

“Export of jute products from Bangladesh to Europe”

**Analysis of market potential
and development of interventions
for GTZ-PROGRESS**



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Preface

This research is the result of cooperation between the University of Twente and GTZ. The research is partly conducted in Bangladesh and partly in the Netherlands.

Bangladesh is one of the poorest countries in the world, and conducting a research in this environment is very challenging. The adjustment to a complete other culture and religion requires a lot of effort. All together it was a very interesting and great experience which was very useful for me.

As in every research, there were things that went very smooth, and also times in which parts did not work out the way I wanted and planned them to. But as a part of learning, it was sometimes a great challenge to gather the information that was needed and talk to the right people.

Through several visits and interviews I obtained a good impression of the jute industry, as well as living conditions in Bangladesh. For me, this research in Bangladesh was an opportunity to visit a country that I otherwise probably never would visit. All together it was an interesting and great learning experience that I will not forget.

A lot of people were helpful with the execution of this research. At PROGRESS, everybody was very helpful and always ready to do their best to make everything work. Special thanks go out to Munira Rahman and Mamun Yusuf from PROGRESS for their help with appointments and translations during the interviews. Furthermore I would like to thank Karim Munna from Creation Private Limited for all the conversations about the jute industry, visits to factories and production sites, and his patience with me.

Also I would like to thank Stephan Maathuis from the University of Twente and last but not least Paul Weijers for the possibility to execute this research and offering me a chance for a great learning experience.

Enschede, the Netherlands,

Johan de Vries

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Executive summary

Bangladesh is one of the poorest countries in the world, and as with almost all developing countries, agriculture and related industries are very important. One of the largest industries in Bangladesh is the jute industry, in which almost 1.5 million people are active.

Historically, jute was the main foreign exchange earner and its contribution to the national economy is still significant. In the 1950s and 60s, almost 80% of the world's jute was produced in Bangladesh. Due to several setbacks and the introduction of, often cheaper, substitutes the market declined and jute started to lose its dominant position. In 2000, 5% of all exports from Bangladesh consisted of jute. This figure decreased to 3% in 2004, while the world market for jute products is slowly increasing again. This gives reason for PROGRESS, which focuses on the development of Small and Medium Sized Enterprises (SME's) in Bangladesh, to look into the jute market.

The last years the diversified jute products (JDPs) is an increasing market and offers potential, also for Bangladesh. For PROGRESS, this is an interesting market and therefore it wants to look into this market to see where possible interventions can help develop this market further.

Based on this, the problem formulation for this research is: *What are the market opportunities in Europe for the Bangladeshi Jute Diversified Products (JDP) industry and how should PROGRESS support this industry to take advantage of these opportunities?*

To answer this question, the research is divided into five sub questions that each answers a part of the problem formulation.

The first area of interest is the assessment of the target market. In this research the European market and especially Western Europe is analyzed, based on secondary data. Second area is the strengths and weaknesses analysis of the Bangladeshi JDP industry, followed by the formulation of market opportunities based on the analysis of the Bangladeshi JDP industry and the European market. Fourth, the export potential of Bangladeshi JDPs is determined, and finally interventions were defined that are useful to PROGRESS with regard to this market. All of these sub questions are supported by models and theories.

From the primary data from interviews with JDP producers and secondary data, market opportunities and improvement areas are formulated. These opportunities and improvement areas together result in support interventions for PROGRESS that they can use with the objective to improve the exports of JDPs to the European market. Table I shows the interventions that are developed for PROGRESS.

The interventions that are developed each have been connected to one of the five components of PROGRESS and thus translated into clear objectives that suit the goal of PROGRESS:

- Enabling Business Environment
- Design and Product Development Services
- Enterprise Information Services
- Skills Development Services
- Social- and Environmental Standards

Constraint	Support activities	Interventions PROGRESS
Lack of market information and because of that a lack of knowledge about exporting	1. Training and education	Organize customized training on 'international marketing' for (potential) exporters of JDPs
Lack of support and policies from government bodies	1. Improve cooperation between SMEs and government 2. Improve the functioning of government bodies	Assist in establishing an appropriate structure in Bangladesh for international market research for jute and jute diversified products.
Lack of product development and R&D	1. Training and education 2. Cooperation with foreign parties 3. Improvement of research facilities	Facilitate development of product design as per global market trend
Competition from other LDCs and mainly India	1. Improve quality 2. Improve competitiveness 3. Improve export knowledge	Assistance in the development of brochures and catalogues with detailed information about the range of JDPs.
Lack of knowledge of the domestic market for diversified jute products	1. Promotion of the home market	Organizing a specialized trade show to display the entire range of jute products and try to improve domestic knowledge of the products and its possibilities
Lack of skilled workers, designers and companies with sufficient export experience	1. Training and education 2. Improve working conditions	A training needs assessment to find the actual skill deficiencies of the artisans and workers of the JDP sector. This helps PROGRESS in designing appropriate strategies for training interventions

