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Export Diversification of Bangladesh's Apparels Products : An Analysis of Identification of New Markets and New Products

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Abstract

Attaining a considerable level of export diversification remains a far-fetched goal for Bangladesh to achieve despite its mention in major policies. The objective of this study is to identify new markets and new products for Bangladesh's export-oriented apparels industry. Using WITS data set, the study attempts to identify potential markets and products for enhancing export of apparels; as part of this analysis, the study compares import tariffs of potentials products applicable for Bangladesh and its competing countries in the major potential markets with a view to examine the competitiveness of Bangladeshi products. The study found that Bangladesh's exports are highly concentrated to the top 5 exporting countries and the level of concentration has not changed substantially even in the case of the top 10 and top 20 products. Over time, the export of knitwear has experienced diversification in terms of export destinations, while the export of woven wear has experienced further concentration. The nature of concentration is most importantly explained by the type of market access facility enjoyed by Bangladesh particularly as an LDC in major markets. The study found that more than 50 per cent of global share of apparels trade belong to markets outside EU and USA and there are as many as thirteen countries which import more than US$1.5 billion worth of apparels every year. This includes Japan, China, South Africa, Russia, Hong Kong, Taiwan, Brazil, Korea,

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Mexico and UAE. Bangladesh's top ten woven wear and knitwear products could be exported to these markets. Analysis of tariff structure of these markets reveal that Bangladeshi apparel products enjoys duty-free access to Japan and Hong Kong; relatively low tariff in UAE (5 per cent), some items of knitwear products in China (0 to 6 per cent) and South Africa (0.02 pt 5.5 per cent) and some wovenwear items in the markets such as Korea (0 per cent) and China (0 per cent). Tariff rates for wovenwear products were rather high in most of the potential markets such as China (6.4 per cent to 17.5 per cent), South Africa (40 per cent), Russia (30 per cent), Taiwan (11 to 12 per cent), Brazil (20 per cent) and Korea (6.5 per cent to 13.0 per cent). Although a large number of Bangladesh's major apparel products are within the list of major importable products in all potential importing countries, it does not necessarily ensure market access, since this is related to a number of other factors. It is understood from the above analysis that a substantial growth of export in potential sources will largely depend upon undertaking favourable market access policies in support of LDCs. Additionally, competitiveness in potential markets is related to relative advantages in terms of unit price of products, low level of lead time, better quality of products and less support to domestic industries. However, the issue of RoO is not explained here because of unavailability of data. Enhancing exports to these countries needs renewed effort from all stakeholders including the Ministry of Foreign Affairs, the Ministry of Commerce, the Export Promotion Bureau (EPB), the Bangladesh missions to these countries and, most importantly, trade bodies (particularly BGMEA and BKMEA). It seems 'economic diplomacy' pursued by the government should become more target-oriented 'trade diplomacy'. Export diversification of LDC products is usually constrained by their limited capacity of product development. The Government, as well as private sector trade bodies, should emphasize product development as per the requirement of the buyers.

Introduction

Despite various initiatives, LDCs' exports are still confined to a limited number of countries and products. Bangladesh is one of the few LDCs, which has effectively pursued export-led industrialization since the early 1980s, and has been able to increase her exports from less than a billion US dollars in 1981 to more than US$15 billion in 2009. This has been achieved through a spectacular growth in the export of readymade garments (RMG). From an almost unknown entity in the early eighties, the RMG sector became a major share of exports in the mid-1980s and has strengthened its base in the export structure over time. There is no denying the fact that preferential market access to major markets of developed countries, particularly the USA and EU is one of the major factors which contributed to such an achievement. However, despite this progress, the export structure of Bangladesh has tended to remain narrow and undiversified both in terms of products and markets. Overcoming these twin constraints has emerged as a major challenge as Bangladesh continues to pursue export-led industrialization in the new millennium.

The export diversification of Bangladesh has not received adequate focus in policy related actions. Bangladesh's successive development policies, particularly industrial policy, SME policy and export policy order (e.g. *Industrial Policy 2005, SME Policy 2005* and *Export Policy Order 2009-2012* (draft)) have focused on export–diversification with specific strategies and targets. However, government initiatives encouraging country-specific export targets have hardly contributed towards enhancing export diversification of the country. The *New Export Policy Order 2009-2012* reemphasized the need for increasing the diversification of markets and products. A number of strategies have been articulated, including searching new export products and markets in South Asia, East Asia and the Middle East, applying new techniques and strategies, strengthening market intelligence, and ensuring easy access to real time information on export in different markets. Relevant government agencies and the private sectors need to support this policy and encourage export diversification by setting actionable and target-based strategies (Ministry of Commerce, GoB, 2009)

