | 154.6 | 15.9 | 16.6 | 16.2 | 532.0 | 6.4 |
| **ASEAN** | **53.1** | **51.8** | **104.9** | **1.3** | **1.5** | **1.4** | ***8,092.5*** | ***7.1*** |

**Sources:** ASEAN Macro-economic Database, ASEAN Merchandise Trade Statistics Database, ASEAN Foreign Direct Investment Statistics Database

**The EU-ASEAN Trade Facts**

ASEAN as a whole represents the EU's 3rd largest trading partner outside Europe (after the US and China) with more than €235 billion of trade in goods and services in 2012. The EU is ASEAN’s 3rd largest trading partner after China and Japan, accounting for around 13% of ASEAN trade. The EU is by far the largest investor in ASEAN countries. EU companies have invested an average €13.6 billion annually in the region (2005-2012). The EU's main exports to ASEAN are chemical products, machinery and transport equipment. The main imports from ASEAN to the EU are machinery and transport equipment, agricultural products as well as textiles and clothing.

Despite the failed ASEAN-EU FTA, economic relations between the two blocs have gone from strength to strength. Trade has increased every year for the past five years – ASEAN is now the EU’s third largest trading partner and the EU is ASEAN’s fifth largest. Moreover, the EU is ASEAN’s biggest foreign investor, constituting approximately one-third of ASEAN’s foreign direct investment. Undoubtedly these economic ties would strengthen further should the two blocs take additional steps towards more advanced economic integration.

In addition to trade and investment, the two blocs have enjoyed cooperation in a range of other spheres over the years, including political and cultural initiatives. Nevertheless, EU-ASEAN relations are still relatively weak in comparison with the relationship between ASEAN and ASEAN, China, the U.S. and Australia. The EU and ASEAN both stand to gain from the resumption of FTA talks, a possibility made feasible as a result of the EU lifting the last of its individual, trade and economic sanctions against Myanmar, an action which improved EU-ASEAN relations and effectively removed the main hurdle to previous attempts at a region-to-region FTA. From ASEAN’s point of view, an EU-ASEAN FTA could entice the investment that is drastically needed to upgrade its member countries’ infrastructure. The FTA would also bring economic benefits to European countries by making it easier for them to seize the opportunities brought about by rapid Asian growth, as well as being a good move for prestige by increasing the EU’s role within the region.

It is still too early to speculate about the possible path of future negotiations of the EU-ASEAN FTA and the ramifications thereof, but analysts will undoubtedly be keenly observing upcoming meetings between the two sides in Myanmar in August and Milan in October to see whether the FTA will be discussed, and in what capacity. The 10th Asia-Europe Meeting (ASEM) Summit from Oct 16-17 in Milan, Italy, is expected to come up with more Free Trade Agreements (FTAs) between the European Union (EU) and ASEAN countries, especially Malaysia, in the financial sector. The Ambassador and Head of the Delegation of the European Union to Malaysia, Luc Vandebon, said trade opportunities have been increasing between the EU and Asean, due to liberalisation policies and would advance even further with FTAs. "ASEAN countries can also learn from the success and failures of the EU, and how European countries tackle financial issues. In Malaysia, we can exchange ideas on the Islamic financial services and learn from its experiences," he said during a media briefing on the ASEM Summit. The key inter-regional meeting will involve 53 countries this year, with the inclusion of Kazakhstan and Croatia. As the upcoming chair of ASEAN, Vandebon said Malaysia is an important partner in the dialogue. "The EU and ASEAN are the two largest single regional integration efforts in the world. "We are talking about 600 million consumers in ASEAN, and in the EU, 550 million. Malaysia is a gateway to ASEAN opportunities," he added. Prime Minister Datuk Seri Najib Tun Razak is expected to lead the Malaysian delegation to the summit, which will be chaired by the President of the European Council, Herman Van Rompuy. Themed, "Responsible Partnership for Growth and Security", Vandebon said the leaders are also expected to discuss regional and global challenges, including areas of Asia-Europe connectivity, security and sustainable growth. Trade between the EU and ASEAN is huge. The EU is ASEAN's third largest trading partner with total trade between the two groupings valued at US$246.2 billion (US$1=RM3.25) in 2013. Exports from ASEAN to the EU amounted to US$124.4 billion, whilst imports totalled US$121.8 billion.

Following figure shows EU-ASEAN Trade in goods since 2011-2013.

**Table 15:** EU-ASEAN Trade in goods 2011-2013 Billion Euro

|  |  |  |  |
| --- | --- | --- | --- |
| **Year** | **EU imports** | **EU exports** | **Balance** |
| 2011 | 94.2 | 69.2 | -25.0 |
| 2012 | 99.1 | 81.6 | -17.5 |
| 2013 | 96.8 | 81.8 | -15.0 |

Source: Eurostat

Following figure shows EU-ASEAN Trade in services 2010-2012.

#### Table 16: EU-ASEAN Trade in services 2010-2012 Billion Euro

|  |  |  |  |
| --- | --- | --- | --- |
| Year | EU imports | EU exports | Balance |
| 2010 | 20.7 | 24.7 | 3.9 |
| 2011 | 23.7 | 28.1 | 4.4 |
| 2012 | 25.3 | 29.6 | 4.3 |

*Sourec:* Eurostat

Following figure shows EU-ASEAN Foreign direct investment 2012 Billion Euro.

#### Table 17: Foreign direct investment 2012 Billion Euro

|  |  |  |  |
| --- | --- | --- | --- |
| Year | Inward stocks | Outward stocks | Balance |
| 2012 | 88.7 | 190.4 | 101.7 |

*Source:* Eurostat

An FTA between ASEAN and the EU will also strengthen and deepen the region-to-region economic integration and help build ASEAN's capacity towards realising the ASEAN Economic Community (AEC) by 2015 through sharing of EU's experiences of regional economic integration. The FTA will enable ASEAN to benefit from EU's technical assistance programmes under the TREATI and other economic integration initiatives, as well as engage the EU in joint collaborations to further promote the growth of both the manufacturing and services industries.

**Political-Security Cooperation**

Political and security cooperation between ASEAN and the EU has been progressing well through existing ASEAN-EU mechanisms such as ASEAN-EU Ministerial Meeting, ASEAN-EU Senior Officials' Meeting as well as through dialogue and cooperation frameworks initiated by ASEAN, such as the ASEAN Regional Forum (ARF) and the Post Ministerial Conferences (PMCs) 10+1. These regular meetings have helped ASEAN and the EU understand one another and build higher comfort level to further cooperation. ASEAN views these meetings critical in reviewing and guiding ASEAN-EU relations.

The 19th ASEAN-EU Ministerial Meeting, which was held on 26-27 April 2012 in Bandar Seri Begawan, adopted the Bandar Seri Begawan Plan of Action to Strengthen the ASEAN-EU Enhanced Partnership (2013-2017) that aims to give a more strategic focus to cooperation at regional cooperation in a wide range of areas – political/ security, economic/ trade and sociocultural.

The Ministers at the 20th ASEAN-EU Ministerial Meeting held on 23 July 2014 in Brussels agreed for both sides to work towards the upgrading of the partnership to a strategic one and tasked their senior officials to develop a roadmap for this goal. The Ministers also welcomed the EU's commitment to more than double dedicated support for ASEAN's institution building and 2015 Community building goals to €170 million in the period of 2014-2020.

The ASEAN-EU Informal Troika Summit was held at the sidelines of the 10th ASEM Summit on 16 October 2014 in Milan, Italy. The Summit was co-chaired by H.E. Nguyen Tan Dung, Prime Minister of Viet Nam and H.E. Herman van Rompuy, President of the European Council. The Summit deliberated over the future perspectives of ASEAN and regional and international issues of common concern and interest.

The EU was the first regional organisation to accede to the Treaty of Amity and Cooperation in Southeast Asia (TAC) at the sidelines of the 45th AMM/PMC/19th ARF on 12 July 2012 in Phnom Penh. The accession demonstrated the EU's commitment towards ASEAN and reflected as the important milestones in ASEAN-EU relations to promote peace, security and stability in the region.

Currently there are 25 Ambassadors from the EU Member States and the Commission accredited their Ambassadors to ASEAN. Those are Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, the EU, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Luxembourg, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, and the UK.

**D10. Economic Cooperation**

Trade and investment relations between ASEAN and the EU remained substantial. Total trade between ASEAN and the EU slightly grew by 1.5%, amounting to US$ 246.2 billion in 2013. Exports to the EU slightly declined by 0.4% amounting to US$124.4 billion, while imports from the EU rose 3.5% totaling US$121.8 billion. During the same period, EU was ASEAN's third largest trading partner.

