



DHAKA INTERNATIONAL TRADE FAIR-2006

Organised by :

Ministry of Commerce & Export Promotion Bureau
Government of the People's Republic of Bangladesh

2-31 December 2006



PRESIDENT
PEOPLE'S REPUBLIC OF BANGLADESH
DHAKA

Message

I am delighted to know that the 12th consecutive Dhaka International Trade Fair (DITF), 2006 is going to be held in Dhaka. I congratulate the organisers for holding this gracious trade fair in a befitting manner.

Dhaka International Trade Fair has already been familiarised widely at home and abroad and earned a huge goodwill. In the age of globalisation, the importance of export trade is boundless for the rapid development of a country. I am confident, this international trade fair will play a positive role in expanding our export at the global market. The business community will get an excellent opportunity to exhibit their products and to explore new export markets through this fair. It should be mentioned here that, the activities of product diversification and market expansion have great importance for the rapid growth of our export. I hope, DITF-2006 will make an effective and meaningful contribution towards expansion of our export trade.

I wish the DITF-2006 a great success.

Allah Hafez, Bangladesh Zindabad.

Professor Dr. Iajuddin Ahmed



Secretary
Ministry of Commerce
Government of the People's Republic of Bangladesh

Message

From time immemorial, trade has been regarded as an important tool to foster both economic and social development. Increasing trade boosts export earning, promotes industrialization, generates revenue and employment. For a country like Bangladesh, it is important to bring balance in our foreign trade by increasing export earning and reducing import expenditure. Moreover, Bangladesh is a founder-member of the WTO since its inception from the 1st January, 1995. Globalization has posed challenges on the one hand and opened a window of opportunities on the other. Only the efficient players can reap the meaningful benefits from this highly competitive global market. With this end in view, Ministry of Commerce and Export Promotion Bureau have taken the initiative to organize the Dhaka International Trade Fair (DITF), 2006. It is heartening to note that this Fair is the 12th of its kind.

It can be said with pleasure that our business community is highly enterprising, hardworking and capable of facing any challenge. Now-a-days, government plays the role of the facilitator rather than controller. The government formulates supportive policies which, in turn, create congenial environment for trade and commerce to flourish. Organization of this Fair is a right action towards right direction at the right time. Through this Fair, both the local and the foreign enterprises will get opportunity to display their products, and exchange views & ideas as well for mutual benefits.

I wish the Dhaka International Trade Fair, 2006 a total success.

Feroz Ahmed

traditional product sub-sectors could be developed for expansion of export trade. Similarly the issue of market access should also be prioritized. While efforts are being geared up to consolidate and strengthen Bangladesh's position mainly in the above 4 markets, emphasis has also been laid on the exploitation of potentials of other markets. These market areas comprise of CIS countries, East European countries, Middle East countries, South Africa, and selected countries of South and South East Asia. Due care is, however, taken to ensure that our focus on the established export markets is not lost in the process of looking for new markets.

3.3 Constraints of Export Diversification : The current efforts of diversifying and broadening of Bangladesh's export base are constrained by myriad of obstacles and hindrances. There have been various attempts in the past to diversify the products for development of supply side to respond to the market challenges and global competition, but the success has not been very encouraging and significant due to various internal and external setbacks. Apart from product specific constraints, there are multifarious constraints widely in nature, origin and impact adversely affecting export diversification potentials of the country. Major constraints hindering export diversification may be classified into 3 groups such as - a) supply side constraints; b) constraints in trade supports & trade support services; and c) policy induced constraints. Supply side constraints are responsible for keeping Bangladesh's export basket rather narrow and un-diversified and also perhaps confined to a narrow share of our export in global perspective. However, a few examples of leading constraints of these 3 groups may be cited as i) lack of investible resources and re-tolling of existing ones; ii) inadequate access to finance; iii) lack of infrastructural facilities; iv) lack of institutional, technological and human resources capabilities as well as lack of appropriate initiative for development of these; v) lack of capacity of exporters to access to international markets due mainly to inadequate access to information and to move along the up market segments; vi) insufficient foreign direct investment (FDI) and technological know-how transfer; vii) various market access problems like -tariff, non-tariff and para-tariff barriers, stringent quality requirements like HACCP for frozen foods, eco-labelling in case of RMG and other compliances, and stringent rules of origin (ROO) regarding export to USA, EU, Japan, Canada, Australia and New Zealand; viii) absence of appropriate entrepreneurship development initiatives; ix) unfair competition in the domestic market; x) political unrest, adverse law & order situation and the country's poor image abroad; as well as xi) lack of sustained efforts.