The objective of this study is to identify new markets and new products for Bangladesh's export-oriented apparels industry. This analysis extends to estimating import tariffs on Bangladesh's major apparels products under wovenwear and knitwear categories, and comparing import tariff on major importable items in new major global supplier markets, which include Bangladesh, China, India and Vietnam.[2]

The paper comprises of six sections. Section three thoroughly discusses export concentration of Bangladesh's products in terms of markets and products. Section four has thoroughly analysed Bangladesh's potentiality in a number of markets of developed and developing countries other than the markets of USA, EU and Canada. Market access in these potential markets has been assessed from two perspectives, one, market access of Bangladesh's major export items under the categories of 61 and 62 (at 6-digit level) and second, market access of Bangladesh and its major competing countries in case of major imported apparel items of each

2 One of the limitations of this study is to confine the analysis of market access to only import tariffs on major apparel products in potential markets, though a number of other indicators are also of equal importance (including rules of origin (RoO), non-tariff barriers and other technical requirements).

market. Section five briefly focuses on recent initiatives on market access in the USA, EU and WTO and their possible implications for Bangladesh. Finally section six puts forward a number of policy suggestions for enhancing LDCs exports to new markets and products; these suggestions have targeted two major stakeholders – domestic and international.

2. Methodology of the Study

This study is based on secondary information available on websites. The most important data set that is used for the analysis is the World Integrated Trade Solution (WITS) database. WITS is a software developed by the World Bank in collaboration with the United Nations Conference on Trade and Development (UNCTAD), which provides information on trade and tariffs for all categories of products in most countries. The identification of potential markets for the export of Bangladesh's apparels, the existing level of export to these countries and import tariffs for Bangladesh's major exportable items as well as import tariffs for major importable items applicable for Bangladesh and its competing countries are the issues analysed using WITS data set. In most of the cases, global and country-specific import and export and import tariffs data are used for the calendar year (January-December, 2008). Part of this analysis has benefited from WTO documents related to market access of LDC products.

3. Bangladesh's Export of Apparels: Product and Market Concentration

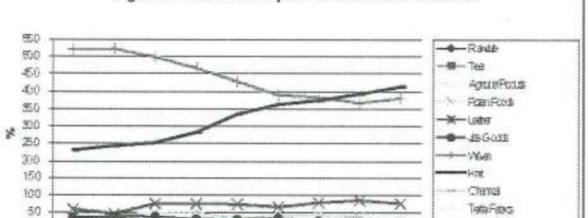
3.1 Export Concentration and Export Diversification (Markets and Products)

Bangladesh's export structure is overwhelmingly dominated by readymade garments. During 2009, total export was US$15.5 billion, out of which more than 79 per cent entailed export of knitwear and wovenwear products. More importantly, export structure is characterized by growing concentration towards RMG products over time (from 75.1 per cent in FY2001 to 79.3 per cent in FY2009). As a result, non-RMG products are being marginalized in the export basket. In the process of concentration of exports, an intra-RMG diversification has taken place under which knitwear products have gradually taken a larger share in overall RMG export - the ratio of export of wovenwear to knitwear was 69:31 in 2001 and 48:52 in 2009 (Rahman, Bhattacharya and Moazzem, 2008) (Figure 1). The export of non-RMG products has experienced marginal changes where the share of non-traditional products (under the category 'others') has registered noticeable changes (24 per cent of non-RMG export in 2001 to 36 per cent in 2009).[3]

Market Concentration

Bangladesh's export of apparels is overwhelmingly targeted to two markets, the USA and EU. Together these account for more than 80 per cent of the country's total export. Imports of these two markets from Bangladesh have registered considerable growth over time, and Bangladesh's share in these markets has increased. The sustained growth of apparel export in these two markets is

Figure I : Share of Export of Different Products



Source: Moazzem (2009)

attributed primarily to the preferential market access under the multifibre arrangement (MFA) during the 1980s, 1990s and 2000s (till 2004) along with GSP facilities to major markets (including European and Canadian markets), which are still in operation (Rahman and Anwar, 2006). Taking advantage of the preferential market access, Bangladeshi entrepreneurs have strengthened their export competitiveness during the last three decades by developing a backward linkage textiles sector, upgrading technological bases and improving workers' skills (Bhattacharya, 1996; Bhattacharya and Rahman, 1999; Rahman, Bhattacharya and Moazzem, 2008; Mottaleb and Sonobe, 2009).

It is also important to note that Bangladesh's export destinations have increased over time, from 117 countries in FY2008 to 135 countries for wovenwear

[3] 'Others' includes products such as engineering products, home textiles, terry towel, computer software, textile fabrics, and dry food etc.

products and from 125 to 141 for knitwear products during FY2009. In view of export diversification, a number of these markets could be a potential source for enhancing Bangladesh's export. Table 1 shows Bangladesh's export market concentration for different years. Bangladesh's exports are highly concentrated in the top 5 exporting countries and the level of concentration has not changed substantially in the case of the top 10 and top 20 products. Over time, the export of knitwear has experienced diversification in terms of export destinations, while the export of wovenwear has experienced further concentration.