Foreign Direct Investment flow from the EU into ASEAN increased by 53.2% totaling US$26.7 billion. The EU continues to be ASEAN's biggest source of Foreign Direct Investment, with a share of 22.3%. In Tourism, the number of visitor arrivals from the EU to ASEAN in 2012 was 8.07 million, an increase from 7.33 million in 2011.

Negotiations for an ASEAN-EU FTA were launched in July 2007 with seven ASEAN Member States and both sides agreed to pause the negotiations in March 2009. At the 12th ASEAN Economic Ministers (AEM)-EU Trade Commissioner Consultations on 8 March 2013 in Ha Noi, the EU Trade Commissioner reiterated that the EU would pursue the bilateral FTA negotiations with individual AMS as building blocks towards the regional FTA and the EU would consider resuming negotiations of an ASEAN-EU FTA upon realisation of the ASEAN Economic Community by the end of 2015.

The ASEAN-EU Business Summit (AEBS) continued to attract many business people from both regions and provide the opportunity for public-private sector dialogue. The 3rd ASEAN-EU Business Summit was held on 8-9 March 2013 at the sidelines of the 12th AEM-EU Trade Commissioner Consultations, following to the successful convening of the 1st ASEAN-EU Business Summit in 2011 and the 2nd ASEAN-EU Business Summit in 2012. So far, the AEBS has focused its discussions and recommendations on the sectors of infrastructure/connectivity, agri-food, healthcare, automotive and services and the recommendations arising from the AEBS have been presented to the AEM-EU Trade Commissioner.

Recognising the potential for comprehensive aviation cooperation on a region-to-region basis, the 1st EU-ASEAN Aviation Summit was convened on 11-12 February 2014 in Singapore. This event served as a platform to deepen the strategic aviation dialogue between ASEAN and the EU with the aim of concluding a comprehensive air transport agreement between the two regions.

ASEAN appreciated the EU's assistance to ASEAN through the ASEAN Regional Integration Support from the EU (ARISE) programme to support the capacities of the ASEAN Member States in harmonising and implementing policies and regulations in economic sectors so as to contribute to the realisation of the ASEAN Economic Community (AEC). The Grant Contract for Capacity Building of the ASEAN Secretariat Staff has been signed by the Secretary General on behalf of ASEAN. The signing ceremony of ARISE Programme took place at the conclusion of the 20th ASEAN-EU JCC held on 17 January 2013 at the ASEAN Secretariat.

The ASEAN-EU Policy Dialogue on Connectivity was held on 24-28 February 2014 in Brussels and Luxembourg. The Dialogue welcomed the establishment of an EU mechanism to engage the ASEAN Connectivity Coordinating Committee in supporting the Master Plan on Connectivity (MPAC) and enhancing ASEAN-EU cooperation in connectivity. The inaugural ACCC-EU Meeting was held on 11 September 2014 in Nay Pyi Taw.

**Socio-Cultural Cooperation**

Cooperation under the Regional EU-ASEAN Dialogue Instrument (READI) has rapidly become a vital instrument of support towards the strengthening of the ASEAN Socio-Cultural Community (ASCC) and it has been very successful in its implementation of activities. On education, READI provided funding support for the project on the "State of Education Report in ASEAN", which aims to stock-take ASEAN's initiatives and chart progress in education in ASEAN in line with the ASEAN 5-Year Work Plan on Education (2011-2015). On Science and Technology, READI is also currently supporting two pilot networks of excellence in the field of green technology and on food security, respectively. On Environment, READI supported the convening of the first ASEAN-EU Roundtable on Climate Change which was held on 27 August 2013 in Jakarta.

In the area of disaster management, the EU is currently providing support to ASEAN through READI in the development of a Monitoring and Evaluation System for the implementation of the ASEAN Agreement on Disaster Management and Emergency Response (AADMER) Work Programme (2010-2015). The EU is also providing support through a new programme called the ASEAN-EU Emergency Management Programme (AEEMP), which funded by the Instrument for Stability. This programme is expected to provide support to the ASEAN Coordinating Centre for Humanitarian Assistance on Disaster Management (AHA Centre), ASEAN Member States and the ASEAN Secretariat.

Following the 21st ASEAN-EU Joint Cooperation Committee (JCC) Meeting on 24 January 2014, both sides discussed the programming of the 2014-2020 of financial support for ASEAN which would focus on: (i) connectivity: sustainable and inclusive economic integration and trade; (ii) climate change and disaster management; and (iii) a comprehensive dialogue facility.

The EU also provided funding support to the Institutional Capacity Building for ASEAN Monitoring and Statistics (2013-2017), EU Support to Higher Education in ASEAN Region (2014-2019), ASEAN-EU Migration and Border Management Programme Phase I and II, ASEAN-EU Statistical Capacity Building Programme (2009-2012), ASEAN Project on the Protection of Intellectual Property Rights (2009-2018), ASEAN Air Transport Integration Project (2010-2016) and Enhancing ASEAN FTA Negotiating Capacity/Support to ASEAN-EU Negotiating Process (2011-2013).

**EU- Bangladesh Bilateral Relations**

Bangladesh-European Union (EU) relation dates back to 1973, when Bangladesh established formal diplomatic relations with the newly enlarged community. Bangladesh and the European Union work in collaboration following the framework of the EU-Bangladesh Cooperation Agreement concluded in 2001 which is being regularly updated on yearly basis. This agreement makes a broad scope available for co-operation, extending to trade and economic development, human rights, good governance and the environment.

Today, European Union is the single largest business partner of Bangladesh. Also, EU member-states as a whole is the largest development partner of Bangladesh. EU's has finalized its financial perspective for 2007-2013, with respect to Bangladesh. The concerned document styled National Indicative Programme 2007-2013 ([NIP](http://www.geocities.com/bdcomnews/econ/nip2007-13.pdf)) [[5]](#footnote-6)outlines future pattern of EU resource flow into Bangladesh which is in the range of Euro 398 million for the concerned period.[[6]](#footnote-7)

**EU-Bangladesh Trade Facts**

EU-Bangladesh Trade Facts have been pointed out in the following:

* The EU is Bangladesh's main trading partner, accounting for around 12% of Bangladesh's total trade.
* EU imports from Bangladesh are dominated by clothing, accounting for around 90% of the EU's total imports from Bangladesh. Leather goods, footwear, bicycle are also exported to EU countries.
* EU exports to Bangladesh are dominated by machinery and transport equipment.
* With a total of $105.8 million export earning in FY 2012-13, some 80 per cent of the bicycles made in Bangladesh are exported to the EU market including Switzerland, Belgium, Germany, Denmark, Spain, Finland, France, the United Kingdom, Ireland, Italy, the Netherlands, Russia and Sweden.
* In FY 2013-14, Bangladesh’s leather export reached $1.06 billion, which is a record rise in this sector. EU countries are responsible for 60 percent of the total export.
* EU exports to Bangladesh are dominated by machinery and transport equipment.

Bangladesh benefits from the most preferential trade arrangement granted unilaterally by the EU to LDCs, known as the "Everything but Arms" (EBA) scheme. EBA maintains the Generalised System of Preferences (GSP) for an unlimited period of time, so that it is not subject to periodic renewal as is the case for some other countries. As a Least Developed Country (LDC), Bangladesh benefits from the most favourable regime available under the EU's Generalized Scheme of Preferences (GSP), namely the Everything but Arms (EBA) arrangement. EBA grants the 48 Least Developed Countries – including Bangladesh – duty free quota, free access to the EU for exports of all products, except arms and ammunition.

Following table shows Bangladesh export to EU market during 2010-2015. It can be evident that there is a steady growth of Bangladeshi product in the EU market especially in chapter 61 and 62. It has just doubled in 2014 in comparison with 2010.

**Table18:** Bangladesh Export in the EU Market

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **FY** | 2010 | 2011 | 2012 | 2013 | 2014 | 2015(Jul-Jan) |
| **Export Billion USD** | 8.22 | 11.95 | 12.74 | 13.98 | 16.40 | 9.80 |

**Source:** Export Promotion Bureau

So, the above figures show that Bangladesh’s export in EU market is heavily relies on exports of few products; more than 95% of Bangladesh total exports in EU market are attributed to five products and more than 85% of the same are attributed to RMG products. So, Bangladesh’s exports will be affected by debt crisis if and only if the exports of these products are affected. So this report provides special emphasis on the exports of RMG products.

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# Trend and Composition of Bangladeshi Exports to European Union

Export sector of Bangladesh is heavily dependent on EU market. As can be seen from figures presented in Table 19, EU accounts for more than 50 percent of Bangladesh total export. Trend of Bangladesh’s export to the EU during last 5 financial years shows that except for FY 2009-10, export growths to EU were higher than Bangladesh’s global export. Even in first seven months of FY 2011-12 share of export to EU exceeded 53%, which indicates that Bangladesh’s export is likely to increase in future. While slower growth in FY 2009-10 may be attributed to EU debt, relaxation of GSP rules of origin by the EU effective from 1 January 2011 led to impressive export growth to the EU in last two financial years. Therefore, it may be assumed that the EU debt crisis is unlikely to hamper export growth of Bangladesh to the EU. However, in order to have a closer to look on possible impact, it is necessary to carry out product wise analysis.

