

**THE HUMAN TOLL OF GLOBALIZATION:
Impacts on the Female Workers of RMG Sector in Bangladesh¹**

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Abstract

The economic globalization process within the WTO structure has a human cost. In most cases, success or failure of an economic liberalization process is measured through different economic indicators affecting productivity, cost and profit etc. Although, the social and environmental costs are now included in such analysis, the human cost is not always given adequate attention. This is also the case regarding the issues concerning WTO. To illustrate the human cost of the WTO initiated globalization process, the present paper takes the case of the process of MFA phasing out (under ATC) and builds a perspective of its costs and benefits based on the already manifested and potential impacts of the liberalization process on the lives of the female workers of the RMG sector in Bangladesh.

1. Background and Objectives:

The present paper is based on a study³ conducted by the researchers on the impacts of MFA phasing out on the livelihood security of the female RMG workers in Bangladesh. The paper also used some other relevant studies to put the findings of that study in a broader global context.

The major objective of this paper is not to provide an exact estimation of the human costs of MFA phasing out, rather to identify areas of impacts that need to be taken into consideration in estimating any such cost.

The importance of garment industry in national economy of Bangladesh has grown significantly over the last two decades. In 1998-99, the Ready Made Garments (RMG) exports accounted for 75.67 percent of the total exports of the country. There are about 3000 RMG manufacturing units employing about 1.5 million people. After two decades of phenomenal growth, the sector is destined to make a transition under phasing out of Multi Fiber Agreement (MFA) in 2005 through implementation of the Agreement on Textiles and Clothing (ATC).

The Multi-Fiber Arrangements refers to an international agreement entered in to by the governments of over forty countries to provide for special rules governing trade in textiles and garments made of cotton, wool and manmade fiber. This arrangement states a series

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³ INCIDIN Bangladesh for Action Aid Bangladesh, *A Study on the Probable Impacts of Phasing-Out of MFA upon the Livelihood Security of the Female workers of RMG Sector in Bangladesh*, September, 2001, Dhaka

of bilaterally negotiated quota restrictions on trade in textiles and clothing between individual developed country importers and developing country exporters. Under the quota, the exporter is allowed to supply a certain volume of textile and clothing products up to a specified ceiling, and it is up to the exporter to allocate the quota allowance among its domestic producers. Since 1974, world trade in textiles and apparel has been administered under the restraining rules of the MFA. The developed country signatories to this agreement were Australia, Canada, The European Union (EU), Finland, Norway, Switzerland and the United States. The MFA would be phased out through the implementation of the Agreement on Textiles and Clothing (ATC) in 2005 and will be governed by the general rules of the WTO.

The ATC is an attempt to put an end to the constant extensions of the MFA by agreeing a phase out plan, after which the textiles and clothing sectors will no longer be subject to quotas. Phasing out of the MFA protection system over a 10-year transition period was planned to be as follows:

- At the beginning of phase-I, on January 1st 1995, WTO Members were to integrate into the World Trade Agreement (WTA) products accounting for no less than 16% of the volume of their 1990 imports of textiles and clothing. These products were to include yarns, fabrics, textile products and clothes (although proportions were not specified).
- At the beginning of phase-II, on January 1st 1998, WTO Members were to integrate into the WTA at least 17% of the volume of their 1990 imports in the 4 categories mentioned above.
- In the third phase starting from January 1st 2002, WTO Members were to integrate into the WTA at least 18% of the volume of their 1990 imports in the 4 categories mentioned above.
- The remaining 49% of 1990 imports will be integrated at the end of the transition period of 01 January 2005. On January 1st 2005 the MFA will be fully phased out and the textiles and clothing sector is to be fully integrated into the WTA whereupon the ATC ceases to apply.

At present quota is imposed on Bangladesh RMG exports⁴ by only United States and Canada. A large proportion of the raw materials for RMG are imported from countries such as India, China and Thailand under back-to-back letter of credit facility. With the elimination of quota, Bangladesh is expected to loose the market share to the more efficient competitors like China, India, Republic of Korea, Thailand, Indonesia, Mexico, Turkey, Vietnam and with East European countries. On the other hand, the captivated market in the EU countries with the help of the schemes like General Systems of

⁴ Bangladesh has exported RMG products to as many as 85 countries. The main destinations however, have been U.S.A, Canada and EU countries. The average annual compound growth rate of exports from Bangladesh to the EU countries was 37.9 percent, while the same were 18.4 percent to U.S.A and 30.4 percent to Canada.