3.4 Recommended Products for Diversification : As a measure to broaden the export base, we have identified a bundle of products for diversification considering the volume of world trade, Bangladesh's present production and supply capacities, facilities available for expansion, global competitive position, prospective contribution to the export sector etc., and these include i) a number of non-traditional products currently being exported and having export potentials for further development; ii) products listed under the Highest Priority Sector such as - agro-products & agro-processed products, light engineering products including auto-parts & bi-cycles, shoes & other leather goods, pharmaceutical products, software & ICT products, ceramic wears, high priced RMG, home textiles and unpolished diamond, and the products listed under the Special Development Sector of the Export Policy 2006-2009 which are finished leather, frozen foods, handicrafts, luggage & fashion goods, electronics, C.R. coil, fresh flower & foliage, cosmetics & toiletries, hilly handloom products, herbal medicine & medicinal plants and jute goods; iii) products eligible for GSP in different schemes but either not produced in the country or having limited production capacity; iv) products having comparative advantage; v) products presently not in the export list but are considered potential and prospective; and vi) those products identified for duty free and quota free market access in the developed and developing countries.

3.5 Measures for Export Diversification : As the diversification of export is one of our utmost priority policy agenda, we have taken various measures and policy instruments to diversify Bangladesh exports and these include as under: Based on the decision taken at the WTO 6th Ministerial Conference held in Hong Kong during 13-18 December 2005 a number of initiatives have been taken in connection with market access: i) formulation of medium and long term plan of action for product diversification under Aid for Trade Package; ii) preparation of a list of products for duty free and quota free market access on a lasting basis to developed and developing countries; and iii) formulation of country specific trade negotiation strategies; In order to diversify, develop & ensure product standard, induce appropriate technology, adhere to compliance, identify bottlenecks and provide market intelligence with a view to increasing export, a few products specific business promotion councils have been formed under public-private partnership and these include i) ICT Business Promotion Council; ii) Leather Sector Business Promotion Council; iii) Light Engineering Products Business Promotion Council; and iv) Herbal and Medicinal Plants Business Promotion Council, while formation of a Pharmaceutical Business Promotion Council is under process; A number of products, having export potential but could not be utilized for different reasons, have been declared in the current Export Policy as the Highest Priority Sector and the Special Development Sector (as mentioned under para 3.4) and offered a package of lucrative incentives (i.e., project and export loan with lower interest rate on priority basis, assistance for setting up infrastructure and related units, institutional and technical facilities for developing product quality and quality control, assistance in marketing products & exploring more markets, attracting foreign investment etc.) to promote and diversify those items within shortest possible time; A number of government support assistance schemes (like Foreign Exchange Retention Quota and Credit Guarantee Insurance Scheme) and facilities (like Duty Draw Back, Cash Subsidy, Bonded Warehouse, Export Development Fund, Equity Entrepreneurship Fund, Income Tax Rebate, Freight Rebate, Credit against L/C etc.) have been taken and offered respectively for the exporters; Induction of compliance monitoring cells (mentionably RMG Compliance Monitoring Cell) and projects (mentionably Bangladesh Quality Support Project). Also, export sub-sector projects are to be initiated with support from donor agencies as and when necessary as part of our efforts for export promotion and diversification of the country; Initiating various training/symposiums/ seminar/workshops on capacity building of business houses and providing technical support on export development including market access and product diversification issues; Organizing increased participations in international trade fairs, single country trade regional, and bilateral trading arrangements and taking effective measures to diversify Bangladesh products; Disseminating products and markets information amongst prospective exporters; Creating awareness among all concerned on various aspects of WTO system and Uruguay Round Agreement; Taking initiative for greater duty free market access. Bangladesh has already received duty free and quota free market access from EU under its Everything But Arms (EBA) scheme. Duty free and quota free market access have also been obtained from countries like Canada, Australia, New Zealand, and Norway, while partial duty free access has been obtained from a number of countries like Russia, China, South Korea, Turkey, Thailand, India and Pakistan. In addition, initiatives have also been taken for greater market access to different countries like Thailand and Myanmar through Account Trade Arrangements; Conducting market studies on different products, providing information on the size of market, major suppliers, and major customers, customers' behavior, distribution network, pricing, facilities provided and other strategies as well as possibilities for export of Bangladesh products. It is now time driven reality that, in addition to the above measures, a pool of initiatives need to be involved for targeted diversification of Bangladesh export which may include i) initiative for reducing existing market access barriers for our products on continuous basis; ii) initiative for signing more bilateral treaties/ FTAs and chalking out more appropriate trade negotiation strategies and bargaining approaches to extract best possible benefits from different international/regional forums and specific countries; iii) initiative for conducting more marketing studies on country and product focus approaches; iv) formation of more business promotion councils with focus on research & development of specific product; v) establishment of technology and design development center, and joint establishment of international quality certification agencies as same as ISO, Oeko-tex etc.; vi) promotion of sub-contracting systems specially for SME exporters; vii) arrangement of more investment in building infrastructures and capabilities; viii) setting up common show rooms/business centers under one roof abroad; ix) creation of more viable international marketing network etc.