Product Concentration

Bangladesh's export of apparels is largely confined to a limited number of products, and over time export concentration has intensified. The top 5 products (shirts, trousers, jackets, T-shirts and sweaters) accounted for 62.7 per cent of total export in 2008, compared to a lower share in 2001 (52.2 per cent) (Table 2).

Table 1: Export Market Concentration of Bangladesh's Apparels

Year	Knit			Woven		
	Top5	Top10	Top 20	Top5	Top10	Top 20
2004	0.119	0.129	0.13	0.225	0.229	0.229
2005	0.122	0.132	0.132	0.284	0.287	0.287
2006	0.117	0.128	0.128	0.283	0.286	0.287
2007	0.114	0.123	0.124	0.271	0.273	0.274

Source: Moazzem (2009)

However, there is an intra-apparels diversification that has taken place over time, where shirts exportation has lost its dominance (from 16.6 per cent of total apparels export in 2001 to 6.5 per cent in 2008), and has been outperformed by trousers (17.8 per cent), jackets (8.38 per cent) and T-shirts (19.6 per cent). These changes in the export structure are attributed to the development of a backward linkage textiles sector, especially in knitwear products (such as T-shirts and sweaters), and partly in wovenwear products (such as trousers) which enabled Bangladeshi products to become competitive.

Based on the WITS database, an analysis of export diversity has been carried out using the export-diversity index.[4] The estimated diversity-index of Bangladesh is

[4] Herfindahl-Hirschman Index is a commonly accepted measure of market concentration. It is used here to measure export diversity of a country, i.e. whether it is dependent on a few

Table 2: Main Apparel Items Exported from Bangladesh (million US$)

Year	Shirts	Trousers	Jackets	T-Shirt	Sweater
1999-2000	1021.17	484.06	439.77	563.58	325.07
2000-2001	1073.59	656.33	573.74	597.42	476.87
2001-2002	871.21	636.61	412.34	546.28	517.83
2002-2003	1019.87	643.66	464.51	642.62	578.37
2003-2004	1116.57	1334.85	364.77	1062.1	616.31
2004-2005	1053.34	1667.72	430.28	1349.71	893.12
2005-2006	1056.69	2165.25	389.52	1781.51	1044.01
2006-2007	943.44	2201.32	1005.06	2208.9	1248.09
2007-2008	915.6	2512.74	1181.52	2765.56	1474.09

Source: BGMEA

compared with its major competitors such as China, India and Vietnam, in two major markets, the USA and EU (Table 3). Bangladesh's export diversity is relatively low compared to China and Vietnam in both categories of products and in both markets. Additionally, Bangladesh's export diversity in the USA has shown a deceleration between 2005 and 2007 in both the case of knitwear and wovenwear products, while its exports to the EU have shown an upward trend in the case of knitwear products (and to some extent in wovenwear products). Export concentration in the USA is a major concern when attempting to increase exports. Findings from the exercise indicate that the concentration of exports to the USA needs to be examined more thoroughly to determine whether the absence of market access would have any adversarial impact regarding export diversification.

The concentration of exports to certain markets depends on various internal and external factors. The most important factor contributing to the development of Bangladesh's RMG sector is the unilateral/preferential market access in major markets such as the USA and EU, under the multifibre arrangement (MFA) till 2005 and various GSP facilities in major markets (such as EU-EBA since 2001) and Canadian GSP facilities for duty-free import of LDC products since 2001

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products, or has a variety of products. Herfindahl-Hirschman Index is calculated using the formula: $H = \sum_{i=1}^{n} s_i^2$

Where, s_i = share of product i in the export basket of the country concerned. $\sum_{i=1}^{n} s_i^2$ thus becomes a measure of export concentration with value ranging from 0 to 1 where 0 means the basket is perfectly diversified and 1 means total concentration, i.e. only one product contributes to all the exports.

We have used $D = 1 - H$ to measure export diversity. So, the way diversity index is calculated, the value of zero means total concentration and 1 means perfect diversification.

