



**Session on**  
**Global Economic Slowdown**  
**Bangladesh's Apparel Industry**  
**and Decent Work**

**Sunday, 31 December 2023**

**Organised by**  
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**Global Economic Slowdown**  
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## SESSION ON

# Global Economic Slowdown, Bangladesh's Apparel Industry and Decent Work

Bangladesh Institute of International and Strategic Studies (BISS) organised a seminar on **Global Economic Slowdown, Bangladesh's Apparel Industry and Decent Work** on 31 December 2023. **H E Dr Mashiur Rahman**, Former Economic Affairs Adviser to the Honourable Prime Minister, Government of the People's Republic of Bangladesh, graced the seminar as the Chief Guest. Three Special guests, **Mr Tapan Kanti Ghosh**, Senior Secretary, Ministry of Commerce; **Mr Md Ehsan-E-Elahi**, Secretary, Ministry of Labour and Environment; and **H E Ambassador Masud Bin Momen**, Foreign Secretary (Senior Secretary), Ministry of Foreign Affairs were present at the seminar.



The seminar was chaired by **Ambassador A F M Gousal Azam Sarker**, Chairman, BISS. **Major General Md Abu Bakar Siddique Khan, ndc, afwc, psc, G+**, Director General, BISS, delivered the welcome remarks.

A keynote presentation was delivered by **Dr Mahfuz Kabir**, Research Director, BISS, on “**Global Economic Slowdown, Bangladesh's Apparel Industry and Decent Work**”. There was a panel discussion followed by the keynote presentation. Four Panellists, **Mr Faruque Hassan**, President, Bangladesh Garment Manufacturers

and Exporters Association (BGMEA), **Mr Md Akhter Hossain Apurbo**, Vice President, Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA), **Mr Kamran Tanvirur Rahman**, President, Metropolitan Chamber of Commerce and Industries (MCCI), and Professor **Dr Mustafizur Rahman**, Distinguished Fellow, Centre for Policy Dialogue (CPD) delivered their insights.

There was an open discussion session in the programme. Senior officials from different ministries of the government, media, academia, and students from various universities, and representatives from international organisations participated in the seminar. They expressed their thoughts and insightful comments in the open discussion session.

## WELCOME ADDRESS



### **Major General Md Abu Bakar Siddique Khan, ndc, afwc, psc, G+**

*Director General, Bangladesh Institute of International and Strategic Studies (BISS)*

On behalf of the Institute, **Major General Md Abu Bakar Siddique Khan** welcomed all to the seminar and expressed his heartfelt gratitude to the Hon'ble Chief Guest and the Special Guests for gracing the session. He also extended his heartfelt gratitude to all for joining in this critical discourse on issues that have far-reaching implications for the nation and its workforce. Then he paid his deepest tribute to the memory of the Father of the Nation, Bangabandhu Sheikh Mujibur Rahman, and his family members, along with three million martyrs who laid their lives for the liberation of Bangladesh.

While discussing the global scenario, Major General Khan remarked that the world is currently grappling with a formidable challenge – a global economic slowdown—that has cast its shadow over nations, industries, and individual lives. The complex web of interconnected economies has made Bangladesh vulnerable to any disruption in international trade and finance. The heart of this complex scenario lies in the need for collective understanding, collaboration, and innovative solutions to navigate through these uncertain times.

According to the Director General, Bangladesh has emerged as a key player in the global textile and garment market, contributing significantly to the national economy and providing employment opportunities for millions. The inclusion of the “Made in Bangladesh” label has further elevated the country's reputation, establishing it as a prominent brand worldwide. The ready-made garment (RMG) industry, which is now the largest export-earning sector for Bangladesh, has played a pivotal role in the country's economic transformation. However, the challenges posed by the ongoing economic slowdown demand careful consideration, strategic planning, and a commitment to sustainable practices.

While expressing certain global concerns, Major General Khan stated that in the wake of the global economic downturn, the apparel industry has faced disruptions in supply chains, fluctuating demand, and shifting consumer preferences. The World Bank's most recent Global Economic Prospects Report indicates that the global economy is entering a noticeable slowdown since the post-COVID-19 recovery. The conflict in Ukraine has resulted in a further economic slowdown. These challenges, while formidable, also present Bangladesh with opportunities to reassess and realign its strategies. The country must explore avenues for diversification, invest in research and development, and foster innovation to ensure the resilience and competitiveness of our apparel sector on the global stage. Equally crucial is the commitment to ensuring decent work for the millions of individuals employed





in the industry. Decent work encompasses fair wages, safe working conditions, and the protection of workers' rights. As the future of the apparel industry is discussed, we should not forget the human aspect; that is the men and women whose hard work and dedication fuel its growth. By prioritising decent work, Bangladesh not only enhances the well-being of its workforce but also contributes to the overall productivity and sustainability of the industry.

The Director General further elucidated to the audience that as Bangladesh navigates through the complexities of the global economic landscape, the country should draw inspiration from collective resilience and determination. Already, Bangladesh has overcome numerous challenges in the past, and by working together, it is possible to build a brighter future for the nation and ensure the well-being of people. In conclusion, he urged all participants to engage actively in the discussions, share insights, and foster a spirit of collaboration so that this seminar can be a platform for the exchange of ideas, and the forging of partnerships. He believed in the formulation of actionable strategies that are needed to propel Bangladesh's apparel industry forward while upholding the principles of decent work.



## KEYNOTE PRESENTATION

# Global Economic Slowdown, Bangladesh's Apparel Industry and Decent Work



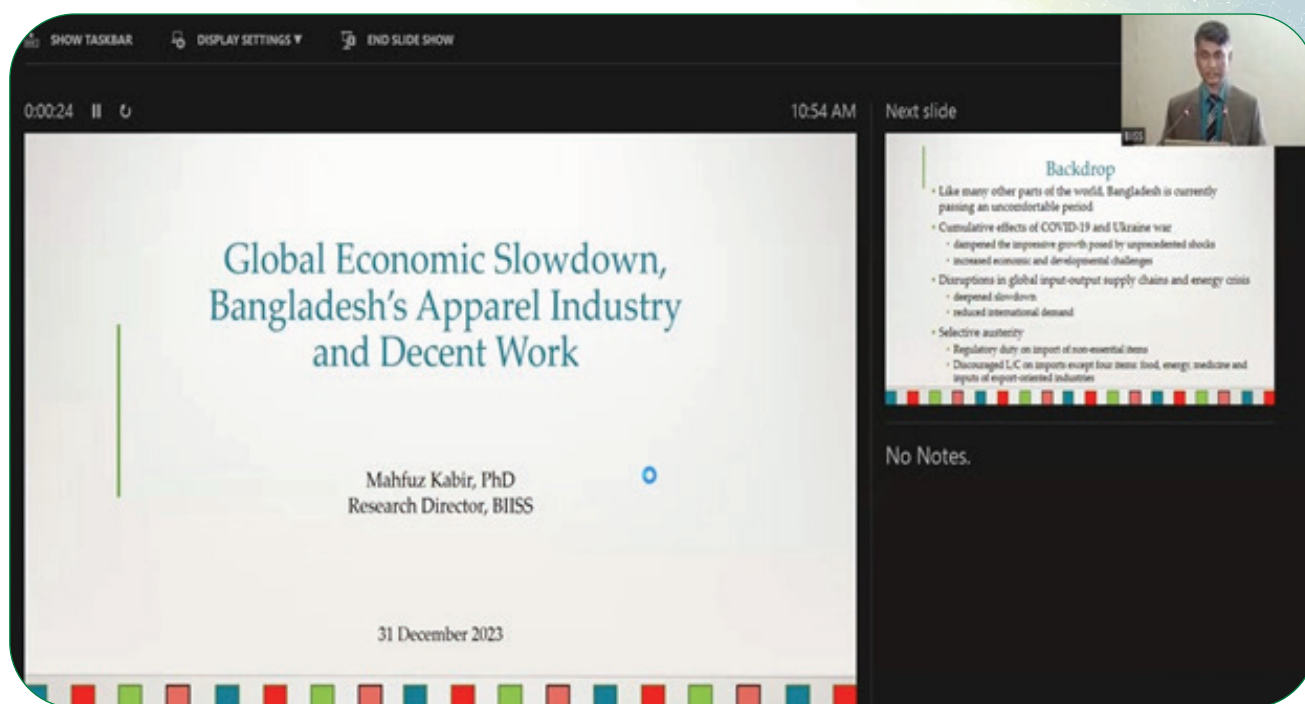
### Dr Mahfuz Kabir

*Research Director, Bangladesh Institute of International and Strategic Studies (BISS)*

In his presentation, **Dr Mahfuz Kabir** discussed the linkages among the three aspects—the global economic slowdown, Bangladesh's apparel industry and decent work. Bangladesh, similar to many other regions throughout the globe, is now passing through an uncomfortable period. It is due to the cumulative effects of the COVID-19 and Russia-Ukraine War. And as of late, the tension that has been looming across the Middle East is also likely to have an impact on the global economy. These unprecedented shocks are dampening the impressive growth and increasing economic and developmental challenges for countries such as Bangladesh. Before the onset of the COVID-19 pandemic, Bangladesh had a remarkable economic trajectory, with a consistent 8 per cent Gross

Domestic Product (GDP) growth since 2017. Furthermore, the global input-output supply chains are experiencing disruptions, and there is an energy crisis as a result of the slowdown in the global economy, which is also getting worse with each passing day. According to Dr Kabir, two important things could be observed, first is the price hike since the price of the daily commodities has increased significantly in the developed countries. For this reason, the interest rate has also been increased in those countries. Secondly, the high-interest rate created a situation that instigated a reduction in international demand. However, Bangladesh did not follow the path of developed countries, but the country set some selective austerity. For example, Bangladesh imposed a regulatory duty on the import of non-essential items. Then, it has been discouraged to open L/C on imports except for four items such as food, energy, medicine and inputs of export-oriented industries. He, then, proceeded to illustrate the slowdown in the global economy by presenting statistical data. Based on his analysis, he indicated that the rapid recovery from the global economic downturn is something that cannot be readily anticipated given the current condition of the global economy.