4. Conclusion : Export diversification is a demand of the time. Both market access and product diversification are two crucially important but challenging tasks. It requires time to time comprehensive analysis of all exportable products of all the developed and developing countries, analysis of tariff structures of each and every product, GSP and other facilities available, analysis of each and every products on the basis of Bangladesh present export & further potentials and of competitors' competitive edges. Also, we are in need of improvement of investment climate to facilitate both domestic and foreign investments, improvement of economic governance and implementation of comprehensive export development strategies, which constitute the essential elements for realizing full export potentials of the country. To this end, strong and committed public-private sectors coordination can contribute a lot.

The Importance of Export Diversification: Bangladesh Perspective

Mir Shahabuddin Mohammad
Vice-Chairman, Export Promotion Bureau

1. Introduction : A booming and dynamic external sector can facilitate employment creation, which in turn generates flow of savings and investment, ensures capital inflow, mitigates unemployment problem, reduces poverty and so on to a densely populated country like Bangladesh. Bangladesh is facing bulk of constraints, however, impeding sound economic development of the country. Inadequacy of domestic savings and scarcity of foreign exchange due mainly to low per capita income, and narrow export base as well as investment respectively are two major of such constraints being faced by Bangladesh. With a view to having a vibrant and dynamic external sector, the government of Bangladesh, backed up by the business functionaries, has been thriving to encounter the existing bottlenecks in her external trade based on the liberalized trade regime. Although in recent years Bangladesh's export sector has registered commendable success in terms of growth rates, her export basket has continued to remain relatively undiversified and the country has not been able to translate her comparative advantage to competitive advantage. Considering the situation, it has been realized that there is an acute need to fully support and invest in export development and diversification of non-traditional exportable products in order to ease pressure from balance of payment and have export-led industrialization of the country. Therefore, our initiatives on export development have focused on expansion of non-traditional export and appropriate policy support has been provided accordingly.

2. Export Diversification: The Concept : Over the past few years the international export prices of many products have slashed but the long term trends in products markets have been demanding to the interest of the developing countries. The purchasing power of such exports has been on a downward trend and the problems have been compounded by much volatility. The market continues to signal the desirability of export diversification. Like many other developing countries, Bangladesh is also excessively dependent on a few products and markets. Most of the products have low-income elasticity of demand. However, many experts conceptually advocated export diversification from four lines or actions and these are - one) horizontal diversification within the commodities sectors into products facing more buoyant market conditions such as exotic fruits and vegetables; two) diversifying vertically adding value to primary products by processing like shrimps before export; three) diversifying on the basis of an aggressive promotion of outward-oriented industrialization; and the vertical diversification approach blends into the fourth strategy identified of more general export oriented industrialization. It is useful to distinguish these two options, however. Although it would often be the case that countries would first become internationally competitive in resource-based manufacturing, particularly in low-income countries like Bangladesh with low skill and technology bases, there are other sources of comparative advantages, as East Asia has also demonstrated. Indeed, growth in commodity production can act as a stimulus to industry with an efficient raw material sector enabling industrial expansion. The resource-rich East Asian economies provide the most notable examples of those.