**Table 19: Bangladesh’s export to the EU vis-à-vis global export**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Export** | **2006-07** | **2007-08** | | **2008-09** | | **2009-10** | | **2010-11** | | **Jul\_Jan-2011-12** |
|  | Value | Value | Growth | Value | Growth | Value | Growth | Value | Growth | Value |
| **Total** | 12,177.86 | 14,110.80 | 15.9% | 15,565.19 | 10.3% | 16,204.65 | 4.1% | 22,924.38 | 41.5% | **13,924.47** |
| **EU** | 6,408.56 | 7,434.98 | 16.0% | 8,211.78 | 10.4% | 8,220.64 | 0.1% | 11,951.68 | 45.4% | 7,412.01 |
| **Share (%)** | 52.6% | 52.7% |  | 52.8% |  | 50.7% |  | 52.1% |  | 53.2% |

**Source:** Export Promotion Bureau

**TARIFF PROFILE**

Following table shows the simple average MFN applied tariff in the Bangladesh and the EU market. In case of Bangladesh average MFN applied tariff on all products is 13.9% while 16.8% in agriculture product and 13.4% in non-agriculture product. On the other hand in case of the EU 5.5 % in all products while 13.2% in agriculture product and 4.2% in non-agriculture product. It is clear that EU has lesser MFN tariff than Bangladesh.

Table20: Simple average MFN applied

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Country** | **Year** | **Total** | **Ag** | **Non-Ag** |
| **Bangladesh** | 2013 | 13.9 % | 16.8 % | 13.4% |
| **EU** | 2013 | 5.5 % | 13.2 % | 4.2% |

Source: WTO Data

From the table it can be seen that if the FTA works out, EU has a lesser scope for tariff liberization, which has less scope to create a better welfare effect for the ASEAN consumers. A possibility of import shift from Bangladesh to EU is less possible. Still, it has to be checked whethere Bangladeshi and EU import products similar or not. In the similar way, same effect might be faced by Bangladesh in EU market in case EU liberalizes it’s tariff further for ASEAN. Thus, in both markets Bangladesh might lose it’s market share. And lastly, Bangladesh’s average MFN applied tariff rate is higher than ASEAN. So, if the FTA is signed and tariff is reduced by ASEAN, EU will find it more beneficial to export to ASEAN than Bangladesh.

**Theoretical Perspective of FTA**

An FTA is a form of Regional Trade Agreement (RTA). RTA has several forms such as (i) PTA (Preferential Trading Arrangement)-where tariffs are reduced among the member countries but maintained against the outside countries; (ii) Free Trade Agreement (FTA)-where tariffs are removed among member countries but maintained against the outside (non-member) countries; (iii) Customs Union-where all tariffs amongst the member countries are eliminated and all the member countries maintain same level of tariff (common tariff) for the outside countries. (iv) Common Market-which is a Customs Union plus free movement of labor and capital among the member countries and finally (v) Economic Union-which is a Customs Union plus common economic laws and monetary system for the member countries (i.e. EU). The emphasis in RTA is on regionalism-the rapid spread of which has become one of the most important recent developments in the global trade system.

The impact of an FTA on a third country or excluded country is better understood and analyzed in the context of Trade Diversion Effect and Trade-Reorientation Effect.

**Trade Diversion Effect**

Trade diversionoccurs when a country ‘switches’ import origins from more efficient partners outside the preferential area to less efficient ones inside. It is welfare reducing since it implies a loss in tariff revenue which arises from switching towards preferential imports that do not pay tariff duties.

If before preferences are granted, the proposed preferential partner (e.g. ASEAN countries) faces a positive tariff into the EU market equal to that faced by the excluded country (e.g. Bangladesh), then the removal of the tariff could lead to making the new preferential partner (ASEAN countries) a less costly supplier solely due to the preferences and hence cause trade diversion which would negatively impact on Bangladeshi exports. This is an unlikely scenario for Bangladesh as Bangladesh receives duty free access in most of the products into the EU market.

**Trade-Reorientation Effect**

When the excluded country (e.g. Bangladesh) already benefits from zero tariff access to the EU market and the proposed preferential partner (e.g. ASEAN countries) matches this access through the agreement, trade-reorientation would occur. Since ASEAN countries will have duty free access equal to that of Bangladesh in the EU market, the ASEAN countries’ exporters (suppliers) might increase their market share at the expense of Bangladeshi exports. This effect will predominate mainly for excluded country already benefitting from strong preferences in the EU market, such as Bangladesh under the EBA regime.

Box 1 provides an example of what happens when a country extends preference to a new partner. In the example, it is seen that there are two suppliers (exporters) of a product imported in the EU; Bangladesh and ASEAN countries as a whole. Prior to the EU signing an FTA with ASEAN, Bangladesh receives duty free access to the EU market but it is not the most efficient producer of the product that the EU imports.

|  |  |  |  |
| --- | --- | --- | --- |
| **Box 1:** An Example of Trade Re-orientation and Preference Erosion from the EU-ASEAN FTA | | | |
| **Pre FTA with ASEAN** | | **Post FTA with ASEAN** | |
| **ASEAN** | **Bangladesh** | **ASEAN** | **Bangladesh** |
| Price at Frontier $100 | Price at Frontier $110 | Price at Frontier $100 | Price at Frontier $110 |
| Tariff 6**%** | Tariff 0% | Tariff 0% | Tariff 0% |
| Landed Price $106 | Landed Price $110 | Landed Price $100 | Landed Price $110 |
| Tariff Revenue $6 | Tariff Revenue $0 | Tariff Revenue $0 | Tariff Revenue $0 |

Although the EU suffers from trade diversion as a result of the EBA preference granted to Bangladesh, Bangladesh benefits from this trade diversion through increased exports to the EU than it would occur under a free trade scenario. The left panel of Box 1 shows EU imports from Bangladesh at a price of $110 since the price of ASEAN products at the border is $106.

What happens when EU and ASEAN conclude an FTA between them is shown in the right panel of Box 1. Now, ASEAN’s access into the EU market matches that of Bangladesh and hence Bangladesh’s preferences have been eroded. Here, the erosion of preference margin is 6. As a result of the agreement, the EU now only imports from ASEAN as a most efficient source (supplier) since the price at the border is only $100 vs. $110 offered by Bangladesh. This switch in sources of imports will be welfare enhancing for the EU since it has corrected trade diversion caused by the EBA preference given to Bangladesh. This is known as trade-reorientation. For Bangladesh, trade re-orientation has led to a generalized loss in the sales of the exported product and hence it has been harmed by the FTA.

**Impact of EU-ASEAN FTA on Bangladeshi Export**

There are six Rules of Thumb developed by Sussex University, UK under Sussex Framework to study the impact of an FTA on a third country or excluded country/countries. The first three of the rules of thumb are very relevant to study the impact of EU-ASEAN FTA on Bangladeshi Export and these are:

* 1. **Importance of the respective markets for the third party:**The larger the importance of either the EU or the ASEAN markets for Bangladesh (third party), the greater will be the impact. The EU market is very important for Bangladesh for its export which is shown in Table 21. So, the EU- ASEAN FTA might affect Bangladeshi export in EU to a significant extent. However, the ASEAN market is not so attractive for Bangladeshi export. So, Bangladeshi export in the ASEAN market might not be affected by this FTA deal.
  2. **Height of tariffs**:The magnitude of the effects of this agreement on third party (e.g. Bangladesh) will depend on the extent of tariff cuts that partners offer each other. Regardless of the tariffs that the excluded countries face themselves, it is the extent of tariff cuts that determines the increase in the competitive pressure that they face in particular markets. Here the average tariff cut for ASEAN might be 6 % which is quite high and this might affect Bangladeshi export to the EU market.
  3. **Similarity of composition in trading structures**: The more similar are third countries (Bangladesh) in their trading structures to the signatories of the agreement (ASEAN and EU), the larger the scope for the preferential agreement to cause trade diversion or trade reorientation in these third countries. As Bangladesh is already receiving preferential market access in EU, so the impact will be in terms of trade reorientation.

**Bangladesh and ASEAN’s Trade with EU**

The European Union (EU) is a very important market for both Bangladesh and ASEAN as far as their exports are concerned. Table 21 shows that Bangladesh total trade with EU was US$ 17.48 billion in 2013 which was 31% of Bangladesh’s total trade. Of this Bangladesh’s export to the EU alone was US$ 13.77 billion which was 57% of Bangladesh’s total export.