Regarding the RMG sector, Dr Kabir opined that this sector is the main contributor to the export earnings of Bangladesh and the contribution of this sector is increasing day by day. Considering the knitwear and apparel sector, it is the number one segment for its contribution followed by woven garments. In terms of the major destination countries for the RMG sector, the European Union (EU) represents half of the total, along with the USA, UK, Canada, Japan, Australia and India. Hence, it is observed that there is a market concentration in terms



of the export of the RMG sector. Then, Dr Kabir identified five main garment products that contribute the most to the export earnings from the apparel sector. The recent achievement of Bangladesh's RMG sector is that this industry has marked a significant stride in sustainable fashion. Currently, Bangladesh has a total of 206 green factories that have been certified by the Leadership in Energy and Environmental Design (LEED) programme. These factories include 76 platinum-rated factories, 116 gold-rated factories, 10 silver-rated factories, and 4 certified factories, which demonstrates the nation's dedication to environmental stewardship. In addition, a total of 24 new factories have obtained certification during the last six months. Among these, 16 have achieved platinum certification and 8 have achieved gold certification. This highlights the significant contribution these factories have made in driving the nation towards being a worldwide leader in eco-friendly clothing manufacturing. Currently, Bangladesh is home to 54 out of the top 100 LEED green factories in the world. This includes 9 out of the top 10 and 18 out of the top 20 factories. This accomplishment is expected to attract further investment and collaborations, strengthening Bangladesh's status as a worldwide frontrunner in sustainable manufacturing. He further informed that over 500 Bangladeshi factories are in the process of obtaining their LEED certification.

Dr Kabir, then, subsequently showed the pricing of Bangladesh's export items, specifically focusing on the RMG goods. He highlighted that Bangladesh's RMG products are now fetching the second lowest price in the EU market. Regarding knitwear and woven clothing, these are also fetching the second lowest price in the EU market. Hence, in this highly competitive market, Bangladesh is not receiving a fair price in comparison to other countries that are obtaining higher prices. When considering significant products such as T-shirts, woven jerseys, and trousers, it is evident that Bangladesh often has the lowest or second lowest unit pricing among recipients. Upon analysing the data from the EU and US markets, it becomes evident that Bangladesh has the lowest unit pricing for exporting clothes to the EU. Furthermore, Bangladesh has achieved the second lowest unit pricing for its exported garments in the US market. When comparing the pricing of top exporting nations with Bangladesh, it is evident that Bangladesh obtains the lowest price for some selected products. Regarding the overall cost



**Bangladesh's RMG industry marked a significant stride in sustainable fashion**

- Total 206 LEED-certified green factories
- 24 of its factories achieving LEED certification in 2023
  - 16 achieved platinum and 8 achieved a gold rating
- 54 out of the 100 LEED-certified green factories worldwide located in the country
  - includes 9 of the top 10, and 18 of the top 20 LEED-certified factories globally
- Over 500 Bangladeshi factories are in the process of obtaining their LEED certification

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calculation of a product, it is evident that when the price of a product is US\$ 10, the labour cost of such a product amount to just around 64 cents. Concerning specific items, such as men's sweaters, if the price is US\$ 16.52, then the labour cost amounts to US\$ 2.92. Concerning the woven clothing, if the price is US\$ 8, then the manpower cost amounts to US\$ 0.48. Dr Kabir added that all the expenses in this pricing scenario have been determined and cannot be altered. Even, the labour associations are unable to take action in this matter. Due to the presence of unfair competition among factory owners, foreign buyers engage in negotiations with them in order to reduce the price.

According to Dr Kabir, the high depreciation of the US dollar has created a high rate of the US dollar in the market. And a price hike of the imported and locally sourced physical inputs has happened. The price hike per unit of power and energy has also increased significantly. Then, registration and license costs, including the renewal and certification fee—all increased both from the government side and also the local government institutions. The interest rate of the bank has increased, although the government worked a lot to reduce the rate, but because of the suggestion from the International Monetary Fund (IMF), the government has to increase the rate. Furthermore, it has been exerting significant pressure on the entrepreneurs. The escalation in the cost of repaying foreign debt has become very unfavourable. Due to the exorbitant interest rate imposed by the bank, the loan must be repaid at a substantial cost, resulting in significant strain. One notable aspect of this circumstance is the much lower amount generated compared to the capability. The entrepreneurs are functioning with extra capacity, which is detrimental. If they were able to fully use their capabilities, the outcome could have been different. Dr Kabir described this situation as the monopolistic condition of production with excess capacity, despite the market being entirely competitive.



Regarding decent work, Dr Kabir mentioned the findings of the labour force survey where it is stated that male workers are increasing in number in the RMG sector. But, still, according to the survey of the manufacturing industry, a total of 3.25 million workers are working in the RMG sector. Among them, around 60 per cent are women. But, still, the ratio of the number of female workers is decreasing. Two decades ago, the country could proudly say that the RMG industry represent around 80 per cent of women workers. In terms of export per RMG worker, according to the statistics of 2023, it is about US\$ 15,000. In terms of economic justification, the wage rate is productivity and it is practiced worldwide; thus, in any kind of industry, productivity is the first benchmark. Even the government of Bangladesh and other countries in the UN have committed to decent work. However, according to a survey of the Asian productivity organisation, the productivity of the workers in Bangladesh is one of the lowest in the world. In terms of labour income share, this is also in the lowest tier. The per-worker labour productivity is also one of the lowest in the world. Another thing that has been highlighted by Dr Kabir is that, because of the attitude of the international buyers, even though Bangladesh is progressing in terms of labour productivity, compared to many other countries, Bangladesh is not getting its piece share in the fair pricing of a product. Thus, it is apparent from the Asian Productivity Organisation (APO) productivity database from 2023 that other countries are progressing in terms of pricing. For example, India has increased its productivity. The Indian workers have more schooling than Bangladeshi workers. But compared to productivity growth over the last two decades, Bangladesh is ahead. Yet, Bangladesh is not getting the price compared to what India is getting. Regarding Cambodia, Sri Lanka, and Vietnam, they are getting higher prices than Bangladesh.

However, as added by Dr Kabir, the country is committed to SDG 8 which addresses promoting sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all. This has also been mentioned in the 8th Five-Year Plan by including the main objectives of contributing to accelerating economic growth and creating decent employment opportunities through transforming youth into skilled human resources. Dr Kabir, in this regard, showed that the Bangladesh government is dedicated to enhancing



productivity with its programmes. Regarding this matter, social protection programmes have a direct impact on the RMG sector and aim to provide a decent work environment. In particular, there are at least two programmes that focus on improving the working environment in the RMG sector.

In conclusion, with relation to earnings, Dr Kabir stated that indicators may provide some insight into the manner in which this high-quality work will be developed. In this regard, he highlighted the existing debates related to wages, poverty-level income, and the comparison of productivity. According to him, these situations are complicated things to understand. About the pricing, he remarked that these prices are set by the EU, US, and other developed countries which do not represent the real scenario that is consistent with the poverty line. In this regard, he suggested to discuss these things more frequently. In particular, he urged the need to understand all these debates related to decent employment.

## REMARKS BY THE PANELLISTS



### Mr Faruque Hassan

*President, Bangladesh Garment Manufacturers and Exporters Association (BGMEA)*

At the commencement of his remarks, **Mr Faruque Hassan** argued that the world is passing through a tough time with a number of challenges such as geopolitical tension, the slowdown in the global economy, the supply chain crisis and inflation. The world has already been affected by COVID-19, and the global economic slowdown has cast a long shadow on the economy and industry. As per the latest World Economic Outlook Report published by the International Monetary Fund (IMF) in October 2023, global growth may slow down from 3.5 per cent in 2022 to 3 per cent in that year, and a further slowdown is feared in 2024, which could be 2.9 per cent. Advanced economies are expected to slow down from 2.69 per cent in 2022 to 1.5 per cent in 2023

as their policy tightening starts to bite. The President of BGMEA further argued that the advanced economies started following contractionary monetary policy to curb inflation by increasing their interest rate, which has affected consumer spending, retail sales demand for apparel and price level. Emerging markets and developing economies are projected to have a modest decline in growth from 4.1 per cent in 2020 to 4.0 per cent in 2023. It will be imperative to assess how this limping global scenario has affected the apparel industry in Bangladesh. First of all, worldwide inflation directly affected the retail market and, consequently, witnessed a decrease in overall earnings in Europe by 13.14 per cent in the first 10 months of 2023, while Bangladesh experienced a 17.32 per cent decrease. Similarly, the US saw a 22.71 per cent decline in overall earnings in 10 months, from January to October. Bangladesh experienced a 24.75 per cent decrease. This pressure affected the price of major clothing items, leading to a 7 to 9 per cent decrease in the average unit price of major items; excess inventory, less consumption, and less demand impacted the price level. On the local front, Bangladesh faces challenges regarding increased electricity and gas prices, a decrease in foreign currency reserves, issues and losses related to wage determination and several others.