Table I: Overview of interventions

Overall conclusion is that the JDP industry in Bangladesh certainly has potential, but the lack of knowledge, experience and financial resources are barriers that have to be overcome. Initiatives have been set up by the government, but because of corruption and conflict of interest, these initiatives can be improved. Further research into the JDP market should give more information about the developments and the policies that have to be made. This knowledge can be used to increase the number of JDP producers and eventually improve both the domestic and international market for diversified jute products.

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List of acronyms

BCSIR	Bangladesh Council of Scientific and Industrial Research
BDS	Business Development Services
BJA	Bangladesh Jute Association
BJC	Bangladesh Jute Corporation
BJEA	Bangladesh Jute Exporters Association
BJGA	Bangladesh Jute Goods Association
BJMA	Bangladesh Jute Mills Association
BJMC	Bangladesh Jute Mills Corporation
BJRI	Bangladesh Jute Research Institute
BJSA	Bangladesh Jute Spinners Association
BKMEA	Bangladesh Knitwear Manufacturers and Exporters Association
BSTI	Bangladesh Standards and Testing Institution
CBC	Carpet Backing Cloth
CBI	Centre for the Promotion of Import from Developing Countries
CCCI	Chittagong Chamber of Commerce and Industry
EFTF	ECOTA Fair Trade Forum
EIS	Enterprise Information Services
EPB	Export Promotion Bureau
EPIDC	East Pakistan Industrial Development Corporation
EVD	Economische Voorlichtingsdienst
FAO	Food and Agricultural Organisation of the United Nations
FDI	Foreign Direct Investment
FJF	Finer Jute Fabrics
GDP	Gross Domestic Product
GNI	Gross National Income
GNP	Gross National Product
GTZ	German Agency for Technical Cooperation
ICB	International Commodity Body
IFIH	International Forum for India's Heritage
IJO	International Jute Organisation
IJRIA	Indian Jute Research Industry Association
IJSG	International Jute Study Group
JAF	Jute and Allied Fibre
JDP	Jute Diversified Products
JDPC	Jute Diversification Promotion Centre
JIBC	Jute Intermediate Bulk Container
JTPDC	Jute Textile Product Development Centre
LDC	Less Developed Country
MFA	Multi Fibre Arrangement
NGO	Non-Government Organisation
NORAD	Norwegian Agency for Development Cooperation
PROGRESS	Promotion of Private Sector SMEs in the Post MFA era
R&D	Research and Development
RMG	Ready Made Garments
SCCI	Sylhet Chamber of Commerce and Industry
SME's	Small and Medium sized enterprises
UNCTAD	United Nations Conference on Trade and Development
UN	United Nations

1. Introduction

As the final assignment for the master programme in Business Administration with specialization 'International Management' at the University of Twente, students carry out a research and write a master thesis. The research for this assignment is conducted for the German Technical Cooperation (GTZ) in Dhaka, Bangladesh.

Bangladesh is situated in Asia and surrounded by India for 95%. The only other country that has a border with Bangladesh is Myanmar, and on the south end it lies at the Gulf of Bengal. Bangladesh is one of the poorest countries in the world. In 2005, the Gross National Income (GNI) per capita was \$ 470.-, compared to \$ 36,620.- in the Netherlands.

One of the largest and most important industry sectors in Bangladesh is the jute sector, in which almost 1.5 million people are working. For the last decades, the worldwide use of traditional jute goods like sacks is declining, and companies are trying to find more diverse uses for jute, resulting in new, diversified goods.

The world market for these new diversified goods is growing and in order to participate in this market, it is important to inform and persuade jute producers to expand into these diversified jute goods market.

The PROGRESS division of GTZ functions as the principal of this graduation assignment. PROGRESS tries to improve the position of the Small and Medium sized Enterprises (SMEs) in Bangladesh. Its main objective is to improve the competitiveness of the SMEs in Bangladesh.