Preference (GSP) would be at stake because of EU's compliance with the Rules Of Origin (ROO)⁵ requirements. Since Bangladesh's indigenous capacity in spinning is negligible (about 5% of total requirement), it is not possible to comply with the three stage criterion of ROO. With the quotas phasing out, and preferential treatment for exports coming under threat, the export led RMG sector currently stands at an important crossroads⁶.

With the rapid expansion of RMG in the urban areas in the 1980's there has been a boost in independent migration by young women in Bangladesh. This gives us some perspective to the social mobility with the entry of women in the formal labor market and transition from the private to male dominated public sphere. However, not only the "pull" but also the "push" factors played determining role for this independent migration. Recent estimates suggest that between 85% and 90% of the garment industry is comprised of women. More than 90% of the garment factory workers are migrants from rural areas and the bulk of them (three quarters) migrated from landless families (Afsar, 2000).

A number of studies suggest that garment workers act as an important source of income for marginal families and households that are functionally landless, under-educated and without alternative means of generating wealth. The average family size of the woman workers was found to be between 4.1 and 5. Another study estimated that around 30% of women are the primary earners of their families while the others are secondary earners.

Although MFA phasing out process is yet to reach the stage of complete implementation of ATC, RMG export of Bangladesh is facing trouble due to lack of market access and discriminatory treatment in US market. The situation has further aggravated after September 11th. A survey conducted by BGMEA, immediately after the terrorist attack of September 11th revealing the closure of 6737 production units didn't lead to any government measure as the major concern of the then caretaker government at that time was to hold a " free and fair election". However, the election promise of the newly elected party to set up a separate ministry for garments sector, coupled with a dearth of orders in the after-attack global political landscape motivated BGMEA to seek immediate government assistance to rally all out efforts to protect the RMG sector. The newly elected government, on the other hand, handicapped with the record low foreign exchange reserve, although in vain had to carry out a massive diplomatic push to get duty and quota-free access of RMG to the US market. Being the main export earning sector (76% of total export earnings in 1999-2000) for Bangladesh, the recent crisis of the RMG sector has also drawn the attention of the international agencies like EU, ADB and others. However, the concerns regarding the sector, seldom include the concerns of its workforce.

The paper in contrast, places the entire discussion on human ground; from the perspective of labor and livelihood security of those who supply labor. The paper defines the concept of livelihood security with both economic and non-economic components. It needs to be

⁵ Under the rules of origin's requirements, a two-stage transformation is required for woven RMG and, for knit RMG; a three-stage transformation (cotton to yarn, yarn to fabric, fabric to RMG) is required.

⁶ Bhattacharya, Debapriya and Rahman, Mustafiz.2000

⁷ Another survey of BGMEA indicate that total of 1200 no. RMG factory have been shutdown "Between" January 2001 to December 2001.

mentioned that the concept has evolved through the study process⁸ through interaction with the female RMG workers. The components of livelihood security includes:

- Economic security (wage, employment status, net income, consumption, savings)
- Control over resources
- Skill development
- Life options and planning (access and capacity)
- Empowerment in terms of decision-making
- Participation (access, ability and opportunity)
- Cultural transformation and acceptance
- Access to institutions (both formal and informal)
- Access to infrastructure
- Access to information
- Mobility
- Contribution to family and community
- Position in family and community (self and community perception)
- Self identity and esteem
- Physical, social, psychological and job safety

This paper therefore does not treat the issue of livelihood security as a static phenomenon; rather it has considered the issue of livelihood security as both a process and outcome. More specifically, when it comes to the question of livelihood security, the paper identifies the changes that have come over to the life status of the female workforce as a result of their involvement in the RMG sector as well as the nature of those changes, the quality and consequences of those changes and sustainability and direction of those changes.