Mr Hassan said that so far in the calendar year 2023, Bangladesh achieved 4.35 per cent growth, and in July-November of the 2023 fiscal year, export growth came down to 2.75 per cent as per the Export Promotion Bureau (EPB). According to the World Trade Organization (WTO), in 2022, the global apparel trade was worth US\$ 576 billion, and given the fact that the demand has slowed down, the price level has dropped, and major market imports have dropped significantly. In the first 10 months of 2023, the global clothing trade will not be as good as the level of 2022. However, Mr Hassan expressed his optimism regarding the new year as encouraging signs are on display as the retail sales in the year-end in the US and Europe see record turnover, indicating a possible rebound in retail sales. The US holiday spending, Thanksgiving, Black Friday, Cyber Monday and

Super Saturday are some of the factors behind this rebound. Such a rebound in sales was validated by the November update from the US Census Bureau published retail sales report. Even the number of shoppers in the UK saw an increase of 8.8 per cent during Boxing Day. Therefore, he believes this turnaround brings hope for a better year. He expressed his firm belief and said that resilience and the capacity to turn around are the strengths that have helped the RMG sector in its 45 years of journey, where it faced many challenges and has successfully overcome them. He identified the entrepreneurship mindset of the business owners, hard work and dedication ensued from the workers' policy, support from the government and partnership with global brands and buyers as the factors behind the success of this sector.

Mr Hassan argued that the chain effects of COVID-19 could not derail this sector and deviate from sustainability practices. Consequently, this sector is now slowly moving towards achieving the goal of earning US\$100 billion by 2030. Despite numerous obstacles, it has doubled its export earnings in the last decade, reaching US\$47 billion in the fiscal year of 2023. With over 3500 active clothing factories and US\$ 20 billion in investment, the sector contributed almost 11 per cent to GDP and created over 4 million jobs. Furthermore, this sector has opened up a new opportunity for the underprivileged female workers and in return, the female workforce has strengthened this sector with their strength and hard-working capability.



The President of BGMEA further informed that in the last decade, they have improved their technology features, safety, product quality and category and environmental sustainability by several orders of magnitude. The RMG sector started by exporting only US\$10,000 worth of products, and today, it has 206 US Green Building Council (USGBC) certified factories worldwide. In 2022, the number of LEED-certified factories in Bangladesh reached 30, while the number of Platinum and Gold factories reached 15 each for both categories. The fascinating fact is despite not being the cultivator of cotton and not being the producer of textiles or apparel, Bangladesh became the second-largest apparel-exporting country in the world. He identified the unparalleled entrepreneurship spirit



and the dedication and determination of millions of workers behind this success story. Bangladesh became the largest source of denim in the US and the EU markets by surpassing China's share in the EU. In terms of quantity, Bangladesh's market share has exceeded China's in 2022. During the January-September period of 2023, Bangladesh became the top sourcing country to the EU for knitwear, both in value and quantity. Bangladesh has also gained the position of top cotton sourcing country to the US briefly from January to October 2023. There is a wider perception that Bangladesh is a commodity producer, which is not true anymore. Many will be surprised to know that Bangladesh is manufacturing garments worth more than US\$100 per unit price FOB, which means the retail is almost US\$4 to US\$500. The sector has taken the vision to remodel the industry from labour-intensive manufacturing to innovative, high value and modern manufacturing processes, and that is where he believes Bangladesh adds more value to the global brand and retail.

Mr Hassan argued that these growths have not come automatically. The garment industry in Bangladesh started its journey in the late 70s. With the journey of more than four decades, the industry has taken a united front to go through thick and thin and successfully overcome all the hurdles to reach where this sector stands today. Starting from child labour-related reform in 1994 to facing the pandemic of the century COVID-19, the industry has come back even stronger. Consequently, Bangladesh's RMG sector has positioned itself in the global markets with the commitment to continuously delivering better reforms. Over the years, the industry has made tremendous strides on the social and economic front and successfully transformed itself into a responsible actor. In the last few years, it has quickly transformed manufacturing into a responsible undertaking in all respects, ranging from caring about safety, social norms, and the environment to workplace safety and worker well-being being the supreme consideration. Bangladesh is now one of the safest apparel-producing countries in the world. Bangladesh is further amending the labour law, and the RMG industry is vigorously promoting social dialogue in their factories, in addition to the mandatory formation of a worker participant committee, safety committee and many more initiatives under consideration to make the manufacturing process transparent, accountable and more responsible.





Strengthening better industrial relations is a priority for this sector, and this can be achieved through increased workplace cooperation, dialogue and building awareness of rights and responsibilities, both on the part of workers and management. Mr Hassan informed the audience that they are promoting social dialogue in their factories, where they reached out to more than 450 factories covering more than 1.4 million workers, 50 per cent of which are women and engaged with 48 international brands. The industry has opened gates for female workers to pursue their dreams of higher education in the Asian University for women, where female workers pursue their higher studies free of cost and factories grant them leave with full pay. Most of the workers maintain healthcare centres, eye care facilities, daycare centres, fair price shops and so on within the premises. Many of those also run schools, hospitals and social, and charitable initiatives for the community and employ physically challenged people. Beyond that conventional approach to sustainability, factories are now investing millions of dollars in areas like circular fashion, renewable energy and other energy and process-efficient modern technologies.

The President of BGMEA further informed that the RMG sector has a high potential post-industrial textile recycling sector in Bangladesh. They are working to facilitate the development of recycling and use tons of factory fabric scrap. BGMEA has taken the sustainability Vision 2030 by prioritising environment social governance (ESG) to expedite the sustainability journey. Under this vision, they have taken a series of initiatives which aims to reduce 30 per cent of carbon emissions, 50 per cent use of sustainable raw materials, 50 per cent reduction of groundwater, 100 per cent use of zero discharge of hazardous chemicals, 30 per cent reduction of energy use, 20 per cent use of renewable energy and 30 per cent reduction of deforestation. These targets have been fixed in accordance with the Zero emission and national priority indicators of the Government of Bangladesh.

Mr Hassan stated that at the global scale, due diligence protocols are emerging one after another. For example, he mentioned a few, which include the German due diligence protocol, the corporate sustainability due diligence directive by the EU, the French corporate duty of Vigilance Law 2015, the Modern slavery act, the UK's own duty legislation for supply chain, Dutch bill on the responsible and sustainable international Business Conduct Act and so forth. Despite their good intentions, all these protocols have cost implications. He argued that there should be some form of uniformity among these legislations. On the other hand, multiple social audits by different brands make these protocols confusing. Therefore, there are some areas that concern the industry, and it needs more preparation locally as well as global support and cooperation to prepare. Ensuring decent living and fair wages has become an urge of the global community and foreign brand retailers as well. In fact, many global organisations wrote directly to the honourable Prime Minister of Bangladesh urging regarding the wages of the workers. However, when it comes to ethical prices and responsible purchasing, there is still no significant global move to ensure transparency and accountability on pricing issues.

The President of BGMEA mentioned a letter signed by 8 congressmen of the US Congress on 15 December 2023 to the American Apparel and Footwear Association and termed it as exceptional as it calls upon the US brands “...to commit to maintain a long-term sourcing relationship with your suppliers and to increasing your purchasing price to fully absorb the additional labour cost.” Mr Hassan said that they are also in support of better living for their workers and doing their best from BGMEA. He wrote several letters to the brand retailers and their representatives, sharing the same update and urging them to readjust the price and absorb the new additional wages. It is quite encouraging that a few of them responded through formal letters and clarified their position

to pay the observed increase in wage amount to the respective supplier. But many have not responded yet. As BGMEA stands committed to ensuring better living for their workers, it is now the time to pay more attention to responsible purchasing practices to ensure the well-being of workers. Going forward, BGMEA's vision is to reach US\$100 billion for export by 2030. To achieve that level, diversification of products, fibre and market are key priorities. In recent years, Bangladesh has made significant investments in value-added segments like



activewear, auto wear, denim, lingerie, suits, fancy dresses and formal wear. BGMEA is also working to develop luxury dresses for ladies using Bangladesh's centuries-old heritage materials such as jamdani and muslin.

The President of BGMEA remarked that BGMEA is also focusing on efficiency enhancement and capacity development in terms of new product development and innovation, efficiency and professional skill enhancement and building a more tech-heavy industry. To that end, BGMEA has launched the Center of Innovation, Efficiency and OSH (Occupational Safety and Health). He invited all to collaborate with the Innovation Center of BGMEA. For BGMEA, the path is to graduate from OEM to OTM as they focus more on end-to-end digital manufacturing. Going forward beyond 2024, the RMG sector will try to keep the momentum with an additional emphasis on the lower tiers of factories, along with overcoming challenges associated with the LDC graduation and the changing market demand.

In conclusion of his remarks, Mr Hassan argued that to keep Bangladesh's RMG sector relevant in the global market, there is no alternative to focus on innovation, technological upgradation, design and skill development and overall business capabilities. For BGMEA, the well-being and dignity of the workers are supreme considerations, and therefore, he thinks this sector needs recognition and rewards as punitive measures for the downstream in the global supply chain would not bring any lasting solution.