Table 3: Export Diversity Index of Bangladesh's Apparels

Markets	Types of products	Bangladesh			China			India			Vietnam		
		2005	2006	2007	2005	2006	2007	2005	2006	2007	2005	2006	2007
USA	Knit	0.941	0.902	0.902	0.942	0.951	0.958	0.832	0.827	0.84	0.951	0.951	0.932
	Woven	0.908	0.878	0.859	0.971	0.971	0.972	0.91	0.915	0.918	0.961	0.956	0.963
EU	Knit	0.713	0.705	0.76	0.958	0.964	0.96	0.838	0.809	0.823	0.963	0.957	0.945
	Woven	0.84	0.829	0.882	0.964	0.967	0.968	0.915	0.916	0.919	0.96	0.955	0.962

Source: Based on WITS database

(Rahman and Anwar, 2006; Rahman, 2001; Bhattachrya and Rahman, 2000). After the MFA phase-out, Bangladesh was indirectly benefited by the safeguard imposed over selected categories of Chinese apparels exports to US and EU markets till 2008 and 2009. The phase-out resulted in complete withdrawal of the quota facility in the US market; however, a bill was placed in the US congress called *'New Partnership for Development Act 2007 (NPDA)'* to provide duty-free market access to LDCs and some poor countries. Unfortunately, it was repealed with the dissolution of the last US Congress in 2008. Currently, a similar type of bill ('Trade Preference Bill') is in the formulation stage, which may provide duty-free market access to LDC products (Rahman and Anwar, 2009). On the other hand, there was little momentum in Bangladesh's export to Japan during the 1980s and 1990s possibly due to the absence of any preferential market access initiative by the Japanese government. However, there was not much change in terms of enhancing the export of apparels even after the introduction of duty-free market access in 2001.

4. Export Diversification of Bangladesh: Searching Potential Markets and Potential Products

4.1 Identification of Potential Markets and Potential Products

Bangladesh has yet to reach new large markets in developed and developing countries at a substantial level. The global import of apparels is led by a number of developed and developing countries, where the EU and USA have major shares (43 per cent of total global import) and the rest are widely distributed among other countries. A number of developed countries hold a sizable share of the import of apparels, including Japan (US$23 billion), Hong Kong (US$17.7 billion), Korea (US$4.1 billion), Russia (US$3.7 billion), and Australia (US$3.5 billion) (Table 4). Besides a large number of developing countries having a large import of apparels, such as Hong Kong (US$17 billion), Russia (US$3.7 billion), UAE (US$2.3 billion), Singapore (US$2.3 billion), Mexico (US$2.4 billion), Turkey

(US$1.6 billion) and China (US$1.5 billion), there have been attempts to expand Bangladesh's export to a number of other locations.

In order to enhance export diversification, Bangladesh's apparel products need to explore various potential markets other than the USA and EU. A list of 'potential' countries has been identified, which are the world's leading importers of apparels

Table 4: Major Global Importers of Apparels, 2008

Reporting Country/Region	Total trade value ('000 US$)	% of Global import in 2008
European Union	$80,923,421	25.95%
United States	$53,338,015	17.10%
Japan	$23,011,112	7.38%
Hong Kong, China	$17,662,105	5.66%
Canada	$5,964,893	1.91%
Korea (2007)	$4,081,542	1.31%
Russian Federation	$3,707,043	1.19%
Australia	$3,512,082	1.13%
UAE	$2,265,125	0.73%
Mexico	$2,405,598	0.77%
Singapore	$2,310,603	0.74%
Portugal	$1,838,377	0.59%
Turkey	$1,551,134	0.50%
Czech Republic	$1,523,638	0.49%
China	$1,540,315	0.49%

Source: Moazzem (2009)

after the two giant economies; these potential countries are: Japan, China, South Africa, Russia, Hong Kong, Taiwan, Brazil, Korea, Mexico and UAE. These markets could be explored for major apparels products of Bangladesh under categories 61 and 62 (at 6-digit level). Bangladesh's top ten knitwear products include: 610462, 610510, 610610, 610621, 610910, 611020, 611030, 610342, 610711 and 610831; the other top ten wovenwear products include: 620193, 620342, 620343, 620462, 620463, 620520, 620530, 620630, 620920 and 621210.[5] Each market has its own dynamics which have been reflected in the category of products; therefore, important market-specific products (top-ten) have

[5] Major Bangladesh's knitwear products include:
610462 = - Womens/girls trousers and shorts, of cotton, knitted; 610510 = Mens/boys shirts, of cotton, knitted; 610610 =Womens/girls blouses and shirts, of cotton, knitted; 610821 = Womens/girls briefs and panties, of cotton, knitted; 610910 = T-shirts, singlets and other vests, of cotton, knitted; 611020 = Pullovers, cardigans and similar articles of cotton, knitted; 611030 = Sweaters, pullovers etc, knit etc, manmade fibres; 610342 =Mens/boys trousers and shorts,

been identified both under the category of knitwear and wovenwear products (at 6-digit level). Since most of the potential countries are developing countries, the import of apparel in these countries is largely taking place under MFN rates or non-WTO rates (in the case of non-WTO member Russia). Analysis of market access is therefore largely concentrated on competitiveness in terms of average weighted tariffs of selected knitwear and wovenwear products.

