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GLOBALIZATION AND RECENT CHANGES IN THE ECONOMY OF BANGLADESH

Abstract

The economy of Bangladesh experienced gradual but fundamental shifts in the 1980s and 1990s. During this period, it underwent through a comprehensive programme of structural reforms aimed at restructuring the industrial sector, liberalizing the foreign trade and exchange rate regimes, strengthening fiscal and monetary management and privatizing the state owned enterprises(SOEs). These were also undertaken to minimize the market role of the government, to encourage private initiatives and market forces and to integrate itself with the world economy. An analysis of the outcomes of the changes for the last two decade indicates that Bangladesh achieved a degree of macro economic stability with lower inflation, smaller fiscal and current account deficit and higher foreign exchange reserves. But its performance in terms of GDP growth did not reach the desired level. Growth in the industrial sector was far from satisfactory. The relative slower expansion of production in the economy made demand for labour slow as well. Growth of employment in the agricultural and manufacturing sectors marked no improvement while service sector employment increased. But overall the unemployment situation has rose to 36.6 percent of the total civilian labour force under extended definition in 2000. As the deadline for full implementation of WTO is approaching fast, policy-makers cannot

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be oblivious of the unsettling trends while drawing road maps for further globalization of the economy.

1. Introduction

The word globalization carries different meanings to different people. In a general way, economic globalization can be “the expansion of economic activities across political boundaries of national state. More important perhaps, it refers to a process of increasing economic integration and growing economic interdependence between countries in the world economy. It is associated not only with an increasing cross-border movement of goods, services, capital, technology, information and people, but also with an organization of economic activities which straddles national boundaries. This process is driven by the lure of profit and the turrent of competition in the market” (Nayyar, 1996; p.1). So the coverage of the terminology includes micro and macro factors, forces and polices which may have direct or indirect economic implications once they become susceptible to change. In the ultimate analysis, the expected positive fallouts of such moves mainly motivate the developing countries*for resorting to globalization.

Bangladesh began her journey as an independent nation by nationalizing and establishing state control over industry, finance and other economic activities. The rationale for this economic approach was to rebuild the country particularly, the devastated economy within a shorter period of time. But the country saw a gradual but fundamental shift in the economic policy over the years. Successive governments initiated and carried out various policy measures to minimize the market intervention role of the government, to encourage private initiatives and market forces, and to integrate itself with the world economy.

In Bangladesh, the globalization efforts have been pushed forward through major changes in the industrial policy, import and export policies, exchange rate, and institutional changes in the financial sector and taxation. The measures underlying the changes included dismantling of various regulations in industrial sector, massive reduction of tariffs and non-tariff barriers to trade, determination of more market oriented exchange rate, restructuring of banking sector, reductions in the rate of customs duties, excise tax and income tax and definitely more incentives for foreign investment. The objectives of such a reorientation of economic policy were to attain a sustainable macroeconomic development and to accelerate growth and more generally, to raise living standards by generating employment and increasing purchasing power of the vast pool of poor people. Growth based on global market forces was presumed to be rapid and high in the process.

Now with more than two decades of experiences with the process of economic globalization, an assessment is needed to ascertain the direction in which transition has taken place in the economy of Bangladesh. It would be difficult to locate and relate all the transitions due to the changing measures adopted from time to time. But it could be understood that perceptible changes have occurred in the economy in terms of structural composition and contribution to GDP of different sectors, trends in growth of private and public sectors, composition and employment pattern in various sectors of the economy. These together can highlight some of the effects of privatization and liberalization of the economy.

The broader objective of this paper is to highlight some of the major changes undertaken in selected sectors of the economy and the pattern of changes that has so far emerged in those sectors. The areas chosen for discussion are agriculture, industry, trade and financial sector. With the changes in structures and weights of those sectors in the economy, a changing scenario is also emerging in regard to the employment positions of various sectors. This issue

needs to be dealt with. For the purpose of discussion and references, FY 1999-2000 has been as the closing line.

Keeping the objectives in mind, the paper has been divided into six parts including this introductory one. Part two has been devoted to summarize the various deregulatory and re-regulatory measures taken by various governments in the selected areas of our discussion. Part three examines the sectoral economic effects that have emerged during the period of liberalization and privatization efforts in Bangladesh. The changes in the economy have also set newer trends in the sectoral and occupational employment as well as wage pattern for the industries. The employment issue in the context of globalization is being discussed in part four of the present paper. A brief section has been added to have some idea about the potential impact of the World Trade Organization (WTO) in the context of globalization efforts in Bangladesh. The paper has been concluded in part six.

2. Economic Globalization in Bangladesh

The reform measures undertaken since 1975 onward spanned a number of areas in the economy. The changes might not have attained the desired level of results, but they have surely affected the regulatory and managing structures of those areas in one way or other. In Bangladesh, as it generally happens, most of the measures are initiated with vigour, but when comes the question of their effective implementation, the vigour gets lost. In this section we will, however, limit our effort to summarize the main reforms undertaken in the selected sectors, viz. agriculture, industry, trade and finance.

2.1 Agriculture

Agriculture accounted for about one-fifth of GDP and more than 62 percent of the total employed persons in 1999-00. All governments and all plans emphasized the overall development of the rural economy with food and agriculture as its centerpiece. So issues relating to agriculture are sensitive. Yet the reform measures in this sector are not that much in number. Land reforms or *barga*(share cropping) rules could have been important steps to affect this sector in a broader way. Keeping in view this side we can list the following measures which might have some real effects on the agriculture sector.

- Fertilizer distribution was privatized in the mid-eighties. Fertilizer markets functioned competitively following their privatization. As per the policy measures - sales, marketing, distribution of fertilizers, irrigation equipment etc. have been made open to private participation.
- Few of the minor irrigation projects were privatized.
- Since 1992, statutory rationing and modified rationing system have completely been phased out.
- Since 1993, the food-grain markets were made open to private import.

All these measures have been in place to maintain a growth of production as well as the price stability of agricultural items.

2.2 Industrial Sector and Foreign Investment Policy Reforms

The successive governments in Bangladesh wanted to give necessary boost to the industrial sector by incorporating a wider set of reforms and promotional measures. This effort was being reflected in the changes made in the Industrial Policies of 1974, 1982, 1986, 1992 and 1999. A major shift has been there to put more emphasis on development of the private sector and to make the role of the government more promotional than regulatory. The reform measures

were pursued in the industrial sector in three ways - reorganization, privatization of the public sector and liberalization of the sector to the outside investors.

The first Industrial Policy was made open to changes in July, 1974. Subsequent changes induced elimination of investment ceiling, extended tax holidays, concessional rate of import duty on machinery, pruning the reserve list of industries for public sector investments, waiving prior permission condition for many industries, activation of the National Stock Exchange, revival of Investment Corporation of Bangladesh for underwriting IPOs and for providing bridge finance to private industrial units. Significantly, during the period of 1973-80, a total of 199 industrial units were disinvested by the Government at a total sales price of Tk. 115.8 million (The Ministry of Finance, 1998; p.300).

By the end of the decade 1999-00, all industries had been opened up for private investment, both local and foreign, except a few selected areas. These are related to the national security like arms and ammunition, nuclear energy, minting and security printing, mechanized extraction in the reserved forests and the railway. During this period, two important Institutions *viz.* Board of Investment (BOI) and the Privatization Board (PB) were established. The BOI has been entrusted with the role in facilitating private investment with focus on foreign direct investment, while the PB has been vested with the responsibilities of privatizing state-owned enterprises (SOEs) identified for privatization by the privatization cells of various Ministries having SOEs under their control.