### **Mr Md Akhter Hossain Apurbo**

*Vice President, Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA)*

At the very outset, **Mr Md Akhter Hossain Apurbo** claimed that Dr Kabir's deliberation may be a replication of the BGEMA President's statement. He highlighted several issues that need to be discussed, including the average poverty level income of TK15,328, the minimum wage, and the economic downfall in the global world. He referred to Dr. Kabir's points which were mentioned in his presentation that producers are now under tremendous pressure due to the economic downfall in the overall world. The international interest rate for foreign borrowings increased from 1.75 per cent to 0.75 percent during the Covid-19 impact, which led to increased borrowing and support for exports. The Ukraine-Russia War also increased local interest rates, burdening industry owners with repayment. Fuel and gas prices by the government increased multiple times, and there was a lack of supply, causing increased production costs and decreased international demand. Mr. Hossain claims that this has resulted in lower growth in the industry, but he is hopeful that in 2024, the situation will improve.

According to the BKMEA Vice President, the knitwear industry is now the number one position in need of both value and quantity. The speaker is proud of his co-owners and member factory owners fighting for their rights and opportunities. One opportunity is the plus one countries sourcing, as the US and EU are now searching for



other countries for sourcing rather than China. If the global market demand drops, Bangladesh's share could be 20 per cent down, with Bangladesh potentially accounting for 20 per cent. He also mentioned the productivity of Bangladesh workers, which is a major concern for the industry. However, this is an opportunity for the industry to become more competitive and at the same time, compete with potential suppliers. In his view, by making less productive workers more productive, the industry can be more competitive and can compete with other participants in the global market.

Mr Apurbo also discussed the impact of the RMG industry on Bangladesh's economy. In the 80s, the population growth rate in Bangladesh was significantly reduced, and many women workers from rural areas came to the industry. This led to a significant drop in child marriages from rural areas, as they were working and earning, gaining empowerment, and denied their families that they did not want to marry at the time. Mr. Hossain emphasised the importance of considering these issues, as the industry accommodates a large workforce of women workers. If the industry faces difficulties, it could create a mess in the social status of these women workers. He is hopeful that the industry will continue to support these women workers and generate more job opportunities, helping the government and the country to flourish.



### **Mr Kamran Tanvirur Rahman**

*President, Metropolitan Chamber of Commerce and Industries (MCCI)*

**Mr Kamran Tanvirur Rahman** started his remarks by mentioning the Asian financial crisis, the global financial crisis of 2008, and the pandemic (such as COVID-19). Moreover, he added the issues of regional conflicts in Europe and the Middle East which have largely impacted Bangladesh's economic landscape. He insisted that for such multifaceted disruptions to be addressed, Bangladesh must adopt a comprehensive strategy to navigate the complexities ahead. He emphasised further intertwined issues of inflation, depreciation of the currency, dwindling foreign exchange reserves, etc., that demand a vigilant approach. In his view, Bangladesh must implement prudent fiscal policies to mitigate the effects of global economic turmoil ensuring stability in these critical economic indicators.

Mr Rahman then pointed out that the geopolitical landscape exemplified by the Russia-Ukraine War and the conflicts in the Middle East necessitates a proactive diplomatic stance maintaining a balanced foreign policy marked by friendship with all nations. He felt that these are very essential for safeguarding economic interests. In light of potential challenges after 2026 stemming from the loss of preferential access and shifting global dynamics, Bangladesh must diversify its export basket strengthening the labor market through skills development and aligning the migrant workforce with the needs of the receiving countries. He said that Bangladesh is getting lower remittances compared to its neighbours primarily due to sending an unskilled labor force. He opined that with a certain amount of training and skills that meet the requirements of destination nations, Bangladesh will probably be able to get a higher volume of remittances than present.





Mr Rahman highlighted that decent work is not just a moral imperative for all industries but it is an economic necessity. Promoting fair wages, safe working conditions, and workers' rights, is not only the effort to uphold human dignity but also foster a more resilient and robust economy. Investing in the well-being of the workforce is an investment in the industry's long-term viability. He referred to a point mentioned in the keynote presentation about the low productivity of Bangladesh's workforce as it is one of the lowest in the world. As far as prices are concerned, the amounts that Bangladesh gets from the buyers are one of the lowest in the world in all the categories of products. He mentioned a letter that was sent by eight US Congressmen to the Footwear Association asking them to look into areas such as working conditions, wages and so on. Mr Rahman appreciated the US Congressmen as their letter also mentioned that they need to increase their prices to absorb the additional costs. Also, the industry will have to ensure decent working conditions and pay standard wages. He pointed out that Bangladesh must remain mindful of the role of technology and automation in the future. While technological advances bring efficiency and competitiveness, simultaneously, they also pose challenges to job security. Thus, striking a balance between embracing innovation and safeguarding the livelihoods of workers is essential for a harmonious and sustainable future.

Mr Rahman said that as Bangladesh progresses toward 2026 and the ambitious 2041 goals, infrastructure development and the development of logistics remain paramount. Creating an investment-friendly climate for long-term commitments both for domestic and foreign sources is vital for embracing technology and renewable energy that can propel Bangladesh towards a more sustainable and resilient future. He mentioned that the capital market reflecting economic health requires prudent regulation and a focus should encompass international standards. He added that regulation is an inherent requirement of any governance integrating digital connectivity which can enhance economic efficiency as well as global participation. The notion of the RMG sector being price takers in the global market emphasises the need for risk management and resilience. He said grasping opportunities in emerging markets such as digital connectivity and renewable energy is crucial for sustained



growth. He identified that in the context of the global economic slowdown, Bangladesh's export prospects appear promising especially in the resilient apparel sector. He said that the rise of Asia in contributing to global growth is an encouraging factor in positioning Bangladesh strategically.

The MCCI President concluded by stating that Bangladesh must not only navigate the current challenges but also proactively shape its future economy through a blend of strategic diplomacy, infrastructure development, and embracing emerging trends. He then finally commented that Bangladesh needs to consider the complex global landscape and should emerge as a robust player in the international arena.



### **Professor Mustafizur Rahman**

*Distinguished Fellow, Centre for Policy Dialogue (CPD)*

At the commencement of his remarks, **Professor Mustafizur Rahman** agreed that many of the problems Bangladesh faces originate from the global system, such as the slowdown in the economies of Bangladesh's major markets and the COVID-19 pandemic. He argued that the difficulties that Bangladesh is having in the context of market access also originate from some of the country's policies. In this regard, he argued that there was a lack of adherence to the experts' advice regarding depreciating BDT, as the economists have been arguing for such measures for the last 5-6 years. This has direct implications for the economy and the level of competitiveness of the RMG sector. If BDT was depreciated promptly, Professor Rahman thinks it would be stabilised at 95/96



BDT per USD. He appreciated the global challenges the RMG sector faces and the positive social impacts it has made on society. He also expressed his appreciation for the RMG sector owners and workers' dilemma regarding the gap between minimum wage and the poverty line vis-à-vis remaining competitive in the global market. He agreed on the point that the productivity of the RMG sector has to be increased in order to take the minimum wage beyond the poverty line. He further agreed with the points argued by the Secretary of the Ministry of Commerce regarding intra-RMG diversification. While 70 per cent of Bangladesh's RMG export is cotton, the global share of non-cotton products is 70 per cent. He argued that Bangladesh has to take both intra and extra-RMG diversification policies productivity will have its own impact on labour absorption. However, he pointed out Bangladesh's lack of initiatives in two sectors such as pharmaceuticals and leather industries. For pharmaceuticals, Bangladesh has fought hard in the World Trade Organization (WTO) to negotiate patent and license-free opportunities to produce patented and generic drugs. This culminated in the Doha Ministerial Meeting of 2001, which resulted in the decision that the Least Developed Countries (LDCs) do not have to pay any fee till 2015 for licensed and patented drugs. This waiver was later extended until 2032. However, such a waiver did not transpire into the potential that the pharmaceutical sector possesses since, despite having an Active Pharmaceutical Ingredient (API) park, it could not build an effluent treatment plant for the last 10 years. He argued that the global pharmaceutical sector is US\$ 1.5 trillion which is larger than the US\$ 1 trillion global RMG market.

According to Professor Rahman, Bangladesh's leather sector faces the same stagnation in terms of increasing its share of the global market as it has failed to keep up with rising global compliance. The EU has already warned to deny market access for the leather goods if the sector fails to achieve required compliance. He argued that RMG has a buyer-driven value chain where the buyers are the price-givers and producers, like Bangladesh's RMG sector, are the price-takers. However, he feels there is still scope for creating pressure on the global brands to help increase the workers' minimum wage. However, Professor Rahman pointed out that in recent times, there has been a significant shift in the nature of the capital machinery that has been imported for the RMG sector. These machinery have been more multi-skilling, higher productivity centric and labour displacing. This has had a direct impact on the demography of the RMG workers as the ratio of female workers dropped to 60 per cent from 90 per cent. He feared the plausible reason behind such a change is that the high technology labour absorption is going in favour of men. Hence, to create more jobs for women, Bangladesh needs to look beyond RMG and go for producing microchips.

Professor Rahman then cited the example of Vietnam, where, despite having a lower GDP than Bangladesh, the country's exports are US\$360 billion, whereas the latter's exports are US\$ 60 billion per year. He further argued that in the first five months of the 2023-24 fiscal year, non-RMG exports saw a 25 per cent rise compared to the first five months of the previous fiscal year. Whereas on the same scale, RMG export was -2.7 per cent compared to the same period of the previous year. Therefore, he thinks despite the argument that global demand has contracted, there are a lot more opportunities beyond the RMG sector, such as pharmaceuticals and assembling plants, that Bangladesh should tap into. He expressed his optimism that if the special economic zones start to function according to the enacted law of 2018 to provide 126 one-stop services instead of 35, Bangladesh's manufacturing sector will be able to attract a lot of Foreign Direct Investment (FDI). He also argued for triangulation among transport, trade, and investment connectivity.



