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BANGLADESH

Key Economic Indicators

(Millions of U.S. dollars unless otherwise indicated)

	1999	2000	2001 1/
Income, Production and Employment:			
Real GDP Growth (pct) 2/	4.9	5.5	6.0
GDP Growth by Sector:			
Agriculture	4.8	6.4	5.0
Industry	4.9	5.6	8.7
Services	5.2	5.3	5.2
Per Capita GDP (Current US$)	357	373	359
Labor Force (000s)	N/A	N/A	N/A
Unemployment Rate	N/A	N/A	N/A
Money and Prices (annual percent change):			
Money Supply Growth (M2)	12.8	19.9	15.0
Consumer Price Inflation (annual average)	9.0	4.5	2.2
Exchange Rate (Taka/US$ - annual average)			
Official	47.9	49.7	54.04
Parallel	N/A	N/A	N/A
Balance of Payments and Trade:			
Total Exports FOB	5,313	5,752	5,872
Exports to United States 3/	2,273	2,417	1,401
Total Imports CIF	7,515	8,200	8,367
Imports from United States 3/	300	239	157
Trade Balance	-2,202	-2,448	-2,495
Balance with United States 3/	1,973	2,178	1,243
External Public Debt 4/	14,800	15,790	N/A
Fiscal Deficit/GDP (pct)	5.3	6.5	7.0
Current Account Balance	NA	-61	-741
Debt Service Payments/GDP (pct)	6.7	7.3	NA
Gold and Foreign Exchange Reserves	1,500	1,500	1,295
Aid from United States 5/	153	92.8	95.6
Aid from All Sources 6/	1,474	1,575	N/A

1/ Figures are for Bangladesh's fiscal year (FY), July 1 to June 30.
2/ Based on 1995/1996 base year; percent in constant prices
3/ Figures are for calendar year; 2001 up through July 2001.
4/ Medium and long-term; Based on Ministry of Finance, Foreign Assistance Accounts.
5/ Figures are for the U.S. fiscal year (October 1-September 30). Security assistance from the United States to the Bangladesh military during fiscal year 2001 totaled $503,000 for International Military Education Training (IMET). In addition to IMET, Enhanced International Peacekeeping Cooperation (EIPC) grants were provided to the Bangladesh military in the amount of $275,000 for training and $1.8 million for purchasing training equipment. These grants are to be expended over a five-year period, and roughly $51,000 was obligated in fiscal year 2001.
6/ Disbursements; year 2000 number is provisional. Total does not include security cooperation/assistance.

1. General Policy Framework

Bangladesh is one of the world's poorest, most densely populated, and least developed countries; its per capita income for fiscal year 2001 (July 1, 2000 to June 30, 2001) is estimated at $359. A large proportion of its population of roughly 130 million is tied directly or indirectly to agriculture, which accounts for 26 percent of Gross Domestic Product (GDP) and about 70 percent of the labor force. Industrial output remains narrowly focused. Economic growth in fiscal year 2001 was six percent, up by one-tenth of a percent point from 2000. Bangladesh's economic growth has averaged five percent annually over the last ten years. However, economists estimate that growth rates of seven to eight percent are required to begin to alleviate the nation's extreme poverty.

Bangladesh's industrial output, heavily concentrated in garments, showed 8.7 percent growth in fiscal year 2001, an increase of more than 3 percentage points from fiscal year 2000. However, recent data show signs of a slowing down of activity over the last quarter of the fiscal year. Growth in agricultural output slowed to 5 percent in fiscal year 2001, from 6.4 percent one year earlier. Service sector output grew by 5.2 percent, roughly the same as fiscal year 2000.

GDP growth continues to be weakened by low productivity, political instability, poor infrastructure, corruption, and low domestic savings and investment. High government borrowing and the widespread inflow of smuggled goods are the latest problems putting strains on the already weak economy. Bangladeshi exports, particularly ready-made garments to the United States and Europe, grew steadily over fiscal year 2001. However, July exports of ready-made garments ($336 million) grew at a much slower pace (3 percent versus 12 percent in June, 19 percent in May and 15 percent in April) and August exports posted a decline to $306 million. The state's presence in the economy continues to be large, and money-losing state enterprises have been a chronic drain on the treasury. During the 1990's Bangladesh took steps to liberalize its economy, and the private sector assumed a more prominent role as the climate improved for free markets and trade. The Awami League government, which came to power in June 1996, continued the market-based policies of its predecessor, the Bangladesh Nationalist Party (BNP), and made some regulatory and policy changes toward that end. However, implementation of new policy directives by the bureaucracy has been slow and uneven among the sectors.