**Table 21:** Bangladesh and ASEAN’s Trade with EU and Rest of the World *US$ Billion*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Particulars** | | | **Year 2013** | |
| **European Union** | | | **Rest of the World** | |
| **Value** | | **Share** | **Value** | **Share** |
| Bangladesh's Exports | 17.48 | 55.69% | 13.91 | 44.31% |
| Bangladesh's Imports | 2.18 | 6.46% | 31.58 | 93.54% |
| **Total Trade of Bangladesh** | 19.66 | - | 45.49 | - |
| ASEAN's Exports | 118.97 | 9.90% | 1083.33 | 90.10% |
| ASEAN's Imports | 115.00 | 9.93% | 1043.42 | 90.07 % |
| **Total Trade of ASEAN** | 233.97 | 9.91 % | 2126.75 | 90.09 |

**Source:** WITS Data

This large market share shows how very important the EU is for Bangladesh. On the other hand, ASEAN’s total trade with EU was almost US$ 233.97 billion which was 9.91 % of ASEAN’s total trade. It is seen that 9.90% of ASEAN’s export went to the EU in 2013. ASEAN not only exports to the EU market but also imports a lot which makes EU a very important trade partner of ASEAN. Therefore, the EU market is very import for both Bangladesh and ASEAN. Rule of Thumb-1 says that the larger the importance of the EU market for Bangladesh, the greater will be the impact.

**Tariff Structure of EU for Bangladesh and ASEAN**

It is very important to examine the tariff structure of the EU for both the third country (Bangladesh) and the FTA partner country (ASEAN). This will determine the extent to which Bangladeshi export might be affected in the EU market. From Table 22, it is seen that Bangladesh’s average tariff for all products is almost zero (0.88) for the year 2013. This is because Bangladesh enjoys a preferential tariff benefit in the EU market under the EBA scheme. The average AHS tariff for ASEAN for all products is around to 6.15% for the year 2013. This 6.15% average tariff rate for ASEAN is quite high in comparison with Bangladesh’s zero tariff in the EU market. However, this 6.15% tariff will be higher at the more disaggregate product level (6-digit level). Rules of Thumb-2 says that the impact on third country (Bangladesh) will be higher if the initial tariff rate is higher. Here, it is seen that if the EU eliminates this 6.15% average tariff for ASEAN under the agreement, then Bangladesh will lose the preference margin of 6.15% in the EU market which might affect Bangladesh’s export to the EU.

**Table 22:** Tariff (Effectively Applied Rate) imposed by EU and on Bangladesh and ASEAN’s Imports:

|  |  |  |
| --- | --- | --- |
| Year | Bangladesh | ASEAN |
| Simple Average | Simple Average |
| 2013 | 0.88 | 6.15 |

**Source: WITS**

**Possible Effect of EU-ASEAN FTA**

Bangladesh’s economy is the smallest among the three. The per capita GDP shows the lowest of among is Bangladesh. In terms of inflation and interest rate, again Bangladesh is in last position. Thus, a lower economic growth in terms of investment and expansion than the other two is obviuos for Bangladesh. On the other hand, ASEAN’s annual GDP growth rate, Inflation and Interest rate all are better than Bangladesh. So, ASEAN has better ability to expand the economy. And, most importantly if the FTA is signed, ASEAN might be able to increase some investment to boost the export capacity.

As the FTA is not signed yet, it is pretty difficult to find the right outcome and in accurate manner. However, throughout the report few assumptions were presented and some will be presented in this section to sketch some possible effects which Bangladesh may face.

Composition of Bangladesh’s export reveals that the export is concentrated both in terms of regions and products. This thing might put Bangladesh in back foot for outreaching the export growth further. If, EU and ASEAN get into a FTA it would be possible that both the countries will reduce the tariff barriers. Along with this, existing trade between ASEAN and EU is much higher than Bangladesh’s one. Again, Bangladesh has a good amount of preferences over ASEAN in EU market. Thus, a good chance is present that the trade between EU and ASEAN will increase and Bangladesh will face higher competition in the both markets.

After the preference erosion, this might affect the market share. As the market share statistics show, Bangladesh occupies very little of the both markets in terms of export; though, EU market is very big market for Bangladesh. So, if EU wants to forgo a little portion from Bangladesh to facilitate ASEAN, Bangladesh might be affected harshly. Anyway, the product level analysis also shows a concentration in export items of Bangladesh. The product level analysis clears out the concentration in export items of Bangladesh. This implies that Bangladesh might face trouble if counterparts increase their export of those products.

**Examination of Trade Indicators**

**F3.1 Examination of the Finger Kreinin Index (FKI)**

The Finger Kreinin Index (FKI) reveals the degree of similarity between the structure of exports or production between two countries (say country i1 and i2). Then FKI by export of two countries to destination j is expressed as



If FKI =0, two structures are completely different, that is the products exported by country i1 are not exported by country i2 to the market of j. If FKI=1, exports of two countries are fully identical. If exports of two countries are very similar, FTA may lead to trade creation since both countries can choose to import from more efficient supplier.

The similarity of Bangladesh's and ASEAN's exports on Bangladesh’s positive exports to the EU and the world in terms of FKI is shown in Table-4. Here, FKI has been estimated at 6 digit level which shows how similar are the export products of Bangladesh and ASEAN. It is clear that Bangladesh’s and ASEAN’s exports to the world and the EU are dissimilar. The similarity of Bangladesh’s and ASEAN’s exports to the EU and the world was only 7.9% and 6.8% respectively in 2013.

Evolution of FKI suggests that the similarity between ASEAN and Bangladesh at HS 6 digit level is very low for both the destinations and in these markets the similarity has been increased slightly during 2008 to 2013. On the other hand, Bangladesh and ASEAN shares a few products which are common in the EU. Therefore, competition between ASEAN and Bangladesh may not be an immediate challenge for Bangladesh. This may give a positive sign for Bangladesh. Because, Bangladesh may have any advantage over those products which ASEAN does not have. But a preference can be eroded by a FTA between ASEAN and EU.

**Table 23:** Bangladesh and ASEAN’s FKI with EU28 and World (6 digits)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Reporter1 | Reporter2 | Partner | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| Bangladesh | ASEAN | EU | 0.073 | 0.067 | 0.072 | 0.074 | 0.072 | 0.079 |
| World | 0.064 | 0.073 | 0.081 | 0.072 | 0.068 | 0.068 |

**Source:** BTC’s own calculation using TradeSift

Bangladesh exports almost 1035 products to the EU market. The similarity index of Bangladesh’s and ASEAN’s exports on these 1035 products is calculated. The similarity of Bangladesh's and ASEAN’s exports on Bangladesh’s positive exports to the EU is less similar than the similarity of all products to the EU. Here, the similarity index hovers around 7.3% to 7.9% from 2008 to 2013. This means that Bangladesh might have lesser impact on its exports to the EU once the agreement is in force.

**Examination of the Trade Concentration Index (TCI)**

TCI measures the degree of concentration a given country exports in terms of products being exported or imported. It is calculated using the following formulae:



A TCI of 1 implies full concentration of trading structures in one sector. As the measure approaches zero, trade is said to be less concentrated (or diversified).

TCI of Bangladesh and ASEAN exports to the EU market (HS 2 and HS 6 digit Level) from 2008 to 2013 is shown in tables 24 and 25. The table 24 (2 digit level TCI) shows that export of ASEAN is less concentrated in the EU market than that of Bangladesh. That means export of ASEAN is much more diversified in the EU market than that of Bangladesh. On the other hand, the table 25 (6 digit level TCI) shows that export concentration of ASEAN is almost different than that of Bangladesh.

**Table 24:** TCI HS-2

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| ASEAN | 0.093 | 0.100 | 0.088 | 0.08 | 0.084 | 0.096 |
| BANGLADESH | 0.413 | 0.425 | 0.424 | 0.424 | 0.432 | 0.425 |

**Source:** BTC’s own calculation using TradeSift

**Table 25:** TCI HS 6-digits

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | | |  |  |  |  |
| Reporter | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| ASEAN | 0.022 | 0.015 | 0.012 | 0.011 | 0.011 | 0.013 |
| BANGLADESH | 0.114 | 0.108 | 0.115 | 0.11 | 0.085 | 0.08 |

Source: BTC’s own calculation using Trade Sift

**Examination of Revealed Comparative Advantage (RCA)**

Revealed Comparative Advantage (RCA) is a very useful measure to know which product has comparative advantage in the world market or in a specific market. The calculation of revealed comparative advantage (RCA) measures how much a country is exporting a given goods relative to its total trade, in comparison to the share of that good in world trade. A country is said to have “Revealed Comparative Advantage” in a good when the share of that good in its export is bigger than the share of that good in world exports.