Professor Rahman highlighted another weakness related to trade data, where there is a mismatch between the Export Promotion Bureau (EPB) and Bangladesh Bank. The difference in export figures is going up each year, and in the fiscal year 2022-23, it was US\$ 12 billion, which is alarming. This means according to EPB data, Bangladesh's export was US\$ 55, and Bangladesh Bank's data shows that it received US\$ 43 billion. The reasons behind this mismatch have often been referred to as discounts, double counting, and cancellation of some orders. Bangladesh's policymakers need to address this issue as, from the highest level, zero tolerance has been declared against capital flights.

Professor Rahman argued that the government has to share some of the burden regarding the newer compliance regime with the entrepreneurs in the RMG sector. He argued that once Bangladesh graduates from the LDC group, there will be a lot more attention on Bangladesh's RMG sector. Going green has become a new normal for compliance regimes, and despite doing that, Bangladesh's RMG sector is not receiving the expected price for its product. He feels there is a need to exert pressure on policymakers and retail brands in RMG export destinations as there is a hypocrisy between ethical buying and ethical sourcing which should be exposed. In this regard, BGMEA and the government can work together to identify the stakeholders and pressure them to resolve the price issue.

Professor Rahman praised the government's initiative to go for 4 per cent incentives for the non-traditional newer markets, barring Canada, the US and the EU. He also agreed with the Secretary of the Ministry of Commerce's point that the incentive regime has to be rethought, revised and reviewed so that incentives can be provided to entrepreneurs who are exporting to real market segments and who are going for productivity enhancement. He rejected the mass-based, low-productivity and low-wage model as obsolete. He argued that there is immense pressure from the US regarding trade union rights. Without addressing the issue of enforcement, mere signing of



the conventions will not convince the Western governments. In this regard, he mentioned the new EU Generalised System of Preference (GSP) document, where gender rights, good governance, environment, and CO2 emission were strongly emphasised. This entails that every entrepreneur will be compelled to disclose the type of CO2 emission that has gone into the production process upon which the decision to give market access will be made. Hence, he urged policymakers and businesses to be more proactive rather than reactive.

In the concluding part of his remark, Professor Rahman argued that productivity has to be increased along with the minimum wage. A low-productivity, low-wage model for the sake of creating employment will backfire, and the citizens will be denied the share of economic growth. The enhancement of productivity will have its cost in terms of labour displacement, which has to be balanced by export-basket diversification. He expressed his optimism about the infrastructural development and praised the policymakers for allowing the bonded warehouse facilities, zero tariffs and back-to-back LC for imported fabrics to spur the RMG sector.

## OPEN DISCUSSION



### Mr Shams Mahmud

*President, Bangladesh-Thai Chamber of Commerce & Industry*

**Mr Shams Mahmud** raised a few points regarding the RMG sector. One of those points was the steadily decreasing demand in the foreign market. Regarding the overall statistics, it is clear that Bangladesh has maintained its status as one of the top two exporting countries, even though demand has declined. In addition, Bangladesh continues to operate at a competitive level in the international arena, despite the fact that demand has declined. The second point that he brought up in relation to productivity was that a national policy concerning this matter is essential, and it is imperative that very soon this needs to be implemented. Another point he raised about wages and in this regard, he brought up the

example of Turkey. In terms of wages, Turkey is very competitive and it has an inflation rate of about 62 per cent in 2023. And their currency has been devalued by 30 per cent. However, the workers in Turkey are getting wages according to what the market has set. Thus, the question arises naturally of how Turkey is managing to provide a fair wage to its workers. This is because the exporters are getting fair exchange rates. And that is the missing point that Bangladesh cannot offer a fair exchange rate to the exporters. Finally, Mr Mahmud opined that If the exporters can get the actual market rate set by demand and supply, then Bangladesh could have also been on the right track regarding wages.



### Mr Salahud Din Ahmed

*Former Member, Bangladesh Energy Regulatory Commission*

Taking the words and numbers from the presentations of Dr Kabir and Mr Hassan, **Mr Salahud Din Ahmed** gave two pieces of good news. According to him, the first one is Bangladesh is the only nation on the planet and perhaps in the whole creation that a mother of humanity is on the throne of a nation. The second set of good news is the modern manufacturing process, social dialogue in factories, decent training and decent living and fair wages. Mr Ahmed stated that relevant stakeholders focus primarily, on the well-being and dignity of the workers. More so, they brought some rays of hope like the rise of demand in some specific needs on

some apparel in some specific markets. So, given these fantastic facts why still there is a gap of TK 4,300 in the wages of workers, he suggested bringing up the fact regarding the steep rate of the inflation rate. The other thing he raised was that there is a difference in numbers between Bangladesh Bank and EPB like US\$12 billion gaps in some numbers. Hence, he raised a question as the country is turning into a smart Bangladesh then why the Bangladesh Bank or EPB are not getting smarter to bring down this gap? Mr Ahmed mentioned another small issue- recently a smart private Bank has some seven additional managing directors and of course, they are highly paid, and as their lending interest rate is going up this may be one of the reasons for their higher interest rates.



### **Professor Dr Harun-Ur Rashid Askari**

*Department of English and Former Vice Chancellor,  
Islamic University, Kushtia*

**Professor Dr Harun-Ur Rashid Askari** agreed with Professor Rahman that Bangladesh should not think only in terms of employment generation. Rather, innovation should be part of its manufacturing sector where old heritage, such as the world-famous Muslin, should be brought back. He praised the effort of the honourable Prime Minister in this regard. He thinks the revival of this finest apparel industry should be prioritised.



### **Mr M. S. Siddiqui**

*Legal Economist*

According to **Mr M. S. Siddiqui**, economic diversification and the global market are crucial for promoting industrialisation and boosting exports. He referred to Dr. Kabir's presentation which provided valuable insights on the export market and local industrialisation. For example, Bangladesh began importing biscuits from Malaysia 20 years ago, which gained popularity among local buyers and successfully transferred technology. The manufacturer has since created their own local biscuits and is now expanding their exports to other nations. He believes that trade facilitation plays a key role in enhancing local industries and boosting exports. Another example he gave is India which has the potential to engage in free trade with Bangladesh due to its

strategic location, and access to the Chinese, Indian, and Association of Southeast Asian Nations (ASEAN) markets. By opting for a free trade zone, India can dominate the market. Like Singapore and Dubai, India has established 10 free trade zones for re-exporting products.



However, Mr. Siddiqui criticised policymakers for not liking this model. India currently exports hydrogen peroxide to Bangladesh, but there is an opportunity to adopt the Indian model. By reviewing the policy paper, it may be possible to import raw materials in bulk to the free economic zone for sale to local or export-oriented industries. A small policy adjustment in the document could allow other importers to bring in raw materials, and sell them in the local market and to exporters. Focusing on trade facilitation can promote economic diversification and potentially expand export options. This approach should be based on policy change rather than technology or significant investments.



### **Colonel (Rtd.) Iftekhar Ahmed**

*Former Research Director, Bangladesh Institute of International and Strategic Studies (BISS)*

**Colonel Iftekhar Ahmed (Rtd.)** pointed out that for business people, it is difficult to increase the wage sharply. But rather the business community can think of increasing the wage gradually every year at a fixed rate to benefit both the employer and employee. Then he mentioned that weak factories are responsible for decreasing the price of products. They bid with lower prices which causes the standard factories to miss out on many consignments. Lastly, he said that the presidential memorandum from the US president has more political agenda than business purpose and he also suggested considering the internal factors like banks, NBR, tax, and audit departments of government, etc.

influence the garment business to maintain economic stability. He asked if it is possible to give directives to these departments to have a positive influence on the growth of the RMG sector.

## REMARKS BY THE SPECIAL GUESTS



### **Mr Tapan Kanti Ghosh**

*Senior Secretary, Ministry of Commerce, Government of the People's Republic of Bangladesh*

**Mr Tapan Kanti Ghosh** began his presentation by mentioning the global economic slowdown and its impacts on the garments industry. He mentioned that the demands for Bangladesh's garment industry mainly come from the EU and North American countries and it is a known fact that due to the high inflation and the monetary tightening, the demand for the country's garment industries has gone down gradually. But still, Bangladesh maintains positive growth in garment exports during the last five months of this fiscal year (from July to November 2023). He echoed the previous speakers and noted that although the demand is decreasing and the cost of production is significantly rising in Bangladesh, the workers and entrepreneurs are still doing comparatively well since

the future is not bright for the country according to the International Monetary Fund (IMF) indicator that overall growth of the economy in 2024 will further come down. Amid this situation, he mentioned some positive trends in Bangladesh's garment products. For the first time, Bangladesh's exports of RMG products in the EU surpassed that of China. Particularly, the knitwear garment exports have shown their strength in competing with China.

According to the Senior Secretary, in the last three decades, many people have been talking about product as well as market diversification. However, recently Bangladesh has become able to diversify its market destinations other than the EU and North America. Rapid expansion is also seen in countries like India, Australia, Japan and South Korea. Hence some sort of market diversification happened although Bangladesh is lagging behind its expectations in the product diversification segment. The government of Bangladesh has taken lots of initiatives in recent years to break that dilemma. In recent years, the government has formed high-level committees and they have outlined some action plans. The government also has formulated some acts i.e., the Customs Act and the national tariff policy because tariff rationalisation is a big issue as far as product diversification is concerned while bringing the product to the global market at a competitive price.