National elections were held on October 1 and the BNP claimed two-thirds of the total 300 seats in the Bangladesh Parliament. Early expectations are high that the new government will accelerate reforms to begin improving Bangladesh's investment climate.

The World Bank and the International Monetary Fund (IMF) provided emergency balance of payment relief of about $320 million in fiscal year 1999, and over the past two years the IMF and Bangladesh have held follow-on discussions for a new loan program, though no agreement has been reached. Bangladesh's official foreign exchange reserves continued to edge downward throughout fiscal year 2001, but stabilized under the Caretaker Government (mid-July through September). The reserve level in October 2001 stood at around $1.1 billion, roughly equivalent to 1.5 months of imports of goods and services. Loose fiscal and monetary policies have added to Bangladesh's balance of payments problems and have limited much needed credit expansion to the private sector.

Inflation has fallen from the 9 percent level reached in fiscal year 1999 following the 1998 flood to an annual rate of 2.2 percent by the end of fiscal year 2001. Inflation currently stands at 1.5 percent, and most resident economists believe that the decline will go no further. A presumed record level of smuggled goods is credited by many for keeping the prices of consumable goods down.

Responding to the overvaluation of its currency (the "taka") relative to the currencies of its main export competitors, Bangladesh devalued the taka by 3 percent in fiscal year 1999, by 2.1 percent in early fiscal 2000, by another 6 percent in mid-August 2000, and another 5.5 percent in May 2001. Although resident economists believe that the latest devaluation, along with low inflation, has helped place Bangladesh in a competitive position it has not seen since 1997, most believe that further devaluation of the taka is needed. Other factors have limited Bangladesh's export competitiveness over the past several years, including the country's expensive and unreliable ports.

The fiscal year 2002 national budget released in July 2001 projected total resources of just under $8 billion, using the current 57 taka to one dollar exchange rate. Revenue sources for the next fiscal year are projected to include $4.8 billion from tax collection, $1.7 billion from domestic financing, and $1.4 billion from foreign financing. Of the domestic financing, $390 million will come from bank borrowing and the remaining $1.4 billion will come from the sale of savings certificates. The budget projected $1.4 billion in concessionary foreign aid loans and grants, a 15 percent rise from the final fiscal year 2001 total. $956 million, or 20 percent of projected fiscal year 2002 revenue, will be used to pay off public debt interest.

The budget projected a 13 percent rise in tax collection from the previous year's $3.4 billion collected, citing improved tax administration, closer monitoring, incentives to tax collectors, and modernization of operations as ways to increase revenues. The National Bureau of Revenue (NBR) exceeded its fiscal year 2001 collection goal of $3.4 billion by about $35 million. However, resident economists are warning that new practices and procedures needed to continue growth in revenue collections are reaching their limits. Unless major overhauls within the NBR are approved by the new government, future revenue growth targets will be hard to meet. Data released by the NBR in mid-October 2001 show that the revenue collection target for the first quarter 2002 was not achieved.

The budget proposed total expenditures of over $7.8 billion for fiscal year 2002, a six percent rise from 2001 actual spending. If both tax collection and proposed spending meet their targets for fiscal year 2002, the overall budget deficit is projected to be over $3 billion, roughly a four percent rise from the 2001 planned deficit.

The government's primary monetary policy tools are the discount rate and the sale of Bangladesh Bank bills, though central bank influence over bank lending practices also plays an important role. Broad money growth (M2) in fiscal year 2001 fell to 15 percent from over 19 percent growth in fiscal year 2000, due largely to the government's continued high recourse to central bank financing of the deficit. Although the government has enacted some liberal investment policies to foster private sector involvement (mainly in energy and telecommunications), poor infrastructure, bureaucratic inertia, corruption, labor militancy, and a generally weak financial system discourage investment. Political unrest and a deteriorating law and order situation also discourage domestic and foreign investors.