RCA greater than 1 implies that the given country has a comparative advantage in that sector in a sense that compared with the world as a whole; this sector has a large share of the country’s export. One difficulty with measuring RCA as discussed above is that the upper bound is stable across countries but varies across sectors and years. This makes the index very suitable for cross country comparisons but it is difficult to make sectoral comparisons and year wise comparisons. An alternative version of the index is often used therefore is **Normalized RCA or NRCA** = (RCA-1) / (RCA+1).

This index ranges from -1 to 1 where an index of less than 0 implies that the product has comparative disadvantage and an index of greater than 0 implies that the product has comparative advantage. The essence of normalization is that the normalized RCA is suitable for cross country, cross sectors and cross time comparisons.

The RCA of Bangladesh and ASEAN with the world on Bangladesh’s top export items to the EU is calculated and shown in Tabel 26. From the Table 26, it is seen that all Bangladesh’s top export items to the EU have a comparative advantage. ASEAN also has a comparative advantage on Bangladesh’s top export items to the EU but except for HS 620342, 620462 and 611030 which have negative RCA. Even if ASEAN gets zero tariff access in this product to the EU, ASEAN cannot compete with Bangladesh since ASEAN doesn’t have a comparative advantage in these items. ASEAN’s comparative advantage on the product under HS 610462, 611120 and 620630 which is very low that might mean even if ASEAN receives a zero tariff benefit under the FTA agreement, ASEAN might not be able to compete with Bangladesh since Bangladesh has a better comparative advantage on these products. In the other products, ASEAN has a comparative advantage along with Bangladesh which means ASEAN might gain better access into the EU market if ASEAN gets zero tariff benefit under the agreement and this will affect the export of Bangladesh’s top export items in EU. Shrimps & prawns, whether/not in shell, frozen under HS 030613 might be affected most as this product has higher comparative advantage than other but not higher than Bangladeshi product.

**Table 26:** RCA of Bangladesh and ASEAN with World on Bangladesh’s Top Export Items in EU

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Product** | **Product Name** | **Bangladesh RCA** | **ASEAN RCA** | **EX Value in**  **1000 USD** |
| 2013 RCA | 2013 RCA |
| 610910 | T-shirts, singlets & other vests, knitted/crochete... | 0.98 | 0.18 | 34,00080.833 |
| 620342 | Men's/boys' trousers, bib & brace overalls, breech... | 0.98 | -0.13 | 23,22827.905 |
| 611020 | Jerseys, pullovers, cardigans, waist-coats & simil... | 0.97 | 0.25 | 14,80519.579 |
| 620462 | Women's/girls', trousers, bib & brace overalls, br... | 0.97 | -0.09 | 14,15992.646 |
| 611030 | Jerseys, pullovers, cardigans, waist-coats & simil... | 0.96 | -0.04 | 11,52034.936 |
| 620520 | Men's/boys' shirts (excl. knitted/crocheted), of c... | 0.98 | 0.24 | 7,59720.326 |
| 610510 | Men's/boys' shirts, knitted/crocheted, of cotton | 0.98 | 0.14 | 5,84535.605 |
| 610462 | Women's/girls' trousers, bib & brace overalls, bre... | 0.95 | 0.05 | 4,72943.021 |
| 030613 | Shrimps & prawns, whether/not in shell, frozen | 0.89 | 0.62 | 3,77842.311 |
| 611120 | Babies' garments & clothing accessories, knitted/c... | 0.97 | 0.05 | 3,42202.426 |
| 610990 | T-shirts, singlets & other vests, knitted/crochete... | 0.87 | 0.12 | 2,34735.46 |
| 620630 | Women's/girls' blouses, shirts & shirt-blouses (ex... | 0.96 | 0.02 | 2,11727.277 |
| 610610 | Women's/girls' blouses, shirts & shirt-blouses, kn... | 0.97 | 0.26 | 2,04296.69 |
| 620530 | Men's/boys' shirts (excl. knitted/crocheted), of m... | 0.98 | 0.39 | 1,81752.862 |
| 620920 | Babies' garments & clothing accessories (excl. kni... | 0.99 | 0.23 | 1,78882.863 |

**Source:** BTC’s Calculation by using TradeSift taking data from WITS Database

The following table shows Bangladesh’s top 10 RCA products at 2-digit level from 2008 to 2013. These top 10 RCA products are under chapters: 53, 62, 61, 65, 63, 41, 03, 64, 67 and 46. Chapter 53, 62, 61, 65, 63, 41and 03 has the higher RCA and the rest(Chapter 64, 67 and 46) are lesser RCA.

**Table 27:** Bangladesh top 10 RCA at 2-digits level

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **SL** | **Product** | **Product Name** | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** |
| 1 | 53 | Other vegetable textile fibres; paper yarn and wov... | 0.98 | 0.98 | 0.99 | 0.99 | 0.98 | 0.98 |
| 2 | 62 | Articles of apparel and clothing accessories, not ... | 0.94 | 0.94 | 0.94 | 0.94 | 0.95 | 0.95 |
| 3 | 61 | Articles of apparel and clothing accessories, knit... | 0.95 | 0.94 | 0.94 | 0.95 | 0.95 | 0.94 |
| 4 | 65 | Headgear and parts thereof | 0.90 | 0.71 | 0.70 | 0.65 | 0.87 | 0.85 |
| 5 | 63 | Other made up textile articles; sets; worn clothin... | 0.85 | 0.81 | 0.83 | 0.86 | 0.83 | 0.81 |
| 6 | 41 | Raw hides and skins(other than furskins) and leath... | 0.79 | 0.74 | 0.74 | 0.77 | 0.74 | 0.77 |
| 7 | 03 | Fish and crustaceans, molluscs and other acquatic ... | 0.74 | 0.63 | 0.66 | 0.65 | 0.58 | 0.54 |
| 8 | 64 | Footwear, gaiters and the like; parts of such arti... | 0.34 | 0.31 | 0.34 | 0.38 | 0.37 | 0.43 |
| 9 | 67 | Prepared feathers and down and articles made of fe... | -0.73 | -0.66 | -0.64 | -0.36 | 0.12 | 0.14 |
| 10 | 46 | Manufactures of straw, of esparto or of other plai... | 0.03 | 0.14 | 0.18 | 0.14 | 0.13 | 0.13 |

**Source:** BTC’s Calculation by using TradeSift taking data from WITS Database

The following table shows ASEAN’s top 10 RCA products at 2-digit level from2008 to 2013. ASEAN’s top 10 RCA products are under chapters: 80, 15, 16, 40, 49, 14, 9, 85, 55 and 11. Needless to say that Chapter 61 and 62 in which Bangladesh has great concern fall within top 20 RCA products.

**Table 28:** ASEAN top 10 RCA at 2-digits level

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **SL** | **Product** | **Product Name** | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** |
| 1 | 80 | Tin and articles thereof | 0.79 | 0.77 | 0.79 | 0.81 | 0.79 | 0.79 |
| 2 | 15 | Animal or vegetable fats and oils and their cleava... | -0.21 | 0.63 | 0.72 | 0.72 | 0.69 | 0.68 |
| 3 | 16 | Preparations of meat, of fish or of crustaceans, m... | 0.61 | 0.54 | 0.50 | 0.51 | 0.50 | 0.49 |
| 4 | 40 | Rubber and articles thereof | 0.45 | 0.42 | 0.51 | 0.53 | 0.46 | 0.46 |
| 5 | 49 | Printed books, newspapers, pictures and other prod... | 0.28 | 0.33 | 0.28 | 0.41 | 0.25 | 0.41 |
| 6 | 14 | Vegetable plaiting materials; vegetable products n... | 0.11 | 0.35 | 0.40 | 0.47 | 0.39 | 0.38 |
| 7 | 9 | Coffee, tea, mat? and spices | 0.42 | 0.23 | 0.26 | 0.29 | 0.37 | 0.34 |
| 8 | 85 | Electrical machinery and equipment and parts there... | 0.36 | 0.34 | 0.29 | 0.29 | 0.28 | 0.30 |
| 9 | 55 | Man-made staple fibres | 0.14 | 0.12 | 0.32 | 0.33 | 0.29 | 0.28 |
| 10 | 11 | Products of the milling industry; malt; starches; ... | 0.17 | 0.13 | 0.20 | 0.22 | 0.27 | 0.28 |

**Source:** BTC’s Calculation by using TradeSift taking data from WITS Database

The following table shows Bangladesh’s top 20 RCA products at 6-digit level. Top 20 RCA products include chapters: 53, 68, 61, 63 and 29; most of which are textile and jute products.