One of the important additions to the industrialization effort in Bangladesh was the establishment of two export processing zones (EPZ) under the Bangladesh Export Processing Zones Authority (BEPZA) Act, 1980. The enactment of the Foreign Private Investment (Promotion and Protection) Act, 1990 gave the legal base

for the foreign investors to come and invest in various industries in Bangladesh. Now 100 percent foreign owned enterprises are permitted in the selected areas and in the EPZs.

Some of the other fiscal incentives and promotional measures taken by Bangladesh to entice local and foreign investments in different industries are:

- Cent percent ownership of enterprises by expatriates and foreigners;
- Generous tax holiday for 5 to 7 years, depending on the industrial subsectors, and 10 years for all types of units established in the EPZs; tax holiday for power generation plant will be 15 years;
- No import duty on capital machinery for 100 per cent export-oriented industries; for other industries, import duty on machinery and spares will be levied at the rate of 7.5 percent ad valorem only;
- Facilities for easy repatriation of profits, invested capital, royalties, technical fees etc, for foreign investors;
- Exemption of taxes on wages/salaries of expatriates working in industries as well as on royalties and technical fees;
- Bilateral arrangements with different countries concerned for avoiding double taxation;
- Issuance of multiple-entry visas as well as work permits to foreign nationals without any discrimination;
- Enactment of the Private EPZ Act under which the private sector will be allowed to set up EPZs; and
- Establishment of a Permanent Law Commission to make the administrative-legal system more responsive to the needs of the civil society, in general, and those of the entrepreneurs, in particular. (The Ministry of Finance, 1998; pp.301-302).

With all these policies and measures, Bangladesh emerged as one of the most liberal developing countries in South and Southeast Asia for private local and foreign investments.

2.3. Trade Liberalization

Bangladesh targeted the external sector for reforms in the mid-1980s to transform the productive structure outward-oriented. The objective was to foster export, which in its turn would pave way to higher and sustained economic growth. This strategy of export promotion was essentially tallied by a process of import liberalization, as any export drive in a developing country like Bangladesh cannot be successful keeping import side blocked, thus forbidding competition and scope of improvement of local products. Actually, the vision of export-led growth and development was formulated due to a host of factors including political change, change in development philosophy, rapid globalization and emerging market opportunities that led to a change in perspective from which the export sectors' role was defined (Barai and Moral, 1998. p.57).

The agenda for trade liberalization moved forward in three phases: FY 1982 - 1986 (first phase), FY 1987-1991 (second phase) and FY 1992 onwards (third phase). The first two phases coincided with the advent of two industrial policies: the new industrial policy (nip) of 1982 and the revised industrial policy (RIP) of 1986. In terms of trade liberalization, however, the third phase is considered relatively more effective than the earlier ones (Bayes *et. al*, 1995; p. 243)

The trade liberalization measures undertaken over a period of time could be evaluated by applying three methods of measurements - removal of quantitative restrictions (QRs), changes in nominal protection rates (NPR), and changes in average tariff on import (ATP)

As a move to remove QRs on trade, the "positive list" carried over from the pre-liberalization days was replaced with a smaller "negative list", which specified items not to be imported without official sanction. Simultaneously, a substantial downsizing in terms of items was done for QRs in the negative list. In 1985-86 there were 478 items on QRs list of which 275 items were banned. The figures went up to 529 in 1987-88 and since then declined to a rapid low in 1992-93 when only 93 items were there on the restricted list. Though figure marginally went up to 114 items in 1994-95, the number of totally banned items came down to only 5. By the end of 1999-00, the total number of items saw a smaller increase to 129, but trade restriction on most of the items on the list was for reasons other than trade. This could be seen in the Table 1.

In the 1990s when the liberalization process was accelerated, a major thrust of change was the substitution of the multiple-rate sales tax by a 15 percent VAT. By 1994, the share of free import items rose to 94 percent of all HS 8-digit items and only 0.4 percent remained banned. During this process, the pace of liberalization in the import of intermediate and capital goods moved much faster than

Table 1 : Phased Removal of QRs.

Fiscal Year	Total	Trade Reasons			Non-Trade Reasons
		Banned	Restricted	Mixed	
1985/86	478	275	138	16	49
HS-equiv.	639	257	185	131	66
1987/88	529	257	133	76	60
HS-equiv.	614	247	166	141	66
1988/89	433	165	89	101	78
1990/91	239	93	47	39	60
1992/93	93	13	12	14	54
1993/94	109	7	19	14	69
1994/95	114	5	6	12	92
1995-97	120	5	6	17	92
1997-00	129	7	6	17	96

Sources : WTO, *Press Release*, May 2000.

for consumer goods. 76 percent of intermediate and 73 percent of capital goods were already allowed unrestricted import in 1987; this share increased to 97 percent and 93 percent, respectively, in 1994 (WTO, 2000). There was no major change since then to FY 1999-00 in the negative list or restriction pattern.

It can be seen from Table 2 that the maximum tariff (customs duty) rate was reduced from 350 percent in FY91 to 40 percent in 1998-99. Under the 1999-00 Budget, the maximum tariff rate was reduced further to 37.5 percent. In contrast to the very high tariff rate that prevailed in the early 1990s, reductions achieved in the maximum as well as the average tariff rates are significant. However, the average rate is pulled down substantially because many of the non-competing imports – such as locally unavailable raw materials and machinery/equipment – enter at zero or very low rates. Competing imports face higher tariff rates, nearly 25 percent of tariff lines (mainly finished products) face the maximum tariff rate (WTO, 2000).

Table 2: Trends in Average and Dispersion of Tariffs, FY 1991-2000 (in percent)

Description	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Number of Tariff Rates	17	17	14	11	5	6	6	6	6	4
IDS (Infrastructural Development Surcharge)	--	--	--	--	--	--	--	2.5	2.5	2.5
Average License Fee	--	1.2	1.4	1.5	1.5	1.2	1.3	1.3	1.0	--
Top Customs Duty Rate	350	350	300	300	60	50	45	42.5	40.5	37.5

Source: WTO, *Press Release*, May 2000.

The trend for average tariff on imports could partially explain the cause for the reduction of NPR for various sectors, particularly for primary commodities, intermediate inputs and capital goods. Between 1994 and 1995, univeighted tariffs rates were axed sharply. These cuts were also applicable for the weighted tariff rates where reductions in rates applied to consumer goods (33.6 percent vs. 25 percent respectively), capital goods (16.1 percent vs. 11.3 percent) and primary commodities (25.3 percent vs. 22.7 percent) as has been shown in the Appendix Table A1. The reductions in customs duties and total duties continued to decline and in 1999-2000 the lowest level of import weighted tariff was on the capital good, only 9.9 percent. reduction of QRS and tariff barriers, particularly due to the later one, along with overall improvement in other policy areas carried out so far have played a major role in liberalizing and boosting trade in Bangladesh.

2.4 Financial Sector Reforms

From the globalization point of view, the financial sector reform programme essentially relates more interest rate and exchange rate determination and structural reforms on ownership and legal parameters. Bangladesh initiated and implemented a lot of measures in these areas to liberalize the financial sector.