The fiscal year 2002 budget proposed a continuing expansion of liquidity (in the form of interest free bonds) to Bangladesh's nationalized commercial banks that are burdened with bad loans. Reduced interest rates for lending to priority sectors like infrastructure, information technology, oil and gas, and agriculture-based industries were proposed in the budget, but assistance to several key sectors, primarily garments and frozen seafood, fell short of the business community's expectations. The import of capital machinery by export-oriented industries was made duty-free with indemnity bonds.

Poverty alleviation programs were the largest recipients of the fiscal year 2002 budget allocations, receiving $1.9 billion, or roughly 25 percent of total projected spending. Of this amount, Bangladesh's Annual Development Program (ADP) will receive $1.2 billion.

The new government's Finance Minister was quick to express concern over the proposed 2002 national budget, and the new government's intention to review the budget and revise accordingly.

2. Exchange Rate Policies

At present, the central bank follows a semi-flexible exchange rate policy, revaluing the currency on the basis of the real effective exchange rate, vis-à-vis a basket of select currencies. Annual aid receipts and remittances from overseas workers, an important source of foreign exchange earnings, have kept the exchange market somewhat stable over the past several years and going into fiscal year 2001, workers' remittances were expected to remain a bright spot for the economy. However, official receipts fell dramatically in the first quarter, never rebounded, and fell by 3.4 percent over the entire period. An estimated $1 billion in remittances entered Bangladesh outside of official channels during fiscal year 2001, and the government's delayed decisions to devalue the local currency added unnecessary strain on the market. Workers' remittances rose sharply during the first two months of fiscal year 2002, showing a 13 percent increase over the same period in fiscal year 2001.

Foreign firms are able to repatriate profits, dividends, royalty payments and technical fees without difficulty, provided appropriate documentation is presented to the Bangladesh Bank. However, U.S. investors do complain about the delays in getting the central bank's approval to repatriate profits. Outbound foreign investment by Bangladeshi nationals requires government approval and must support export activities. Bangladeshi travelers are limited by law to taking no more than $3,000 out of the country per year.

3. Structural Policies

In 1993, Bangladesh successfully completed a three-year ESAF program, meeting all the IMF fiscal and monetary targets. During the flood-induced economic crisis in 1998, Bangladesh signaled a willingness to enter into another loan program; however, as the Bangladeshi economy recovered smartly from economic disruptions caused by the floods, Bangladesh's enthusiasm for a new loan program waned. Although there is little disagreement between the IMF and Bangladesh on the substance of needed economic reforms (i.e., tax reform with better administration and a broadening of the tax base; financial sector reform with stronger oversight and supervision by the central bank, improvement in the operation of state-owned commercial banks, improvement of loan portfolios; and public sector reforms with an acceleration of privatization of state-owned enterprises), progress in negotiations has not occurred.

Bangladesh has managed to maintain a laudable measure of macro-economic stability since 1993, but its macroeconomic position remains vulnerable, with slowing export growth, a stagnant industrial sector, inadequate infrastructure, a banking sector in need of comprehensive reforms, and an inefficient public sector that continues to drain the treasury. Progress on important economic reforms has been slow, although the government has instituted reforms of the capital market and taken some market-friendly decisions to encourage foreign investment. Vested interest groups often successfully oppose reform effort. The public sector still exercises a dominant influence on industry and the economy even though less than five percent of the labor force is employed by state-owned enterprise (SOEs). Non-financial SOEs are losing an estimated $290 million a year. Most public sector industries, including textiles, jute processing, and sugar refining, are chronic money losers. Their militant unions have succeeded in setting relatively high wages which their private sector counterparts often feel compelled to meet out of fear of union action.

The difficulties and the high cost of doing business have forced some companies to reconsider or limit their exposure in Bangladesh. Recognizing major shortcomings for private sector productivity, poor management of crucial infrastructure for power, rail lines, roads, ports, and telecommunications, in October 1996 the government formalized its private power policy, which grants tax holidays and the duty-free import of plant and equipment for independent power producers (IPP). As of fall 2001, IPPs were generating 35 percent of all the electricity to the national grid. Private investment is also allowed in the telecommunications sector for cellular communications, and in the hydrocarbons sector, where international oil companies have entered into production sharing contracts with the government to obtain gas exploration rights in block concessions. Bangladesh also witnessed a dramatic increase in the number of internet service providers following the sharp reduction in the tax on Very Small Aperture Terminals (VSATS) in early 2000.