**Table 29:** Bangladesh top 20 RCA at 6-digits level

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **SL** | **Product** | **Product Name** | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** |
| 1 | 530710 | Yarn of jute/of other textile bast fibres of 53.03... | 0.99 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| 2 | 530720 | Yarn of jute/of other textile bast fibres of 53.03... | 1.00 | 0.98 | 0.96 | 0.99 | 1.00 | 1.00 |
| 3 | 530310 | Jute & other textile bast fibres, raw/retted | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| 4 | 681291 | Other fabricated asbestos fibres; mixtures with a ... | -0.89 | -1.00 | -1.00 | -1.00 | -1.00 | 1.00 |
| 5 | 630510 | Sacks & bags, of a kind used for the packing of go... | 0.99 | 0.99 | 0.99 | 0.99 | 1.00 | 0.99 |
| 6 | 531010 | Woven fabrics of jute/other textile bast fibres of... | 1.00 | 0.99 | 0.99 | 0.98 | 0.99 | 0.99 |
| 7 | 530390 | Jute & other textile bast fibres (excl. flax, true... | 0.99 | 0.99 | 1.00 | 1.00 | 1.00 | 0.99 |
| 8 | 620920 | Babies' garments & clothing accessories (excl. kni... | 0.98 | 0.90 | 0.89 | 0.89 | 0.99 | 0.99 |
| 9 | 620342 | Men's/boys' trousers, bib & brace overalls, breech... | 0.98 | 0.98 | 0.98 | 0.98 | 0.98 | 0.98 |
| 10 | 531090 | Woven fabrics of jute/other textile bast fibres of... | 0.96 | 0.97 | 0.99 | 0.99 | 0.98 | 0.98 |
| 11 | 621111 | Swimwear (excl. knitted/crocheted), men's/boys' | 0.99 | 0.98 | 0.99 | 0.98 | 0.99 | 0.98 |
| 12 | 610910 | T-shirts, singlets & other vests, knitted/crochete... | 0.98 | 0.98 | 0.98 | 0.98 | 0.98 | 0.98 |
| 13 | 620520 | Men's/boys' shirts (excl. knitted/crocheted), of c... | 0.98 | 0.96 | 0.97 | 0.97 | 0.98 | 0.98 |
| 14 | 620819 | Women's/girls' slips & petticoats (excl. knitted/c... | 0.78 | 0.89 | 0.90 | 0.87 | 0.98 | 0.98 |
| 15 | 610510 | Men's/boys' shirts, knitted/crocheted, of cotton | 0.98 | 0.96 | 0.97 | 0.98 | 0.98 | 0.98 |
| 16 | 620530 | Men's/boys' shirts (excl. knitted/crocheted), of m... | 0.99 | 0.92 | 0.88 | 0.84 | 0.98 | 0.98 |
| 17 | 620462 | Women's/girls', trousers, bib & brace overalls, br... | 0.97 | 0.95 | 0.96 | 0.96 | 0.97 | 0.97 |
| 18 | 610721 | Men's/boys' nightshirts & pyjamas, knitted/crochet... | 0.97 | 0.96 | 0.97 | 0.97 | 0.98 | 0.97 |
| 19 | 611020 | Jerseys, pullovers, cardigans, waist-coats & simil... | 0.98 | 0.93 | 0.93 | 0.93 | 0.97 | 0.97 |
| 20 | 290346 | Bromochlorodifluoromethane, bromotrifluoromethane… | -1.00 | -1.00 | -1.00 | -1.00 | 0.90 | 0.97 |

**Source:** BTC’s own calculation using TradeSift

The following table shows ASEAN’s top 20 RCA products at 6-digit level. Top 20 RCA products include chapters: 08, 26,11, 40,44, 07,71, 27, 15, 29, 23 and 49. It is observed from the tables 30 (6 digit level RCAs) that there is less similarity between Bangladesh and ASEAN’s RCA that both countries have strong RCAs in chapters 29 which are almost at same level but the product are different at 6 digit level. On the other hand, the tables 32 and 33 (6 digit level RCAs) shows that there is no similarity between Bangladesh and ASEAN’s RCA in chapter 61 and 62.

**Table 30:** Top 20 RCA products of ASEAN at 6-digits level

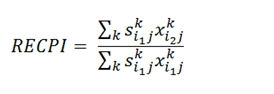
|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **SL** | **Product** | **Product Name** | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** |
| 1 | 081060 | Durians, fresh | 0.92 | 0.89 | 0.86 | 0.87 | 0.86 | 0.86 |
| 2 | 261220 | Thorium ores & concentrates | 0.89 | 0.86 | 0.86 | 0.86 | 0.85 | 0.86 |
| 3 | 110814 | Manioc (cassava) starch | 0.91 | 0.89 | 0.86 | 0.86 | 0.86 | 0.86 |
| 4 | 440341 | Dark Red Meranti, Light Red Meranti & Meranti Baka... | 0.73 | 0.89 | 0.86 | 0.86 | 0.86 | 0.86 |
| 5 | 400121 | Natural rubber (excl. latex), in smoked sheets | 0.92 | 0.89 | 0.86 | 0.86 | 0.86 | 0.86 |
| 6 | 071410 | Manioc (cassava) | 0.90 | 0.88 | 0.86 | 0.86 | 0.86 | 0.86 |
| 7 | 710229 | Industrial diamonds, worked but not mounted/set | 0.73 | 0.85 | 0.79 | 0.83 | 0.84 | 0.86 |
| 8 | 271390 | Residues of petroleum oils/oils obt. from bitumino... | 0.67 | 0.39 | 0.84 | 0.84 | 0.85 | 0.86 |
| 9 | 151110 | Palm oil, crude | 0.68 | 0.85 | 0.86 | 0.85 | 0.84 | 0.85 |
| 10 | 291536 | Dinoseb (ISO) acetate | -0.12 | -0.23 | -0.35 | -0.49 | 0.82 | 0.85 |
| 11 | 151190 | Palm oil, other than crude, & fractions thereof , ... | 0.50 | 0.87 | 0.85 | 0.85 | 0.85 | 0.85 |
| 12 | 230660 | Oil-cake & other solid residues, whether/not groun... | -0.94 | 0.84 | 0.84 | 0.84 | 0.84 | 0.84 |
| 13 | 151329 | Palm kernel/babassu oil, other than crude, & fract... | 0.82 | 0.87 | 0.85 | 0.85 | 0.85 | 0.84 |
| 14 | 230650 | Oil-cake & other solid residues, whether/not groun... | 0.60 | 0.49 | 0.82 | 0.80 | 0.82 | 0.84 |
| 15 | 151311 | Coconut (copra) oil, crude | 0.30 | 0.64 | 0.84 | 0.83 | 0.85 | 0.84 |
| 16 | 440725 | Wood sawn/chipped length wise, sliced/peeled, whet... | 0.46 | 0.87 | 0.84 | 0.84 | 0.84 | 0.84 |
| 17 | 441231 | Plywood, consisting solely of sheets of wood (othe... | -0.40 | 0.82 | 0.83 | 0.83 | 0.84 | 0.84 |
| 18 | 490700 | Unused postage, revenue/similar stamps of current/... | 0.85 | 0.82 | 0.79 | 0.82 | 0.80 | 0.84 |
| 19 | 400110 | Natural rubber latex, whether/not pre-vulcanised | 0.90 | 0.88 | 0.85 | 0.84 | 0.84 | 0.84 |
| 20 | 270210 | Lignite, whether/not pulverised but not agglomerat... | -0.97 | -1.00 | 0.78 | 0.84 | 0.83 | 0.83 |

**Source:** BTC’s own calculation using Trade Sift

The above analysis reveals the fact that Bangladesh has comparative advantages only on a very few products at 6-digit level such as chapters 53, 68, 61, 63 and 29 which indicates that Bangladeshi export market is less diversified and more concentrated. On the other hand, ASEAN has comparative advantages on a number of products at 6-digit level (chapters 08, 26, 11, 40, 44, 07, 71, 27, 15, 29, 23 and 49) which indicates that export market of ASEAN is more diversified and less concentrated than that of Bangladesh.

**Examination of Relative Export Competitive Pressure Index (RECPI)**

The Relative Export Competitive Pressure Index (RECPI) is designed to explore the average degree of competition country i1 faces in country j’s market from country i2, by taking into account both the structure and level of competing countries’ trade. Country i1 will be interested in the value of country i2’s exports to country j, and also in the extent to which country i2’s exports are in direct competition with country i1’s exports. The Relative Export Competitive Pressure Index (RECPI) is defined for exporter i1 with respect to competitor i2 in market j as:



where k refers to the product, i1 to the reporting country, i2 to the competitor country, and the s and x data refer to a given export destination, country j. xkij is the value of country i's exports to country j of good k, and ski1 gives the share of good k in country i's exports to country j. The RECPI is a summary measure which aggregates information from across a range of sectors, subsectors or products. Hence the index can be provided either for all trade, or for particular sectors - in all cases on the basis of more detailed sub-sectoral or product level detail.