4.2 Analysis of Average Weighted Tariffs of Bangladesh's Major Apparels Products in Potential Markets

Analysis of average weighted tariffs for Bangladesh's major export items in the potential markets reveals that there are two countries, namely Japan and Hong Kong, which provide duty free access to all major products of Bangladesh. Relatively low import tariff for both categories of products prevailed in several markets, such as UAE (5 per cent), some items of knitwear products in China (0 to 6 per cent) and South Africa (0.02 pt 5.5 per cent), and some wovenwear items in such markets as Korea (0 per cent) and China (0 per cent). Tariff rates for wovenwear products were rather high in most of the potential markets such as China (6.4 per cent to 17.5 per cent), South Africa (40 per cent), Russia (30 per cent), Taiwan (11 to 12 per cent), Brazil (20 per cent), and Korea (6.5 per cent to 13.0 per cent). The structure of import of major items reveals that Japan, UAE and Taiwan have imported a substantial amount of some of Bangladesh's major wovenwear and knitwear items in view of having no import tariff for Bangladesh's products. This has happened particularly to those products which are considered major importable items in those countries. Similarly, the UAE has relatively low tariffs and has attracted some of Bangladesh's leading products which are major importable of UAE. Relatively high tariff markets such as South Africa (40 per cent) and Russia (30 per cent) have imported some of the major export items of Bangladesh.

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of cotton, knitted; 610711 =Mens/boys underpants and briefs, of cotton, knitted; 610831 =Womens/girls nightdresses and pyjamas, of cotton, knitted

Major wovenwear products include:

620193 = Mens/boys anoraks and similar articles,of man-made fibres,not knitted; 620342 = Mens/boys trousers and shorts, of cotton, not knitted; 620343 = Mens/boys trousers and shorts, of synthetic fibres, not knitted; 620462 = Womens/girls trousers and shorts, of cotton, not knitted; 620463 = Womens/girls trousers and shorts, of synthetic fibres, not knitted; 620520 = Mens/boys shirts, of cotton, not knitted; 620530 = Mens/boys shirts, of man-made fibres, not knitted; 620630 = Womens/girls blouses and shirts, of cotton, not knitted; 620920 = Babies garments and clothing accessories of cotton, not knitted; 621210 = Brassieres and parts thereof, of textile materials

4.3 Analysis of Average Weighted Tariffs of Major Importable Items of Potential Markets: A Comparison between Bangladesh, China, India and Vietnam

A market specific analysis has been carried out for major importable items under the category of knitwear and wovenwear products. The major focus of this analysis is to compare relative differences in the average tariff structure of Bangladesh and its major competitors, including China, India and Vietnam, for the top ten knitwear and wovenwear products in all potential markets. This would enable us to appreciate the relative competitiveness of Bangladesh in terms of average weighted tariffs.

Japan

Japan at present is the third largest importer of apparels, after the USA and EU. It imported about US$23 billion of apparels in 2008, which accounted for 7.8 per cent of total global import of apparels. China is the leading source of apparels for the Japanese market supplying more than 83 per cent of Japan's total import of apparels. Chinese imports are followed by imports from Korea and Vietnam. Japan's top eight knitwear imports include eight leading products exported from Bangladesh, while its top nine products include seven products. A comparison of Bangladesh's tariff structure with its competing countries in major imported products reveals that Bangladesh is in a relatively advantageous position in terms of average weighted tariffs since imports of almost all products from competing countries face a relatively high tariff while imports from Bangladesh do not have any tariff. It is important to note that Vietnam is currently enjoying a duty-free market access facility on apparels product as part of the duty-free market access facility provided under the economic partnership agreement signed by ASEAN member countries with Japan. Vietnam's duty-free market access to apparels would possibly erode the preferences of Bangladeshi apparels in the Japanese market.

However, it is important to understand that most of the top imported products are made of synthetic yarn and fabric. Bangladesh is in a relatively backward position because of its major specialization in manufacturing cotton-based products. More importantly, Japan is regarded as a relatively high-end market, where quality, fashion and design are very important factors. Bangladesh's volume-led low-end cotton-based products would have relatively low comparative advantage in the Japanese market. With a view to entering the Japanese market in a big way, a substantial restructuring and focused initiatives will need to be put in place related to technological, operational, management and marketing issues.

Hong Kong

Hong Kong is currently the 4th largest importer of apparels, importing over US$17 billion with a market share of 5.7 per cent. At present Bangladesh's export to Hong Kong accounts for US$18.9 million, which is only 0.11 per cent of Hong Kong's total import of apparels. Out of the ten leading knitwear products, Bangladesh has exported eight products while the comparable number for wovenwear is six. In all major importable items, Bangladesh and its competing countries have enjoyed duty-free import facility. As a result, there is no relative advantage for Bangladesh at least from the import tariff point of view. Competitiveness of major apparel suppliers in the Hong Kong market, therefore, is likely to be determined by advantages in terms of the price of products, capacity to manufacture differentiated products, lead time and product quality.