After Independence, Bangladesh established a state monopoly power over the financial sector with the objective of ensuring the allocation of funds to priority sectors in the economy. Under state ownership the recovery part of bank loan was overlooked and it was dismal as well. In the early 1980s, the Government of Bangladesh (GOB) began to reform the financial sector. Interest rates on deposits were raised to provide a positive real return on deposits, private banks were allowed to enter the market, two nationalized commercial banks were privatized (Hassan, 1997; p.55). With the objective of reforming financial sector, the GOB appointed the

National Commission on Money, Banking and Credit in 1984. The World Bank also came into picture at this stage.

Under the tutelage of the World Bank the Financial Sector Reform Programme was initiated in 1990. The objective of the program was to create an environment in which banks and financial institutions could operate within the framework of relevant rules, regulations and guidelines. Under the FSRP, the Government fairly eased the entry of both domestic and foreign commercial banks into Bangladesh. And by 1999-2000, there were 27 private commercial banks (PCBs) and 12 foreign commercial banks (FCBs) operating in the financial market of Bangladesh. Under the FSRP a new system of loan classification (on the basis of overdue - unclassified, overdue for 1 year - sub-standard, three years for doubtful and five years and above for bad loan), provisioning (1 percent for unclassified, 10 percent for sub-standard, 50 percent for doubtful and 100 percent for bad loan or loss) for risk has been introduced in the line with international standards from January, 1995. Since then, the loan classification rules have been further tightened to make them close to the international standard.

Some important changes were made in the monetary management including interest rates to revive economic activities by increasing the flow of credit to the productive sectors including trade and industry of the economy. New interest rate bands were refixed for loans and advances by reducing floor and ceiling by different degrees effective from December, 1991. In order to make interest rate more market oriented and competitive, interest rates for all lending categories except agriculture, jute and jute goods exports, other export and small and cottage industries, were withdrawn and in these cases, banks were given freedom to determine their own interest rates effective from April, 1992. In April, 1994 interest rates for priority sectors such as agriculture, export and small and cottage

industries were fixed within 10-14 per cent, 8-10 per cent and 9-12 per cent respectively. The policy of liberalization of interest rate, which was introduced for moving towards market oriented competitive economy by reducing administrative control coupled with other necessary measures, was done to build up a healthy banking system (Ministry of Finance, 1998; pp.301-302).

The other reform measures in the financial sector included external and internal financial liberalization. As to the external liberalization, Bangladesh Taka has been made fully convertible for current account transactions since March 24, 1994. Due to convertibility and exchange rate liberalization, banks are now quoting their own rates for their customers. For foreign investors, capital account has been kept open.

The other internal liberalization measures included elimination of credit directives (excepting agriculture & priority sector), self regulations by banks and non-bank financial institutions, replacement of refinance facilities with a single discount window, adoption of market oriented monetary policy instruments, strengthening of procedure to loan classification and provisioning, etc. To promote competition among financial institutions, the reform measures encouraged the entry of new banks and non-banks financial institutions of domestic and foreign origins.

3. Results of Reforms

The reform measures were progressing on a piece-meal basis till the mid of 1980s before the process become a donor-driven one. The comprehensive programme for structural reform was started in 1986-87 under the Structural Adjustment Facilities (SAF) loan by the International Monetary Fund. In the previous section we have already highlighted various policy changes undertaken in the major areas of the economy. The liberalization of the economy gathered momentum in the late 1980s and was further strengthened in the first half of the 1990s. As the economic policies have a longer time lag to

be translated into perceptible results, our endeavor would be to focus more on the statistics of various elements in between the period of 1984-85 to 1995-96.

3.1. Changes in the Key Economic Indicators

The overall economic impact of the changes should be reflected in the movements of macroeconomic indicators of the economy. From Appendix Table A2, we can have some idea about the changes in the structure during the period when a lot of reforms had been initiated and implemented.

The real GDP growth rate was the highest in 1977-78 when very few reforms were initiated and were at the nascent stage. The growth rate decelerated to 3.93 percent in 1984-85 and registered a second peak in 1989-90 when it reached 6.63 percent. But upto mid-1990s when the reforms got momentum, the growth rate remained fairly stable at around 4 percent excepting 1995-96 when the rate reached 5.35 percent. The growth in GDP reached to 5.9 percent in 1999-2000, which was the highest in the 1990s. The long-term objective of the reforms has to be pushing the growth rate of the economy on a sustainable basis. Bangladesh still lacks sustainability in growth.

We find that the level of domestic savings as percent of GDP has gone up from a paltry 2.33 percent to 8.31 percent and investment from 12.94 percent to 16.63 percent during 1984-85 to 1994-95 period. In 1999-2000, both savings and investment increased to reach 17.9 percent and 23.0 percent respectively. This was matched by a higher growth of GDP of 5.9 percent. The index of industry grew by 10.48 percent in 1994-99 at a constant price of 1995-95. But it then declined to 4.76 percent in 1999-2000. That was a worrisome trend.

Introduction of value added tax (VAT) added a new dimension to the government effort to increase tax revenue collections. Tax revenue as percent of GDP amounted to 9.40 percent in 1995-96 from 7.74 percent in 1989-90. But the momentum was lost in 1999-00 as the share of tax revenue of GDP declined to 6.9 percent. The tax revenue-GDP ratio measurement is based on new base for GDP at 1995-96 constant price.

But Bangladesh has, to its credit, some success stories in improving financial disciplines. Improvement in the areas of current account balance, fiscal deficit, rate of inflation (measured in the percentage change in CPI) and money supply (broad money or m_2) as a percentage of GDP could be seen in the Appendix Table A2 for a period of 1977-78 to 1999-00. Reforms might have played an important role in this regard. Foreign exchange reserve is the other area where with some ups and downs, the reserve position improved at that time when the increase in imports was very high. Overseas export of manpower was mainly the reason for this stable position of reserves.

So, the movements of some of the macroeconomic indicators highlight a mixed picture of the economy while it underwent a wide range of reforms in the 1980s and 1990s.

3.2 *Effect on Selected Sectors*

This part gives a brief overview of the impact of reforms on agriculture, manufacturing, trade and financial sector development up to the period of our review.

3.2.1 Agriculture

The agriculture sector experienced a kind of double-attack due to economic liberalization in the 1980s and 1990s. The economic reforms, particularly in the 1990s, involved a huge reduction of

subsidies for agriculture production. Fertilizer subsidies were withdrawn; electricity and water rates for cultivation were hiked; various other subsidies were reduced and availability of priority sector credit was substantially reduced. All these meant a substantial increase in agriculture production costs (Ghosh, 1999; p.4). The fertilizer crisis in September 1994, also highlighted an important aspect that being the distribution of fertilizer completely in the private hand, the private dealers can manipulate the price at their will. The incidental cost of this is the increase in the production costs of agriculture.

Since 1993, government permitted private import of foodgrains from international market. This opened a gate for cheaper imports therein putting a pressure on the production viability of inland agriculture. The private import of grains increased at a rapid rate and, by 1996, it nearly accounted for half of the import of the country.

The explanation for the stagnation of food output in the mid 1990s, relatively stable and sometime falling prices of foodgrains and higher costs of local production could be the results of the twin-attacks on domestic agriculture. What needs to be highlighted is that the share of agriculture to GDP fall from 41.77 percent in 1984-85 to 38.27 percent in 1989-90 and to a further 32.77 in 1994-95, registering more than 6 percent decline within a period of five years. Expressed at a constant price base of 1995-96, the share of the agriculture accounted for 19.49 percent of the GDP.

