



Assessing and Addressing the Effects of Trade on Employment (ETE) Project

We are very happy to send you the second issue of the quarterly e-newsletter of ETE project in Bangladesh. This newsletter is a forum for information about the trade effects on employment issues and the activities of the ETE Project. Our aspiration is to reach a large number of readers and to further engage and enhance cooperation with our stakeholders, constituents and key partners. This issue gives highlights of the recent events and activities of the Project and an interview of the Chief Technical Adviser of the project on trade and employment issues of Bangladesh. Thank you for your continued support and feedback and look forward to connecting with you with more updates in coming months. Please feel free to share your suggestions and thoughts on trade and employment and e-mail us at **ete_dac@ilo.org**.



EC/ILO Project -Assessing and Addressing the Effects of Trade on Employment

Objective

Analyzing and supporting formulation of effective and coherent trade and labour market policies to address the effects of trade on employment and expand creation of decent work

Duration: 4 Years (2009-2013)

Expected results:

- Have a better understanding of the link between trade and employment in Bangladesh;
- Have the capacity to assess the impact of trade on employment in all tripartite group members;
- Supported the design of coherent trade and labour market policy;

Recent ETE events in Bangladesh

Capacity building of Policy Makers and Social Partners

The ETE Project in Bangladesh and International Training Centre (ITC)-ILO jointly organized a tripartite training on 'Assessing and addressing the Effects of Trade on employment: an Introduction to Social Accounting Matrix and Multiplier Analysis'. The training was held from 13-15 February 2011 at BRAC Centre Inn, Dhaka. The training aimed at strengthening the participants' skills to empirically analyse the effects of trade on employment using a Social Accounting Matrix (SAM) and multiplier analysis.

Mr Md Ghulam Hussain, Secretary, Ministry of Commerce was present as the Chief Guest in the inaugural ceremony. Other speakers include Ms Rozana Wahab, representative, EU Delegation to Bangladesh, Mr Kaihan N Rahman, Member Bangladesh Employers' Federation and Mr Zafrul Hasan, Chairman, National Coordination Committee on Workers Education (NCCWE) were also present. Mr. André Bogui, Country Director, ILO Office for Bangladesh delivered the welcome speech whilst Mr David Cheong, Chief Technical Adviser of ETE project made the introductory remarks.

The opening session was followed by a technical presentation on Trade and Labour Market Policies in Bangladesh: sharing perspectives, experiences and way forward. Mr Fakhrul Ahsan, Chief, General Economics Division, and Planning Commission made the presentation which was then followed by lively debate and discussions among experts, social partners and policy makers.



Chief Guest Mr Md Ghulam Hussain, Secretary, Ministry of Commerce making remarks at the inaugural ceremony



ILO Country Director, Mr André Bogui delivering the welcome speech at the inaugural ceremony.

A blended approach was adopted for the training which combined individual presentations by experts and a series of hands-on exercises to gradually introduce participants to SAM and Multiplier analysis. The ILO staff (including the ILO-ITC Turin Centre) developed the course modules and facilitated the course with the assistance of the national experts.



Participants during the training session



Mr Fakrul Ahsan, Chief, GED, Planning Commission (left) in a technical session

In order to promote the proficiency of the participants in the use of SAM and Multiplier Analysis and to receive more hands on experience, weekly follow- up training sessions were carried out for the same participants. Participants were divided into groups and conducted simulation exercises under the guidance of Dr Selim Raihan, Associate Professor, Department of Economics, Dhaka University. Four scenarios of trade agreements: (1) SAFTA (2) BIMSTEC and (3) LDCs duty free access to the developed countries have been chosen by the participants to assess the impact of trade and trade liberalization on employment. The Training was implemented in partnership with SANEM (South Asian Network for Economic Modeling) Secretariat, Dhaka.