Korea

Korea is another major importer of apparels. During 2007, Korea imported about US$ 4 billion worth of apparels, which was 1.31 per cent of global import of apparels in 2007. Bangladesh's export to Korea during 2008 was only US$9.17 million. Bangladesh is currently facing a similar tariff structure to China, India and Vietnam in almost all products. However, it has a limited level of duty-free import facility for some items of knitwear and wovenwear products. Overall, there is no relative advantage of Bangladesh as an LDC over competing countries such as China, India and Vietnam. In this case competitiveness on these products will be determined through relative advantage in terms of price, lower lead time and quality of products. It is important to note that Korea, being an advanced developing country, may consider providing the same duty-free market access facility to all Bangladeshi products as some other developing countries are currently providing to LDC products.

Russia

Russia imported about US$3.7 billion worth of apparels in 2008, which was equivalent to 1.19 per cent of global import during 2008. Russia's major imports include six knitwear and six wovenwear items. Bangladesh and its competing countries have faced a similar tariff schedule in Russia. The tariff rate is the same (20 per cent) for Bangladesh, India, China and Vietnam. It is important to note that Russia, not being a WTO member, is still practicing a tariff rate which is substantially higher than MFN rates. Russia's accession to WTO, currently in the process of negotiation, would substantially reduce the import tariff and would contribute to increased export of major apparels exporters, including Bangladesh.

Mexico

Mexico imported more than US$2 billion worth of apparels in 2008, which was 0.77 per cent of total global import. Mexico's leading imports include five knitwear and seven wovenwear products, which are major export items of Bangladesh. However, Mexico followed a high import tariff (30 per cent) for all major products and for all competing countries. This is perhaps related to its policy to support domestic textiles and industries in view of their substantial contribution to domestic and export markets. Market access to Mexico seems to be challenging, as a reduction of import tariffs in support of LDCs would not be taken into account. However, competitiveness in Mexico's apparels market is likely to be related to relative advantages in terms of price and other related factors.

United Arab Emirates

The United Arab Emirates imported of US$2.3 billion worth of apparels in 2008, which accounted for 0.73 per cent of global import. UAE's major import items include five knitwear and five wovenwear products, which are Bangladesh's major exportables products. The UAE has a uniform tariff schedule for all its leading products; there is no relative advantage for Bangladesh over its competing countries. Since tariff rates for major products are relatively low, there is not much space for tariff reduction. UAE possesses a market for consumers with mixed cultures; it is therefore important to understand the demand for various kinds of products in this market, particularly in relation to ethnicity, taste and fashion.

Taiwan

Taiwan's billion dollar market is almost untouched by Bangladeshi apparels. Taiwan's leading apparel imports include six knitwear and eight wovenwear items. Taiwan follows a tariff schedule for Bangladesh which is similar to those of major apparel manufacturing countries. There are a number of items where Bangladesh's apparels have to face relatively higher tariff compared to other competing countries. However, in some products Bangladesh has a marginal advantage over its competing countries. It seems that tariff differentials with major competing countries (especially China) would not have a significant impact; rather, major advantages of importers (other than China) will depend upon lead time and relative price advantages.

South Africa

South Africa imports less than a billion dollars worth of apparels. A number of Bangladesh's major exportable items are within the list of top ten importable apparels items for South Africa. It is interesting to note that South Africa applied a very high tariff rate (40 per cent) for all major imported apparels items for Bangladesh, China, India and Vietnam. In order to be able to expand exports the South African market, a reduction of tariffs will be highly important. It seems that South Africa allows import of apparels from African countries at a relatively low import duty (e.g. Congo, Angola and Uganda have average weighted tariff rate of 15-25 per cent).

Brazil

Bangladesh has the potential to enter Brazil's US$700 million worth of apparels import market. Brazil's major importables include Bangladesh's major five knitwear and eight wovenwear products. Although Brazil's apparels import from Bangladesh faces relatively low tariff compared to the import from China, Bangladesh faces the same level of tariff as the two other competing countries, Vietnam and India. Competitiveness in Brazil is likely to depend upon unit price advantage and lead time compared to the major apparels exporters of South America (Columbia, Peru, Spain, Panama, Italy and China).

Although a large number of Bangladesh's major apparel products are within the list of major importable products in all potential importing countries, it does not necessarily ensure market access, since this is related to a number of other factors. It is understood from the above analysis that a substantial growth of exports to potential markets will largely depend upon their undertaking favorable market access policies in support of LDCs. Additionally, competitiveness in potential markets is related to relative advantages in terms of unit price of products, low level of lead time, better quality of products and less support to domestic industries. However, the issue of RoO is not explained here because of unavailability of data.