But by any measure, Bangladesh achieved a remarkable success in the agriculture sector in the late 1990s. It attained self-sufficiency in food production due to bumper crop production in 1999 and 2000. But the success seem to have little to do with globalization of the economy. Rather a host of management actions including more coverage of irrigation, use of improved technology and liberal funding by the government played an important role in this regard.

3.2.2 Industry and Foreign Investment

The industrial sector experienced the liberalization and changing measures more during the process of globalization. Actually a lot of changes and improvements were made in various procedures and incentive structures to promote (private) local and foreign investments in this sector. But the massive liberalization drive could not achieve the desired result in the form of growth and employment generation in the industrial sector.

Though now a typical developing country pattern, the service sector of the industry grew rapidly, it is the manufacturing sector where Bangladesh has faltered. The growth rate of the manufacturing sector fluctuated from 0.93 percent to 7.05 percent during 1984-85 to 1995-96. The Fourth Five Year Plan 1990-95 actually targeted to achieve 9.02 percent annual growth, but could attain 7.05 percent, two percent lower than target level. Again, the higher part of the growth derived its most from ready-made garments (RMG) which is a heavy import dependent and lower value addition sector. The number of sick manufacturing industries is also increasing. In 1992, the Sick Industries Rehabilitation and Revival Cell (SIRRC) identified 1583 units to be sick (Saha, 1997; p. x). It was receiving a growing number of applications from various industrial sub-sectors to be considered sick.

So the performance of industrial sector during the period of liberalization could fairly be termed as poor. It seems that the adjustment programs have failed to stimulate capacity utilization in the industrial sector, which could have increased growth without the similar rise in investment growth. On the other hand, the swift and massive reduction of NTBs and tariffs in Bangladesh might be one of the main causes of the poor show of growth in manufacturing sectors. Availability of low-price food grains and good quality

imported consumer-manufacturing goods put the competitive pressure on the local agriculture and manufacturing sectors.

In regards to FDI inflows, the broad set of industrial, fiscal, financial and infrastructure facilities seems to have little impact in enticing the foreign investors in Bangladesh. Table 3 shows the position of FDI flows in Bangladesh during 1990-1991 to 1999-00. It seems from the Table that two EPZs emerged as important centres for FDI flows in Bangladesh. Year 1997-98 registered the highest level of FDI flow with only one sectoral bias, viz. the oil and natural gas. But in the following year the momentum in investment lost and FDI continued to fall.

Table 3: Annual Investment in CEPZ and DEPZ and FDI Inflows in Bangladesh (1991 to 2000)

(in million US \$)

	CEPZ ¹	DEPZ ¹	Total of EPZs	Country Total FDI ²
1990-91	22.054		22.054	6
1991-92	23.659		23.659	18
1992-93	22.048		22.048	10
1993-94	29.181	8.224	37.405	16
1994-95	27.669	8.265	35.934	6
1995-96	16.128	14.455	60.583	7
1996-97	22.887	31.012	53.899	16
1997-98	42.591	26.237	68.828	249
1998-99	36.107	35.499	71.606	198
1999-00	15.182	19.801	34.983	194

Source: ¹ BEPZA, *BEPZA Statistics*, various issues

² Ministry of Finance, *Economic Review 2002*

3.2.3 Trade Liberalization Effects

The results of changes in trade policies i.e., export promotion incentives and import liberalization measures worked on the expected line - exports went up but imports surpassed the export

Table 4: Share of Trade by Types of Commodities For 1988 - 89 To 1999-00

	Import				Export			
	1	2	3	4	1	2	3	4
1987-88	37.2	35.0	10.6	17.2	74.9	23.2	1.2	0.70
1988-89	34.5	33.0	11.8	20.7	71.1	25.4	2.9	0.60
1989-90	36.0	32.6	11.5	19.9	75.9	23.1	0.58	0.48
1990-91	34.7	30.1	14.4	20.8	80.61	17.5	1.30	0.66
1991-92	39.2	30.3	12.6	18.0	80.9	15.0	3.47	0.65
1992-93	38.3	29.8	12.5	19.4	85.0	13.7	1.02	0.26
1993-94	41.5	28.9	12.0	17.6	86.8	12.1	0.81	0.27
1994-95	48.5	27.0	9.9	14.6	84.1	14.1	0.79	1.07
1995-96	38.6	29.1	14.1	18.2	87.5	12.2	0.18	0.30
1996-97	28.4	35.1	15.5	21.0	87.8	10.1	1.45	0.65
1997-98	37.7	28.4	13.7	20.2	91.9	6.8	0.68	0.62
1998-99	39.1	28.2	13.3	18.4	91.7	7.3	0.40	0.60
1999-00	40.0	28.2	11.9	19.9	92.3	6.3	0.70	0.70

Source: BBS, *Statistical Yearbook of Bangladesh*, various issues.

Notes :

1. Share of Consumer goods
2. Share of Materials for consumption
3. Share of Capital goods
4. Share of Materials for Capital goods.

growth by a higher margin. That means both exports and imports experienced growth due to the various measures taken by successive governments. As regards to growth of trade, the trend might look satisfactory but an analysis seems to draw some uncomfortable observations.

From the Table A4 in the Appendix, we can see the position of trade balance of Bangladesh for a period of thirteen years starting from 1987–88 to 1999–00. Net of freight and insurance, other goods and services, investment income and a net balance are also shown in the Table. It is evident from the Table that trade imbalance has become a regular feature of the merchandise trade of Bangladesh since the very beginning. There was a sign of improvement in the deficit figures from 1990–91 to 1993–94, but in 1994–95 the deficit figure again jumped up again. The deficit position improved in 1997–98 for a single year and then slid again to Tk. 146.7 billion in 1999–00.

It is not totally unexpected that an economy of the stage and level of development that Bangladesh occupies at present would import more than its export. But what is worrying for Bangladesh is the types of commodities where the growth of trade was taking place. Table 4 shows that the share of consumer goods in both import and export is the highest, more so in export. Though in the mid 1990s the import of consumer goods was marked a declining growth trend, it again became upward in the late 1990s. It becomes apparent that little changes have taken place in the diversification of basket of commodities in trade, particularly in export.

3.2.4. Financial Liberalization

The financial liberalization process in Bangladesh proceeded with interest and exchange rate liberalization and the structural

reforms including ownership and entry of foreign banks in the efforts to make the sector open and competitive.

Though interest rate determination has become a part of the market, a very logical corollary was developing in the exchange rate market. Actually in recent time exchange rate determination has become prone to the pressure of the export lobby, particularly the RMG exporters. The welfare cost of the societies of this development could surpass the tentative benefits of exchange rate depreciation under pressure from the export lobby.

Introduction of the new rules and regulation regarding classification loan, provisioning and capital adequacy could not arrest the increasing trend in the classified loans of various banks. While the overall classified loan as the percent of total loans was 26.09 in 1990, it reached to 31.49 percent in 1996. A breakup positions of classified loan of various banks for 1990 were - NCBs 27.59 percent, PCBs 23.73 percent, FCBs 20.65 percent. By December 2000, the positions reached to 38.56 percent, 22.01 percent and 3.38 percent respectively for those banks (Bangladesh Bank 2001). So only the foreign commercial banks could have significantly improve their classified loan portfolio after the FSRP was instituted.

The other aspect of liberalization of the banking sector is that in terms of the share of deposits and advances, the FCBs were increasing their market share while it was gradually declining for the NCBs.

So the privatization and liberalization of the financial market has more positive impact for the private local and foreign elements rather than the larger market players as a whole.

