

Impact of Globalization on Bangladesh Economy

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1.1 Introduction

Probably globalization is the most talked-about issue in the last few decades. Economists, social scientists, politicians and thinkers have been clearly divided into three distinct groups: One consists of those who are the blind proponents of globalization and find no negative sides of globalization. The second group are those who are vehemently anti-globalization and find it totally detrimental to the national economies of LDCs and developing countries. The third group is in the mid-way between globalization and anti-globalization, who believe that there are benefits of globalization but to ensure the benefits for the LDCs and the developing countries, on one hand, the developed countries must be liberal and give free access for the products of LDCs and the developing countries into their markets, and, at the same time, LDCs and the developing countries must be equipped with the necessary knowledge and bargaining power.

There are many examples of gaining benefits from globalization such as, in Asian context, the newly industrialized countries --Hong Kong, South Korea, Singapore, Taiwan, Thailand, Malaysia and Indonesia who have gained the benefits of rapid expansion in global trade, investment and income by dint of taking a strategy of export-led growth integrating with the world economy.

‘Opening up to international trade has helped many countries grow far more quickly than they would otherwise have done. People in the West may regard low-paid jobs at Nike as exploitation, but for many people in the developing world, working in a factory is a far better option than staying down on the farm and growing rice. Globalization has given many people in the developing countries access to knowledge well beyond the reach of even the wealthiest in any country a century ago. The anti-globalization protests themselves are a result of this connectedness. Links between activists in different parts of the world have been

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possible because of internet communication, which is a contribution of globalization. Well-orchestrated public pressure forced the international community to forgive the debts of some of the poorest countries. Opening up the Jamaican milk market to US imports in 1992 may have hurt local farmers but it also meant poor children could get milk more cheaply. On the other hand, a growing divide between the haves and have-nots has left increasing numbers in the Third World in dire poverty, living on less than a dollar a day. Despite repeated promises of poverty reduction made over the last decade, the actual number of people living in poverty has actually increased by almost 100 million. —————
————— The critics of globalization accuse Western countries of hypocrisy, and the critics are right. The Western countries have pushed poor countries to eliminate trade barriers, but kept up their own barriers, preventing developing countries from exporting their agricultural products and so depriving them of desperately needed export income. The United States was, of course, one of the prime culprits.’-Stiglitz.

1.2 Objectives of the paper

This paper, on the perspective of the widespread grumble against the marginalization of the LDCs and the subsequent worldwide anti-globalization protests, tries to examine the impact of the on-going globalization on Bangladesh economy. This paper is devoted, with an unbiased outlook, to discover the truth regarding how much it has benefited and how much it has lost out, to find the flaws in government policy so far, to mention what the country shouldn't have done and what it should have done and then to put forward some suggestions for offsetting the effects of wrong policies and for making future policy.

1.3 Methodology

Primary data collected authentically in a scientific manner is essential for any research work in order to find the truth. Keeping it in mind, we had to rely on secondary data for this study and the traditional method of economic analysis has been used.

We will try to examine the impact of globalization on Bangladesh economy by investigating the trends in the changes in import and export volumes and prices, pattern of goods imported and exported, sector-wise changes in employment, changes in monetary and fiscal policy and status. We will examine the changes from the beginning of 90's to 2002-2003 because early nineties is the period when our economy has been truly opened.

2.1 Outward-looking policy

Bangladesh had adopted an inward-looking policy after the independence of the country and continued to follow it during the whole of 70s. Government tried to develop import-substituting industries under this policy, which included high tariffs on imports, other protective measures for local industries like subsidies, strict foreign exchange control etc. These policies resulted in a sluggish export growth, huge balance of payments deficit, budget deficit and inevitably high inflation. Following a macroeconomic imbalance like this the country undertook economic reforms with supports from IMF under Structural Adjustment Facility (SAF) and Extended Structural Adjustment Facility (ESAF) and World Bank under Structural Adjustment Program. The then government announced an export-led strategy under the New Industrial Policy, 1982 which replaced the public sector dominated import-substitution strategy and tried to achieve export-led growth to be dominated by private sector. Accordingly reforms were taken in the areas of fiscal, monetary, trade, exchange-rate, industrial, foreign investment, and financial sector policies but failed to gain momentum until 1991. Reforms were accelerated in the early 90s.