The goal of this research is to assess the possibilities of the jute products, and especially the diversified products, from Bangladesh in the European market. By looking and analyzing both the Bangladeshi jute industry as well as the European market, possibilities for the diversified jute products are defined and translated into interventions that are suitable for PROGRESS.

The report starts in chapter 2 with the research design. In the next chapter, the models and theories are given that support the research and give it its scientific background.

In chapter 4, the European market for jute products is outlined. Opportunities, threats and developments are identified and analyzed. Next, in chapter 5, the Bangladeshi jute industry is described. The jute sector is outlined, and the results from the interviews that were held with the producers are presented in terms of strengths and weaknesses of the industry.

The data and results in chapter 4 and 5 will be translated into market opportunities, which are identified and will be the subject of chapter 6. Consequently, in chapter 7, the export potential and support needs for Bangladeshi diversified jute products will be identified. From these potentials and support needs interventions are defined that PROGRESS can use in order to improve the Bangladeshi diversified jute industry. The report ends with the conclusions, reflection and recommendations in chapter 8.

2. Research design

In this chapter, the research design is outlined. First, GTZ and PROGRESS are introduced, followed by the background and objective for the research. Next, the problem formulation will be identified, followed by the research questions, which will lead to an answer to the problem formulation. Finally, the research approach and research structure are presented.

2.1 GTZ Profile

GTZ in general

GTZ is an international operating technical cooperation enterprise for sustainable development that operates worldwide. GTZ was established in 1975 and is organised as a private company owned by the German Federal Government. GTZ works on a public benefit basis, using all funds generated as profits exclusively for projects in international cooperation [GTZ, 2006].

The organization wants to provide viable, forward-looking solutions for political, economic, ecological and social development in a globalised world, and its objective is to improve people's living conditions on a sustainable basis. GTZ works mainly for the German Federal Government. GTZ implements about 2,300 development projects and programs in over 130 countries around the world, with offices in 66 of these countries, focusing on Africa, Asia, Latin America and Eastern Europe.

The main focus in international cooperation is on so-called Technical Cooperation. Far from being only centred on transferring technical knowledge, this primarily involves communicating knowledge that enables people to shape their present and future on their own. For this, GTZ strengthens individual initiatives and the capabilities of people and organisations, and lays the basis for stable development, for future generations as well.

PROGRESS

In Bangladesh, a part of the GTZ activities is focused on the development of Small and Medium sized Enterprises (SME's), and this project is called PROGRESS. For PROGRESS, the main objective is reducing poverty, and the main focus is on increasing social and environmental compliance.

PROGRESS tries to promote the Small and Medium sized Enterprises (SMEs). Its main goal is to improve the competitiveness of the SMEs in Bangladesh. PROGRESS interventions include technical advice, human- and institutional networking, and supportive research. The program of PROGRESS in Bangladesh consists of five different components [PROGRESS 2006];

- Enabling Business Environment
- Design and Product Development Services
- Enterprise Information Services
- Skills Development Services
- Social- and Environmental Standards

These components together contribute to the development of four different sectors. The sectors are: 1) the ready made garments (RMG), 2) silk, 3) leather, and 4) handicraft. The jute products fall into the handicraft sector. More information about these sectors can be found in Appendix 1.

PROGRESS applies a Business Development Services (BDS) market development methodology. This means that support mechanisms for SMEs are developed with assistance of PROGRESS, but the actual provision of such services is by local organizations, and thus contributing to long term and sustainable solutions.

2.2 Background and objective

The jute industry in Bangladesh is one of the most important industries in the country. Jute was the main foreign exchange earner and its contribution to the national economy is still significant. In the 1950s and 60s, almost 80% of the world's jute was produced in Bangladesh. The share of jute sector in foreign exchange earnings started to decline due to various synthetic substitutes and artificial fibres entering the market and because of bulk handling techniques introduced during the 1980s. Eventually the importance of jute in international markets declined and jute started losing its predominant position. Between 1980/81 and 1999/00, export of both raw jute and jute products declined in absolute terms and their total share came down to only 6% in 1999/00 [PROGRESS 2006].