4. Employment Scenario in the Context of Globalization

The labour force survey (LFS) of 1999-00 estimated that there were 58.07 million economically active populations (as per the extended definition) of age 10 years and above, increased from 54.6 million of LFS 1995-95. Providing job opportunities to this huge pool of human resource, thus, becomes a very predominant issue to the government of Bangladesh.

The workable population of Bangladesh comprises skilled, semi-skilled and unskilled workforce. So drawing an employment policy suitable for all sections of workforce is nearly impossible. Even then, the various economic policy orientation and direction of resources should be as such that they can aid economic growth in a sustainable manner and create avenues for employment. The process of economic liberalization and globalization should have been influenced by these considerations as well.

But the experiences in the 1990s points some of the pitfalls of indiscrete liberalization, particularly on employment. Though it would be simplistic to blame liberalization for all of the pitfalls, it becomes evident that those sectors have been affected most where the liberalization took place faster and wider. Now to depict the employment scenario in the context of globalization, we would like to do it in the following lines - sector-wise employment, occupation-wise employment, employment in the EPZs and abroad and employment-wage position in Bangladesh.

4.1 Industrial Sector-wise Employment

Employment is the area where we have a relatively fair opportunity to examine the effects of liberalization. In theoretical perspective, the relative slower expansion of production in the economy should maintain the demand for labour also slow as well. Because of this aggregate effect, evidence of negative effects of

liberalization or import penetration would be difficult to trace. Keeping this limitation in mind – we assume that the negative effects of liberalization or import penetration would be more apparent at the sector level than at the macroeconomic level; if the employment grew more slowly in sectors in which the import rose more, we might conclude that opening of the economy had negative effects, though might be temporary, on the level of employment. With this view in mind, if we look at the following table we find a trend of growth of employment in the sectors of agriculture, manufacturing and finance and business services that fall in line with our presumption.

From Table 5 it could be seen that the agriculture sector still houses the highest number of employment. Its share increased to 64.95 percent from 55.75 percent between 1985-86 and 1989 and then further went up to 66.40 percent in 1990-91. But the acceleration did not be continued. By 1995-96, the share of employment in the agriculture sector declined to 63.25 percent and then marginally increased to 63.37 percent in 1999-00. Between 1990-91 and 1999-00, the annual average growth rate of employment in the agriculture was only 0.7 percent. This very poor growth of employment opportunity in this sector might be explained by two factors. *First*, the share of this sector to GDP has declined over the years. Simultaneously, the freeing of the import of foodgrain opened the gate for cheaper import from the outside country. This occurred at a time when the costs of cultivation were rising (the reasons for which have been explained earlier) quite rapidly.

The other area of major concern was the employment position in the manufacturing sector. Indeed, throughout the 1990s, employment elasticities of manufacturing output have been falling. Since this was not compensated for by greatly accelerated output growth, it meant an overall decline in the employment in this sector relative to the size of the labour force (Ghosh, 1999; p. 4).

Table 5: Employment in Major Industry

(Thousand)

Characteristics	LFS 1985- 86	LFS 1989	LFS 1990-91	LFS 1995-96	LFS 1999-00
	2	3	4	5	6
Total	30561	50148	50159	54597	58066
Agri., Forestry, Fisheries % of Total	17464 57.75	32573 64.95	33303 66.40	34530 63.25	36217 62.37
Mining and quarrying % of Total	3 .0009	89 0.18	15 0.03	23 0.04	364 0.64
Manufacturing % of Total	3019 9.88	6977 13.91	5925 11.81	4085 7.48	4300 7.41
Electricity, Gas Water % of Total	38 0.12	17 .03	40 .08	103 .19	135 0.23
Construction % of Total	646 2.11	662 1.32	525 1.05	1015 1.86	1144 2.00
Trade and Restaurant % of Total	3832 12.54	4130 8.24	4285 8.54	6060 11.10	7045 12.13
Transport, Storage, Communication % of Total	1321 4.29	1278 2.55	1611 3.21	2308 4.23	2674 4.61
Finance, Business service % of Total	367 1.20	238 .47	296 .54	213 0.39	415 0.71
Community and personal service % of Total	2563 8.39	17943.5 8	1909 3.81	5092 9.33	5775 9.95
Household sector and NAD (% of Total)	1308 4.28	2209 4.40	2249 4.48	1168 2.14	-

Source: BBS (1998), *Statistical Yearbook of Bangladesh 1997*, p. 58.

Table 5 also casts the position of employment in the manufacturing sector for a period of 1985-86 to 1995-96. The employed labour force in the sector went up to 6.977 million from 3.019 million between 1985-86 and 1989. Then the absolute figure of employment in the sector declined to 5.925 million in 1990-91 and then to 4.085 million in 1995-96. That is, between this period the share of employment in manufacturing in the total actually fell from 11.81 percent to 7.48 percent and then to 7.41 percent. In other words from 1990-91 to 1995-96, the manufacturing sector got rid of the employed labour force at the rate of 6.2 percent on an annual average basis. But the figure has gone up to 4.3 million in aggregate terms in the LFS 1999-00.

We have already mentioned that manufacturing sector has become the most exposed sector to the external competition due to the changes in the Industrial Policies as well as reduction of NTBs and tariff barriers for import of the same products from outside. The rapid exposure led to decline in competitiveness of many of the manufacturing units and many either became sick or faced closure. Many jute mills workers have lost their jobs due to the onslaught from the polythine import. RMG, the most dynamic manufacturing sector, could not simply absorb the labour that was being shed from these sectors, though the sector has highly benefited due to various export promotion and import liberalization measures.

In the globalization process, the employment in finance and business service sector was initially affected negatively. The sector experienced shrinkage in the employment between 1985-86 and 1995-96 but employment went up in 1999-00. The decline did become more pronounced during the period during 1990-91 to 1995-96 when the employment decreased at an average rate of 5.6 percent annually. Privatization of nationalized banks, opening financial market to the local and foreign banks and increasing dependence on modern technology could have played a positive part in improving

the employment situation in the finance and business services. Initially these seemed to have a role in the declining trend of employment in this sector.

Surprisingly, employment in the trade and restaurant constituted to be the second largest one in the economy. This sector absorbed 12.13 percent of the employed workforce of the economy, up from 11.10 percent from the LFS of 1995-96. A liberal environment might have played a positive environment in increasing employment here.

Employment situation in some of the sectors viz. transport, storage and communication, community and personal services, electricity, gas and water improved. So in the era of economic globalization, the shift in the employment generation from primary to tertiary sector was also becoming apparent.

4.2 Occupation-wise Employment

The analysis of the employment structure of the workforce as per the occupation provides us the changing position over the years of liberalization. In all, there was a growth of 1.8 percent employment during 1990-91 to 1995-96. But the growth seemed to have been halted and declined in the next few years in the occupations included in Table 6.

Between 1990-91 and 1995-96, the share of professionals and technical personnel reached to 3.25 percent of the total workforce and thus registered a growth of an average of 5 percent per year during the period. The increasing demand for technical people with the process of liberalization and service sector development might have contributed to the rise. But since then a process of "disemployment" took place and as a result the category lost its share in 1999-2000.

The other area of occupation that has shown a remarkable growth during 1995-96 and 1999-00 is the service worker sector. The average annual growth in this line of service was 12.7 percent in between the last two labour force surveys. This level growth of employment in this sector needs to be studied in a more detailed manner. But what seems to have played a role in this regard is that freeing of the market and massive increase in the import of consumption goods required more sales workers than ever before. The local producers of goods and services might have been compelled to engage more sales force to compete with the traders of the foreign products.