2.2 Monetary status

During this period the previous easy money and inflationary policy has been replaced by a more logical monetary policy and thus consequently inflation has abated. Commercial banks have been given freedom to determine their lending and deposit rates. The bank rate is used as an instrument for credit control and is adjusted for inflation from time to time. But the reform efforts have not been successful. There has been a huge difference between the deposit rate and the lending rate. In a sound and logical monetary system this difference should not be more than 5%, but in Bangladesh this difference was approximately 8%. The inefficiency of national commercial banks involves a huge cost of fund. On repeated requests of the governor of Bangladesh Bank commercial banks reduced their lending rates slightly in 2003. Huge default of bank loans in Bangladesh has crippled the whole monetary system. Corruption of bankers and political power exercise are responsible for this.

2.3 Exchange rate regime

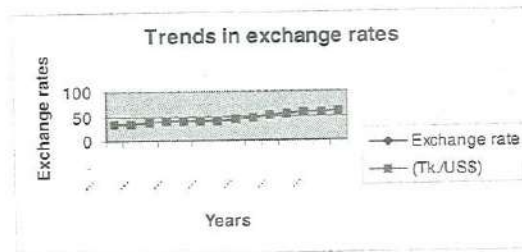
Devaluation was resorted to very frequently to keep exports competitive. But devaluations, as the table-1 shows, has failed to bring about depreciation of the real exchange rate. It is also very important to note that the effective exchange rate

for exports (EER_x) has been considerably lower than the effective exchange rate for imports (EER_m), thereby discouraging production for exports relative to production for the domestic market. Movements in the EER_m/EER_x ratio during the 90s show that, while the anti-export bias has been significantly reduced, some bias still persists. True, currency has to be devalued to keep exports competitive or sustain the level of exports, but frequent devaluation of a currency shows the inner weakness of an economy. Devaluation is merely a temporary measure for making exports competitive and there are other better effective measures to do the same. Reducing the cost of production is the best way of being competitive and for reducing cost productivity has to be increased.

Table I : Bangladesh: Exchange Rate

	FY90	FY91	FY92	FY93	FY94	FY95	FY96	FY97	FY98	FY99	FY00	FY01	FY02	FY03
Exchange rate (Tk./US\$)	32.9	35.7	38.2	39.1	40.0	40.2	40.9	42.7	45.4	51.3	53.7	57.43	57.9	58.96
BEER Index (base 1990=100)	100	98.2	92.2	91.7	91.2	92.4	92.1	96.7	104.1	103.3	101.9			
EER_m (Tk./US\$)			63.8	60.8	57.0	52.8	51.9	54.2	58.4					
EER_x (Tk./US\$)			38.5	39.7	40.5	40.5	41.2	43.2	46.3					
EER_m/EER_x			1.66	1.53	1.41	1.30	1.23	1.25	1.26					

Figure 1



2.4 Fiscal status

Outcomes of the fiscal reforms in 90s are presented in Table 2. The overall budget deficit GDP ratio started increasing after '97 although it showed a declining trend from '90 to '97. The average ratio for the entire period of 90-99 was 4.8%, which demonstrates the need for an improvement in fiscal management. The average tax-GDP ratio for the same period was about 7%, which shows a very poor

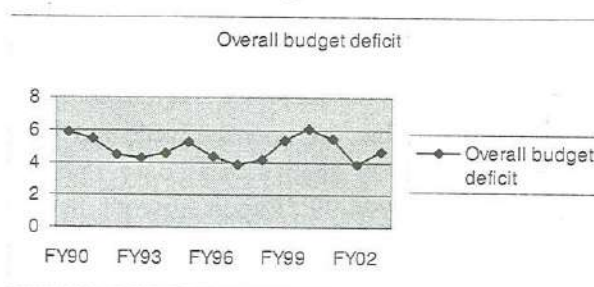
performance in tax collection despite an upward trend during 90s. Government expenditures have increased slightly as a ratio of GDP while current expenditures kept rising around the end of the decade. Huge current expenditure of the government is a severe drawback in Bangladesh. Involving huge current expenditure in running the state machinery not only shows the inefficiency of the government but also the level of corruption. Forming a huge cabinet consisting of more than 60 ministers is an example of corruption, because it indicates that the head of the government regards the interest of the party more than that of the state. It has been seen in the investigation that the party chief has offered portfolio to too many party leaders in order to avoid conflicts in the party. Development spending is comparatively far less than the current expenditure, but the shocking part is that substantial portions of the allocated money has remain unused due to inefficiency every year. Moreover, there is a tendency to undertake 'show projects' to attract people and ensure votes in the next election.