In an attempt to assess the overall change in the livelihood status across the female workers⁹ in relation to MFA phasing out, we may summarize that among other factor, the degree of vulnerability varies with the income level and the number of earning members in the family. `

2. Components of costs on livelihood: Post MFA concerns

For this section, the human cost of globalization has been defined as the burden of liberalization imposed on the female workers of the RMG sector in Bangladesh. Given the assumption that around 80 percent of the RMG manufacturing units of the country will be wiped out with the implementation of ATC, we will identify the implications of

⁸ INCIDIN Bangladesh for Action Aid Bangladesh, *A Study on the Probable Impacts of Phasing-Out of MFA upon the Livelihood Security of the Female workers of RMG Sector in Bangladesh*, September, 2001, Dhaka

⁹ For the previous study, the research team conducted 12 Focus Group Discussion (FGD) comprising 123 female workers, along with the in-depth follow-up of 15 female workers and their families to cross check the information provided in FGDs. The study also included 123 structured interviews of female garments workers (Low Paid-67, High Paid-56).

unemployment in terms of livelihood security of these workers. These findings are estimated based on the study mentioned earlier¹⁰.

2.1 A Farewell to Economic Empowerment

The average income for almost three-quarter (73.8%) of the helpers ranges between Tk.1000- 1500 and that for 89.6% operators ranges between Tk. 1500 and Tk.3000. In EPZ the nominal wage is comparatively higher; ranging from 1500-2000/= for helpers and up to 3500/= for operators. The regularity of earning, along with the visibility of their contribution to the family, no matter how small, has worked as the major stimuli to work. But solely the level of income should not measure this economic and social empowerment. Paid employment may be a necessary condition for challenging intra-household hierarchies, but it is not sufficient¹¹. In most of the cases the wages were pooled under household budget for the married workers or the workers residing with their families. The notion, on the part of the sample workers, was not to exercise the full or partial control in the economic decision making either. Moreover, the role of the rural women (who through migration joined the sector as workers) has tended to be underplayed both in the social recognition accorded to the RMG sector as well as in the distribution of *rewards* from the explosive growth of this sector (Sobhan, Rehman, 2000).

Even with all these limitations, two significant points need to be highlighted:

- The low-paid workers, who are with their family in Dhaka, pay all their money to their parents. In the case of those without family after paying the house rent and other expenses they virtually do not have any surplus money to contribute to their family residing in village. However, 46.6% of sample workers claim to contribute a significant part of their income to the families.
- Only 28.3% of the sample workers reported to have minimal savings and thus have not been able to invest in asset generations. 26.67% of the low-paid workers have been able to generate assets after joining this sector. Major form of asset is ornament apart from that include other investing in agricultural land or release from mortgage the previous one came as the most feasible option as far as productive asset generation is concerned. Almost all the *high paid workers* (85.7%) have been able to increase their asset. Almost all of them have bought some ornaments and some of them have bought land.

As such, although, the quality and extend of empowerment can be questioned, one cannot but recognize the economic power originating from the employment of the female workers in the RMG sector. If as projected in a study, .35-.40 million of workers of the RMG sector becomes unemployed as a result of MFA phasing out, at least 1.6 million members of poverty stricken households face further economic hardship.

¹⁰ *INCIDIN Bangladesh for Action Aid Bangladesh, A Study on the Probable Impacts of Phasing-Out of MFA upon the Livelihood Security of the Female workers of RMG Sector in Bangladesh, September, 2001, Dhaka*

¹¹ Kabeer, N. (p.50)

2.2. Loss of Acquired Identity

The female garment workers constitute a new urban workforce. Their very emergence led to moral and cultural transformation at family and societal spheres; working in the public domain, dominated by male colleagues has in general being accepted by their families. As the previous study revealed:¹²

- Family members of almost 85% of the female workers have positive attitude towards work in the garments factories. The redefined role of the then economic liabilities was welcomed even at the cost of the social humiliation.
- In some cases the female employment changed gender relation and roles within family and marriage. One married respondent in Tejturi Bazar said, 'My husband cooks the food for me when I am busy at work'.
- Almost 90% of the respondents previously were unemployed or worked as family laborers where their labor was neither recognized nor measured in terms of cash. Only 10% of the respondents said that they were in other profession before, in farming activities and in housemaid's job. All of the respondents said that the small cash earnings worked as major stimuli to work even with all the unavoidable occupational hazards.
- Almost all of the respondents recognize the fact that there occurred a distinctive cultural transformation in their lives after coming to the Dhaka city. The respondents consider that their new productive role in the society have helped them to become more smart, intelligent, self-aware, free, concerned about the society etc. '*Had we met in our villages, we never would have sit for discussion with some unknown men*', said one respondent in the FGD that took place in RMG worker's hostel in Pallabi. Many of the high paid workers who are in Dhaka for at least 3 years have visited the zoo and children's park.
- Most of the workers expressed caution about early marriage and early conceiving. They also ascribed importance of education and expressed their strong desire to provide support for their children or younger siblings.