The government practically gave up trying to attract foreign portfolio investment in domestic capital markets after a stock market crash in late 1996 and turbulence in other financial markets around the world in 1997 and 1998. The banking sector is now dominated by four large nationalized commercial banks. However, entry of foreign and domestic private banks was permitted in 1996, and now numerous new private domestic and foreign banks, including U.S. banks American Express and Citicorp have established a foothold in the market. The banking sector continues to be in need of major reform, particularly in the area or loan defaults and high interest rates for key industrial sectors.

4. Debt Management Policies

Assessed on the basis of disbursed outstanding principal, Bangladesh's external public debt was $15.8 billion in fiscal year 2001, an 11 percent rise from fiscal year 2000. Because virtually all of the debt was provided on highly concessional terms by bilateral and multilateral donors, the net present value of the total outstanding debt is significantly lower than its face value. Bangladesh maintains good relationships with the World Bank, Asian Development Bank, the International Monetary Fund, and the donor community.

5. Significant Barriers to U.S. Exports

Since 1991, the government has made significant progress in liberalizing what had been one of the most restrictive trade regimes in Asia. Even so, Bangladesh continues to raise a relatively high share of its government revenues from import-based taxes, custom duties, the Value-Added Tax (VAT), and supplementary duties on imports. Overall, tariff reform in Bangladesh is slow, but Bangladesh is continuing its efforts to shift from a tariff-based revenue system to an income-based one. The government has reduced import duty tariffs from an average of 17 percent to 13 percent over the past five years. Some of fiscal year 2002 budget changes to the tariff regime included additional tariff reductions for various types of industrial and environmental capital machinery.

On August 15, 2001, the NBR issued a statutory order to impose supplementary duties on imports of numerous nonessential consumer items, ranging from 5-15 percent. This change was not viewed in any way as a roll back of trade liberalization, but as simply the use of a temporary market instrument to slow down import growth and decline of foreign reserves. This statutory order is expected to stay in effect during fiscal year 2002.

Bangladesh, a founding member of the World Trade Organization (WTO), is subject to all the disciplines of the WTO. Some barriers to U.S. exports or direct investment exist. Policy instability, when policies are altered at the behest of special interests, creates difficulties for foreign companies. A government monopoly controls basic services and long-distance service in the telecommunications market, although the government allows private companies to enter the wireless communication market. Non-tariff barriers also exist in the pharmaceutical sector, where manufacturing and import controls imposed by the national drug policy and the Drugs (Control) Ordinance of 1982 discriminate against foreign drug companies. Bangladesh is not a signatory to the WTO agreements on government procurement or civil aircraft.

Government procurement generally takes place through a tendering process, which is typically not transparent, meaning U.S. businesses are not always guaranteed a level field for competing. Customs procedures are lengthy and burdensome, and sometimes complicated by corruption. Introduction of the PSI system of customs valuation has help simplify customs procedures and make valuation less arbitrary. However, the level of corruption remains a major concern.

Other drawbacks to investment in Bangladesh include low labor productivity, poor infrastructure, excessive regulations, a slow and risk-averse bureaucracy, and unpredictable law and order. The lack of effective commercial laws makes enforcement of business contracts difficult. Officially, private industrial investment, whether domestic or foreign, is fully deregulated, and the government has significantly streamlined the investment registration process. Although the government has simplified the registration processes for investors, domestic and foreign investors typically must obtain a series of approvals from various government agencies to implement their projects. Bureaucratic red tape, compounded by corruption, slows and distorts decision-making and procurement.

On May 3, 2001, the United States Treasury announced that delegations from the United States and Bangladesh reached agreement on the text of a treaty for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income. The initialing off of the Agreement indicates the recommendation of the negotiators that the governments sign the treaty and complete the steps necessary in each country to bring the treaty into force. Both sides are now finalizing the necessary clearances and approvals and final signature is expected to take place by late October 2001.