PSBR also has been huge mainly in the second half of 90s. Consequently huge interest payments every year has to be made, which exerts a depressing effect on the economy.

Table 2

Budget	% of GDP													
	FY90	FY91	FY92	FY93	FY94	FY95	FY96	FY97	FY98	FY99	FY00	FY01	FY02	FY03
Total revenue	6.9	7.3	8.3											
Tax revenue	9.1	9.3	9.4	9.1	9.5	9.6	9.0	8.3						
Total expenditure	5.8	5.9	6.7	7.3	7.2	7.4	7.3	7.8	7.6	7.2	6.7			
Current expenditure	12.8	12.8	12.8	13.4	13.9	14.7	13.5	13.0	12.7	13.3	14.5			
Overall budget deficit	6.5	6.6	6.4	6.8	6.8	6.8	6.9	7.1	7.4	7.6	7.7			
Overall budget deficit	5.9	5.5	4.5	4.3	4.6	5.3	4.4	3.9	4.2	5.4	6.1	5.46	3.92	4.75

Figure 2



Budget deficit had been around 5% during this period. In FY 97-98 it was the lowest(3.9%) was the highest (6.1%) in 2000. From 2001 it started falling. Tax collection in 2002 and 2003 has been satisfactory and contributed to reduce the deficit.

2.5 Export-Import

Trade policy reform was another integral part of globalization, which involved import liberalization and export promotion through various incentives. There was huge reduction in the number of quantitative restrictions on imports(QRs). The number of QRs was brought down from 315 in FY90 to 124 in the Import Policy Order 1997-02. At present, only 28 H.S.4-digit codes are subject to QRs for trade reasons, the remaining QRs being imposed for non-trade reasons such as health, safety, and national security. The number of H.S.4-digit codes whose import is banned on trade grounds was phenomenally decreased from 135 in the Import Policy Order 1989-90 to only 5 in the Import Policy Order 1997-02. Table 3 shows that maximum tariff rate was reduced from 350% (91) to 37.5%(00). The number of tariff slabs has been reduced from 17 to only 4 in this period. Between FY91 and FY00 the average tariff rate declined from nearly 89% to about 17% approximately. The average nominal protection levels fell from 89%(FY91) to 25%(FY00). The average effective protection levels fell from 76%(FY93) to 25% (FY00) approximately. Government made the procedures also much easier to facilitate imports. Table-3,4&5 show the picture clearly

Several export incentive schemes have been taken by the government in this decade. The Special bonded warehouse (SBW) facilities have been offered to exporters to import inputs on a duty-free basis under back-to-back L/C; this facility has currently been extended to all exporters. The duty drawback facility permits exporters to receive refunds of customs duties and other taxes paid on imported inputs. Cash compensation of 25% of the f.o.b value export is provided instead of duty drawback and the SBW facility. Export procedures have been made easier by allowing export without L/C, but on the basis of a purchase contract, agreement, purchase order, or advance payment.

In this period of liberalization both exports and imports have increased in absolute terms. Annual % growth in exports has increased very significantly from 14.86 in 1991-92 to 33.33% in 1994-95, but the country could not keep it up and fell tremendously to 3.79% in 1995-96, then increased to 15.58% in 1997-98. It became negative (-3.28%) in 1998-99. Export growth has moderately high (21.28%) in 2000-01, but became negative (-10.35) for the second time in 2001.

Table 3 : Trends in average and dispersion of tariffs

(in percentage)

	FY91	FY92	FY93	FY94	FY95	FY96	FY97	FY98	FY99	FY00
Average CD (unweighted)	88.6	56.7	46.8	35.8	25.4	22.2	21.5	20.7	20.2	16.7
Dispersion (co-efficient of variation)	72.0	71.9	65.6	68.2	75.6	74.4	75.7	74.4	72.4	82.1
Number of tariff slabs	17	17	14	11	5	6	6	6	6	4
Average licence fee		1.2	1.4	1.5	1.5	1.2	1.3	1.3	1.0	1.0
Top CD rate	350	350	300	300	60	50	45	42.5	40.0	37.5

Table 4 : Trends in average nominal protection

(in percentage)

	FY91	FY92	FY93	FY94	FY95	FY96	FY97	FY98	FY99	FY00
All tradables (unweighted)	88.6	67.4				27.1			27.2	24.7
manufacturing sector (unweighted)	89.0	67.8				26.9			27.3	25.0
All tradables (weighted)	42.1	28.7				22.3			20.3	
manufacturing sector (weighted)	51.8	27.3				24.1			23.8	