Another area of occupation that has registered an insignificant growth during the period of 1995-96 and 1999-00 is the administrative and managerial sector. Since the last LFS was done, effort was made by the Government to downsize the workforce in the government sector having an adverse effect on the level of employment in the administrative and managerial sector.

The other occupational areas managed a positive growth of employment as could be seen from the table. The rise of employment in the private sector over the years is the very direct result of the increasing importance laid down on the sector by various policies and measures by successive governments. Appendix Table A6 gives the position of employment in the public and private sectors in 1995-66. At that time, only 3.76 percent of the entire employed workforce was employed in the public and autonomous sector of the economy. The private informal sector emerged as to be the single largest sector of employment in the economy absorbing 78.18 percent of the employed population. The trend is likely to continue because of the increasingly emphasis on the role of private sector in the development process of the economy.

Table 6: Employment by Major Occupations

(Thousand)

Characteristics	Census 81	LFS 1985-86	LFS 1989	LFS 1990-91	LFS 1995-96	LFS 1999-00
Total	n.a	20560	50148	50159	54597	58066
Professional	n.a	989	1434	1460	1823	1631
Technical		3.24	2.85	2.91	3.34	2.81
% of Total						
Adm., Managerial	n.a	285	158	187	183	189
% of Total		0.93	0.31	0.37	0.34	0.33
Clerical Workers	n.a	917	971	1100	1199	1251
		3.00	1.94	2.29	2.19	2.15
Sales workers	n.a	3545	3707	4018	6169	6487
% of Total		11.60	6.84	8.01	11.30	11.17
Service workers	n.a	1983	1463	1676	1905	2873
					3.49	4.95
Agri. Forestry, Fisheries	n.a	17478	32573	33303	34530	36750
% of Total		53.63	64.94	66.40	63.25	63.29
Production, Transport and NAD	n.a	5363	5408	7364	8457	9186
					15.49	15.82

Source: BBS (1998), *Statistical Yearbook of Bangladesh 2000*, p.53. Note :
NAD = Not Adequately Defined

Even after all these efforts, the level of unemployment, if broadly measured, was very high. In 1999-00, 36.6 percent of the population under extended definition (under 10+) was employed. This was higher than the unemployment rate by that definition in 1995-96. (Please see Appendix Table A5 for further information.)

4.3 Employment in the EPZs and Abroad

The benefit of opening up and liberalization of the economy in terms of employment has been felt more on the employment in the two EPZs and overseas markets. Since their respective operationalization, Chittagong Export Processing Zone (CEPZ) and Dhaka Export Processing Zone (DEPZ) generated employment opportunities for 43,183 (in cumulative basis) upto 1995-96. By

1999-2000, the cumulative employment in the two EPZs rose to 93,964. This growth was much higher than the growth in national level. But independently, CEPZ experienced a huge fall in employment in 1999-2000 (see Appendix Table A7).

The overseas markets for the Bangladeshi workers also experienced a rapid change during the period of 1985-86 to 1999-00 as the figure rose from 78 thousand to 248 thousand respectively between the period. Actually the peak of the overseas employment was in 1998-99 when the number was 270 thousand. Liberalization of policies to send labour abroad and enticing local and foreign capital in the EPZs seemed to have helped the growth of employment in the both of these areas. The fall in overseas employment in 1999-00 seems to have continued as some of the labour importing countries put a host of restrictions on Bangladeshi labour.

We can see the employment and employment intensity of investment per million dollar in the EPZs from the Appendix Table A8. The product-head order has been maintained in the table. It becomes clear from the table that on an average a million dollar investment in DEPZ helped to generate employment for more workforce than that in CEPZ - 272 and 209 respectively, to mention the figure. In both the EPZs, textile and garments seem to be the dominant attraction for the investors.

4.4 Employment and Wage Rates

The wage rate indices in terms of nominal and real measures increased during the period of 1983-84 to 1999-2000. In the Appendix Table A9, we have the nominal wage indices for manufacturing, construction agriculture and fisheries. The general nominal wage indices rose to 2390 from 684 during the period between the two limit. Though the annual growth of industry was

not that good, the growth in industrial wage indices was higher than the other sectors that have been included in the table. Once the nominal indices are deflated by the country consumer price index (CPI), the growth in indices becomes much lower. The deflated indices for wage in general increased from 90 to 121 in between the period of 1983-84 and 1999-2000. For manufacturing industry the figures were 95 and 137 respectively for the same time.

Though in nominal terms the indices rose quite rapidly during the period of the liberalization, the rise in real indices does not suggest a rosy picture in this regard. Another issue that becomes apparent from Appendix Table A10 is that the daily average wage rate of skilled and unskilled workforce in different groups of industries increased in a parallel way making no jumping gaps in their earnings.

5. WTO and Globalization of Bangladesh

The discussion on liberalization and globalization cannot be complete without considering the possible impact of the WTO agreements on the national economy as a whole, and employment, in particular. On the basis of the past experience the policy planners of the country should draw effective strategies to lessen the possible negative pitfalls of liberalization. But to do so they can not ignore the obligations Bangladesh has drawn upon itself.

By virtue of the membership of World Trade Organization (WTO), Bangladesh has closely fastened her trade and finance related issues with majority of the countries of the world. As a least developed country (LDC), Bangladesh might get some liberal treatment in the full implementation of the Agreement it has signed by 2005, but the policy makers are also worried about the implications of the WTO for the country. While the WTO

Agreement places certain obligations on Bangladesh, it also takes its problems and challenges into account.

In the set preamble of different agreements, like many other developing countries, Bangladesh might face the effects of WTO on the employment and on the economy as a whole in the following ways.

- The market access obligations would have to be complied with by lowering tariff and non-tariff barriers on industrial, agriculture and textile products. As Bangladesh is already pursuing a liberal trade regime – the market access might not affect her that much than the present stage. But the problem lies with two issues. *One*, the phasing out of Multi-fiber Agreement in 2005 and *secondly*, the rise of world food price due to various desubsidization measures of WTO. Once the MFA phasing out is complete and trade in textile is fully integrated into the WTO in January 2005, exports of textile in North America and European countries will take place in an altogether new context. Under such a quota free environment, the principal criterion for substantiality of market access would be the competitiveness. This is a challenge to Bangladesh textile export. Moreover, as a calamity prone country, a rise in food price will lead deterioration in her terms of trade position. Manufacturing and agriculture sectors will largely be affected in the coming days.
- The more serious threats of WTO might come from the incorporation of TRIPs and TRIMs whereby as a developing country Bangladesh would always lag behind. The result of a technological subjection might result in a silent outflow of huge foreign exchange every year.
- GATS opens the country's gate for a host of services, including the financial one, to the foreign giants. Foreign banks and other service organizations with their superior financial and

technological base are bound to pose tougher and bitter competition to the local banks and other service institutions that have very weak technological and financial base. This will cast death to many of them. (Barai and Moral, 1998; pp. 13-14).

What the policy planners need to do is to set the priorities and draw the strategies accordingly to face the future with a positive framework of mind. Only globalization, which means just opening up to many, may not be the answer. If some protection or lighter shield is needed to be given to some of the sectors for the time being to get ready for a bigger battle, it is better offer it right now. Otherwise, it might be too late to keep the ground for the local entrepreneurs, employees and employers in the coming days when the agreements become fully operational.