Export processing zones (EPZs) in Dhaka, Chittagong, Khulna and Ishwardi have successfully led to increased foreign investment in Bangladesh, but the country was at risk of losing access to benefits under Generalized System of Preferences (GSP) due to the government's slow pace in providing EPZs workers their labor rights. While substitutes for some of the provisions have been implemented through EPZ regulations, which the Bangladesh Export Processing Zone Association (BEPZA) is charged with enforcing, professional and industry-based unions are prohibited in the zones. A small number of workers in the EPZs skirted prohibitions on forming unions by setting up associations. In August, BEPZA reported that workers had begun selecting representatives for workers' welfare committees and dispute resolution tribunals. Gaining experience in resolving disputes between workers and managers is an interim step designed to ease the transition to the right to freedom of association and collective bargaining by January 1, 2004, when all sections of labor law are due to apply in the EPZs. By the end of fiscal year 2001, the United States had invested $16.9 million into the Dhaka and Chittagong EPZs, far below the investments made by East Asian investors. The government has plans to establish new export processing zones in Comilla and Mongla.

Agreements between Bangladesh and U.S. companies in gas exploration and production and energy production prompted the rise in total U.S. foreign direct investment (FDI) from $25 million before 1995 to $885 million in 2001. Other opportunities for significant investment in gas exploration and production, power generation, private port construction/operation and telecommunications could further swell U.S. investment and trade, if the new government makes needed economic policy changes and gas export decisions. At present, the United States, with 84 industrial projects (worth roughly $4.5 billion in potential investment outlays) registered by the Bangladesh Board of Investment (BOI), is the top provider of direct investment to Bangladesh. Of these projects, 26 are 100 percent U.S. owned (worth $3.1 billion) and the remaining 61 projects ($1.4 billion) are joint ventures with Bangladeshi investors. According to the BOI, by the end of fiscal year 2001, 25 of these projects (worth $880 million) have been implemented, including the completion of the power generation plant in Haripur built by AES. 15 projects ($1.2 billion) are under progress, and the remaining 44 projects ($2.4 billion) are pending.

Inadequate infrastructure, especially power supplies, port and transportation, is undermining efforts to attract FDI to Bangladesh and getting projects implemented once they have been registered with the BOI. Slow bureaucratic decision-making, corruption, occasional general strikes (hartals), and a largely unskilled labor force are further hindering prospects for investing in Bangladesh.

6. Export Subsidies Policies

The government encourages export growth through measures such as duty-free status for some imported inputs, including capital machinery and cotton, and easy access and lower interest rate to financing for exporters. Ready-made garment producers are assisted by bonded warehousing and back-to-back letter of credit facilities for imported cloth and accessories. The central bank offers a 25 percent rebate to domestic manufacturers of fabric for ready-made garment exports. Similar subsidies are offered to selected leather products, manufactured jute products and artificial flowers. Exporters are allowed to exchange 100 percent of their foreign currency earnings through any authorized dealer.

7. Protection of U.S. Intellectual Property

Bangladesh is a signatory of the Uruguay Round agreements, including the WTO's Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), and is obligated to bring its laws and enforcement efforts into TRIPS compliance by January 1, 2006. Bangladesh has also been a member of the World Intellectual Property Organization (WIPO) in Geneva since 1985. Bangladesh has never been cited in the U.S. Trade Representative's "Special 301" Watch List, which identifies countries that deny adequate and effective protection for intellectual property rights or deny fair and equitable market access for persons that rely on intellectual property protection. Even though Bangladesh has not been placed on the "Special 301" Watch List, the country has outdated Intellectual Property Rights (IPR) laws, an unwieldy system of registering intellectual property rights, and an almost nonexistent enforcement mechanism. Intellectual property infringement is common, particularly of computer software, motion pictures, pharmaceutical products and audio and video cassettes. Despite the difficulties, U.S. firms have successfully pursued their IPR rights in Bangladeshi courts. Bangladesh enacted a Copyright Law in July 2000, updating its copyright system and bringing the country into compliance with TRIPS; the Government has been urged to move quickly on getting the law implemented. Progress in getting similar laws enacted for trademarks and patents and design has been extremely slow.