Table 5 : Trends in average effective protection

(in percentage)

	FY91	FY92	FY93	FY94	FY95	FY96	FY97	FY98	FY99	FY00
Average ERP			75.7	56.7	40.6	33.0	32.4	28.6	26.8	24.5

Exports increased slightly in 2002-03. This picture shows a very poor exports performance of Bangladesh. On the other hand, imports have increased at a greater pace. Annual growth rate in imports was 0.48 in 1991-92, it increased to its all time high 39.20% in 1994. It should be noted that in that year export growth was also the highest, which indicates a booming condition of the Bangladesh economy. A rise in imports indicates a rise in the real income of the people. But this situation changes abruptly and import growth fell to 16.04 in 1995-96 and had been low until 1990-00. It rose to 11.47% in 2000-01, became negative (-8.51%) in 2001-02 and rose significantly in 2002-03 to 12.99%. Trade deficit has remained huge throughout whole period and increased significantly. There are

two significant jumps in the trade deficits, one from FY93-94(1741.5) to FY94-95(2568.16) and then from FY94-95(2568.16) to FY95-96(3380.30). After FY95-96(3380.30) onward it continued to remain high and kept increasing except in 96-97 and 2001-02. The changes in trade deficit has been shown in both tables and graph.

To understand the impact of globalization, the pattern of exports can serve as a good indicator. The table-7 shows that the percentage annual change in manufactured exports has been greater than the percentage annual change in primary commodities exports in almost every year, which must be considered a positive sign.

Table 6 : Bangladesh Exports, Impots and Traed Balance

Year	Total merchandise exports	Annual %growth in exports	Total merchandise imports	Annual %growth in imports	Balance of trade	Annual % change in the balance of trade deficit
1990-91	1716.65		3509.25		-1792.6	
1991-92	1971.69	14.86	3526.0	0.48	-1554.31	-13.293
1992-93	2248.34	14.03	4071.03	15.46	-1822.69	17.26683
1993-94	2450.0	8.97	4191.51	2.96	-1741.5	-4.45441
1994-95	3266.48	33.33	5834.58	39.20	-2568.16	47.46827
1995-96	3390.30	3.79	6770.6	16.04	-3380.30	31.62342
1996-97	3880.80	14.47	7096.0	4.8	-3215.20	-4.88418
1997-98	4485.48	15.58	7519.80	5.97	-3034.32	-5.62578
1998-99	4338.54	-3.28	7865.38	4.6	-3526.84	16.23164
1999-00	4953.89	14.18	8374.28	6.47	-3420.39	-3.01828
2000-01	6007.97	21.28	9334.88	11.47	-3326.91	-2.73302
2001-02	5386.38	-10.35	8540.66	-8.51	-3154.28	-5.1889
2002-03	5741.28	6.59	9650.0	12.99	-3908.72	23.91798

Figure 3

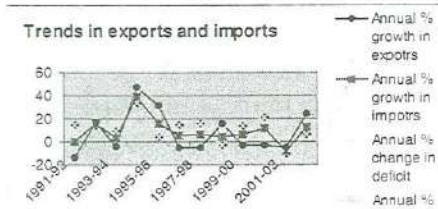
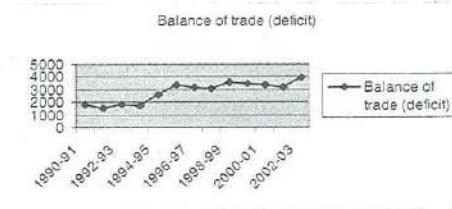


Figure 4



Annual percentage increase in imports has increased irregularly but not significantly more than annual percentage increase in exports, which is something very notable against the grumble against globalization. But there is an anti-growth

Table 7 : Commoditywise exports from Bangladesh during 1990-91 to 2002-03

	Value in million US dollars												
	90-91	91-92	92-93	93-94	94-95	95-96	96-97	97-98	98-99	99-00	00-01	01-02	02-03
A. Primary commodities	306.1	268.1	313.908	346.800	452.189	475.811	526.422	501.917	422.309	469.135	484.62	390.30	462.59
% annual change	-5.21	-12.7	+17.45	+10.48	+30.39	+5.23	10.63	-4.65	-15.86	11.08	+3.30	-19.46	+19.54
B. Manufactured commodities	1411.42	1726.66	2069	2187.1	3020.36	3406.6	3891.9	4659.3	4890.5	5283.06	5982.68	5595.79	6085.85
% annual change	+17.55	+22.33	+19.83	+5.71	+38.10	+12.79	+14.25	+19.72	+4.96	+8.03	+13.24	-6.47	+8.76
Grand total (A+B)	1717.55	1993.92	2383.89	2533.90	3472.56	3882.42	4418.28	5161.2	5312.86	5752.20	6467.30	5986.09	6548.44
% of annual change	+12.72	+16.09	+19.51	+6.34	+37.04	+11.80	+13.80	+16.81	+2.94	+8.27	12.43	-7.44	+9.39