6. Conclusion

The overall economic performance of the period during which the drive for globalization got momentum should provide guidance in assessing the success of the various measures undertaken. Bangladesh underwent a comprehensive program of structural reforms aimed at restructuring the industrial sector, liberalizing the foreign trade and exchange rate regimes, strengthening fiscal and monetary management, encouraging private sector participation in development and privatizing the SOEs. As a result, macro economic stability was brought about with lower inflation rates, smaller fiscal and current account deficit and higher foreign exchange reserves. But the performance in terms of GDP growth as a result of the reform measures that have already been undertaken by Bangladesh, is considered on the lower side.

But the assessment of the economic reforms on growth has to take into consideration the various negative factors that have been consistently nagging the development effort of the country – the political and natural factors are the major ones. In case of import

liberalization, the speed appears to have been faster than the pace of reforms in other areas, such as banking, financial services, legal and administrative reforms, labour market and other institutional reforms. This asymmetrical reform process has prevented the economy from the full benefits of liberalization. Moreover, the effects of liberalization on the industrialization process do not look to be that bright so far. The liberalization in the financial sector has brought local and foreign bank and non-bank financial institutions into the market. They seem to be more interested in doing those financial and business activities which have more profitability but little or no growth or development role. The employment effect of the liberalization in the major sector of the economy seem to be an worrying part of the process as a whole. It is generally assumed that adjustment programmes should stimulate capacity utilization in the positively affected sectors and higher growth would result. Perhaps this has not happened in a significant way in Bangladesh. This makes a ground for further investigation.

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Appendix

Table A1 : Average Tariffs on Imports (1992-2000)

	FY 91-92		FY 94-95		FY 97-98		FY 98-99		FY 99-00	
	Unweighted	Weighted*	Unweighted	Weighted*	Unweighted	Weighted*	Unweighted	Weighted*	Unweighted	Weighted*
1. Primary Commodities	36.92	22.14	16.45	22.69	21.9	13.6	21.4	9.5	15.6	13.6
a. Food/vegetable produces	43.24	24.53	20.65	13.58	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
b. Mining products	30.26	26.96	12.95	40.70	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
c. Animals, forestry-other	34.40	13.65	15.89	13.00	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
2. Intermediate Inputs	49.54	24.13	23.09	24.92	19.2	21.3	19.0	21.3	17.1	15.1
3. Capital Goods	44.99	18.71	13.73	11.30	12.1	8.2	12.3	8.1	16.1	9.9
a. Capital machinery +parts	45.72	18.63	12.78	10.84	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
b. Other capital goods	42.96	19.07	16.82	12.26	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
4. Final Consumer Goods	79.86	36.08	39.11	25.04	30.6	20.1	29.2	17.6	31.0	16.5
5. All Imports	59.55	24.14	25.97	21.37	20.7	16.0	20.3	14.1	19.5	13.8

Source : 1. Kamil Yilmaz and Sona Varma (1994) for figures of 1991-92 and 1994-95

2. Finance Ministry, *Bangladesh Economic Survey, 2002* for figures of 1997-98 and 1998-99 and 1999-00.

3. *Import-Weighted.

Table A2: Movements of the Key Macroeconomic Indicators of Bangladesh Economy (1978-2000)

(In Taka Million)

Items	1977/78	1984/85	1989/90	1994/95	1999/00
GDP (at 1984/85 prices)	323,015	406,933	497,527	609,793	2049,276
GDP (at current prices)	145,194	406,933	737,571	1170,261	2370,856
Real GDP growth rate	7.03	3.93	6.63	4.44	5.9
Rate of Inflation (% change in CPI)	12.74	11.20	9.33	5.22	3.9
Exchange Rate (Taka/US\$)	15.1215	26.0600	32.9323	24.2005	50.31
As % of GDP (at current Prices)					
External Resources Balance	10.09	10.61	10.08	8.33	4.2
Import	15.74	18.27	18.40	22.48	17.0
Export	5.65	7.66	8.32	14.15	12.8
Consumption	98.26	97.67	97.28	91.69	82.1
Investment	11.82	12.94	12.80	16.63	23.0
Domestic Saving	1.74	2.33	2.72	8.31	17.9
National Saving	3.72	4.52	5.78	13.09	23.1
Current Account Balance	8.10	8.42	7.02	3.54	0
Tax Revenue	6.78	6.90	7.74	9.71	6.8
Overall Fiscal Deficit	7.19	7.36	7.88	6.81	6.1
Foreign Exchange Reserves (\$ billion)*	.224	.368	.469	3.103	1.602
Money Supply (M ₂) % Change from previous year	-	25.6	16.9	15.9	n.a
Index of Industrial Production (% change) (1988-89 base)		3.26	7.25	6.13	n.a

- Source :**
1. Ministry of Finance, *FFYP 1997-2002*, p. 12.
 2. Figures for 1999-00 have been compiled from Ministry of Finance, *Economic Survey 2000*. It has GDP at constant price base of 1995-96.

Note : World Bank's definition of tax differs from that of the Ministry of Finance

- *IFS Yearbook 1998*, Calendar Year has been followed.

Table A3: Structural Change in Economy (1985-2000)

(in percent)

Sector	Composition of GDP (at 1984/85 prices)				Composition of GDP (at 1995/96 prices)	
	1984/85	1989/90	1994/95	1995-96	1998-99	1999-00
Agriculture	41.77	38.27	32.77	32.24	19.35	19.49
Industry (Manufacturing)	9.86	9.91	11.36	11.34	15.60	15.40
Electricity, Gas and Natural Resources	0.58	1.12	1.86	1.94	1.42	1.43
Construction	5.53	5.98	6.33	6.25	7.67	7.84
Transport, Storage and Communication	11.22	11.86	12.17	12.12	9.21	9.20
Trade and Other Services	19.82	21.13	22.98	--	13.21	13.35
Trade Service	--	--	9.62	10.05	n.a	n.a
Housing Services	7.97	7.64	7.45	7.35	n.a	n.a
Public Services	3.25	4.09	5.08	5.22	n.a	n.a
Total	100.00	100.00	100.00	100.00	100.00	100.00

Source : Ministry of Planning, *FFYP 1997-2002*, for figures upto 1995-96 p.3.
Ministry of Finance, *Economic Review 2002* for figures 1998-99 and 1999-2000.

Table A 4: Trade Statistics of Bangladesh (1988– 2000)

(In Taka Million)

	Trade Balance			Fright & Insurance Net	Other Goods and Services Net	Balance	Investment Income Net	Balance
	Export	Import	Balance					
1987-88	41161	91588	-50427	-9341	-340	-56568	-3726	-60294
1988-89	42686	95075	-52389	-10591	-494	-67773	-4431	-72204
1989-90	51415	113305	-61890	-12421	-416	-74329	-4046	-78375
1990-91	60272	111877	-51605	-12206	2260	-61499	-3656	-65155
1991-92	74198	132746	-58558	-13164	2538	-56918	-3387	-60205
1992-93	88215	138179	-49983	-16084	2899	-69325	-2862	-72187
1993-94	98739	137540	-38801	-16878	653	-65848	-1211	-67059
1994-95	136970	218564	-81594	-23460	2326	-97428	-1632	-99060
1995-96	144521	254646	-110125	-27940	-4805	-126554	-242	-126796
1996-97	171554	290187	-118633	-30621	5413	-108868	-4585	-113453
1997-98	229408	318916	-89508	322	-25897	-99064	-4552	-103616
1998-99	245619	341017	-95398	02	-28435	-126599	6530	-120069
1999-00	247415	372022	-124607	-950	-32192	-135523	-11117	-146640

Source: BBS (1998), *Statistical Yearbook of Bangladesh*, various issues.

