

Export Policy of the Government of Bangladesh: An Impact and Evaluation on Economy

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Abstract: *Presently, the world market is very much competitive of its nature in the globalized age, where every country has to occupy its place according to the merit of business strategy. To establish a productive strategy trade deficit should have to be minimized or in other words, balance of trade as well as balance of payment should be directed into a positive manner in the context of economic development of a country like Bangladesh. Here the Government has an export policy to smoothly conduct the export activities. With a view to analyzing the prevailing export activities in this country in accordance with the prescribed export policy and showing the impact on economy the study is done. Findings of the study reveal the facts that the export costs have become higher which somehow results the trade deficit. To minimize the export costs as well as to reduce the trade deficit, some suggestions have been outlined.*

Keywords: Business strategy, export policy, trade deficit, export costs, economic development

1. Introduction

In Bangladesh lots of resources are lying with. Here potential economic growth can be achieved through the proper utilization of these resources. The Government of Bangladesh has been trying much for doing the same. After producing through the collection of these resources finished goods/products are exported so far in order to minimize the trade deficit. In the developing country like Bangladesh, the cost of import becomes somehow more compared to the same of export, in other words, when cost benefits regarding export activities become lower than that of the import activities, hence, trade deficit exists. Besides, the duty-free quota system regarding the textile and ready-made garments has been withdrawn since 01.01.2005, and the execution of the export policy can play a crucial role in this regard. Therefore, to develop the socio-economic position a country needs a fruitful export policy since it can earn a lot of foreign currency, which can relax the pressure of foreign dues. The Government of Bangladesh has also a export policy belonging to Export Policy-2006-09 which has ended its tenure by 30th June, 2009, while new one has been revised as Export Policy 2009-12. The policy has been formulated on the basis of recommendation given by a consultative committee comprising of the representatives from the main industries/trade association, chambers, research organization, respective ministries/divisions and organizations. The primary aims of the policy at making the economics activities dynamic and outward looking to help Bangladesh survive in the rapidly changing and competitive global trading system. [1] To show the prevailing situation of the country with the aims of the policy concerned the study is planned.

2. Objectives

The purpose of this study is to highlight the export policy of the Government and other objectives are:

- a) To show the actual situation prevailing in this country;
- b) To find out the reasons for the difference between prescribed policy and actual happenings and
- c) To give some suggestions to minimize the said differences.

3. Methodology

Interviewing and observation method has been followed in conducting the study. Data used in this study are primary and secondary in nature. Primary data have been collected through interviewing with the persons concerned, while secondary data on the basis of publications concerned covering the period during 2003- 2009.

4. Rationality

Much people of this country remain detached with the policies of the Government where many things are to be learnt that can help them in observing the practical scenario. Besides, the planners and other concerned users will be benefited in getting the findings of this study.

5. Terms and Concepts

The term impact implicates the effectiveness of the export policy in particular and signifies the results in economic development in general.

6. Limitation

The study has data limitation and can not focus on broad base because of the unavailability timely data and space constraints. Besides, Review of Literatures can not be done because of the unavailability of the same so far. Had these been incorporated the study would be more effective.