Figure 5

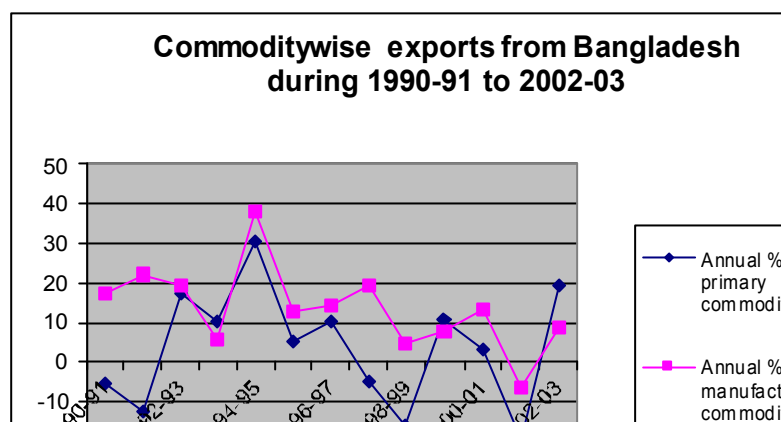


Table 8 : Commoditywise imports into Bangladesh during 1990-91 to 2002-03(In M.US \$)

	90-91	91-92	92-93	93-94	94-95	95-96	96-97	97-98	98-99	99-00
A. Primary commodities	306.1	268.1	313.9	346.8	452.2	475.8	526.4	501.9	422.3	469.1
% Annual Change		-12.41	17.08	10.48	30.39	5.22	10.63	-4.65	-15.86	11.08
B. Manufactured commodities	1411	1726	2069	2187	3020	3407	3892	4659	4891	5283
% Annual Change		22.32	19.87	5.70	38.09	12.81	14.24	19.71	4.98	8.01
Grand total (A+B)	1718	1994	2383	2534	3473	3883	4418	5161	5312	5752
% of annual change	12.72	16.09	19.51	6.34	37.04	11.8	13.8	16.81	2.94	8.27

Figure 6

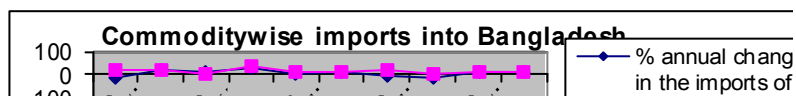
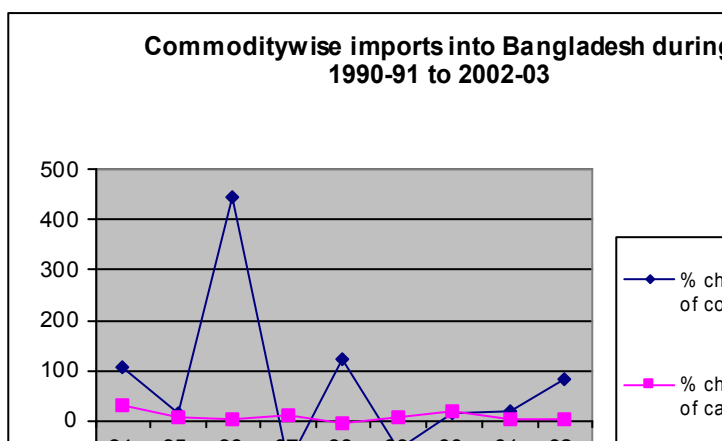


Table 9 : Commoditywise imports into Bangladesh during 1990-91 to 2002-03

Year	Value in million US dollars											
	91-92	92-93	93-94	94-95	95-96	96-97	97-98	98-99	99-00	00-01	01-02	02-03
A.consumer goods	280.4	326.62	*341.85	700.33	801.96	4360.94	628.77	1402.0	595.03	685.92	562.86	1025.32
%change		16.68%	4.66%	104.9%	14.51%	443.8%	-85.58%	123%	-57.55%	15.27%	18%	82%
B.Capital goods			1290.93	1692.27	1825.03	1894.85	2071.93	1968.99	2132.97	2515.56	2617.09	2651.98
% change				31%	7%	3%	9%	-5%	8%	17%	4%	1%

Figure 7



indicator that imports of consumer goods has kept on increasing at a much greater rate than capital goods (shown in Table- 9 and Figure-7). Globalization has developed a consumerist culture, but has not ignited production activities in Bangladesh.