**Interpretation**

As with the previous indicators, it is helpful to consider extreme cases. Suppose that country i1’s export profile to market j was exactly the same as country i2's; and that for every product, country i1 was selling twice as much as i2, i.e. that i1’s exports were twice as big as i2’s. The structure of i1's exports is the same as country i2 but country i1 is larger (by a factor of 2) than country i2, so country i1 would clearly see country i2 as a competitor in its exports to market j, but because country i2’s sales are half of country i1’s, the RECPI is equal to 0.5. However suppose i1’s exports to j were twice as big as i2’s but in totally different products such that there was no overlap at all in what was being exported by the two countries to market j. The RECPI index would be 0. We would not then say that country i2 was a competitor half i1’s size in market j, because they are competing in entirely different goods. Note that the RECPI as stated above measures the competition which i1 faces from i2 in market j; the RECPI which measures the competition from i1 faced by i2 would be different.

**Application**

The RECPI provides a summary measure of the degree of competition one country faces from another country in a particular market. It is therefore useful for consideration along with the Finger-Kreinin Index for trade similarity, particularly at the potential effect of trade agreements on non-partner countries. For example, Bangladesh’s RECPI for ASEAN exports to the EU market would indicate how Bangladesh’s exports to the EU might be affected by an EU-ASEAN FTA. Similarly, the EU is currently proposing changing the list of countries eligible for GSP preferences. The RECPI can be used to assess the possible significance of this for the countries remaining in the GSP system, by looking at the competitive pressure that the “countries to be excluded from the GSP” exert on the remaining GSP countries in the EU market. A low RECPI explains less competition between the competitors.

Following tables (table31-37) show the Relative Export Competitive Pressure Index which calculates the average degree of competition considering all export potential items of Bangladesh in the EU and world market. It can be observed that both in the EU and world market the RECPI is lower during the period 2008-2013 hence there might be less competition between ASEAN and Bangladesh in the EU market.

Table 31: RECPI on all export potential products of Bangladesh

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Overall | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| EU | 0.143 | 0.131 | 0.155 | 0.149 | 0.147 | 0.162 |
| World | 0.725 | 0.756 | 0.987 | 0.802 | 0.768 | 0.726 |

**Source:** BTC’s own calculation using Trade Sift

Table 32: RECPI on Chapter 61

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Ch 61 | knit |  |  |  |  |  |
| EU | 0.112 | 0.110 | 0.111 | 0.110 | 0.113 | 0.147 |
| World | 0.441 | 0.445 | 0.496 | 0.444 | 0.597 | 0.714 |

**Source:** BTC’s own calculation using Trade Sift

Table33: RECPI on Chapter 62

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Ch 62 | Woven |  |  |  |  |  |
| EU | 0.173 | 0.125 | 0.227 | 0.202 | 0.155 | 0.133 |
| World | 0.264 | 0.268 | 0.404 | 0.387 | 0.365 | 0.381 |

**Source:** BTC’s own calculation using Trade Sift

Table 34: RECPI on Chapter 64

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| EU | 15.821 | 8.045 | 15.717 | 20.851 | 12.609 | 13.077 |
| World | 10.749 | 15.941 | 25.435 | 24.772 | 14.139 | 15.484 |

**Source:** BTC’s own calculation using Trade Sift

Table35: RECPI on Chapter 87

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| EU | 2.963 | 2.015 | 3.432 | 3.354 | 6.743 | 5.985 |
| World | 6.882 | 4.252 | 12.612 | 4.444 | 2.445 | 21.435 |

**Source:** BTC’s own calculation using Trade Sift

Table36: RECPI on Chapter 03

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| EU | 1.555 | 1.971 | 2.024 | 1.73 | 1.301 | 1.121 |
| World | 6.054 | 9.113 | 10.207 | 9.67 | 10.044 | 10.212 |

**Source:** BTC’s own calculation using Trade Sift

Table37: RECPI on Chapter 69

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| EU | 1.206 | 1.275 | 4.204 | 4.498 | 4.318 | 3.549 |
| World | 2.011 | 2.396 | 6.067 | 6.254 | 5.391 | 4.9 |

**Source:** BTC’s own calculation using Trade Sift

**Preference Erosion of Bangladesh in the EU Market**

Bangladesh is a recipient of EBA preference in the EU market. They are-

1. General arrangements;
2. Special incentive arrangements for sustainable development and good governance (“GSP Plus”);
3. Special arrangements for least developed countries: the “Everything but Arms” or the EBA;

It has managed to exploit this opportunity to become an important supplier of textile and clothing products to the EU. On Bangladesh’s top export items to the EU, ASEAN on average faces almost 14% tariff, thus Bangladesh’s preference margin is 14%. If ASEAN gets zero tariff benefit under the FTA agreement, then Bangladesh will lose this 14% preference margin which might affect it’s export to the EU. The preference erosion of the top 15 export items of Bangladesh is shown in Table 38.

**Table 38:** Preference Erosion of Bangladesh in the EU Market

|  |  |  |  |
| --- | --- | --- | --- |
| **Product** | **Product Name** | **Tariff faced in the EU** | |
| Bangladesh | ASEAN |
| 610910 | T-shirts, singlets & other vests, knitted/crochete... | 00 | 14.00 |
| 611020 | Jerseys, pullovers, cardigans, waist-coats & simil... | 00 | 14.00 |
| 620520 | Men's/boys' shirts (excl. knitted/crocheted), of c... | 00 | 14.00 |
| 610510 | Men's/boys' shirts, knitted/crocheted, of cotton | 00 | 14.00 |
| 610462 | Women's/girls' trousers, bib & brace overalls, bre... | 00 | 14.00 |
| 030613 | Shrimps & prawns, whether/not in shell, frozen | 00 | - |
| 611120 | Babies' garments & clothing accessories, knitted/c... | 00 | 00.00 |
| 610990 | T-shirts, singlets & other vests, knitted/crochete... | 00 | 14.00 |
| 620630 | Women's/girls' blouses, shirts & shirt-blouses (ex... | 00 | 14.00 |
| 610610 | Women's/girls' blouses, shirts & shirt-blouses, kn... | 00 | 14.00 |
| 620530 | Men's/boys' shirts (excl. knitted/crocheted), of m... | 00 | 14.00 |
| 620920 | Babies' garments & clothing accessories (excl. kni... | 00 | 8.00 |

**Bangladesh’s Probable Top Affected Export Sectors in EU**

Following table shows the top affected product of Bangladesh in EU market including RCA of Bangladesh and ASEAN, export of Bangladesh to EU (1000 USD) and Tariff faced in the EU. From Table 39, it is seen that Bangladesh’s top export sectors to the EU are under HS Chapter 61, 62 and 03. Chapter 61 and 62 constitute 89.75% of EU’s imports from Bangladesh worth almost US$ 15.01 billion in 2014. In these two sectors, Bangladesh faces zero tariffs to the EU market whereas ASEAN faces 14% (Except 8% for HS 620920. The EU also imports a lot from these two sectors from ASEAN. Even paying 14% tariff, ASEAN exported more than US$ 6.95 billion in 2013 in these two sectors. Therefore, it is possible to imagine what will happen when ASEAN will have a zero tariff facility on these products under the FTA agreement. There is a possibility that much of Bangladesh’s export of these products could be diverted to ASEAN. ASEAN is also competitive with the rest of Bangladesh’s top export sectors to the EU. On other textile products ASEAN is also paying higher tariffs. Therefore, these sectors have the probability of being affected once the agreement takes place.