The study¹³ further indicates that the female workforce of the RMG sectors is not primarily motivated to improve the quality of life, the employment in RMG sector is primarily viewed as a survival strategy. Given the nature of psychic cost associated with the entrance in the formal labor market, it is extremely difficult to assess whether the female workers have anyway improved their living standard. The salary structure and the dominance of family hierarchy in the economic decision making process also impeded the attainment of the basic requirements of the urban life.

¹² INCIDIN Bangladesh –Action Aid Bangladesh, 2001

¹³ INCIDIN Bangladesh –Action Aid Bangladesh, 2001

Moreover, there is no easy means of measuring quality of the urban living. As for example the female workers have displayed poor knowledge regarding legal rights while there exists several reports on violation of human rights of the garments workers. However, the female workers themselves have expressed satisfaction regarding different areas on which studies reveal dissatisfactions;

- Almost all the respondents claimed to be happy about their present housing.
- 95% of the respondents said that they have heard that the hooligans often harass RMG workers but they have not yet faced with such things.
- Despite the time constraints resulting from the long working hours, some 30% of the respondents think that their mobility increased after joining the RMG sector. Interestingly most of them were unmarried workers living away from their family. 'Our parents did not allow us to go here and there while we were in the villages', said some of the respondents in the FGD at RMG women worker's hostel in Pallabi

The paper rests that it is not a major question whether the female workers of the RMG sector have gained a higher standard of life, the concern is whether the transformation of these women into industrial workforce will sustain over time. This is important when the economic necessity that initiated this transformation is taken into consideration.

2.3. Burden on the workers

Like any other reforms, MFA phasing out will create some losers (some even in the long run) and could exacerbate poverty, even if temporarily. If, trade reform leads to more or less complete changes in activities, there is a possibility that risk increases, as the new activity is riskier than the old one. Similarly, if a reform makes it more difficult for the poor to continue their traditional risk-coping strategies, it may increase their vulnerability to poverty even if it increases mean incomes.

In terms of livelihood security the prospect of alternative income sources needs to be looked into to have the answer regarding how big a burden the poor workers of the RMG sector need to shoulder. Given the nature of sector-specific skill requirement in RMG sector and the limited access to institutions and information, the possibility of alternate employment is restricted. Moreover the majority of the workers themselves are not aware of the options and are not taking any precaution as they lack awareness regarding the imminent risks associated with MFA phasing out.

In the previous study¹⁴, Majority (64.2%) of the low paid female workers, do not have any idea what so ever about MFA phasing out. Those who have at least heard of it (49.6%), 75% came to know from the co-workers. The high-paid sample workers are more aware of it (66.1%), for whom neighbors (27%) and media(8.1%) came out as an additional source of information. Regarding the reason behind this phasing out, 86.5% of the high-paid workers failed to specify and 12.5% of the low-paid ones were misinformed.

¹⁴ INCIDIN Bangladesh –Action Aid Bangladesh, 2001

The same study finds that there are not much options at hand of the workers as well. Tailoring, the most pronounced best alternative (25.0% of high-paid respondents) remains questionable given the division of labour existing in the RMG production sector. Deficient skill level, along with the hugely competitive urban strata, at best enables them to go for low-paid contractual jobs in the neighboring tailoring shops. Their vulnerability may be further increased with the projected high inflation as the aftermath of MFA phase out.

12.5% of the high-paid respondents cited the options for poultry, fishery, dairy farms and other forms of agriculture as well. Their *good wishes* are constrained by the capital shortage and size of the rural economy, which compelled them for migration at the first place. Even being the breadwinner of the family, the ownership of the assets generated out of the respondents' earnings, shows a marked male dominance and the income generated from those assets may not provide the expected support to the respondents.

The female workers have univocally explained that they lack the required level of education and the time for skill-development in any other sector that may demand technical or educational base. The long work hours restricts the possibility of training at this stage and even after the job loss, it would be less likely for them to explore the very idea, unless they are provided with adequate government allowance for the training period. Another possible option and probably the easiest one was to look for the job of house maid. However, only four of the low-paid ones consider this as a possibility. The huge trade-off with their apparently *independent* life-style possibly couldn't outweigh the allurements of the *secured* life as a housemaid.