Thus, with these positive aspects, if someone looks at the target of the country's garment industry, s/he can see that the industries have the target to export US\$100 billion by 2030. Someone can see the major competitors of Bangladesh are India and Vietnam considering China as the leader of the global apparel industry. Last year Bangladesh exported US\$47 billion, India exported US\$16 and Vietnam exported US\$36 billion. So according to him if the buyers and brands want to shift from China to other countries, then in the garments segment Bangladesh would be the leader. In other sectors, like electronics, medicines and other goods, Vietnam or India maybe would take the lead but garments would be the sector where Bangladesh can take the lead if geopolitical changes occur. He then prescribed some pathways to reach the US\$100 billion target. He mentioned that market access is important as Bangladesh aims to graduate from the LDC by 2026.

Mr Ghosh informed that till now other than the USA, Bangladesh has duty-free market access to all the developed and developing countries. The country needs to retain the market access. Now the government is working with various countries to ensure that in the post-LDC graduation period. Bangladesh also aims to retain duty-free market access to the UK, EU and Australia till 2029. The government is also trying to get GSP-plus facilities from the EU even after post 2029 period. Therefore, He does not see any obstacle in securing enhanced market access as Bangladesh has complied with all the requirements. Bangladesh has ratified all the thirty-two conventions under the new GSP that is being proposed from 2024 to 2034. The UK and Australia have announced their next cycle of GSP plus policy and with the US in WTO, Bangladesh is discussing the extension of graduating LDC countries for the international support measures. For the first time in October 2023, from the WTO; the LDC group has achieved some sort of commitment from the developed countries. That is, the graduating LDC countries will be able to get extended periods of ISM from the developed countries. Thus, he thinks that there is hope for the graduating LDC countries. Bangladesh is also in discussion with countries like India, Japan and some other countries where someone can see extended exports going. Thus, in post-2026, Bangladesh needs to have comprehensive partnership agreements and FTA and the government is working extensively on that front.

The Special Guest then noted that Bangladesh's apparel industries' target is achievable since in the last 10 years, the exports have doubled and except for one year of COVID-19 in the last 15 years. Bangladesh has always had positive growth ranging from 2 per cent to 41 per cent in 2011 in exports. He thinks it is a good condition in terms of entrepreneurial capability and willingness of the workers to work under difficult conditions. About decent work and sustainability, he mentioned that the government is working with the country's trading partners i.e., with the EU and the US. Particularly in 2023, the country had lots of discussions with major trading partners including Japan, the USA, and the EU. The country is also continuing discussions in the Trade and Investment Cooperation Forum Agreement (TICFA) Forum. So, the government is engaged with partners who are willing to cooperate with Bangladesh and support Bangladesh's economic development.

Mr Ghosh expressed his earnest request to the country's trading and developing partners that the people who are trying to strive for their aspirations and try to be developed as per the vision of 2041 should be supported by the development and trade partners. About decent work, he noted that productivity and the capability of entrepreneurs are big issues and it is observed that wages have increased. In last time five years ago, the wages increased by 2700 TK from 5,300 to 8,000 TK. But this time it has been increased by 4,500 TK. So, he thinks it has been a good enhancement in the wage package. But now inflation is a bit more that is a concern.

Concerning the productivity, the Special Guest mentioned that the government is trying to generate skills through lots of training programmes and by providing education. He concluded his speech by mentioning that 85 per cent of the country's total exports come from the RMG sector and 70 per cent of that comes from the cotton segments. Thus, if Bangladesh can go for the non-cotton segment or man-made fibre, there is a huge possibility in this sector. Among the almost US\$700 billion global market of the RMG sector, Bangladesh can make a breakthrough if it can diversify within the garments segment, particularly with the NNM. In this aspect, Bangladesh can be able to produce high-end and value-added products among the garments and thereby increasing the wages and welfare of the workers. He thinks that it would be a very good option and with that end, BGMEA, BKMEA and the government are trying to give incentives to those entrepreneurs who are trying to break the cycle of major concentration for enhancing diversification.





## **Md Ehsan-E-Elahi**

*Secretary, Ministry of Labour & Employment*

**Mr Md Ehsan-E-Elahi** started his remarks by saying that the global economy is suffering a slowdown due to COVID-19 and the Russian-Ukraine War; hence, the apparel industry of Bangladesh is experiencing challenges in the export market. He said that due to effective policy measures by the governments globally, the recovery from COVID-19 was rapid but the shock due to the Russia-Ukraine War is being prolonged affecting the economies of the world. This will also affect the growth and expansion of Bangladesh's apparel industry which in turn would negatively affect job creation and employers' ability to invest for labor rights and workplace safety. Therefore, sustainable growth of Bangladesh's apparel industry is crucial for ensuring decent work in the sector.

Mr Secretary mentioned that labour rights are considered human rights. With the commitment to upholding labour rights, Bangladesh became a proud member of the International Labour Organization (ILO) on 22nd June 1972 under the visionary leadership of the Father of the Nation, Bangabandhu Sheikh Mujibur Rahman. Bangladesh ratified 29 ILO conventions including five fundamental conventions on the same day manifesting Bangladesh's fulfilled commitment to the spirit of ILO. He stated that the honourable Prime Minister Sheikh Hasina ratified the remaining three fundamental conventions of ILO. On 22nd March 2022, Bangladesh ratified the ILO 138 convention concerning the minimum age for admission to employment. Earlier on 20 January 2023, Bangladesh Protocol 2014 also ratified convention 29. With this, Bangladesh has ratified a total of 36 ILO conventions including eight of 10 fundamental conventions of the ILO.

Mr Elahi further informed that the ILO's time-bound and resource country programme known as the descent work country programme launched in 2004 has been implemented in Bangladesh in three phases. The fourth one for 2022-26 is under implementation by the government. In recent years, the government of Bangladesh has made significant progress in all four areas of decent work as part of its pledge for the socioeconomic emancipation of the people which has been well reflected in the socio-economic indicators. He pointed out that this success has been well-acclaimed globally. Mr Secretary mentioned that improvement of the legal framework is a prerequisite for ensuring labour rights. With this spirit, Bangladesh has made significant efforts to align the national legislation with the ILO standard. Basic changes have been made in the Bangladesh Labour Act in 2006 through amendments in 2013 and also 2018. Through the 2013 amendment, the provisions to share the list of workers who applied for union registrations to the factory owned were deleted while in 2018 the minimum membership requirement to form a trade union was reduced from 30 per cent to 20 per cent.

Following the ILO road map further, Mr Elahi said that the Bangladesh Labour Act amendment is under process and needs to be presented in the next session of the parliament. He mentioned some main features of the proposed amendment among others including the decision of the labour appeal tribunal which can now be challenged only in the appellate division. Previously, when the labour court passed an order, then anyone could go for the petition and therefore, many cases became pending. This has led the government to take this amendment. In recent

amendment proposals, he remarked that the minimum membership requirement for trade unions in factories with more than 3,000 workers has been reduced from 20 per cent to 15 per cent. Now Mr Elahi mentioned that the maternity leave has been increased from 112 days to 120 days with a simplification of the calculation procedure. He highlighted that some agreed recommendations of ILO will be taken into consideration. Some meetings with the ILO have supplied some technical notes to make Bangladesh's law international standard. In this regard, he shared his experience that he has already conducted three meetings with the ILO and as an outcome, the law and justice ministry has committed that next time Bangladesh will consider some of the recommendations which has been received from the EU and ILO meetings.

The Secretary emphasised that Bangladesh is not sitting idle, but rather working hard in this aspect. He mentioned specifically one act known as the Bangladesh EPZ Labour Act 2019 which requires amendment. Already, the ministry formed the committee and started the amendment process in June of the previous year. According to Mr Elahi, the right to organise is at the heart of the social dialogue which can ensure all other's labour rights through collective bargaining. He said to bring transparency in the trade union registration system. The standard operative procedures on trade union registration have specified the steps to be followed and settle the applications. The trade union registration process has been simplified through an online portal; previously it was manual, therefore, anyone can apply. It is worth noting that the Ministry of Labor has 53 offices in different corners of Bangladesh. Therefore, anybody can apply to any office online to get trading and registrations. Since this is a new system, the worker's management staff and the government officials are being regularly trained. In addition, the helping desk has already been established in labour offices so when any person does not know how to apply, the departmental staff are ready to help workers. Since 2013 remarkable progress has been made in the area of workplace safety with the support from ILO brands. Moreover, buyers of all export-oriented RMG factories have been assessed and remediated as said by the Labour Secretary.





The Secretary also mentioned that any factory is forced to close based on the recommendations of the task force to reduce accidents in non-RMG sectors, plastic and chemical factories. The newly formed RMG factories have been assessed by the Department of Inspection for Factories and Establishment. In the Labour Ministry, there are two departments among which one of the departments is the Department of Labour which is fully responsible for dispute resolution especially when an industrial dispute arises and the trade union registration provides the license. Another department is the Department of Inspection for Factories and Establishment. They are fully responsible for inspecting the factories. He mentioned that from the departments, there is a checklist for the inspectors and they go to these factories, inspect properly, find out any deficiency and then issue show cause to the owners. If not comply with the rules, then the inspector complains to the labour court.