2.6 Employment situation

In the one and almost half decades growth in employment opportunities has been far below the growth in the labour force. The rate of unemployment has increased from 1.18(89) to 1.95 (90-91) to 2.5(95-96) to 3.7 (99-00) in this period. The reality of the unemployment scenario is quite different. Underemployment is the major problem in Bangladesh. Openly the number of the unemployed in informal sector is small because visibly most of the workers have jobs but many of them work a few hours a day or they have no work in many days or some months in a year. The huge level of underemployment indicates a huge under-utilization of human resources, which decelerates economic growth and puts a bar to any rise in the living standard.

Sectoral distribution of employment according to BBS gives an awful trend of the employment creation in manufacturing sector. On average, agriculture has

Table 10 : Employment Situation in Bangladesh

Characteristics	LFS 1989	LFS 90-91	LFS 95-96	LFS 99-00
Labour force composition(million):				
Civilian labour force:				
Male	29.7	31.1	34.7	37.5
Female	21	20.1	21.3	22.8
Total	50.7	51.2	56	60.3
Unemployed population(Million):				
(a) Male	0.4 (66.70%)	0.6 60%	0.9 (64.30%)	1.4
Female	0.2 (33.30%)	0.4 40%	0.5 (35.70%)	0.8
Total Unemployment rate(%):	0.6	1	1.4	2.2
Total	1.18	1.95	2.5	3.7
Male	1.35	1.93	2.59	3.6
Female	0.95	1.99	2.35	3.8

Note: The figures in parentheses refer to the percentage share of total
Source: BBS

Table 11 : Population Labour Force and Unemployment

Year	Population	Labour force Age10 ⁺	Unemployed and underemployed	Unemployed and underemployed as a % of the total labour force
1999-2000	12.98crore	6.02crore	2.40 crore	39.87
2000-2001	12.99crore	6.21 crore	2.48 crore	39.94
2001-2002	13.16crore	6.41 crore	2.56 crore	39.94
2002-2003	13.34crore	6.62 crore	2.64 crore	39.88
2003-2004	13.81 crore	6.83 crore	2.72 crore	39.82

Source : BBS

provided 65% of the total jobs in the country. The average shares of industry and service sectors in the total employment have only 12.7% and 22.2%, respectively. Share of total employment provided by the manufacturing sector could not be increased at all in the period of accelerated free trade while contribution of the services sector has increased moderately well.

Unemployment is largely concentrated in the rural areas, and the incidence of unemployment among women has been increasing within the rural sector. Urban-rural breakdown of employment and unemployment provided by BBS says that about 30% of total unemployment occurred in urban areas and the remaining 70% occurred in the rural areas. Unemployment in rural areas has been rising, increasing from 0.4 million in 1989 to 0.9 million in 1995-96 and 1.6 million in 1999-00. Unemployment of women in the urban areas fell from 50% to 25% of total female workers. This decline in women unemployment may be explained by the increasing employment opportunities created by garments industries within and outside EPZs and by the construction industry as casual labour.

3 Challenges in front of Bangladesh

3.1 Investment challenge

The proponents of globalization believe that it brings in high rate of economic growth to the countries which have been able to integrate with the global process of free trade and that growth would alleviate poverty. It has not happened in Bangladesh. It used to be believed that there has been improvement in poverty reduction, but in the recent years the recurrence of monga (famine) in some districts has changed the belief. Besides, increasing unemployment and gap between the poor and the rich, have created apathy for globalization. The growth

is inadequate and revenue collection low to allocate money for poverty reduction and the cause of inadequate growth is a very low level of investment in both public and private sector. Three reasons for this low investment have been identified (Sobhan in 1997, Bhattacharya in 2000): Firstly, declining profitability of investment in manufacturing and increasing uncertainty caused by import liberalisation secondly, the decline in term loans to finance investment expenditures to widespread defaults and growing volume of classified loans, and thirdly, the high lending rate.

Despite the offer of the most attractive incentives to foreign investors FDI has not taken place significantly because of corrupt governance, deteriorating law and order situation, and political instability.