7. Export Policy of the Government

At present, the Government of Bangladesh has introduced a strategy to be considered as PRSP (poverty reduction strategic plan) under the Millennium Development Goal (MDG) of the United Nation. To implement the objectives and goals of the PRSP, export development strategy is placed under the Export Policy of the Government of Bangladesh. Here establishing the employment and income generation for the wide population of this country, poverty rate should be reduced at half through the expedition of export trade. With a view to accelerating the economic activities in the perspective of competitive free market economy with globalized age and reducing the dependence on foreign aids, the present export policy focuses on the following objectives along with the implementation strategy: a) to liberalize and adjust the trade regime in connection with the necessity of WTO (world trade organization) and globalization; b) to encourage for the producing of export goods/products on labor based (especially women labor); c) to ensure the availability of raw materials for export goods; d) to increase the productivity as well as multi-diversification; e) to adopt new techniques using computer technology and E-commerce along with all modern technology for the expansion of export goods market; f) to develop the quality and design for goods (especially high-priced goods) using developed and friendly environment technology; g) to help set up backward linkage and forward linkage industries for the production of exportable goods; h) to create new exporters and help the present exporters in all respect; i) to form an efficient man power giving proper training for the conduction of international trade; j) to provide information to the concerned parties regarding the changing position of international trade and commerce, while the implementation strategies are; a) to increase the institutional efficiency of export development bureau (EDB) and help capacity building for the organizations concerned; b) to expedite the formation of 'product development council' for the flourishing of exportable goods with the help of Govt. sectors and Non-Govt. sectors; c) to help the manufacturers and exporters in all respect for increasing the demand of the local products and to get more earnings; d) to provide latest information to the exporters regarding the multi-diversification of export market and technology; e) to train the concerned labors, employees and officers for increasing productivity and to set up training institutes; f) to give incentives as well as facilities for trading house, export house and other institutional facilities; g) to help establish the 'seal of quality organization' for the assurance of quality goods/products; h) to try to revive the lost duty-free facilities from America and other developed countries; i) to expand the export market and form a national committee for export to develop the monitoring system as a whole.

To face the challenge of globalization the export policy emphasizes on rule of exporting goods, control of export goods, list of controlled export goods, exportable goods, entre-pot and re-export (entre-pot means to export at 5% higher rate than the imported cost, while re-export means to export at 10% higher of the same reprocessing the imported goods locally), export without L.C, export cum import,

compulsion on pre-shipment inspection, certification on standard control, strategic plan for export development etc [2] .

8. Analyses and Interpretations

In Bangladesh, export trade mainly depends on some specific goods/products and these are some primary products and cheap and labor intensive industrial products, while primary products cover refrigerated foods, raw jute, tea, vegetables, fruits etc. The industrial products include ready-made garments, neat wear, jute goods, leather etc. Besides, a small quantity of fertilizers and chemicals, special cloths, ceramic goods, engineering products, mess, partex, reon, books, petroleum by-products etc. are exported in accordance with the availability of these products. It is in fact, the contribution of export sector to GDP is around 17.50%. The export earnings of Primary goods is around 7% of total export earnings out of which refrigerated foods contain 4.25% exporting to the countries as America, Britain, China, India, Italy, Singapore and middle east countries. Besides, other primary products are exported to the same countries along with the countries concerning Pakistan, Russia, Egypt, Belgium, and West-European countries Japan and so on. On the other hand, the earnings from industrial products belong to 92% (approx.) of the total export earnings, while the same contribution was around 80% (approx.) at the first stage of Eighty decade.

The following table can focus the scenario of the export incomes in terms of the primary product and industrial product during 2007-08:

Table 1: Product wise export Incomes (in terms of percentage) [During 2007-08]

Primary Product	Export Earnings	Industrial Product	Export Earnings
Refrigerated Goods	6%	Ready made Garments and Knitwear	75%
		Jute Goods	4%
		Leather	2%

Source: Text Book of Economy of Bangladesh

The above mentioned table highlights that out of the industrial products earnings, ready made garments and knitwear industries earn the major portion of export incomes (around 75%) followed by Primary product refrigerated foods (around 6%), jute goods (around 4% and leather (around 2%) [3], while during the mid-Eighty the major portion of export earnings was originated from Jute and Jute goods.

From information provided by the Bangladesh Arthonoitic

Somikha-2007 [4], it is seen that during 2005-06 total export earning was \$10,422 million followed by \$7,977 million respectively during 2006-07 (July-Feb.) indicating the decreasing trend and these earnings were below the import earnings. Another information from the same provided that during the first 9 month of 2006-07 increased earning rates were to be seen which are detailed in the table 2.