**Table 39:** List of Bangladesh’s Probable Affected Export Items in the EU

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Product | Product Name | Bangladesh  RCA | ASEAN  RCA | BD Export to EU  (1000 USD) | Tariff faced in the EU | |
| 2013 | 2013 | Bangladesh | ASEAN |
| 610910 | T-shirts, singlets & other vests, knitted/crochete... | 0.98 | 0.18 | 34,00080.833 | 00 | 14.00 |
| 611020 | Jerseys, pullovers, cardigans, waist-coats & simil... | 0.97 | 0.25 | 14,80519.579 | 00 | 14.00 |
| 620520 | Men's/boys' shirts (excl. knitted/crocheted), of c... | 0.98 | 0.24 | 7,59720.326 | 00 | 14.00 |
| 610510 | Men's/boys' shirts, knitted/crocheted, of cotton | 0.98 | 0.14 | 5,84535.605 | 00 | 14.00 |
| 610462 | Women's/girls' trousers, bib & brace overalls, bre... | 0.95 | 0.05 | 4,72943.021 | 00 | 14.00 |
| 030613 | Shrimps & prawns, whether/not in shell, frozen | 0.89 | 0.62 | 3,77842.311 | 00 | - |
| 611120 | Babies' garments & clothing accessories, knitted/c... | 0.97 | 0.05 | 3,42202.426 | 00 | 00.00 |
| 610990 | T-shirts, singlets & other vests, knitted/crochete... | 0.87 | 0.12 | 2,34735.46 | 00 | 14.00 |
| 620630 | Women's/girls' blouses, shirts & shirt-blouses (ex... | 0.96 | 0.02 | 2,11727.277 | 00 | 14.00 |
| 610610 | Women's/girls' blouses, shirts & shirt-blouses, kn... | 0.97 | 0.26 | 2,04296.69 | 00 | 14.00 |
| 620530 | Men's/boys' shirts (excl. knitted/crocheted), of m... | 0.98 | 0.39 | 1,81752.862 | 00 | 14.00 |
| 620920 | Babies' garments & clothing accessories (excl. kni... | 0.99 | 0.23 | 1,78882.863 | 00 | 8.00 |

**Source:** BTC’s Calculation by using TradeSift taking data from WITS Database

**Impact on Bangladesh’s Export to the ASEAN Market**

Even though the FTA is between EU and ASEAN, there is also a chance that Bangladesh’s exports to ASEAN might be affected. EU will also receive a zero tariff benefit for most of its export items to ASEAN as a result of the FTA which may affect Bangladesh’s export to ASEAN. But the similarity of Bangladesh’s and EU’s exports to ASEAN is very low i.e Bangladesh and the EU doesn’t export similar products to ASEAN. Therefore, Bangladesh’s exports to ASEAN are not going to be affected much by the EU exports to ASEAN arising out of the FTA. Besides, Bangladesh’s export to ASEAN is very low. Bangladesh’s export to ASEAN in 2013 was only US$ 408.96 million. So, as an export destination, ASEAN is not very important for Bangladesh till now.

**Concluding Remarks**

This paper provides an analysis on and insights into the possible effect on Bangladesh’s exports to the EU market once the EU-ASEAN FTA agreement takes place based on identifying the possible top affected export sectors and export items.

From the above analyses we can see that the similarity index (FKI) of export products of Bangladesh and ASEN in the two different markets reveals that they almost remain the same during 2008 t0 2013. So, it is evident that the similarity of exports in World and EU market for Bangladesh and ASEAN are very nominal. This nominal similarity indicates that two markets (World and EU) are different in nature and demand for Bangladeshi products is quite different. This further indicates a diversified product is required to grab both the markets.

On the other hand, if we look at the RCA of Bangladesh and ASEAN with the world on Bangladesh’s top export items to the EU we can see that that all Bangladesh’s top export items to the EU has a comparative advantage. ASEAN also has a comparative advantage on Bangladesh’s top export items to the EU but except for HS 620342, 620462 and 611030 which have negative RCA. Even if ASEAN gets zero tariff access in this product to the EU, ASEAN cannot compete with Bangladesh since ASEAN doesn’t have a comparative advantage in these items. ASEAN’s comparative advantage on the product under HS 610462, 611120 and 620630 which is very low that eventually mean even if ASEAN receives a zero tariff benefit under the FTA agreement, ASEAN might not be able to compete with Bangladesh since Bangladesh has a better comparative advantage on these products. In the other products, ASEAN has a comparative advantage along with Bangladesh which means ASEAN might gain better access into the EU market if ASEAN gets zero tariff benefit under the agreement and this will affect the export of Bangladesh’s top export items in EU. In case of Shrimps & prawns, whether/not in shell, frozen under HS 030613 that might be affected most as this product has higher comparative advantage than other but not higher than Bangladeshi product.

It is very much clear that Bangladesh’s export to EU is concentrated among the top products (about 95%) at HS 2 digit level. This degree of concentration might lead to a negative impact FTA between Bangladesh and ASEN come to a conclusion. Now, if the same consideration is taken into account in case of ASEAN, it can be seen that ASEAN is in a better position. It is obvious that in case of Bangladesh’s top ten exports to EU, NRCA of ASEAN is almost always minimal with some negatives. But, it is found in case of Bangladesh’s NRCA in top Bangladeshi exports to EU is always positive. Thus, Bangladesh is an efficient exporter in case of top exports.

If we consider the tariff preference over ASEAN we can understand that the preference margin that Bangladesh is enjoying is higher and ASEAN has minimal NRCA’s in those top export products. Bangladesh is having good amount of tariff preference over ASEAN in case of Bangladesh’s top exports and ASEAN is not enjoying good amount of tariff preference in those products. So, Bangladesh is in a better position in case of having preference.

From the above analysis Bangladesh Tariff Commission can conclude as follows:

* Degree of high concentration in the top export items of Bangladesh in EU market reveals a higher degree of impact.
* The NRCA analysis suggests that ASEAN is a good competitor of Bangladesh in EU Market in case of some RMG products.
* The NRCA analysis also suggests that Bangladesh is an efficient producer of Bangladesh’s top export products. However, other countries (EU and ASEAN) are efficient in Bangladesh’s top export products but not at product level. This may leads to the conclusion that other countries (EU and ASEAN) Bangladesh might not be out of competition in those market.
* The similarity index shows Bangladesh has very little similarity with other country’s (EU and ASEAN) export items. This is a positive sign for Bangladesh.
* Bangladesh needs to diversify export items.
* If a FTA between EU and ASEAN is signed Bangladesh may suffer from decreased export growth in EU market. ASEAN market is less risky for Bangladesh.

The main concluding points of this analysis are:

* The EU is an important export market for Bangladesh accounting for 57% of total exports.
* The preference margin awarded to Bangladesh over ASEAN in the EU market is around 6% at aggregate level and the preference margin is higher at the more disaggregate level (almost 14%). This 6% preference margin at aggregate level indicates that the effect on Bangladesh’s export at the aggregate level might be lower.
* There is evidence of some overlap between ASEAN’s and Bangladesh’s export structures to the EU market and hence these countries may be competitors in this market especially under the FTA agreement.
* Like Bangladesh, ASEAN also exhibits a comparative disadvantage in the products that Bangladesh exports most to the EU and faces a tariff advantage of around 6.6%. This implies that the removal of tariff barriers to trade between EU and ASEAN under the FTA agreement could have some effects, at the product level, on Bangladeshi exports.
* Bangladesh is competitive with ASEAN in certain products. But it is also found that in some products where Bangladesh is competitive in EU market is not competitive in USA market which means that Bangladesh might lose its export share on these items if the tariff is removed in the EU under the FTA agreement.
* Bangladesh’s export to the ASEAN market will not be affected since EU and Bangladesh export different types of product to the ASEAN market.
* Finally, it is known that export of a product does not depend only upon the price, sometime it depends on consumer preference, attitude, buying behavior and more importantly on brand value. If the dominance of Bangladesh over ASEAN in the EU market is solely a result of the favourable preferences, then reduction of the preference could increase the competitive pressures from ASEAN and cause market share losses for Bangladeshi exporters. This is most apparent in textile and clothing sectors.

Any country can engage in an FTA agreement with any other country. Such engagement may be based on political will or trade development will. Therefore, it is very difficult for a country (Bangladesh) which is not a party to the agreement to interfere in the agreement. However, Bangladesh government can do the following:

* Inform the EU about the possible adverse effect on Bangladesh’s export to the EU once the FTA agreement takes place;
* Request the EU not to include apparel items at least Bangladesh’s major export items to the EU in the agreement or apply a quota system for ASEAN;
* Request the EU for a longer phase out period for reducing the tariff under the agreement;
* Strengthen market diversification. Depending on one country or region is always much more risky;
* Strengthen product diversification. Too much dependence on the apparel sector may pose serious threat in the near future;
* Strengthen Bangladesh brand image by producing quality products and ensuring a strong international marketing campaign in the global media (such as BBC, CNN);
* Increase productivity by introducing more skilled labor through effective and efficient training;
* Strengthen trade facilitation measures and reduce the cost of doing business;
* A strong effort should be taken to reduce the lead time;
* Ensure special arrangement of trade financing to the apparel sector;
* Take steps to make aware those Bangladeshi exporters whose exports to the EU might be affected by the agreement. Exporters can also devise their own mechanisms to cope with the situation.
* Become price competitive by reduced cost and productivity.
* Bangladesh is also exporting to USA facing huge duty on RMG. Bangladesh would be affected by EU-ASEAN FTA but the extent of loss may be lessened by awareness building and taking appropriate measures. Bangladesh will continue enjoying comparative advantage of major export items to the EU.

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2. http://www.aseanbriefing.com/news/2014/08/04/foreign-ministers-rekindle-interest-eu-asean-fta.html [↑](#footnote-ref-3)
3. Bangladesh Economic Review 2013 [↑](#footnote-ref-4)
4. BTC’s calculation based on NBR data [↑](#footnote-ref-5)
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