Furthermore, the Bangladeshi export market of jute products decreased in 2000. In 2000 5% of all the exports from Bangladesh consisted of jute, and in 2004 this decreased to 3% [Rabobank, 2006]. Since the *world* jute market increased the last few years, PROGRESS wants to develop program interventions in order to support the export of Bangladeshi jute products to Europe. By developing interventions, PROGRESS hopes to increase the export of jute products, and especially diversified jute products, once again. Europe and the US are the two most important export destinations for Bangladesh. In order to stimulate the exports, PROGRESS tries to find new opportunities for jute products in Europe.

This brings us to the following objective for our research:

- *The objective of this research is to develop interventions for PROGRESS in order to improve the export of Bangladeshi jute products to Europe.*

2.3 Problem formulation

Based on the background of the research and the objective formulated, the problem formulation is defined.

Next, some aspects are considered in order to reach a well defined problem formulation.

- The objective of the study is to find opportunities for Bangladeshi jute products in the European market. Both markets will be assessed in terms of supply and demand. In this way the gaps can be identified between the European market and the Bangladeshi jute industry. Objective is to find and formulate opportunities that solve these gaps. The focus of the research is on the Jute Diversified Products (JDP) segment.
- The world market for jute products is increasing, which is not the case for the Bangladeshi jute industry. This means that there are opportunities for the Bangladeshi industry that are not yet explored. Goal is to find opportunities in the European market for the Bangladeshi JDP industry and to expand the exports of this sector. In this way, the jute industry in Bangladesh should increase again and create opportunities for new developments.
- The assessment of both the European market and the Bangladeshi industry for jute products leads to opportunities in the JDP segment. After the identification of opportunities in the market, these will be further explored and formulated more specific. Goal is to identify which role PROGRESS can play and which support they can give. This results in interventions for PROGRESS.

Based on the above statements, the problem formulation is defined as follows:

What are the market opportunities for the Bangladeshi Jute Diversified Products (JDP) industry in Europe and how should PROGRESS support this industry to take advantage of these opportunities?

The goal is to improve the export of Bangladeshi jute products to Europe and give insights into the European and Bangladeshi jute market. Objective of PROGRESS is to support the SMEs in Bangladesh.

2.4 Research questions

The problem formulation is split into several components. The components form the basis for the research questions, which will deal with these components. The goal here is to construct the questions in such a way that they together provide a satisfying answer to the problem formulation of the research.

Next the questions and sub questions will be outlined:

1. *What are the opportunities and threats in the European market for diversified jute products?*
 - This part of the research will include secondary data research. The goal is to find data on parameters that are relevant to the industry, such as market characteristics, relevant stakeholders, geographic areas in Europe, and marketing elements. Opportunities and threats are identified and further explored to gain more knowledge about the target market.
2. *What are the strengths and weaknesses of the Bangladeshi diversified jute products industry?*
 - Recently a value chain assessment has been conducted in Bangladesh by PROGRESS, which is the basis for the assessment of the jute production situation in Bangladesh. Further, field visits to enterprises engaged in the jute value-chain and interviews with JDP producers will give insights into the dynamics of the industry. In this way the current situation in Bangladesh is mapped resulting in the strengths, weaknesses, and organization of the Bangladeshi JDP industry.
3. *What are the most promising market opportunities in Europe for the Bangladeshi diversified jute products industry?*
 - The findings from the research conducted in the Netherlands will be compared to the factual production and export situation in Bangladesh. From here on, the market opportunities and improvement areas will be determined and formulated.
Goal for this part of the assignment is to indicate which will be the most promising market opportunities for the jute industry in Europe.
4. *What is the export potential of the Bangladeshi diversified jute products industry with respect to the market opportunities identified?*
 - Based on the market opportunities that are formulated, the capabilities and constraints of the jute industry are determined, by looking at what is needed, what is present, and what is lacking. From these capabilities and constraints the export potential will be identified which acts as the basis for the support interventions from PROGRESS.

5. *What interventions can PROGRESS develop to support the Bangladeshi diversified jute products industry?*

- In the final part of the assignment, support interventions are formulated to give the market opportunities that are identified a practical form. These interventions are then specified for PROGRESS in order to support the industry. PROGRESS applies a BDS market development methodology, which means that support mechanisms for SMEs are developed with assistance of PROGRESS, but the actual provision of such services is by local organizations.

2.5 Research approach

In this part of the research plan, the research approach is outlined. It specifies how the answers to the research questions are obtained, and which tools and analysis instruments are used to reach these answers. The research questions of the previous section will act as the main point for the elaboration of the data that is needed.