8. Worker Rights

a. The Right of Association: The Constitution provides for the right to join unions and, with government approval, the right to form a union. Bangladesh's total work force is approximately 58 million persons, of whom about five million work in the formal sector. Of those, approximately 1.8 million belong to unions, most of which are affiliated with the various political parties. There are no reliable labor statistics for the large unreported informal sector, in which the vast majority of Bangladeshis work.

For a union to obtain and maintain its registration, 30 percent workplace participation is required. Moreover, would-be unionists technically are forbidden to engage in many activities prior to registration, and legally are not protected from employer retaliation during this period.

The right to strike is not recognized specifically in the law, but strikes are a common form of workers' protest. The Essential Services Ordinance permits the Government to bar strikes for 3 months in any sector that it declares essential.

There are no legal restrictions on political activities by labor unions, although the calling of nationwide general strikes (hartals) or transportation blockades by unions is considered a criminal rather than a political act and thus is forbidden.

There are no restrictions on affiliation with international labor organizations, and unions and federations maintain a variety of such links. Trade unionists are required to obtain government clearance to travel to ILO meetings, but there were no reports that clearances were denied during the year.

b. The Right to Organize and Bargain Collectively: The law permits workers to engage in collective bargaining only through representation by unions legally registered with the Registrar of Trade Unions as collective bargaining agents. Labor unions are affiliated with the various political parties; therefore, each industry generally has more than one labor union (one or more for each political party). To engage in collective bargaining, each union must nominate representatives to a Collective Bargaining Authority (CBA) committee, which the Registrar of Trade Unions must approve after reviewing the selection process. Collective bargaining occurs on occasion in large private enterprises such as pharmaceuticals, jute, or textiles but, because of high unemployment, workers may forgo collective bargaining due to concerns over job security. Collective bargaining in small private enterprises generally does not occur. The International Confederation of Free Trade Unions (ICFTU) has criticized the country for what it views as legal impediments that hamper such bargaining.

The National Pay and Wages Commission determines pay levels and other benefits for public sector workers. Their recommendations are binding and may not be disputed except on the issue of implementation.

The Registrar of Trade Unions has wide powers to interfere in internal union affairs. The Registrar has the authority to enter union premises and inspect documents; however, there were no reports during fiscal year 2001 that the Registrar of Trade Unions had abused these powers.

The country's five Export Processing Zones (EPZs), of which three are operational, are exempt from the application of the Employment of Labor (Standing Orders) Act of 1965, the Industrial Relations Ordinance of 1969, and the Factories Act of 1965. Among other provisions, these laws establish the freedom of association and the right to bargain collectively, and set forth wage and hour and occupational safety and health standards. (See Section 6.)

c. Prohibition of Forced or Compulsory Labor: The Constitution prohibits forced or compulsory labor, including that performed by children; however, the Government does not enforce this prohibition effectively. The Factories Act and Shops and Establishments Act, both passed in 1965, established inspection mechanisms to enforce laws against forced labor; however, these laws are not enforced rigorously, partly because resources for enforcement are scarce. There is no large-scale bonded or forced labor; however, numerous domestic servants, including many children, work in conditions that resemble servitude and many suffer physical abuse, sometimes resulting in death. Between January and August, newspapers reported "unnatural deaths" of 12 domestic servants, including one who was only 11 years old. Newspapers also reported five separate cases of children being tortured by their domestic employers; in one case a ten year old girl allegedly was beaten until she lost consciousness. In the past, the Government has brought criminal charges against employers who abuse domestic servants; however, many impoverished families settle for financial compensation.

There is extensive trafficking in both women and children, mainly for purposes of forced prostitution, although in some instances for labor servitude outside of the country (see Section 6.f.).

d. Minimum Age for Employment of Children: There is no law that uniformly prohibits the employment of children, and child labor is a serious problem. Some laws prohibit labor by children in certain sectors. The Factories Act of 1965 bars children under the age of 14 from working in factories. This law also stipulates that children and adolescents are allowed to work only a maximum 5-hour day and only between the hours of 7 a.m. and 7 p.m. The Shops and Establishments Act of 1965 prohibits the employment of children younger than the age of 12 in commercial workplaces. The Employment of Children Act of 1938 prohibits the employment of children under the age of 15 in the railways or in goods' handling within ports. In March, the Government ratified ILO Convention 182 on the elimination of the worst forms of child labor.