5. Recent Initiatives towards Market Access in Traditional Markets (USA and EU) and in the Multilateral Organisation (WTO)

Although Bangladesh should take initiative to explore new markets for apparels industry, the importance of traditional markets will remain critical for the sustainable development of this sector. Therefore preferential market access to traditional markets needs to put on focus in the future export strategies of apparels of Bangladesh.

5.1 Market Access Initiative in the USA

After the phased-out of quota in 2005, Bangladesh's export of apparels in US market has taken place under the MFN rate. Various studies showed that Bangladesh's export of apparels would substantially increase if USA agreed to provide duty-free market access facility to Bangladesh. Most of the apparels items of Bangladesh are currently facing tariff peaks in the USA (15 per cent) and total import duty paid on Bangladesh products during 2008 was more than US$500 million (Rahman and Anwar, 2009). Under this backdrop, Congressman McDermott placed a bill in the US congress in 2007, which is called *'New Partnership for Development Act 2007 (NPDA),'* in order to provide duty-free market access to LDCs and some poor countries. Unfortunately, it was repealed with the dissolution of the last US Congress in 2008. The bill was of crucial importance for Bangladesh's duty-free access (although there were several provisions in the bill, which were of concern for Bangladesh) (e.g. labour policy, trade union rights, economic reforms and good governance). Recently, Congressman McDermott's office has prepared a new draft after reviewing the earlier bill; the proposed bill is named 'Trade Preference Bill'.

Rahman and Anwar (2009) have thoroughly reviewed the proposed 'Trade Preference Bill' and appreciated its salient features and possible outcomes particularly for Bangladesh. According to Rahman and Anwar (2009) Bangladesh would enjoy the same duty-free status in the US-GSP schemes as African LDCs do, if a necessary amendment were made in a specific Act (i.e., title V of the Trade Act 1974). The proposed Bill has mentioned flexible rules of origin (RoO) with a simple 'cut and sew rule'; this would facilitate Bangladesh's export of wovenwear apparels, which is largely dependent on imported fabrics. According to Rahman and Anwar (2009), the RoO stipulates that the local value addition will need to be at least 35 per cent with derogation, when the material is sourced from the US, and 15 per cent of the appraised value of the article will be applied towards determining percentage, in the context of fulfilling the RoO requirement. It is further understood from the bill that under the tariff preference limit (TPL) nine categories of apparels will face a quota for duty-free imports at a certain limit. This limit will incrementally increase with the beginning from 2011 (and will be ended in 2019). However, the proposed TPL needs to be examined along with the interest of Africa (under the AGOA agreement).

5.2 Market Access to EU under the Proposed Revision of the RoO

The EU has recently taken an initiative to revise the RoO of the EUEBA initiative. It is important to note that Bangladesh's exports to EU markets have substantially increased under the existing initiative; export of knitwear products in particular has made tremendous progress under this rule. The proposed revision of the RoO attempts to create a simpler way of calculating the RoO, instead of the existing two-stage RoO. There is a strong possibility to apply a simple value addition method to estimate the RoO. However, the extent of local value addition is a debatable issue considering the diverse interest of textile manufacturers and textile importers. Anecdotal information indicates that the value addition requirement would be set somewhere between 25 to 35 per cent. Such revision in the RoO would have some degree of discomfort for textiles manufacturers, including manufacturers of knitwear products.

5.3 WTO Initiatives on Market Access of LDC Products

In the WTO, all developed countries and advanced developing countries, which are in a position to do so, have agreed to provide duty-free market access to 97 per cent of LDC products. However, such an access would hardly meet the requirement of LDCs since major exportable items of LDCs could easily be left out from the 97 per cent preference list of developed countries. Since African LDCs are enjoying duty free market access for almost all important products in all major markets including USA, the interest of Asian LDCs has been seriously undermined due to not having any specific provisions targeting duty-free export of their major products to developed country markets, particularly to USA. It is unclear whether the USA will express its interest in favour of LDCs' duty-free export facility to the US market or whether it would use the 'Trade Preference Bill' as a mechanism to provide duty-free market access to LDC products on a unilateral basis.

In the negotiation of NAMA, the reduction of tariffs of developed countries under the proposed Swiss Formula, particularly for the EU, would erode Bangladesh's preferences against developing countries, since any proposed changes under the formula would narrow the tariff differentials between the two groups of countries. However, the latest text of the NAMA chairman has postulated separate annexes listing all major products of interest of different affected countries for differential treatments. The WTO Ministerial in Geneva held on 30 November-2 December, 2009 could not cement these issues; further discussion would be required for reaching a deal.