A total of 17 representatives from various agencies such as the Ministry of Labour and Employment, Ministry of Industry, Ministry of Finance, Ministry of Commerce, Economic Relations Division, Bangladesh Bureau of Statistics, Export Promotion Bureau, National Board of Revenue, Employers' Federation as well as Trade Unions participated in the technical training and follow up sessions.



Dr Selim Raihan facilitating simulation exercise in a follow up session

Participant's Experience



Shafiul Islam
NCCWE Representative



Md Shahadat Hossain
NCCWE Representative

In August 2010 we have attended the first tripartite training where we have learned theoretical and conceptual issues while this technical training provided us with analytical tools and techniques and hands-on experiences to use them. We believe what we have learnt throughout the training will help us to better participate in future policy discussions on trade and employment issue. We hope ILO will arrange more training program on the SAM and Multiplier Analysis for the development of the Trade Union members and many many thanks to the ILO-ITC and ETE project.



Mr Kabir Uddin Ahmed
Deputy Director, Bangladesh Bureau of Statistics

This was a great training that substantially enhanced my analytical skill. The training combined Following features superbly:

- Sufficient information*
- Professional resource persons*
- Good teaching material*
- Great simulation exercises to have hands on experiences*

The diversity of the participant population was stimulating and a rewarding experience- both socially and intellectually. I truly relish this opportunity to interact and exchange ideas with fellow participants from different occupational sectors. The training was ideal for me in terms of professional needs and my research interest.



Shaquib Quoreshi
Secretary, Bangladesh
Employers' Federation

On behalf of the participants, and on behalf of my organization, Bangladesh Employers' Federation (BEF), I thank the International Training Center (ITC), ILO Bangladesh Office, the European Commission, and the facilitators for this valuable training workshop. Participants have gained useful knowledge and insights on the linkages among different economic factors, and the mechanism to

assess the effects of exogenous variables on the endogenous ones.

We often come across policy decisions like the Government's economic stimulus package to offset the effects of the global recession, the subsidy on non-urea fertilizers, and we hear that such policies would bring in benefits for our exporters and farmers, and hence for the overall economy. This training would help us, the participants from the Government, workers, and employers – the tripartite constituents of the ILO, to assess the merits of such claims in a more objective manner.

ETE research

National Study on Economy wide Effects of Trade on Employment in Bangladesh

ETE project is conducting a study on the cross-sectoral impact of trade liberalization on employment in Bangladesh economy which is being conducted by Dr Selim Raihan, Trade Expert and Associate Professor, Department of Economics, Dhaka University. The study will be using three relevant scenarios containing the elimination of tariffs such as under the Doha Scenario, India-Bangladesh bilateral FTA, and the BIMSTEC (Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation) Free Trade Area.

The study will identify the following issues:

- The link between trade and/or trade liberalisation and employment and mechanisms that significantly influence the link between trade or trade policy reform and employment
- Effect of trade policy changes on the distribution of employment and/or wages as well as on the quantity and quality of national employment
- Impact of trade or trade-induced investment on workers' skill levels
- Gender implications of trade on employment
- Pro-development trade and labour market policies and the coherence between these policies

The findings of the study will be shared in an international conference on trade and employment in April 2011 in Manila.

In the Spotlight

In conversation with Mr David Cheong, CTA, ETE Project, ILO-Geneva

Mr Alamgir Khan of Dhaka Courier talked to Mr David Cheong, about the project and the trade and employment issues in Bangladesh during his recent visit to Dhaka. This interview was published in Dhaka courier on 11 March 2011. Here is a short version of the interview for our readers.



Q. How is the ETE project going to give support to policy making in Bangladesh?

DC: We have trained a number of representatives from the government, the labour unions and the employers' organisation on trade and employment. The last training we just had was a technical one on quantifying the effects of trade liberalisation on employment. As a result, the participants in our activities have deepened their understanding of the issues. In the next stage of our project, we will conduct several national studies and we will present the results from our studies to policymakers in Bangladesh. We would like these results to be a basis for policymakers in taking decisions on how to manage the employment-related challenges and opportunities provided by trade liberalisation. We would like to identify which sectors would be most affected by trade liberalisation in terms of jobs and which mechanisms are important in helping workers adjust. These mechanisms could be a social protection floor so that those who lose their jobs do not lose all means of supporting themselves and vocational training to help workers move into the expanding sectors. To facilitate policy discussions on these issues, we are going to organise meetings for policymakers and social leaders during which we will present the results from our studies.