Loss of job in garments factory has also an implication regarding the geographic location of the redundant workforce. As the majority of the workers arrived as economic migrants to the city centers, loss of paid employment will take away the economic basis of urban address. This becomes clear when the option of shelter and support after unemployment is taken into consideration. From the findings of the earlier study¹⁵, it is seen that the perceived trend of re-ruralization is stronger for low-paid unmarried workers (62.7), as most of the married workers' husband is working in different sectors or have the higher probability of being employed immediately after the retrenchment. The re-ruralization will definitely aggravates the existing disguised unemployment in the rural sector. As most of the workers came from hard-core poverty group, their return along with the loss of their income will hasten the process of economic recovery on the part of the family as a whole, even if the contribution is insignificant and the push factor can be stronger this time. Apart from that the displacement also has a high opportunity and psychic cost.

3. Toward a check-list for the policy makers

The connection between trade policy and poverty is manifestly a very complex topic with scope for only few generalizations. If trade liberalization and poverty were both easily measured, and if there were many historical instances in which liberalization could be identified as the main economic shock, it would be simple to derive simple empirical regularities linking the two. Unfortunately, none of these conditions is met, and so we are

¹⁵ INCIDIN Bangladesh –Action Aid Bangladesh, 2001.

restricted to examining fragmentary evidence on small parts of the argument. The analysis above, however, does suggest some important questions that should be posed about any prospective trade reform.

In below some of the major questions¹⁶ are posed with brief discussion in relation to the MFA phasing out and its prospective impacts on the livelihood security of the female workforce of the sector. The underscored issues also indicate the areas which should be taken into consideration to formulate any cost function of MFA phasing out apart from purely economic considerations of efficiency.

3.1 Is MFA phasing out likely to destroy effective markets or create them; will it allow poor consumers to obtain new goods?

One of the most direct effect of trade reform on poverty is via the prices of goods/services in which poor households have large net positions. MFA phasing out is going to generate a shock that completely undermines an important market; the market of urban female formal labour in RMG. Therefore it is likely to have major poverty implications. Similarly, as there appears to be little scope of bringing new opportunities, goods or services to the poor, unemployed/would be unemployed workers that can greatly enhance welfare, the negative impact is likely to prolong.

3.2 Is MFA phasing out likely to affect different household members differently?

Within a household, claims on particular goods and endowments of particular assets (labour) are typically unevenly distributed. The loss of job of female earners can be expected to result in a loss of voice, increase subordination and further marginalization of the unemployed female workers. This may lead to further aggravation of discrimination against women at family and community levels.

3.3 Will spillovers be concentrated on areas/activities of relevance to the poor?

Sectors of an economy are interlinked and, if substitutability is high, a shock will be readily transmitted from one to another.

Projected Impact Box

Socio-economic Impact	Indicators
Unemployment	• 0.35-0.4 million workers (in total) will be unemployed
	• 0.31-0.36 million Female workers will loose job
Production	• Closing of 1280 production units
	• 40%-50% reduction in Cutting and Making price
	• Abandoned machinery and equipment without any alternate use

Source: Projected values based on relevant research papers and news reports.

¹⁴“Is the WTO serious about reducing world Poverty?” Oxfam International, October 2001

This may lead to a greater market recession resulting in further reduction in demand for cheap labor.

3.4 What factors are used intensively in the most affected sectors? What is their elasticity of supply, and why?

RMG sector is extensively using the cheap labor of female workers. If the prevailing wage is determined by subsistence levels, inter-sectoral mobility of workforce has no perceptible effect on poverty. If, on the other hand, the negatively trade-affected sector pays higher wages, displacement of workforce from that sector will aggravate poverty. Falling unskilled wages generate poverty only to the extent that the poor depend disproportionately on such wages. Based on this framework even if the displace workforce is employed in other existing sector the poverty situation will aggravate due to loss of wage.

3.5 Will the MFA phasing out actually affect government revenue strongly?

One’s immediate reaction is that cutting tariffs will reduce government revenue. While in the limit this clearly true—zero tariffs entail zero revenue—many trade reforms actually have small or even positive revenue effects, especially if they convert NTBs into tariffs, remove exemptions and get tariff rates down to levels that significantly reduce smuggling. Even where revenue falls, it is not inevitable that expenditure on the poor will decline. That, ultimately, is a policy decision. However for MFA phasing out the discussion leads to concludes that, it will generate negative effect on government revenue, as RMG is a major portion of Bangladesh export.