The Secretary highlighted that previously Bangladesh had only seven labour courts but six newly established courts were added, now a total of 13 courts are working in the different corners of Bangladesh. The two commitments of Labour Ministries according to him, are one of the road maps of ILO 2021 to 2026 and also the national action plan for the labour sector with the EU, and almost the same other commitments. The labour ministries and other relevant agencies are trying to fill up the commitments which have been made to the ILO road map. The Department of Inspection previously had only four offices in Bangladesh. Now it has been increased in 31 districts. Previously there were only 176 labor inspectors which increased to 711 at present. One of the targets was for the ministry to eliminate child labour by 2025 as per the Sustainable Development Goal (SDGs) and also other commitments which are reflected in the country's constitution. The Labor Ministry has taken one of the projects and this project's fourth phase has already been completed. According to Mr Secretary, this project has rescued 190,000 children who were involved in hazardous jobs. The Secretary further informed that a new project has been taken up named 'Elimination of Child Labour and Rehabilitation'. The Labor Ministry has already declared eight sectors free from child labour and also declared 43 hazardous sectors. After inspection and the committee's recommendation, the ministry declared 43 hazardous in the country.

Social protection of workers is embedded in the Bangladesh Labor Act. The Ministry has two funds according to Mr Elahi. One of the funds is the Bangladesh Labour Welfare Foundation which is for the informal sector. He further informed that only for the RMG sector, there is one of the central funds. These funds are given to any workers who are sick or suffering from injuries during working time. Regarding the minimum wage, Mr Elahi informed that the minimum wage board in Bangladesh determined the wage. The board comprises labour representatives, and workers representatives and one of the neutral members is selected from Dhaka University professors. The chairman of the board is from the Judiciary and he becomes one of the district judges. The chairman of the board and other two permanent members (a total of three to five members) frame recommendations considering the cost of living, standard of living, cost of production, price of produced goods, risk, standard business capacity and so on.

The board's revised salary is increased by 56.25 per cent and every five years, this board will be formed and will consider proposals. There is a system in the process according to Mr Elahi that every year the workers and the staff are getting the salary with increments of 5 per cent; so, there is no need for yearly revision by the board. As there is no National Minimum Wage Commission, Mr Secretary formed a committee in the Labour Ministry headed by an additional secretary with the suggestions from the ILO and also took some suggestions from India, Sri Lanka, and Vietnam where the national minimum wage policy was formed. He informed the audience that Bangladesh is trying to make a national minimum wage board regarding all sectors. According to the existing policy, different sectors are declared first and then the labour ministry forms different wage boards.





Mr Elahi mentioned that every year, the ILO conducts one governing body meeting and one international conference. During the meeting, the ILO raised concerns regarding Bangladesh, citing violations of Article 26. Consequently, Bangladesh made significant strides in addressing these issues and submitted suggestions at each subsequent governing body meeting. The delegation, led by the honorable Minister of Law, Justice, and Parliamentary Affairs, actively participated in these discussions. Mr Secretary reported attending three meetings in Geneva, during which progress reports were presented by the honorable minister. The recommendations put forth by Bangladesh garnered support from most ILO member countries. One such recommendation emphasised the need for legal reform, prompting the Ministry to draft an Amendment Proposal comprising 63 amendments. This proposal was approved by the cabinet and subsequently forwarded to Parliament, where it was referred to the standing committee for review. Following further deliberation, the amended bill was submitted to the honorable president. However, an error was identified in Section 294, prompting the President to return the bill. The ministry intends to resubmit the amended bill in the next session of Parliament to ensure its due process, as confirmed by Mr Secretary.

Mr Elahi mentioned that in this open and free media, the world is more connected and now the consumers are more aware than before about trading partners as well as are more alert to ensure labour rights in each segment of the supply chain. The ILO regularly monitors the labor rights in Bangladesh. Finally, the Secretary concluded by saying that the important suggestions will come out from the discussion in this seminar and based on those, there shall be the opportunity to plan future strategies for ensuring labour rights in Bangladesh.



## H E Ambassador Masud Bin Momen

*Foreign Secretary (Senior Secretary), Ministry of Foreign Affairs*

At the beginning of the remarks, **Ambassador Masud Bin Momen** paid his deepest homage to the memory of the greatest Bengali of all time, the architect of the independent Bangladesh and the Father of the Nation, Bangabandhu Sheikh Mujibur Rahman. He also paid tribute to the three million martyrs, two hundred thousand mothers and sisters, and all the brave freedom fighters who made supreme sacrifices for the birth of the country in 1971.

In his remarks, Ambassador Momen stated that the current state of the world economy is characterised by significant uncertainty, resulting from the combined impact of the COVID-19 pandemic and the Russia-Ukraine War. This has led to a decrease in demand, disruptions in the supply chain, and substantial inflation fueled by high energy prices. The Bangladesh economy has also been affected by these cumulative effects, particularly in the ready-made garments sector. As a transitional economy like Bangladesh, it is crucial to maintain a sustained growth rate. However, the global turmoil has resulted in a reduction in demand for RMG products, leading to a decline in export earnings. Additionally, the stagnated demand has affected investors who have primarily focused on high-end products. This situation forces investors to operate their businesses with reduced profits if not losses. The apparel industry in Bangladesh is crucial to Bangladesh's economy, making it a key player in the global market. Currently, the RMG sector constitutes approximately 85 per cent of Bangladesh's total merchandise exports. Even more striking is that this industry is not just about numbers, but it is also about the people. Over 4 million people in Bangladesh mostly women, which is roughly twice the population of New Mexico are strongly involved in this sector.

Regarding the global partners, Ambassador Momen informed that the US is the top destination for Bangladesh's garments sector, which accounts for about one-fifth of the country's total goods exports. The EU with countries such as Spain, Germany, Italy, France, Belgium, the Netherlands and the UK are the significant market destinations for Bangladesh's garment products. The decrease in work orders from global clothing retailers and brands to Bangladesh can be attributed to the high cost of living in Western countries and an excess of apparel stocks in stores. This decline is primarily due to increased inflation in Western economies resulting from the ongoing conflict between Russia and Ukraine among other factors. It should also be noted that the EU, the UK and the US together account for more than three-quarters of Bangladesh's apparel exports. The rising consumer prices in these regions put additional strain on their consumers, leading to reduced demand for garment items from Bangladesh. However, the garment sector has attracted an investment of US\$25 billion, with a parallel investment in the primary textile sector covering the spinning, weaving and dyeing industries. In this regard, the forecast suggests that an additional US\$25 billion might be invested in the textile and garment over the next five years, with the aim of achieving apparel shipments worth US\$100 billion.



Concerning the disruptions in the garment sector, Ambassador Momen pointed out that these disruptions not only created economic challenges but also had a profound impact on the well-being of Bangladeshi workers. However, according to him, instead of deterring, these challenges have motivated the policymakers to make introspection and collaborative efforts to pursue sustainable growth. He informed that, under the leadership and necessary directives of Honourable Prime Minister Sheikh Hasina, the government, in collaboration with key players in the garment sector, has shown unwavering commitment to ensuring the welfare of employees. The passing of the Bangladesh Labour (Amendment) Bill, 2023 exemplifies the government's commitment to adapt and enhance labour laws to address the evolving needs of the workforce. Ambassador Momen said that the Government of Bangladesh would continue offering incentives to workers and is open to implementing more measures in this respect. He emphasised the need to enhance the relations between garment workers and garment owners, highlighting that this is a continuous process that is steadily progressing.

He, then, stated that Bangladesh's position as a global supplier of RMG goes beyond economic transactions, which is also about building relationships with international partners. These partnerships highlight the importance of maintaining a robust and reliable supply chain, even in the face of external economic pressures. Furthermore, Bangladesh's commitment to green industries and meeting global quality standards sets a benchmark for responsible manufacturing practices. The presence of LEED-certified garment factories and the dedication to environmental sustainability, as demonstrated by the Partnership for Cleaner Textile (PaCT) programme, showcase Bangladesh's proactive approach to shaping a sustainable future for the industry. This dedication to green initiatives aligns with the broader goals of sustainability and environmental responsibility, positioning Bangladesh as a leader in responsible manufacturing practices. As the world grapples with climate change and environmental degradation, Bangladesh's proactive approach to green industries not only meets global quality standards but also sets a benchmark for environmentally conscious manufacturing.

Ambassador Momen, then, stated that, alongside the industry's growth, the government has taken significant steps to ensure the safety and well-being of garment workers. Necessary laws and regulations are also being implemented to protect workers' rights, reflecting a commitment to social justice and human rights. However, the global economic slowdown has emphasised the need to reassess and recalibrate these measures to address emerging challenges and safeguard the welfare of the workers. He informed that the recent US presidential memorandum has already created apprehension in Bangladesh's apparel industry because of the possibility of restrictive entry to the US market. According to him, it may have negative consequences in sourcing raw materials from and exporting apparel to other countries. The significant progress made so far for improving work conditions for the workers will be greatly hampered if such restrictions are applied, he opined. Thus, it is a shared responsibility of the entrepreneurs, buyers, development partners,

importing countries and regions, experts and other stakeholders to collaborate in overcoming these challenges, ensuring the sustained success of the industry and the well-being of the workers. Together, with active support and cooperation from the US government, EU, ILO and other organs of the United Nations (UN), it is important to chart a path towards a more robust and sustainable future for Bangladesh's apparel industry and its diligent workforce.

According to Ambassador Momen, Bangladesh's apparel industry has been a shining example of success, which is playing a significant role in the country's economic growth. This industry has not only contributed to economic prosperity but also fostered social development with the thousands of women employed for more





than four decades, thereby promoting economic inclusivity. Any restrictive measures against the industry will essentially lead to factory closures and job loss of these female workers. As a result, it would derail the country's strive towards achieving SDG 5 on gender equality, and give rise to extremism and radicalism in the society. Bangladesh's LDC graduation and the gradual lift of trade benefits will pose further challenges for the RMG export. Hence, to navigate all these challenges, Ambassador Momen suggested adopting classic as well as creative measures. Besides looking for newer and non-traditional markets, it is needed to climb up the value chain. In this regard, he expressed his satisfaction to see many of the producers' efforts to opt for high-end and high-value items. Besides, he suggested to consider Bangladesh's apparel industry as a near-matured industry. For that, he advised to be resilient to any challenges both domestically and globally, since Bangladesh needs to strive to achieve the double bottom line of ensuring labour welfare and remain competitive in the global market. This can be done through collaborative efforts of all relevant stakeholders. Furthermore, he informed that the overseas missions are diligently working to establish connections between the RMG business and emerging markets.