3.2 Export diversification

In the supply side, governments during 90s have appeared to be extremely inefficient in product and market development, in developing infrastructure, in arranging training for workers to improve their skill, whereas these supply side measures could help to diversify exports.

3.3 Future of the garments industry

Despite a phenomenal growth in the garments industry in Bangladesh, which covers 76% of its total exports earning and employing more than 1.5 million workers, 90% of which are women, the industry remained inefficient in terms of productivity mainly worker productivity. Productivity of Bangladeshi garment workers is far below those of its competitors namely South Korea, Sri Lanka, Hong Kong, China etc.(Rashid, Rahman, Reza,1998). Competitiveness of Bangladeshi garments in the world market has been possible only because of tremendously low labour cost. Behind the scene of the rise and growth of garments industry in Bangladesh there lies a story of labour exploitation and employment of child labour in inhuman conditions. The wages paid to the workers here are not even enough to keep their body and soul together. Their working condition, living condition, their health- everything is far below any standard. At the cost of the labour of the wretched workers, owners of garments industries have made phenomenal profits and government has not taken any measures to uphold the interest of workers. Probably because of the availability of this cheap labour neither the owners of the garments industries have tried to be competitive by increasing productivity nor has the government taken any supply side policy to improve the productivity in this sector. This negligence and the

above-mentioned labour exploitation will have to pay a heavy price now when quota facilities under Multi-Fibre Agreement from USA and Canada, and preferential tariff treatment under GSP scheme from EU are eliminated. Garments industry in Bangladesh, both woven garments and knit garments, is heavily dependent on the import of fabrics from abroad namely China, India and Thailand while these countries are also Bangladesh's competitors in the international garments market. Around only 20% of the total required fabrics is supplied by the local firms. Now these fabric supplier countries will take the opportunity and increase their garment exports using their own fabric. As a result Bangladesh garments industries may face shortage of raw materials and buy raw materials at higher prices, which will pull them down far below the height of competitiveness reducing export and revenue. This uncertainty regarding source of fabric and competing in an unrestrained trading environment will definitely have an adverse effect on garment export from Bangladesh.

It is sheer folly that Bangladesh has not developed its own industry to supply fabric to the garments industry, which brings in 76% of its total export earning and employs 1.5 million workers. It has been estimated that 242 new spinning mills, 475 new weaving mills of 200 looms each, 475 new dyeing and finishing mills, and 1,000 new knitting units are needed to meet the demand for woven and knit fabrics by the exporting garment industries. These should have been set up from the beginning of the growth of this industry by which it could increase the value addition in the last one and half decades and could avoid falling in such uncertainty. This task should have been completed at least by the middle of 2005. This backward linkage industry in the textile sector, besides keeping up the level of garments exports, could create a lot more jobs inside the country. Given the inability or the weakness of the country's own to perform the job, it could invite FDI offering attractive incentives in the textile sector producing fabrics.

To compete successfully in the quota-free arena, it is imperative that Bangladesh diversify the pattern and style of garments. Fashionable and high-priced garments will be high in demand. Therefore, Bangladesh must concentrate on manufacturing this type of garments. For the diversification of products and for increasing the productivity, Fashion Design Institutes need to be established and extensive training facilities need to be arranged for workers. Besides, Bangladesh must develop its bargaining power with adequate knowledge in relevant fields and strengthen diplomatic efforts to obtain preferential treatment for its garments exports to the USA.

3.4 Production relation

Employer-employee relation in Bangladesh is anti-productive. One of the main reasons of this is that employer-employee relation here is hostile. Activities of workers are suspected by the employers to be detrimental to the firm and decisions made by the employees are suspected by the employees to be something against their interests. A pro-productive and healthy production relation is extremely vital for enhancing productivity. A participatory decision making approach and a friendly relation in industries are at the height of importance. The owners or the people in management must make sure that each and every worker feel like an integral part of the organization. Besides, partnerships between workers and entrepreneurs should be developed by the initiative of the government. Government can hand over some SOEs to cooperatives consisting of workers and entrepreneurs and play a role in the flourish of a friendly employer-employee culture.

3.5 Market Access

Ensuring market access is as important as export promotion efforts, because exports can never be increased until Bangladesh can overcome restrictions on its way to exports. Some restrictions are mentioned below and comments are made regarding all these which might claim to be considered.

3.6 Labor standards and workers' unions in EPZs

The US argument that labor regulation and international competitiveness are inter-linked is true. But instead of the inclusion of the social chapter in the WTO agreement and imposing trade sanction in case of non-compliance, the matter of labor regulation should be left with ILO.

