

Inception workshop
Market Access, Comparative Advantage, and Export Diversification
23 February 2023

A workshop on the Inception Report for the study on “Market Access, Comparative Advantage, and Export Diversification” was jointly organized by the Support to Sustainable Graduation Project (SSGP), ERD and Policy Research Institute (PRI) on 23 February 2023 at the NEC-2 Conference Room of ERD. Mr. Farid Aziz, Additional Secretary and Wing Chief of the Development Effectiveness Wing of ERD and the Project Director of SSGP chaired the workshop.

Opening Remarks from the Chair Mr. Farid Aziz, Additional Secretary, ERD

In his opening comments, the Chair of the event Mr. Farid Aziz recalled that the government intends to conduct in-depth sectoral studies and research to evaluate the effect of LDC graduation and devise suitable strategies. He also stated that the research is being conducted for the 'Sub-committee on Investment, Domestic Market Development, and Export Diversification' under the supervision of the National Committee on LDC Graduation. In 2018, Bangladesh became eligible to be recommended for Graduation from LDC. Currently, Bangladesh is enjoying a Grace Period of 5 years to prepare for Graduation. The purpose of this Stakeholder Consultation is to discuss the Inception Report by PRI. PRI was selected to carry out this Study after a competitive bidding process.

Keynote Presentation from Dr. M. A. Razzaque, Director, PRI

In his presentation, Dr. Razzaque emphasized the background of the study and its scope. He explained study outline and broad methodologies in his remarks. He emphasized the Revealed Comparative Advantage of Bangladesh's export goods in comparison to other comparable nations as the important paradigm. He also gave a comparative image of Bangladesh's 'Product Space Analysis' and the route toward potential industries and goods. Lastly, he provided a broad outline of the issues that would be covered by the study.

Panel Discussion

The Chair requested that the chosen discussants provide comments on the keynote address. At this point, they made the following significant remarks and provided input.

Mr. Nesar Ahmed, International Trade Expert, SSGP:

The research should make an effort to combine theoretical assessments with local conditions in the nation. It should also consider the capacity, expertise, and insights acquired by local businesses over the years. The results of the investigation should reveal a few specific goods with higher export potential. It should also determine whether those products can absorb the government's policy aid. It would be hazardous and impractical to abruptly stop giving different export-oriented sectors financial incentives.

Mr. Mohammed Shahjalal, Director, Export Promotion Bureau:

The research could look into the effects of the Fourth Industrial Revolution (4IR) on Bangladesh's export patterns in the future decades. The research could pinpoint particular products in which Bangladesh will have a competitive advantage in the global market in the future years. It should also name some particular incentives or policy supports that the government should provide to encourage the export of those specific goods. When it comes to goods like crockery, domestic tools, steel furniture, hardwood furniture, and so on, Bangladesh has enormous export potential. Bond facilities, on the other hand, should be made available to partly export-oriented businesses. The research should also produce a time-bound action plan for product diversity.

Ms. Shahida Sultana, Director General, Prime Minister's Office:

The study should place particular attention on mapping out the current manufacturing base in order to evaluate the export potentials of other sectors (outside of RMG) and the regulatory environment that supports those sectors. A detailed list of potential export products and their potential export destinations should be produced by the study. For instance, the study can concentrate specifically on how to penetrate developing markets like China. The report should specify potential areas for local industry diversification. It should also point out any places where technological or talent shortfalls exist. The report should offer some specific policy recommendations about import substitution in addition to export diversification.

Mr. Hafizur Rahman, Director General, WTO Cell, Ministry of Commerce:

To enable better access to a diversity of Bangladeshi products in well-regulated marketplaces, local producers must raise their level of awareness of IPR and compliance issues. The study should also identify numerous non-tariff barriers that exist in various forms in various markets and should make specific recommendations for addressing them. Bangladesh has a huge unrealized potential in the worldwide market for chemicals, agrochemicals, and electronics. The study might offer some detailed suggestions for

maximizing the potential of these items. The report ought to provide some detailed suggestions for encouraging small and medium-sized business owners and incorporating them into the global value chain. Specific suggestions for tackling the presence of fake goods in the local market may be highlighted by the study.

Open Floor Discussion

List of Discussants:

1. Leather Goods and Footwear Manufacturers and Exporters Association of Bangladesh (LFMEAB)
2. Bangladesh Export Processing Zones Authority (BEPZA)
3. Research and Policy Integration for Development (RAPID)
4. Bangladesh Trade and Tariff Commission (BTTC)
5. National Board of Revenue (NBR)
6. Ministry of Foreign Affairs (MoFA)
7. Business Initiative Leading Development (BUILD)

An 'Innovation Insurance Fund' can be set up to minimize risks and incentivize innovations from business enterprises and to provide a safety cushion in case of any potential failure of such innovative ventures.

Common bonded warehouse facilities should be provided to a range of export-oriented sectors for export diversification.

The experience of EPZ in grooming the local bicycle industries can provide important lessons for tapping the export potentials of other industries.

Incubation centres should be set up to create an enabling environment for the new potential export sectors.

Apart from challenges-- the study should also focus on the areas of strengths and potential of the local industries.

Emphasis should be given to identifying the trade and industrial policy gaps for the 'Mapping of productive capacity for export diversification' outlined in section 3 of the inception report.

- The study should provide a special focus on how e-commerce can play an effective role in integrating local SMEs into the global value chain.
- The models that would be used for this study should be more structured and dynamic so that they can be modified as per the context of the country.
- The study should also explore the export potentials of service sectors.
- There are scopes for diversification within the traditional export-oriented sectors, e.g. RMG, leather, and footwear. However, increased investment, the introduction of eco-friendly technologies and reducing the lead time would be crucial to ensure such diversification.

Remarks from Ahsan H Mansur, Executive Director, PRI

Mr. Mansur mentioned that the study concentrate on macroeconomic policy alternatives that could be used to improve the microenvironment. He made the point that numerous pertinent studies currently conducted by various agencies and development partners can enhance the value of product identification. Mr. Mansur further stated that a key component of inclusive export growth is the investment climate. He asserted that foreign direct investment can contribute in breaking the product space chain, using Thailand and Vietnam as examples. Noting that Bangladesh had significant export potential in the area of food and agricultural processing, he added that building capacity and standardizing processes would be essential to realizing this potential. A central bonded warehousing system, he added, would be necessary to incorporate SMEs into global value chain.

Concluding Remarks

After all comments, the keynote presenter of the inception workshop Dr. M. A. Razzaque, Director, PRI thanked all the participants and selected discussants for their thoughts and views. He gave his word that the pertinent recommendations in line with the ToR would be taken into consideration and highlighted in the study's final report.

Finally, the Chair of the event Mr. Farid Aziz concluded the workshop by thanking all the participants.

A. A. 2013