In conclusion, Ambassador Momen emphasised the role of the primary growth sector and the eventual transition to secondary and tertiary sectors. He also pointed out that too much dependence on one sector might bring huge vulnerability. Thus, it is needed to diversify the export basket for the long-term sustainability of the economy. According to him, pharmaceuticals, leather products, jute products, fisheries, agri-processed products, light manufacturing products, porcelain and ceramics and other artisanal items, Information and Communication Technology (ICT)-related hardware & ICT-enabled services, all have tremendous potential to diversify the export basket.

## SPEECH BY THE CHIEF GUEST



### **Dr Mashiur Rahman**

*Economic Affairs Advisor to the Hon'ble Prime Minister*

In the very beginning, **Dr Mashiur Rahman** started his deliberation by showing appreciation for the organisers of BISS for inviting him to the issues raised in the seminar. This platform, as per his perspective, could be a means to stay abreast of recent affairs. He then began reminiscing about his past days in the mid-late 1990s which paved the way to understand how the absence of procurement rules at that time slowed down the overall response of Bangladesh to international trade. During his visit to Brazil during that period, he found garments, cutlery and porcelain made in Bangladesh in African markets. The first thought that struck his mind was that the only reason those items did not make a large show was because of coming through informal channels. He found it fascinating that while Bangladesh was going through procurement issues, the United Nations Development Programme (UNDP) invited them to go to Brazil to understand how they are doing business in procurement so efficiently.

His learning from the session was imperative because of having detailed instructions on how to purchase, procure automobiles, and increase capacity building. He noticed that at the very beginning, Brazil prevented imports from certain other states and protected their domestic production and market.

However, his overall takeaway from the sessions was Brazil solved its problems because it followed policies that suited them best. Dr Rahman, further added, that even though Bangladesh, as a state, has various problems, it attempts to overcome those issues without listening to others. Owing to the fact that the country has done its homework on domestic input, institutions and procedures, and as an outcome, Bangladesh has successfully adopted solutions to the concerned areas.

Dr Rahman then shed light on the private sectors of Bangladesh. According to him, this sector plays an essential role in the path of development and contributes immensely to successful national efforts. The dual efforts of the national and private sectors stopped the failures in the economic sector. However, the weaknesses still prevail but overall, the history is of its overall success. He then complimented Dr. Kabir's deliberation and his detailed discussions on the issue.

Dr Rahman then proceeded with the recent condition of Bangladesh. As the country has entered the global market and economic challenges are continuously transforming, there might be some contemporary concerns. To match that transformation, as suggested by him, Bangladesh needs continuous adaptation plans. In spite of





the challenges, Bangladesh is doing its part greatly by managing exchange rates, tariffs and fiscal policies. He then referred to Mr Kamran Rahman who talked about ways to deal with this matter, especially inflation matters. The core problem of inflation, according to him, goes way back to when the dollar became an international currency. The USA's standard rate of optimum inflation, canonised by Alan Greenspan, is two per cent which puts other states in a disadvantageous position as the concentration of demand becomes the only way of going back. Agreeing with two economists Larry Savage and Olivier Garrincha, he thought the optimum inflation rate should be four per cent because aiming at two per cent has more possibilities of bringing interest rates into the negative zone. And he felt this is a problem for Bangladesh as well.

Thus, Dr Rahman voiced his concerns on how Bangladesh is being forced into a negative low interest that is also impacting the motivation for savings. Hence, the present concern about the exchange rate must be addressed with a medium-term operational programme in a larger context to maintain an equilibrium between the market rate and the actual transaction rate. Regardless of the central bank calculating the real effective exchange rate, nominal exchange rate and so on, the issue of curbing the market must be brought to light. The curb market is where unofficial rates are much higher than the regular rates.

The Chief Guest, then, proceeded to bring examples of states like Vietnam and Sri Lanka to clarify the concept more. In the 70s, Sri Lanka was featured as the best welfare state among low-income countries. Their welfare, education and free rationing system were praiseworthy. However, the most important part was the workers of Sri Lanka got three to four times more wages than that of Bangladeshi workers. If being a low-income country, Sri Lanka could increase wages then as a state, Bangladesh should do so, as remarked by Dr Rahman. Paying higher wages will eventually increase the skills of the worker especially, when those skilled workers go abroad, the country will be benefited more.



Dr Rahman, then, again mentioned Dr Kabir's deliberation which reminds all how Bangladesh has one of the lowest productivity rates in the world. He opined that even after having an abundant labour supply, Bangladesh still lacks productivity. He then raised a simple question: why this happens? He then tried to give the probable answer and remarked that productivity is proportional to wages. If Bangladesh can increase wages, productivity will go up as well. In addition to that, there must be an investment in capital machinery because, without that, high-end products will not be produced. He also mentioned technological and infrastructural investments. In his view, the government has a good record of investing in infrastructure, logistics and network creation. It is the private sector that should step in to help the economy grow.

Further discussion of Dr Rahman revolves around export diversification, globalisation, productivity increase, data importance, service delivery, labour rights, and policy approaches. He shared that the aim which gave birth to the concept of globalisation could not live up to its expectations because in recent times all states are not getting the same benefits. On top of that, particularly the developing countries are mostly deprived. There is a recognition that globalised export markets are not as open as before, leading to increased competition. Also, the inward-looking perception of developing countries has stopped them from adapting to the fast-changing structure of globalisation. Considering the cruciality of production, the industrial ministry has adopted a programme and a master plan for productivity increase. With the help of those master plan, he suggested that Bangladesh can include productivity in the critical industry and promote it in the export market. He also mentioned the importance of information data for changing economic structure.



Dr Rahman remembered the time when he was an official and was told to collect data from the public sector enterprises more as private sector enterprises are smaller compared to the previous ones. He came to know how the numbers are generated and find out the difference gap between EDP and receipts since to collect information,

both sectors are equally important. However, to address the gap between the actual value and actual receipt, the information provided by Bangladesh Bank is more reliable. But to dig deeper, the contributions of think tanks and government participation are needed. He also discusses the role of government agencies like the Bangladesh Investment Development Authority (BIDA) in facilitating services and decision-making processes emphasising the need for capacity-building and efficient coordination.

In the last phases of his speech, Dr Rahman shared some suggestions he made when he was in NRB but the Chairman he worked under was from BIDA. He proposed the Chairman have all the powers of NRB and that the government should have money at his disposal so that the Chairman can use it whenever he wants. But the Chairman reminded him how without an overall picture, a policy or decision cannot be made in isolation. This is when he gave us a nuanced understanding of governance, acknowledging the complexities involved in policy formulation and implementation. He then mentioned the need for a holistic approach. Bringing up the experiment in Philadelphia and the minimum wage law by the Biden Administration, Dr Rahman highlighted how the Hon'ble Prime Minister was never involved in collective bargaining rather she exercises moral influence on the employees. Hence, this is the method that should be used in the public and private sectors too. Also, moral influence should be added with an extra advantage. He warned employers to avoid shock therapy as Russia could not even maintain doing so. He emphasised the need for gradual reforms that consider the interests of various segments of society, rather than sudden and drastic changes that could lead to social upheaval.

Dr Rahman finally suggested the importance of considering geopolitical factors in policymaking, especially in the realm of foreign affairs and trade, to identify strategic options beneficial for both the private sector and government policymakers. The reform process should be happening if Bangladesh wants to reach its destination. The country can also use this geopolitical aspect to its advantage. The geopolitical factors will also work as a strategic option for private sectors which will lead to successful government policies. Even though this does not fall as part of the classical diplomatic relationship which is mostly focused on politics, nowadays, it is also getting increasingly focused on economies and that is why these alternative possibilities are important to recognise.



## CONCLUDING REMARKS BY THE CHAIR



### **Ambassador A F M Gousal Azam Sarker**

*Chairman, Bangladesh Institute of International and Strategic Studies (BIISS)*

**Ambassador A F M Gousal Azam Sarker** thanked all for their deliberations on the apparel industry, which is a crucial cornerstone of the national economy. He further added that the industry's success depends on the livelihoods of millions of individuals and their social dynamics. It is not just about a sector but also about growth, poverty eradication, and social transformation. The resilience of the industry, the commitment of Prime Minister Sheikh Hasina, and collaboration with key players are commendable. However, the apparel sector is facing a global economic slowdown due to the pandemic, the Russia-Ukraine War, and falling exports. Ambassador Sarker urges the panelists and experts to analyse

the complex issues and discuss how to ensure responsible, green, and sustainable manufacturing practices. He opined that cooperation between buyers and importing countries with ethical and fair principles will be crucial in dealing with this challenging situation.

The Chairman of BIISS expressed his gratitude to the Keynote Speaker, Special Guests, and the Chief Guest for their speech and guidance. He also thanked the panelists for their insightful interventions. He finally thanked all participants, including business professionals, think tanks, academia, and finally the faculty members of BIISS, who made extensive preparations for the seminar. He wished for the best in 2024 and greeted everyone for the new year 2024.





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