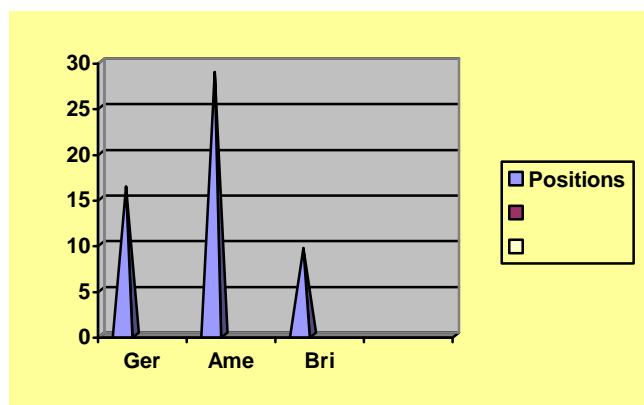
Table 2: Increased Earning Rates of the Exporting Products [During 2006-07]

Serial No.	Exporting Product	Earnings Rate (%)
01	Knitwear	24.31
02	Readymade Garments	18.24
03	Refrigerated Goods	16.14
04	Leather	9.07
05	Shoes	32.31
06	Ceramic Goods	8.01
07	Engineering Products	42.38
08	Petroleum By-Product	36.22
09	Handmade Products	74.32

Source: Bangladesh Arthonoitic Somikha-2007

The table reveals the facts that increased earning rates were 24.31% for knitwear, 18.24% for garments, 16.14% for refrigerated foods, 9.07% for leather, 32.31% for shoes, 8.01% for ceramic goods, 42.38% for engineering products, 36.22% for petroleum by-products and 74.32% for handmade industries compared to the same period of the last fiscal year, while the handmade products had the highest rate followed by engineering products and the lowest rate belonged to ceramic goods followed by leather goods. Among the export countries concerned America is the highest purchaser (28.81% of total export in 2006-07) followed by Germany (16.23%), Britain (9.52%) respectively and these can be focused in the Chart 1:

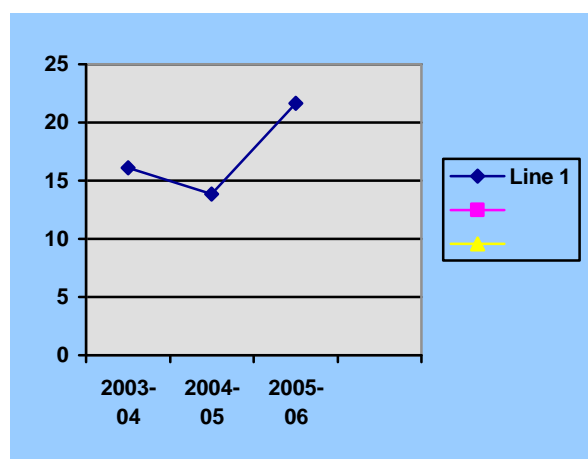
Chart 1: Exported Positions occupied by the Concerned Countries [Shown in Percentage in the year 2006-07]



Note: Ger: Germany; Ame : America; Bri : Britain

It is also seen over the reviewing of the last couple of years that during 2003- to 05-06 the export earning growths were 16.10%, 13.83% and 21.63% respectively indicating fluctuating as well as increasing trends [5] and these will be obvious through the following Chart 2.

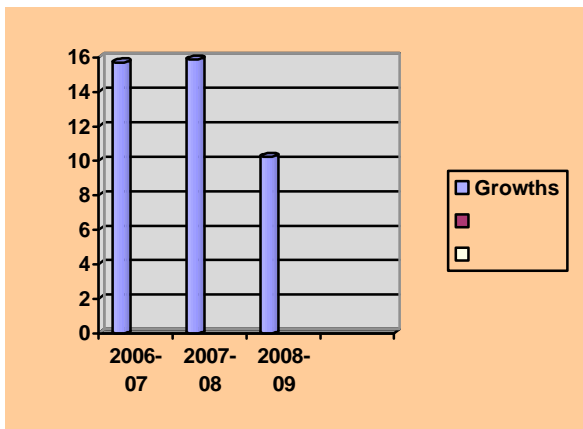
Chart 2: Export Earnings growth Rates



In the daily 'Ittefaq' [6] published on 29.02.08, it was seen that export target was not achieved during the first six months of the current fiscal year (07-08). Of course, the quantity of export increased somewhat compared to the same of last year. Mentioning the Export Development Bureau, the Daily revealed that actual export increased by 4.43% compared to same of the last fiscal year, while 8.29% decreased in achievement of target of 07-08 (July-Dec.). It also indicated that considering the duration of 07-08 (July-Dec.) the index had been decreased by 1.63% in total export compared to the same of last year, while quantitative export had been increased by 6.06%. Export price index and quantity export of the primary products were increased by 1.37% and 10.09% respectively, while the same decreased and increased by 1.88% and 5.74% respectively regarding the industrial products, it added. In the export policy 2009-12, statistics reveal the fact that export earning growth of this country has witnessed 15.69%, 15.87% and 10.23% respectively during the years 2006-07, 2007-08, 2008-09[7]

and that can be shown through the following pictorial chart 3.