3. Export Diversification: A Review : 3.1 Review of Bangladesh Export : Despite various internal and external constraints since her inception Bangladesh has been performing quite well in her export sector. In 1972-1973 Bangladesh earned US\$ 348 Million by exporting 25 products to 68 markets only, which reached a sizeable amount to US\$ 10526.16 Million in 2005-2006 by exporting 166 products to 175 markets. It appears that by the time export value, products and markets increased by 2925%, 564% and 157% respectively. Despite this commendable growth, it has remained very narrow and is susceptible to possible sharp variation as a result of external shocks. Bangladesh's export sector has, thus, undergone important structural changes in the last two decades. As far as export sector is concerned, there was a significant shift from the erstwhile jute centric export to RMG centric one, with consequent dominance of the non-traditional manufactured commodities as against traditional primary ones. The share of traditional and non-traditional items in the export basket changed from 11.56% and 88.44% in FY 1995-1996 to 4.94% and 95.07% in FY 2005-2006 whilst the corresponding share of primary and manufactured export changed from 12.26% and 87.74% in FY 1995-1996 to 7.35% and 92.66% in FY 2005-2006. The shift in the export structure of Bangladesh from primary commodities to manufacture and from traditional to non-traditional products has been possible due to realization of different policy supports and concerted efforts of both public and private sector. However, below is a brief narration of Bangladesh current export scenario by major products and major markets - wise:

3.1.1 Major Products : Export from Bangladesh is characterized by a very limited range of products. Although Bangladesh exports about 166 products but its export is still mainly dependent on 6 products, which contribute almost 88% of the total export of which RMG alone contributes about 75%. The contributions of these 6 items are woven garments (38.80%), knit garments (36.26%), frozen food (4.36%), jute goods (3.43%), leather (2.44%) and chemical products (1.95%). Another group of 7 products i.e. raw jute, specialized textile, engineering products, agriculture products, bicycle, leather goods including shoes, ceramic contribute about 7%. Thus only 13 products contribute about 95% to our total export earnings and the rest 153 product contribute only 5%.

3.1.2 Major Markets : Likewise similar situation exists in the export market scenario also. Although Bangladeshi products find destination to about 175 markets but only 4 markets such as - USA (29%), EU (52%), Canada (4%) and Japan (2%) contribute about 87% to our total earnings. The other 171 markets contribute only 13%. Among the 4 major markets, two markets - EU and USA - together contribute 81% thus showing high dependence on these two markets. This is perhaps not a very comfortable situation. The contributions of the markets along with the number of products exported to each of the markets are as follows:

Market	Contribution	Number of Products Exported	Name of the Item	EU	USA	Canada	Japan	Australia
EU	52%	101	Woven Garments	44.00%	49.29%	4.40%	0.32%	0.08%
			Knit Garments	76.25%	16.20%	4.94%	0.13%	0.14%
USA	29%	98	Frozen food	51.11%	35.52%	0.29%	3.75%	0.10%
Canada	4%	76	Raw Jute	1.58%	1.00%	0.03%	-	0.19%
Japan	2%	76	Jute Goods	16.63%	4.23%	0.40%	3.16%	2.71%
			Finished Leather	27.39%	0.48%	-	6.36%	0.13%
Australia	0.23%	51	Leather goods/Footwear	43.97%	0.48%	1.19%	39.16%	0.04%
Norway	0.10%	31	Chemical Fertilizer	-	23.61%	-	-	0.75%
Switzerland	0.24%	33	Ceramic	64.90%	14.99%	3.59%	0.46%	2.74%
			Home Textile	82.35%	7.39%	6.97%	0.52%	0.33%