Projected Impact Box	
Area of Impact	Indicators
Macroeconomic	<ul style="list-style-type: none"> • Reduced export earnings (6.19% of total export earnings)
	<ul style="list-style-type: none"> • Low foreign exchange reserve (US \$ 1.06 billion)
	<ul style="list-style-type: none"> • Low export growth within the sector

Source: Projected values based on relevant research papers and news reports.

These macro economic implications may lead to widening the gap of government of Bangladesh’s capacity to deal with poverty.

3.6 Will MFA phasing out lead to discontinuous switches in activities? If so, will the new activities be riskier than the old ones?

If within the present phase of trade liberalization Bangladesh had the option to combine ‘national’ and ‘international’ activities, it would most likely reduce risk. However for Bangladesh the foreign markets are not likely to be less variable than domestic ones.

For this we need to assess if quota restriction (which will wither way through ATC) is beneficial for Bangladesh RMG export or not. This can be explained by comparing

whether the European Union (with less quota support for Bangladesh) is a more competitive market than the United States. This can be assessed by the volatility of ranks of leading clothing exporters in the two markets measured with the help of the Kendall coefficient of Concordance (KCC). The concordance coefficient lies between zero and unity. If the ranks of leading exporters change little over time, the coefficient will be close to unity. On the other hand, if ranks of leading exporters change substantially, the coefficient will be close to zero, suggesting the existence of volatile comparative advantage or what Bhagwati and Dehejia(1994) called, "kaleidoscope comparative advantage" in clothing¹⁷.

A recent study has computed KCC for 17 years, covering the 1980-96 periods. The number of leading clothing exporting countries in the US, European Union, and the world market considered is twenty-five. It is striking to note that for the three SITC categories :outer garments (8429), men's shirts (8441), and knitted undergarments (8461), which are dominant in clothing exports from Bangladesh, the European Union has lower KCC. This suggests that for categories of clothing in which Bangladesh now specialize; the European market is more competitive and volatile, compared to the US market. Among other factors, the greater competition in the European market can be attributed to the facts that this market is relatively less restricted by MFA quantitative measures, compared to the US market.¹⁸

If, however, trade reform leads to more or less complete changes in activities, there is a possibility that risk increases, as the new activity is riskier than the old one. Getting back to the case of the female workers, at home market this can be seen from the responses of the sample workers of a previous study¹⁹. The study shows that, despite the social barrier and uncertainties (such as risk of abuse and trafficking), the sample workers revealed their strong preference (73.1% & 53.6% of low-paid and high-paid ones respectively) for overseas employment. The opportunity of higher income (63.3%) and progress (24.1%) came along as the primal factors behind their choice.

3.7 Does the MFA phasing out depend upon or affect the ability of poor people to take risks?

The female RMG workers, being economically poor, cannot bear risk easily. Because the consequences of even small negative shocks are so serious for the poor, they may be unwilling to take opportunities that increase their average income if they also increase the chance of losses. This might leave them with only the negative elements of a reform package. Similarly, if WTO-initiated reform makes it more difficult for the workers to continue their traditional risk-coping strategies, it may increase their vulnerability to poverty even if it increases mean incomes.

¹⁷ Center for Policy Dialogue report-18: The textile and clothing Industry of Bangladesh in a changing World economy,December-1999.

¹⁸ Center for Policy Dialogue report-18: The textile and clothing Industry of Bangladesh in a changing World economy, December-1999.

¹⁹ INCIDIN Bangladesh-Action Aid Bangladesh, 2001

In the context of MFA phasing out, the female workers are exposed to a higher degree of uncertainty and risk factors, because of two aspects:

- In a recent study²⁰, it has been found that, the majority (64.2%) of the low paid female workers do not have any idea what so ever about MFA phasing out. Those who have at least heard of it (49.6%), 75% came to know from the co-workers. The high-paid sample workers are more aware of it (66.1%), for whom neighbors (27%) and media (8.1%) came out as additional sources of information. Regarding the reason behind this phasing out, 86.5% of the high-paid workers failed to specify and 12.5% of the low-paid ones were misinformed. Thus a large number of workers are either not aware of the risks or has poor quality of information regarding the risks. This decreases their capacity of coping the changed scenario in post-MFA phase.
- The same study shows that among the sample workers, only three of the female workers have switched to brick breaking after joining RMG factory. Sector-specific skill development impedes the provision for alternate jobs in most of the cases. More importantly the inter sectoral job mobility for the RMG female workers, is directed downward as far as wage and employment status are concerned.

