

New Sectors New Opportunities-A Note

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Bangladesh lies in the midst of tremendous opportunities. China, the export giant, is moving into high-value added products that can accommodate the increasing wage of Chinese workers, and global markets are in search of manufactured goods. Countries such as Bangladesh, Vietnam, India and Bhutan among many others in Asia, are the new destinations that receive the lion's share of the others depend for their success on quality control, timely delivery and most importantly, price.

Bangladesh expects to grow at 8.0 per cent per year by 2015 and enable its manufacturing sector to grow fast enough to employ a greater share of the workforce - from the current 13.7 per cent to 15 per cent by 2015 (based on SFYP). Being over three-fourths of all exports and employing over 5.0 million people, the contribution of the RMG sector in Bangladesh's global presence and GDP is undeniably massive and need not be iterated. But, Bangladesh needs to enable other new sectors to grow as well in order to accelerate exports, create jobs, grow faster, and offset its large and growing trade deficit (US\$9.4 billion in FY 2010-11). Despite their lack of dominance in the export basket, shipbuilding, plastic, furniture, light engineering, home textiles, and ICT/software sectors have grown remarkably fast in the last 2 to 3 years. Which of these sectors will lay golden eggs? There are untapped opportunities in each of these sectors, but the harnessing of these opportunities requires strong policy and regulatory support and the drive to overcome constraints. Surely, there are more sectors with equal

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(if not more) potential for contributing to the economy. But, a coordinated effort is required in voicing required positive changes in policy and regulation in order to enable these potential sectors to grow. With that very intention in mind, Business Initiative Leading Development (BUILD) recently reviewed a wide array of secondary information and studied the industrial sectors of Bangladesh in order to map out sector-specific opportunities and constraints. And, through further validation with businesses who are much better informed, BUILD hopes to identify areas of regulatory simplification so that opportunities in certain sectors can be harnessed. The impetus for such a research oriented investigation came from BUILD's Trade and Investment Working Committee co-chaired by both public and private sector representatives. The same committee will make recommendations to improve the policy and regulatory environment in which these sectors operate. BUILD has three other thematic working committees that operate in a similar manner, and each working committee hopes to make similar recommendations to the government-based on sound research and investigation. Business Initiative Leading Development (BUILD) 's research on Prioritization of Sector Opportunities and Constraints was done in June 2012 and followed some specific investigation criterion, such as significant impact of a sector on balance of trade, jobs and income, competitiveness of other sectors etc. In the marketing opportunities of particular sector, the study looked into the demand and prices of their products at the global markets and also at local markets. Other broad investigation criterion were: prospects in these sectors, does Bangladesh have the underlying assets to be competitive in these sectors, are there good investment prospects in these sector, are the barriers to growth in these sectors relatively easy to address? This proven methodology has been used in some African countries and is being adopted for use in certain Indian states and Central Asian countries. Summary profile of some of the identified sectors is given below.

Agribusiness: Although Bangladesh's agribusiness exports are not very high at the moment (USD352m in FY 2010-11), exports are growing fast- at 27 per cent in the last two fiscal years. Global processed agro-market (without fresh exports) is estimated at USD4.2 trillion (FY 2008-09), but the current Bangladesh agro exports are mainly fresh products since the main items are fruits, vegetables, flowers and tobacco. Therefore, the sector needs to attract investment in terms of processing units-enabling products to amplify shelf lives and diversify into various secondary outputs from the same primary product. And exports aside, the current domestic market size is around USD4.5b already, and is expected to grow to \$8.0b by 2020. The most important element of the agribusiness industry is its massive potential for job creation-the overall agro sector already employs a third

of the country's workforce. Growth in this sector can also be expected to stimulate growth in supporting other businesses, such as in storage, retailing and distribution. Even with falling levels of arable land, volatile climatic conditions and import needs of the sector, the agribusiness industry holds massive untapped potential-one that can be harnessed with adequate regulatory and infrastructural support.

Shipbuilding: The shipbuilding sector's export might seem low (USD46m in FY 2010-11), but this is a remarkable achievement given that the first export was only in 2008. And exports are growing fast. This sector has vast opportunities of local value addition, and exporters are already using certain local inputs-such as electrical cables and furniture. Bangladesh is carving out a name for making small ocean faring ships (10,000 DWt), and has received orders for over 40 ships (\$600m) to be delivered by 2013 according to the Association of Export Oriented Shipbuilders. Although prices had fallen following recession in 2009, the global market has almost fully recovered. Access to the sea is a major advantage that Bangladesh has. Employees working at shipyards are not only earning good money, they are even being sought out by other countries.

Plastic: The plastic sector is yet another upcoming one, with export in FY 2010-11 at about \$60m (50 per cent is scrap/recycled which mostly goes to China) up from about \$35m in 2008-09. Newspaper reports suggest that employment in the sector is about 0.5m in 3,000 factories and unskilled labour is used widely by the sector. Most importantly, the plastic sector provides major backward linkage to light engineering, footwear, cables, and the real estate sector. Furniture: It has been estimated that Bangladesh has the potential to export furniture worth \$40m per year in the next five years. The market is rapidly growing and more than 41,500 enterprises all over the country are employing about 180,000 people. Dhaka alone has 2000 enterprises employing over 40,000 workers. Production is highly labour intensive. China, India and USA are the main importers of Bangladeshi furniture, and export in the last FY was about \$7.7m with a positive growth trend.

Home textiles: From just about \$100m in FY 2007-08, the home textiles sector exported about \$500m in FY 2010-11, and is expected to grow even further this year. Exporters are experiencing increasing demand and home textiles is one of the major sectors where Bangladesh is receiving orders diverted from China.

ICT/ software: Exports of soft ware in first seven months of the FY 2011-12 stood at \$38.47m compared to \$22.21m in the corresponding period of the last fiscal year. According to BASIS, total export at year end is expected to reach \$60m.

Employment is around 25,000, and rising (over 524 firms registered with BASIS as of June 2012). Although this sector is presently unable to employ massive numbers of labour force, it has tremendous potentials in earning foreign exchange.

In identifying country-specific sectoral priorities there have been a lot of research already done but BUILD believes that the study has been able to assess sectoral strengths and possible barriers in a very simplistic way which can help suggest policies for further boost of the identified sectors, diversify exports, attract more investment and support upcoming trade and industrial policies for development of an integrated policy framework for sectoral development.

Export data cited in this article taken from EPB website