3.2 Need for Diversification : High and growing importance of RMG has increased the vulnerability of the export sector as the RMG export remains relatively undiversified covering a limited number of items destined principally to EU and USA markets. Due to ongoing global integration and abolishment of Textile & Clothing (T&C) export quotas and reserved markets in USA and EU particularly for RMG contributing about 75% of our total export, Bangladesh is facing unbridled competition in these markets and may face disruption of overall export performance, provided any adverse change occurs in these two markets. Although another 4-5 export product sub-sectors have been able to increase their share in the world market, recent export experience indicates that Bangladesh has positioned most of the export products in low price segment. Therefore, this is indeed an urgency to act fast in addressing the priority policy and institutional constraints to improving Bangladesh's competitiveness through diversifying products and markets as well as strengthening their performance in the global market to sustain present share and subsequent growth thereof in the global markets. In order to accelerate the country's export earnings through strengthening the export products base and expansion thereof, it is required that sectors having export potential and presently with limited production capacity should be nourished for further development. Additionally, potential new and non-

limited production capacity should be nourished for further development. Additionally, potential new and non-



Advisor
Ministry of Finance & Planning,
Commerce and Post & Telecommunication
Government of the People's Republic of Bangladesh

Message

I'm delighted to know that the Dhaka International Trade Fair (DITF), 2006 is being organized by the Ministry of Commerce and the Export Promotion Bureau in twelve consecutive years. The participation in international trade fair is an important strategy to display local products, explore new markets, and expand export base in the highly competitive global market. Through this fair, I hope, the local manufacturers will have an opportunity to show their indigenous products to a large number of foreign buyers in a wider perspective, and at the same time, to compare the quality of their own products with the foreign ones. DITF, 2006 will also offer an opportunity to the local companies to establish trade contacts with their foreign counterparts, and thereby, it will open up new horizons for expansion of their business. Product development, diversification and competitive pricing are the tools to face the challenges of globalization. From this point of view, DITF, 2006 will play a facilitating role.

In the previous years, various steps have been taken on the initiatives of both government and private sectors to set up new industries and attract investment. Pragmatic export and investment policies are also being pursued to this end. These supportive measures have helped improve the quality of locally produced commodities. I'm confident, our continued efforts will further strengthen our export base.

I wish DITF, 2006 a great success.

Dr. Akbar Ali Khan



President
The Federation of Bangladesh
Chambers of Commerce and Industry (FBCCI)

Message

The Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) attaches great importance to the upcoming Dhaka International Trade Fair (DITF), 2006 in the context of development of trade and industry of the country.

Contribution of this annual event to the promotion of country's export trade is very significant and encouraging. The fair is designed to help boost our merchandise exports through attracting foreign buyers and introducing local entrepreneurs with overseas products as well as technologies to develop the quality of their products.

The fair will also create opportunities for ensuring competitiveness and improving quality of products in order to strengthen our position in the global trade. Besides, it will encourage the investors to be well acquainted with developed and emerging economies of the world participating in the fair.

Apart from the commercial deals that may be made in the fair, the business relations between the local and overseas manufacturers will be established which would eventually contribute to the promotion of regional and global trade. I firmly believe that the fair will usher in immense possibilities for international trade, foreign investment, industrialization, reciprocal friendship and fraternity among the participating countries.

On behalf of the apex body of the business community of Bangladesh, I take this opportunity to offer my heartfelt felicitations to the Ministry of Commerce and Export Promotion Bureau as well as FBCCI for their efforts and dedication in organizing DITF 2006 and wish it a grand success.

Mir Nasir Hossain

Bangladesh's position mainly in the above 4 markets, emphasis has also been laid on the exploitation of potentials of other markets. These market areas comprise of CIS countries, East European countries, Middle East countries, South Africa, and selected countries of South and South East Asia. Due care is, however, taken to ensure that our focus on the established export markets is not lost in the process of looking for new markets.

Explore Bangladesh market
Discover the wide range of our exportable products

DHAKA INTERNATIONAL TRADE FAIR-2006
DEDICATED TO THE CREATION OF A VIBRANT PRIVATE SECTOR

Export Promotion Bureau

