Stitched into Inequality: Bangladesh’s Role in Global Commodity Chains

Bangladesh has become a key player in the global garment supply chain, a sector that sustains its economy and strengthens its position in the world market. Its integration into global commodity chains has fuelled economic growth by supplying clothing to multinational brands in wealthier nations, accounting for 85% of Bangladesh’s total exports. However, this rise has come at a large cost. The industry is built on entrenched inequality, with low wages, poor working conditions, and the exploitation of vulnerable workers being extremely relevant in contemporary Bangladesh. Beyond labour issues, external debt and climate risks threaten long-term stability. As Bangladesh secures its role in the global economy, its dependence on low wage industries leaves it largely vulnerable to economic and environmental shocks and unrest from workers, highlighting the fragility within its rapid growth.

The Garment Industry:

The global garment industry is a critical component of Bangladesh’s economy, with over 4 million workers employed in the sector across more than 5,000 factories. In the fiscal year ending December 2024, Bangladesh’s garment industry generated $50 billion in exports, marking an 8.3% increase from the previous year. These figures reflect the increasing demand for low cost and mass-produced clothing, which is often outsourced by multinational brands seeking to reduce manufacturing costs. However, while multinational companies reap enormous rewards, workers in Bangladesh endure some of the lowest wages in the world. As of 2023, the minimum wage for garment workers in Bangladesh was a mere $75 per month, largely below the rising living costs. Worker’s efforts to push for higher wages seen in the 2023 protests following moves for a $209 monthly wage raise despite only being raised to $113 by the govt highlight the dire need for fairer compensation. Bangladesh Garment and Industrial Workers Federation and other unions protested for the $209 monthly minimum wage leading to over 10,000 workers striking and the temporary shutdown of 600 factories. While Bangladesh may be successful at surface level in its part in global commodity chains, if attitudes and strikes from workers within the industry persist, its economy will suffer significant damage as factory shutdowns disrupt production and workers refuse to continue working for the same low wages. This situation represents the broader problem in global commodity chains, where emerging economies like Bangladesh are integrated into global markets on terms dictated by wealthier countries. The focus on cheap labour and mass production prioritises profits over ethical sourcing. Bangladesh’s garment industry, despite its success, remains tense with issues of exploitation and inequality. The collapse of the Rana Plaza building in 2013, which claimed over 1,100 lives, highlighted the severe risks workers face in factories that prioritise profits over safety and the uncertainty this places Bangladesh's main source of exports and income.

Rising External Debt:

Bangladesh's integration into global commodity chains is not only due to multinational investments but also by financial loans and funding. The country's increasing reliance on foreign loans, particularly from China and multilateral lenders like the World Bank, raises concerns about whether Bangladesh's debt driven development is sustainable or whether it will be stuck in a future 'debt trap'. Bangladesh has previously relied on the Asian Development Bank for loans, which typically offer loans with low-interest rates and extended repayment periods meaning Bangladesh may remain at a low risk of external and overall debt distress. Despite this in 2024, Bangladesh sought a $5 billion soft loan from China to support various infrastructure projects. This escalated the country's external debt which reached around $103.8 billion by June 2024, an increase from $100.6 billion in December 2023, including debt accumulating to over $1 billion to Indian power companies. In the 2023-24 fiscal year, Bangladesh dedicated 16.9% of its national revenue to servicing external debt, supported by a record 44% increase in interest payments, which amounted to nearly $1.35 billion for Bangladesh. This surge was driven by a sharp rise in borrowing costs, placing Bangladesh, a country heavily reliant on borrowing, in a challenging financial position. Although, Chinese loans are a long-term investment for Bangladesh as seeking loans in Chinese yuan was part of Bangladesh's strategy to diversify its foreign exchange holdings and reduce reliance on the US dollar. While Bangladesh may show some long-term security in its development due to its 'diverse', lowered interest loans, many experts argue that its reliance on loans and investments alongside increasing interest rates only boost Bangladesh's already uncertain economy, exposed by its position in global commodity chains.

Climate Change:

Bangladesh is one of the most climate vulnerable countries in the world. Its geographical location makes it susceptible to flooding and monsoons. For Bangladesh climate vulnerability isn't just an environmental issue but also a critical factor that influences its ability to make production needed for global commodity chains. Every year seasonal floods displace millions of people; damaging critical infrastructure, agriculture, and homes. It is estimated that flood related losses account for around 1-2% of Bangladesh's GDP annually, with projections even indicating that agricultural GDP could decrease by 3.1% each year due to the effects of climate change. In 2020, the monsoon floods affected one-third of the country, displacing 4.7 million people and damaging over 1,500 square kilometres of farmland which proved detrimental to Bangladesh's economy. Given that the agriculture sector employs 40% of the population, these climate disasters have devastating effects on livelihoods. Bangladesh's government has developed the Bangladesh Delta Plan 2100 (BDP 2100), a long-term initiative aimed at addressing the country's climate vulnerabilities. However, despite the importance of this plan the government currently allocates only 0.8% of GDP to climate adaptation programs, largely below the estimated 2% required to fully implement these plans. International climate funds such as those from the UN and the World Bank, have provided some support. In 2024, Bangladesh received $278.9 million in multilateral climate funds. Yet the country requires around $533.7 million to implement its key climate action plans including the BDP 2100, National Adaptation Plan, and Nationally Determined Contributions. Without sufficient funding Bangladesh will struggle to mitigate the devastating effects of climate change on its economy, particularly in sectors like agriculture and low-wage labour.