There are two major reasons for reviewing the literature; first, it is a preliminary search that helps to generate and refine the research ideas, and second, it is part of the research project proper. By critically reviewing the literature, the awareness and knowledge of the subject is enhanced and it will help to further clarify the research questions [Saunders et al., 2003].

Next, literature will be sought on the subject of export promotion and internationalization, to retrieve theories and models that can support the research and give it a scientific basis to work from. Also, it could be useful to look at internationalization and export programs from developing countries that have already been conducted, because looking at similar research can reveal relevant information that can be useful to the current research.

Research question 1: What are the opportunities and threats of the European market for diversified jute products?

The literature in this part will focus on the characteristics of the sector. Root (1994) developed a framework with factors that influence the choice of the entry mode. This theory is supported by Porter's five forces framework [Johnson & Scholes 2002] and the PESTEL framework [Johnson & Scholes 2002].

Through secondary data, knowledge is obtained about the market and its opportunities and threats. Institutions like the Dutch Foreign Trade Agency (EVD), and the Dutch Centre for the Promotion of Imports from Developing Countries (CBI) are consulted to gather secondary data.

Research question 2: What are the strengths and weaknesses of the Bangladeshi diversified jute products industry?

Together with the literature that deals with the value chain, a list of measurable parameters and fields of interest are determined. These parameters are the basis for a questionnaire. Interviews are held, based on the questionnaire, with producers of Jute Diversified Products (JDPs). The objective was to get insights into the products, problems and difficulties of exporters, marketing and competition in the Bangladeshi JDP industry. This primary data is important to obtain knowledge of the market and its stakeholders. Another aspect here is to look at the competitiveness of the Bangladeshi JDP industry. What is the competitiveness of the Bangladeshi jute industry compared to, for example, the Indian jute industry?

Research question 3: What are the most promising market opportunities in Europe for the Bangladeshi diversified jute products industry?

The concept that is used is the combination from the strengths and weaknesses of the (Bangladeshi) JDP industry with the opportunities and threats of the (European) market in a SWOT analysis. From the confrontation matrix that derives from the SWOT analysis, market opportunities are formulated.

Research question 4: What is the export potential of the Bangladeshi JDP industry with respect to the market opportunities identified?

Seringhaus and Rosson (1991) developed a framework that outlines company needs within export development and promotion. Theories of export promotion and internationalization of the firm are supporting theories within this part of the research.

Goal is to determine what is present in the market, which capabilities are there, which capabilities are needed, and what is lacking in the market to take advantage of the opportunities that are identified. From this assessment it becomes clear what the export potential is, and how the different markets of Bangladesh and Europe could be linked.

Research question 5: What interventions can PROGRESS develop to support the Bangladeshi diversified jute products industry?

Taken into account the results from the research and the market opportunities that are identified possible interventions for PROGRESS are developed. Relevant theories are those of market matching, and export development and promotion. The interventions should be developed according to the Business Development Services (BDS) market system approach which PROGRESS applies.

2.6 Research structure

The structure of the research is presented in figure 2.1.