There is virtually no child labor law enforcement outside the export garment sector. Penalties issued by the Ministry of Labor for child labor violations are nominal fines ranging from $4 to $10. The Ministry of Labor has fewer than 110 inspectors to monitor 180,000 registered factories and establishments, charged with enforcing labor laws pertaining to more than one and one half million workers within its jurisdiction. Further, most child workers are employed in agriculture and other informal sectors, where no government oversight occurs.

As part of a 1995 Memorandum of Understanding (MOU) between the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), the ILO, and UNICEF which aims to eliminate child labor in the garment sector, BGMEA has established its own Vigilance Team which inspects member factories. Among 3300 garment factories inspected, the team found 531 member factories employing a total of 1278 children. The BGMEA Vigilance Team fined each factory US$ 100. Also under the MOU, the ILO and UNICEF offer former child employees a small monthly stipend while attending school to help replace their lost income.

In cooperation with the Non-Formal Education Directorate of the Government and some NGO partners, UNICEF is implementing a "hard-to-reach" program to provide education to 350,000 (primarily working) children in urban slum areas around the country. Working with the Government, NGOs, and some trade unions, ILO/IPEC has 20 action programs, targeting about 6,000 children working in hazardous conditions, designed to ensure that children receive an education, rather than removing children from work.

e. Acceptable Conditions of Work: There is no national minimum wage. Instead the Wage Commission, which convenes every several years, sets wages and benefits industry by industry, using a range based on skill level. In most cases, private sector employers ignore this wage structure. For example, in the garment industry, many factories do not pay legal minimum wages, and it is common for workers of smaller factories to experience delays in receiving their pay, or to receive "trainee" wages well past the maximum 3 months. Wages in the EPZs are generally higher than outside the zones.

The law sets a standard 48-hour workweek with one day off mandated. A 60-hour workweek, inclusive of a maximum 12 hours of overtime, is allowed. The law is enforced poorly in industries such as hosiery and ready-made garments.

The Factories Act of 1965 nominally sets occupational health and safety standards. The law is comprehensive but largely is ignored by employers. For example, there are many fire safety violations in the garment industry. Many factories are located in structures that were not designed adequately for industrial use, nor for the easy evacuation of large work forces. In November 2000, 48 garment workers, including 10 children, were killed and over 100 persons were injured when they were unable to escape from a factory fire due to locked exits. On August 8, 2001, 18 garment workers were trampled to death because an exit gate jammed as they were fleeing a factory after a fire alarm. In addition numerous factories have insufficient toilet facilities (for example, 1 toilet for 300 employees). Workers may resort to legal action for enforcement of the law's provisions, but few cases actually are prosecuted. Enforcement by the Labor Ministry's industrial inspectors is weak, due both to the low number of labor inspectors and to endemic corruption and inefficiency among inspectors. Due to a high unemployment rate and inadequate enforcement of the laws, workers demanding correction of dangerous working conditions or refusing to participate in perceived dangerous activities risk losing their jobs.

f. Rights in Sectors with U.S. Investment: As far as can be determined, firms with U.S. capital investment abide by the labor laws. Similarly, these firms respect the minimum age for the employment of children. According to both the government and representatives of the firms, workers in firms with U.S. capital investment generally earn a much higher salary than the minimum wage set for each specific industry, and enjoy better working conditions.

Extent of U.S. Investment in Selected Industries -- U.S. Direct Investment Position Abroad on an Historical Cost Basis **--** 2000

(Millions of U.S. Dollars)

Category		Amount
Petroleum		181
Total Manufacturing		0
Food & Kindred Products	0	
Chemicals & Allied Products	0	
Primary & Fabricated Metals	0	
Industrial Machinery and Equipment	0	
Electric & Electronic Equipment	0	
Transportation Equipment	0	
Other Manufacturing	0	
Wholesale Trade		(D)
Banking		(D)
Finance/Insurance/Real Estate		(D)
Services		1
Other Industries		2
TOTAL ALL INDUSTRIES		215

(D) Suppressed to avoid disclosing data of individual companies.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.