Q. Do low wages of workers ensure competitiveness in international trade?

DC: Lowering wages is not a good strategy to achieve international competitiveness. International trade is really based on differences in cost. We know that labour cost is very high in industrialized countries, and in developing countries it is low. International trade encourages labour-intensive activities in developing countries, because the labour cost is low. The result of this is actually not to lower wages. Often it is the businesses that want to keep wages low, and they do it to maximise their profits. But, if wages are flexible and not dominated by businesses, then wages will increase simply because international trade has created more demand for these workers to produce labour-intensive goods, for example readymade garments in Bangladesh. There should be dialogue between the main actors – government, employers and workers. The policy should allow globalization to improve both the earnings and the productivity of workers.

Q. National growth in Bangladesh is good, but income inequality is rising. How to address this problem in your view?

DC: There are striking images of inequality in Bangladesh. Some people live in high rise buildings and just beside them, there are people who live in shanties. To address this, there should be a progressive income tax structure in Bangladesh. There should be redistribution of income. There are people who gain from international trade, part of their gains should be transferred to those who lose. International trade should be beneficial for the country. For this, the government could have some sort of trade adjustment assistance.

Q. Is it consistent with the ideals of the free-market economy that developed countries do not allow workers in poor countries to easily move into their market with their cheap labour?

DC: The ILO has a declaration in 1950, which is the Philadelphia Declaration, stating that labour is not a commodity. Because when we are talking about labour, we are talking about human beings, we are not talking about a commodity. This is the fundamental inconsistency in using free-market philosophy to understand labour. There also appears to be an inconsistency between trade liberalisation in goods and in services, especially when the question comes to migrant workers. In the countries where there is a high demand for workers, there is a reluctance to allow migrant workers to come because there are social reasons, there may be adjustment costs, and also domestic politics because foreign workers represent competition for domestic workers. Yes, there seems to be an inconsistency between globalisation in goods and in services. We should not wholly rely on free-market philosophy.

Q. What should be the basic characteristics of a good trade policy for a developing country?

DC: One of the characteristics of a good trade policy is it should be supported by the right institutions. Bangladesh should create the conditions under which it can derive benefits from trade, for example, development of physical infrastructure, transport, etc. If the government does not facilitate trade, it is difficult for companies to export goods. There is an export promotion bureau in Bangladesh. It tries to match Bangladesh's exporters with foreign buyers, and that's a good thing. There should be inter-ministerial coordination, because trade does not simply concern the ministry of trade. There are going to be employment effects, so it concerns the ministry of labour. In Bangladesh, about seventy percent of workers work in agriculture, so the ministry of agriculture should also be part of the discussion concerning the right trade policy regime. The planning commission and others should also be involved. There should be good governance as well. Administrative procedures should be easier. In a good trade policy, how tariffs are applied is important. Some imports can be good for the country. For example, Bangladesh has a garment sector, but it does not produce enough cotton or textile inputs. So, these must come from somewhere else.

There should be lower tariffs for these imports. Then, there are sectors where the government may want to increase tariffs. However, Bangladesh is a member of WTO and so it has negotiated certain bounds on its tariff rates. This has put some constraints on Bangladesh, and so it does not have the flexibility to increase tariffs it as it likes. Trade negotiators must have clear knowledge about what the country's objectives are. The most important aspect of a good trade policy regime is that it must have a broad-based mandate.

We hope you have enjoyed reading the newsletter. Please feel free to forward it to anyone you think would be interested to learn about ETE.

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