

Economic Reforms and Agriculture in Bangladesh: Assessment of Impacts using Economy-wide Simulation Models

Selim Raihan

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Introduction

- Agriculture in Bangladesh employs about 50% of the country's labour force and contributes about 20 % of GDP.
- Growth in the agricultural sector has important links with the overall economy through various channels.
 - First, agriculture provides a crucial supply of raw materials to many non-agricultural sectors.
 - Second, consumption of agricultural commodities has important implications for the poverty of households in both rural and urban areas. The demand for and supply of agricultural commodities, especially food items, and their prices greatly influence the welfare of poor households.
 - Third, the rural sector is the dominant source of supply of unskilled labour to the economy.

Introduction..

- Growth in the domestic agricultural sector does not only rely on domestic policies and programmes, rather global and regional trade policies have important implications for this sector.
- Moreover, a variety of economic policies and programmes, such as domestic fiscal policies, import policies, and programmes for growth in agricultural productivity, also affect the development of the agricultural sector in an economy.
- This study explores the links between major economic policy reforms and growth in the agricultural sector in Bangladesh. Overall, this study seeks to explore how economic policy reforms affect the agricultural sector in Bangladesh in terms of output, imports, exports, and employment.

The study explores..

- Three trade liberalization scenarios
 - a global agricultural trade liberalization scenario under a WTO–Doha agreement,
 - a Bangladesh–India bilateral FTA, and
 - unilateral agricultural trade liberalization)
- One fiscal policy scenario (a rise in agricultural subsidies), and
- One technological change scenario (a rise in agricultural productivity).

Methodology

- Use of the GTAP global general-equilibrium model and a national CGE model to explore employment effects in Bangladesh under different scenarios.
- For the global agricultural trade liberalization and Bangladesh–India bilateral FTA scenarios, the scenarios are first run in the GTAP model. The changes in demand for exports, export prices, and import prices, as obtained from the GTAP model, are matched to the 41 social accounting matrix (SAM) sectors of Bangladesh and these are introduced as shocks in the national CGE model. For the subsidy and productivity scenarios, the shocks are introduced directly to the CGE model and subsequent macro, sectoral, and meso implications are explored.
- The CGE simulation produces percentage changes in labour demand. These are then used to compute changes in employments, using an employment satellite matrix.

Bangladesh's Trade and Agricultural Policies

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Doha Agriculture

AP model, we simulate a moderate Doha agricultural liberalization under which developed countries cut their agricultural tariffs by 36 per cent and the developing countries cut theirs by 24 per cent. Furthermore, developed and developing countries reduce agricultural subsidies by one-third and completely eliminate agricultural export subsidies.

Simulation results project a rise in export demand for agricultural products. Also, import prices of major agricultural and food products would rise, and their imports would fall. These changes in export demand, export prices, import prices, and imports are introduced as shocks in the CGE model.

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