6. Conclusion

LDCs' efforts towards export-led industrialisation have been confronted with various challenges because of their structural weaknesses, capacity constraints and overall weak competitiveness in the global market. Market access to developed countries, and to some extent, developing countries provides LDCs huge opportunities to be competitive despite their constraints and weaknesses. However, access to major markets would only open up opportunities and its effective utilisation would help to meet LDCs' envisaged targets. Bangladesh's export-led industrialisation endeavour has lasted approximately three decades; however, the export base is narrow and undiversified both in terms of products and countries. Successive development policies have put focus on export diversification, but there have been no noticeable changes in the overall export structure, though some intra-category diversification has taken place in the case of apparels. A renewed effort has been put in place in the *Industrial Policy 2009* and the *Export Policy Order 2009* towards export diversification, which reiterates the importance of strengthening economic diplomacy.

Search for new markets and new products for the export-oriented apparels sector should be intensified with a view to strengthening the export-base of RMG products. Keeping the emphasis on the export of apparels to major markets, i.e. USA and EU, export-oriented apparels sector has the scope to diversify its exports to a number of developed and developing countries having billion dollars of imports every year. These potential markets include: Japan, China, South Africa, Russia, Hong Kong, Taiwan, Brazil, Korea, Mexico and UAE. Enhancing exports to these countries needs renewed effort from all stakeholders, including the Ministry of Foreign Affairs, the Ministry of Commerce, the Export Promotion Bureau (EPB), the Bangladesh missions to these countries and, most importantly, trade bodies (particularly BGMEA and BKMEA). It seems 'economic diplomacy' pursued by the government should become more target-oriented 'trade diplomacy'.

Setting export targets for all major exportable products for all major strategically important countries is one of the specified objectives of government's export policy. Instead of setting quantitative targets as done by the Export Promotion Bureau, the government should focus on product-specific opportunities and challenges in potential markets. There are a number of product-specific attributes in each market, which influence Bangladesh's exports in a particular market. ***Firstly,*** Bangladesh's major exportable apparels items of wovenwear and knitwear possess very limited market share in these potential markets; export of some of these items is relatively high possibly because of lower tariff on these items. Identification of such categories of products (low tariff and local manufacturing base) is very important. ***Secondly,*** a number of Bangladesh's major products are under the list of top importable products in the potential markets which portrays a scope for expansion of export of those items. Identification of such products in each market is also important. The present paper has taken an initiative towards identifying such products for major markets. ***Thirdly,*** most of the potential markets are developing countries with an import tariff on apparels products from as low as 0 per cent to as high as 40 per cent. Also, the import of wovenwear products in potential markets largely faces higher level of tariff. Interestingly, Bangladesh's apparels exports to some markets face higher import duty compared to developing countries such as India and Vietnam. Individual missions in collaboration with trade bodies need to identify product-specific tariff-related issues and the government should discuss those issues with its counterpart. ***Fourthly,*** a number of markets need to be looked at with special interest, particularly because of relative advantages over competing countries in terms of tariffs. For example, Japan and Hong Kong provide duty free access to Bangladesh's major products, while China and India (but not Vietnam) currently need to pay relatively high tariffs. Bangladesh's apparels producers (both knitwear and wovenwear products) must take necessary measures to enhance export to these markets. It seems RoO would be a deterrent to enhancing export; however, a flexible RoO for wovenwear products in the Japanese market is an advantage for wovenwear products. These markets are usually considered to be high-end markets with consumers' preferences on quality, fashion and design instead of on price. Bangladeshi suppliers need to take these issues in consideration if they want to enter those markets. ***Fifth,*** there are a number of other potential countries, which would provide attractive opportunities for Bangladesh, such as Russia, Brazil and UAE. Russia's accession to the WTO would significantly reduce the import duty from the existing high level (40 per cent) and would be an opportunity for enhancing export. ***Sixth***, markets for South Africa and Mexico seem to operate under different dynamics, where domestic and regional suppliers get more importance in terms of supply of apparels. Bangladesh should focus on reducing tariffs in those markets which are currently at a very high level.

Export diversification of LDC products is usually constrained by their limited capacity of product development. The Government, as well as private sector trade bodies, should emphasize product development as per the requirement of the buyers. Bangladesh should develop its manufacturing base of textiles on synthetic yarn and fabrics, as top products of major developed and developing countries consist of a large share of synthetic and other man-made cotton based apparels. It seems a greater effort is needed to focus on potential markets. Market intelligence needs to be enhanced by all stakeholders in major markets. Developed countries may take proactive policies towards product development, quality improvement, strengthening compliances and maintaining health and safety standards as per the requirement of buyers. Developed countries have specific programmes for capacity building for enhancing LDCs, trade such as OECD's export diversification programme in Africa, trade support services to African countries and trade capacity building to African courtiers etc (Bonaglia and Fukasaku, 2003). A number of initiatives are currently taking place in Bangladesh under the support of different development partners; such efforts should be extended further towards enhancing export to potential markets and potentials products.

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