Table A5: Summary Labour Force Statistics

Characteristics	Census 81	LFS 1985-86	I.FS 1989	LFS 1990-91	LFS 1995-96	LFS 1999-00
Labour force composition (million): Civilian labour force	25.9	30.9	50.7	51.2	56.0	60.3
Male	24.4	27.7	29.7	31.1	34.7	37.5
Female	1.5	3.2	21.0	20.1	21.3	22.8
Employed population	25.3	30.5	5.1	50.2	54.6	58.1
Unemployed population	0.6	.4	0.6	1.0	1.4	2.2
Unemployment Rate (Under Extended Definition, Age 10+)	--	--	43.4	42.8	34.6	36.6
Not in civilian labour force (Million):	64.0	69.8	57.4	57.9	65.8	67.2
Household work	22.4	25.0	20.1	9.7	12.0	13.0
Other inactives	11.8	13.4		12.7	18.4	18.4
Children (0-9 years)	29.8	31.4	37.3	35.5	35.4	35.8

Source: BBS (1998), *Statistical Yearbook of Bangladesh 2000*.

Table A6: Employed Persons 15 Years and Over by Major Occupations and Sectors of Employment in 1995-96
(Thousand)

Major Occupation	Public/autonomous			Private formal sector			Private informal sector		
	Both sex	Male	Female	Both sex	Male	Female	Both sex	Male	Female
Total	2054	1735	319	4332	3488	844	42685	25196	17488
Professional, technical	586	416	170	474	345	128	620	346	275
Admin, managerial	80	80		82	75	7	18	16	2
Clerical workers	685	613	72	318	281	37	179	164	15
Sales workers	54	49	5	913	895	18	4847	4432	415
Services workers	204	188	16	208	169	39	1015	301	714
Agri. Forest, fisheries	142	110	32	454	309	145	30370	15713	14657
Production, transport labourers	98	86	12	1204	778	427	1204	450	754
Not adequately defined	204	192	12	377	635	42	4431	3774	657

Source: BBS (1996), Report on *Labour Force Survey in Bangladesh 1995-96*, p. 44, Table 4.5.

Table A7 : Employment in the EPZs and Abroad (1986- 2000)

Year	CEPZ	DEPZ	Current Total	Cumulative	Abroad ('000)
1985 - 86	732	-	732	2,512	78
1989 - 90	2,794	-	2,794	7,001	110
1990 - 91	2,363	-	2,363	9,364	97
1991 - 92	5,250	-	5,250	14,614	185
1992 - 93	3,114	-	3,114	17,728	238
1993 - 94	3,086	5,522	8,608	26,336	192
1994 - 95	4,297	1,844	6,141	32,477	200
1995 - 96	5,875	4,831	10,706	43,183	181
1996-97	8,588	8,185	12,773	55,956	228
1997 - 98	7,419	6,630	14,049	70,005	243
1998 - 99	7,748	6,321	14,069	84,074	270
1999 - 00	2,966	6,924	9,890	93,964	248

Sources: 1. BEPZA, *BEPZA Bulletin*, various issues.

2. Ministry of Finance, *Bangladesh Economic Review 2002*, p.22.

Table A8 : Employment and Investment in the EPZs ¹ (Employment per million US \$)

Products	CEPZ			DEPZ		
	Employment (Actual) ²	Investment \$ million ³	Impact	Employment (Actual)	Investment \$ million	Impact
Fishing Reel and Golf Equipment	2150	33.15	64.9	-	-	-
Textile	2732	34.44	79.3	559	24.29	23.0
Terry Towel	1866	6.35	293.9	-	-	-
Metal Product	799	9.27	86.2	0	0	0
Footwear & Leather Goods	3689	17.24	214.0	91	0.63	144.4
Electronics and Electrical Goods	1253	9.42	133.0	0	0	0
Garments	19430	47.20	411.7	11369	20.78	547.1
Plastic Goods	690	5.68	121.5	252	2.87	87.8
Knitting and other Textile Products	1933	7.02	275.4	1431	1.67	858.9
Garment Accessories	29	1.97	17.7	33	0.48	68.8
Caps	3337	7.04	474.0	2961	7.58	390.6
Other Products	1666	10.61	157.0	424	4.66	91.0
Total	39574	189.42	208.9	17120	62.96	271.9
G. Total Employment = 56694			G. Total Investment = \$252.36 million			
Employment Impact Per Million US \$ = 224.66 persons						

Source : Barai, 1998, p. 83, Table 4.

Note : ¹ Information update upto September, 1997.

² Actual employment figures have been considered

³ Actual investment figures have been used

Table A9 : Wage Rate Indices by Sector (Base : 1969-70 = 100)

Year	Nominal wage indices					Country CPI of industrial workers	Indices deflated by country C.P.I.		
	General	Manufacturing industry	Construction	Agriculture	Fisheries		General	Manufacturing industry	Construction
1983-84	684	721	755	572	654	761	90	95	99
1984-85	734	776	755	642	702	856	85	91	91
1987-88	1201	1220	1326	1049	1189	1130	106	108	117
1989-90	1426	1502	1475	1245	1403	1301	110	115	113
1990-91	1482	1575	1487	1321	1452	1386	107	114	107
1992-93	1638	1724	1579	1523	1641	1449	113	119	109
1993-94	1709	1828	1598	1593	1699	1506	114	121	106
1994-95	1786	1947	1613	1653	1770	1610	111	121	100
1995-96	1900	2064	1358	1738	1882	1674	114	123	105
1996-97	1989	2161	1848	1804	1974	1663	120	130	111
1997-98	2141	2359	1990	1870	2053	1748	122	137	114
1998-99	2259	2522	2163	1950	2138	1921	118	131	113
1999-00	2390	2702	2286	2037	2221	1937	121	137	116

Source: BBS (1998), *Statistical Yearbook of Bangladesh 2000*, p.443, Table 10.23

Table A10 : Daily Average Wage Rate of Selected Groups of Industrial Workers (1988-2000)

(Taka per day)

Sl.No.	Group	Category	1987-88	1991-92	1994-95	1997-98	1998-99	1999-00	
1.	Cotton textile	Skilled	50.57	61.44	73.61	100.24	100.24	107.77	
		Unskilled	35.60	48.04	62.88	76.10	76.10	85.50	
2.	Jute textile	Skilled	45.28	60.90	73.61	100.24	100.24	107.77	
		Unskilled	33.10	47.96	62.88	76.10	76.10	85.50	
3.	Matches	Skilled	42.50	63.63	73.61	100.24	100.24	107.77	
		Unskilled	30.53	48.69	62.88	76.10	76.10	85.50	
4.	Engineering	Skilled	54.86	80.36	84.11	107.48	120.50	135.75	
		(a) Fitter	Unskilled	30.64	58.71	72.11	87.38	97.17	96.66
		(b) Turner	Skilled	53.11	66.81	69.79	75.26	76.52	110.50
5.	Mustard oil	Skilled	32.72	50.00	49.43	48.92	49.69	88.01	
		Unskilled	41.62	55.22	66.17	90.48	93.04	93.44	
		Unskilled	26.30	43.52	56.19	77.85	83.83	87.40	

Source: BBS (1998), *Statistical Yearbook of Bangladesh 2000*, p.443, Table 10.24.