It should also be noted that although riskier, an economically sensible option for the unemployed female workers of Bangladesh could be migration to countries where demand for their labor may expand. But this choice cannot be explored because of the restriction maintained on movement of natural persons. Although India and other developing countries have already placed the demand that in order to have increasing participation of developing countries in trade in services there is a need for greater freedom of movement of natural persons, particularly professionals, not much progress has been made. Under the General Agreement on Trade in Services (GATS) each participating country is required to accord “immediately and unconditionally” Most Favored Nation (MFN) treatment to services and service-suppliers of all participating countries. The preamble to the agreement speaks of facilitating “the increasing participation of developing countries in trade in services and the expansion of their service export”. At the same time, however, the same agreement gives a participating country the right to “regulate the entry of natural persons into or their temporary stay in its territory”. Clearly, when it comes to “the expansion of their service export”, the developing countries do not enjoy the freedom of exporting their labor, be it skilled, semi-skilled or unskilled, even though these countries are well endowed in labor-intensive services. By confining the movement of labor, the GATS agreement was evidently not being very serious when it spoke of facilitating the expansion of service export of the developing countries. Given this existing framework, option of migrations of female workers of Bangladesh does not appear to be feasible.

3.8 If the MFA phasing out is broad and systemic, will any growth it stimulates be particularly unequalizing?

²⁰ INCIDIN Bangladesh-Action Aid Bangladesh, 2001

Economic growth is the key to sustained poverty reduction. Only if it is very unequalizing, will it increase absolute poverty. At present this appears to be the case. At global level there is a 'playing ground' of the trading partners, which is not equal at any respect. The concept of achieving an equal playing ground has also been identified as an impossibility. The world economic reality reveals an ever-increasing gap between the rich and poor countries. According to the World Bank's Development Report (1988), the per capita Gross National Product (GNP) of the 20 richest countries was \$ 12,960 for 1986, with an annual growth rate of 2.3%. A simple calculation reveals a per capita income of \$ 298.08. The per capita GNP for the poorest 33 countries in that year was \$270, with an annual growth rate of 3.1%. Accordingly the per capita income of these countries stood at \$8.37. Based on these statistics for these poorer countries to equal the \$298.08 of the developed economies an annual growth rate of 110.4% would be required.

Therefore, if the least developed economies strive to catch up the developed economies they need to achieve a very high growth rate (i.e. 110.4%). Even if they can achieve this growth rate (the possibility of which is extremely slim), assuming the growth rate to be unchanged, the poor countries will require 127 years to reach the 1986 income level of the rich countries. Moreover, almost half a millennium (i.e. 497 years) will be required by the poor countries to overtake the rich countries. Thus given the present context of economic dualism, the concept of 'catching up' can hardly be considered feasible.

If global trade is considered as the means of economic progress, the prospect of the least developing economies is not also so bright; the LDCs with 10% world population, have only 0.3% of world trade - and this is half the proportion of two decades ago. Nevertheless, the least developed and developing economies are rapidly liberalizing their trade under WTO. This also has poverty implication at national level. The process of liberalization, which has become more or less the key word of the trade policy of the poorer economies, should be dealt with caution.

Therefore, MFA phasing out may generate unequal stimuli leading to widening the poverty gap not only between 'developed' and 'underdeveloped' economies but also among the 'underdeveloped' economies. This once again will have impact on wage and employment situation for a country like Bangladesh.

3.9 Does the MFA phasing out lead to a negative impact on identity and esteem of poor and marginal?

Our discussion regarding the prospective position of the female RMG workers does reflect that the identify of 'urban formal industrial workforce' acquired through RMG sector, may not sustain for the majority of the workers in the post MFA phase in Bangladesh. The female workers' identity and esteem of independent earners also face the same risk. The pain of lost dreams and agony of bygone esteem may be a difficult proposition to put in monetary terms, but cannot be excluded from analysis in estimation of cost of reform in the RMG sector.

The paper leaves with a call towards the policy makers to consider these areas of concerns of human catastrophes while estimating cost-benefit of the WTO led liberalization process. The paper urges all to focus on the non-monetary costs; especially on the human toll of the liberalization process while assessing success and failure of any measures under WTO.

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