Government may take a position between the US insistence on the introduction of trade unions and the threat posed by the investors' countries (Japan, South Korea) of withdrawing investments from EPZs. Government can ensure workers' right to the full extent without letting them form unions. Because, on one hand workers' right has been extensively violated not only in garments industries and in EPZs but also in all industries both inside and outside EPZs, on the other hand, there is extremely bitter experiences of trade unions in Bangladesh. (Bitter experiences of trade unions in West Bengal of India is well known.) To reach a consensus, all the sides namely LDCs, developing countries, ILO and the OECDs, involved in this issue must sit together and Bangladesh must speak in a tone sympathetic to so far deprived workers.

3.7 Product standards

Instead of negotiating for the relaxation of product standards determined in the Uruguay Round Agreement under SPS and TBT, Bangladesh must comply with the international standard and endeavor to improve working environment and improve product quality. Bangladesh has incurred a heavy loss by a tremendous fall in exports of shrimps for the non-compliance with the importers' hygienic regulations.

3.8 Anti-dumping and countervailing action

It is very regretful that Bangladesh has been the victim of anti-dumping and countervailing action imposed by the USA and its terry towel export has been stopped. Exporters have failed to convince the American counterparts that Bangladesh's exports were neither dumped nor subsidized. Producers and exporters need to be better-equipped with the knowledge in the relevant fields.

3.9 Rules of origin

EU's GSP scheme was the major factor of Bangladesh's tremendous growth in garments exports but recently the rules of origin requirement imposed by the EU authority is likely to deprive Bangladesh of the zero-tariff access to EU markets. Here again instead of trying to convince the EU authority to withdraw or relax the regulation Bangladesh should immediately develop its backward linkage industries to fulfill the requirement of a two-stage conversion (yarn to fabric, fabric to garments) in the case of woven garments, and a three-stage transformation (cotton to yarn, yarn to fabric, fabric to garments) in the case of knit garments.

3.10 Privatization

Instructed by the World Bank and IMF, Bangladesh has taken a liberal privatization policy and so far privatized many SOEs and some have been closed, which have turned a lot of workers unemployed. The process of privatizing was faulty and biased and were sold at negligible prices to the people who are politically linked with the power structure. Besides the creation of huge unemployment, many workers have been turned into day laborers. Governments have never taken any effective measures to make the SOEs profitable, rather have blindly followed the instructions of World Bank and IMF in the name of globalization. Government wanted to get rid of financing the losing SOEs, but has ignored the cost of unemployment. The cost of unemployment and the loss of

GDP caused by unemployment may be much greater than the saving of money by getting rid of financing the losing SOEs. There are complaints that the retrenched workers were not paid their lump sum amounts and expansion of private investment in the privatized enterprises has not taken place.

True, SOEs can be made profitable, but given the corrupt bureaucracy and poor and dishonest governance, to cherish this hope would be impractical, that's why it may be suggested that government monitor the privatizing process properly and make sure that new owners do not cut jobs. Government should also establish training institutes and provide training to the workers free of charge.

3.11 Structural change

During the process of globalization no significant structural change has occurred in the industries of Bangladesh. Structural change should occur with changes in the demand pattern and market conditions abroad and retraining should be arranged for workers so that they adjust with the new requirements.

4. Conclusion

From the beginning of 90s till the present time, it has been seen that most of the fruits of globalization has been enjoyed by the developed countries because the principle of globalization is obviously biased to the countries where industries are more matured. A few of the LDCs have achieved higher rate of growth, but this growth rate does not truly reflect the average living standard of the people. Whether a country will benefit or lose out from globalization depends on two things. Firstly, the pace of the country's integration with the global process and its preparation for it, secondly, the degree of access facility offered by developed countries for LDCs' goods to their markets. For the second, all developing countries and LDCs need to be united and strengthen their negotiating position with the developed countries.

In Bangladesh growth rate during the whole of 90s and the foreign currency reserves in the last two years have increased, but unemployment, poverty and inequality have increased, which suggests that growth rate and foreign currency reserve are fake indicators of development.

Bangladesh alone cannot probably keep away from the process of globalization. What the country needs is a true democratic government which can offer good and efficient governance, has the honesty not to surrender to foreign agencies and the efficiency to determine the exact pace needed to be globally integrated and undertake wide and extensive preparation to reap the benefits of globalization.

Reference

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