Chart 3: Comparative Scenario of Export Earnings Growth



The above chart highlights the fluctuating trend.

9. Conclusions through Findings

From an overview of the above discussions, it is considered that the export costs have become higher, though in some of the years export growth became higher but in most as well as the year 2007-08 export target achievement had been decreased, especially in the scenario during 2006-07 to 2008-09 the said growth rate showed decreasing. Besides, the numbers of exported products are not adequate enough in terms of the country's economy. Thus the contribution of the export sectors towards the GDP is not so satisfactory compared to the cost effectiveness of import sectors which somehow causes trade deficit and that is a common scenario of the country. Of course, recently by the initiative of the Government in Export Policy, the export trade has been decentralized more, which results the increase of traditional and non-traditional goods/products export though these are not appreciating compared to the other developing countries. Here the trend of the growth of export income is not encouraging. Basically, we are facing the problem of withdrawing the duty-free-quota facilities by America and other developed countries. At the same time, our local production is not sufficient enough to export a lot, while the price hikes of the raw materials concerned hinders the export goods to compete with the same of other countries. However, lots of possibilities are associated with the export phenomena, which have to be materialized properly. Presently, Bangladesh exports more than 100 products to 110 countries and out of the export products only 7 products contribute 92% of the total export earnings, while the quantity of export is around 70% in only 7 countries like America, Germany, Britain, Italy, France, Belgium and Netherlands and these earnings concerning exports contribute towards the economy of Bangladesh. Of course this trend of export needs to be strengthened for the betterment of the country.

10. Suggestions

In fine, to increase the export trade trend in the economy of this country some suggestions can be outlined here:

- More attention should be given towards the development of ready made garments and knitwear industries to occupy the foreign market despite the withdrawal of duty-free quota facilities and at the same time, the unrest situation (seen in the recent last couple of years) should be mitigated peacefully;
- To increase more export for the traditional and non-traditional goods/products. Presently, traditional goods export contributes only 15% towards the total export earnings [8] ;
- To take necessary steps for the cost controlling approach so that cost of export goods could be minimized and the position of the foreign market can be occupied accordingly;
- To give more importance regarding the export of man power that can contribute a lot towards the GNP;
- To develop the infra-structural conditions regarding communication and transport system, and to develop the management system of Chittagong port which has the higher container handling cost compared to the other developing countries so far;
- Careful attention should also be given towards the foreign exchange rate so that local currency can take its proper place.
- Availability of the Backward Linkage and Forward Linkage Industries is not here sound, hence proper steps should be taken in setting up those so that import costs in this regard could be minimized;
- Maximum usage of e-commerce and modern technology has to be ensured so that the speed of the growth rate of export be expedited;
- Bangladesh missions in abroad has to be more active and upgraded for making close connectivity with World Trade Organization, South Asian Free Trade Agreements and concerned regional and international organizations so that export trend could be strengthened;
- Monitoring activities should be strong enough towards the export concerned offices and cells while transparency and accountability has to be established practically.

Finally, the Government of Bangladesh should take the positive steps for implementing the strategic plan taken under the Export Policy-2006-09 and 2009-12, and maintain the systematic certification process and keep penalty process for breaking the rules and regulations, consequently, the export earning trend will keep its up for the betterment of the economy in Bangladesh.

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Author's Profile



Dr. Alak Kumar Saha completed his master's degree from the department of Accounting, Rajshahi University, Bangladesh and was awarded PhD degree from the same university in 2002. His research interests are on Accounting, Finance, Economics and column writings on current issues of the world.