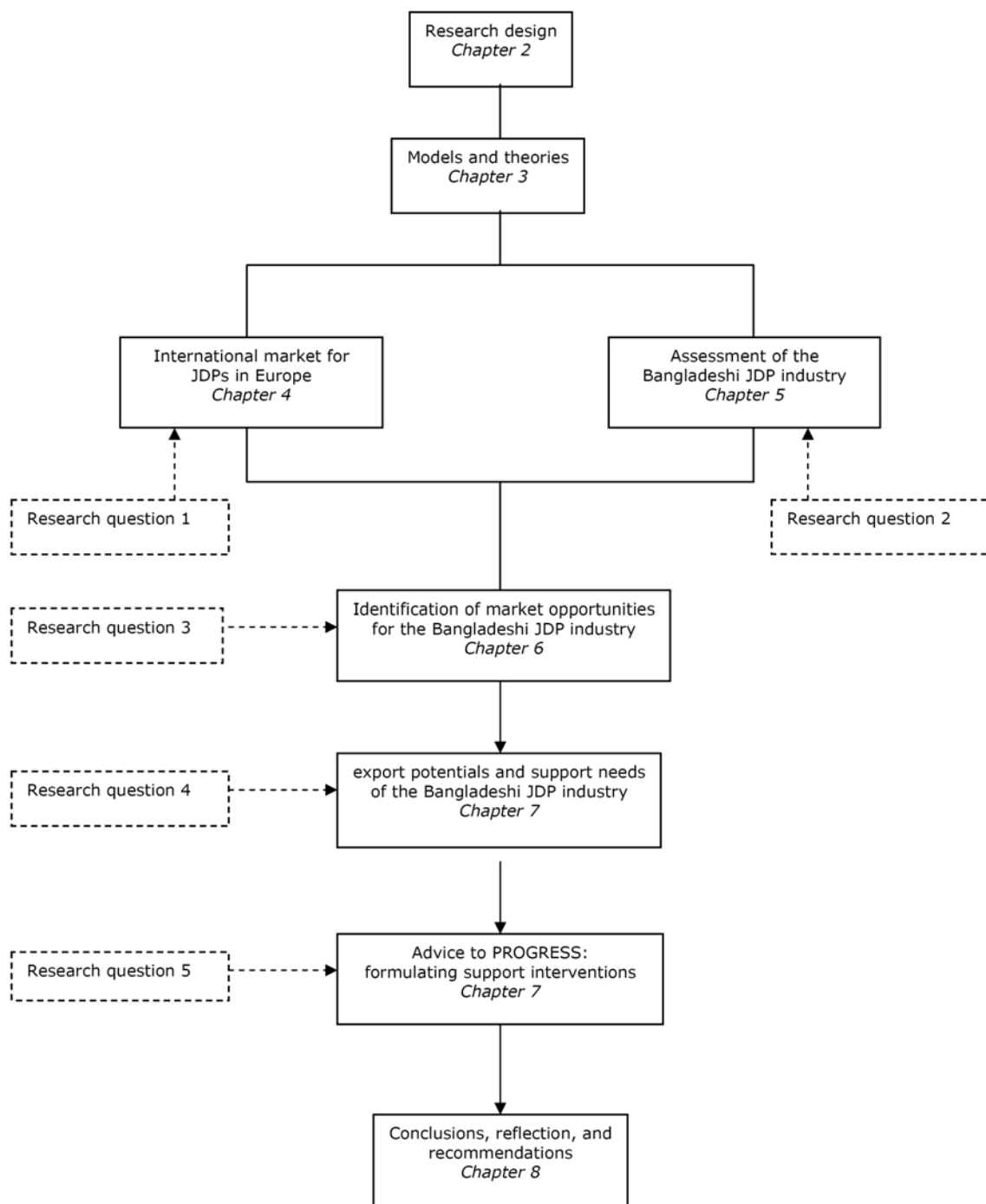


Figure 2.1: Research structure

3. Models and theories

3.1 Introduction

In this part of the report models and theories are introduced to support and clarify the research questions. The theories are helpful to gain knowledge on several aspects. Applicable theories are outlined per research question.

In section 3.2 the attention is on opportunities and threats in the European market for JDP products. Root (1994) has developed a model that is supported by Porter's five forces [Johnson & Scholes 2002] and the PESTEL framework as used by Johnson and Scholes (2002).

The next section gives theories that are useful in outlining the Bangladeshi jute industry. The value chain is the theoretical focus of this section, and some general theory on this subject is discussed as well as an article by Humphrey (2002) in which the coordination aspects along the value chain is outlined.

Section 3.4 treats the theories that support the market opportunities for the Bangladeshi diversified jute products industry in Europe. The SWOT analysis, which combines the outcomes from both the European and the Bangladeshi analysis, is a useful tool. A second theory that is used here is one of network development.

In section 3.5 the export potential of the Bangladeshi diversified jute products industry are supported by the theories of Seringhaus and Rosson (1991), export promotion and internationalization of the firm.

Section 3.6 focuses on the support interventions that will be developed for PROGRESS. Supporting theories here are those of market matching, and a model by Seringhaus and Rosson.

Finally, section 3.7 gives a complete overview of the theories that are used per research question.

3.2 Opportunities and threats in the European market for diversified jute products

The opportunities and threats in the European market for JDP products can be assessed using data from several sources. To support these findings, Root (1994) outlines several factors that influence choices in a foreign market, with support of Porter's five forces model and the PESTEL framework.

3.2.1 Factors influencing the choice of entry

A choice for an entry mode for a given product/target country is the net result of several, often conflicting, forces. To handle these forces, Root (1994) developed an analytical model that facilitates systematic comparison among entry modes. This model is depicted in figure 3.1.

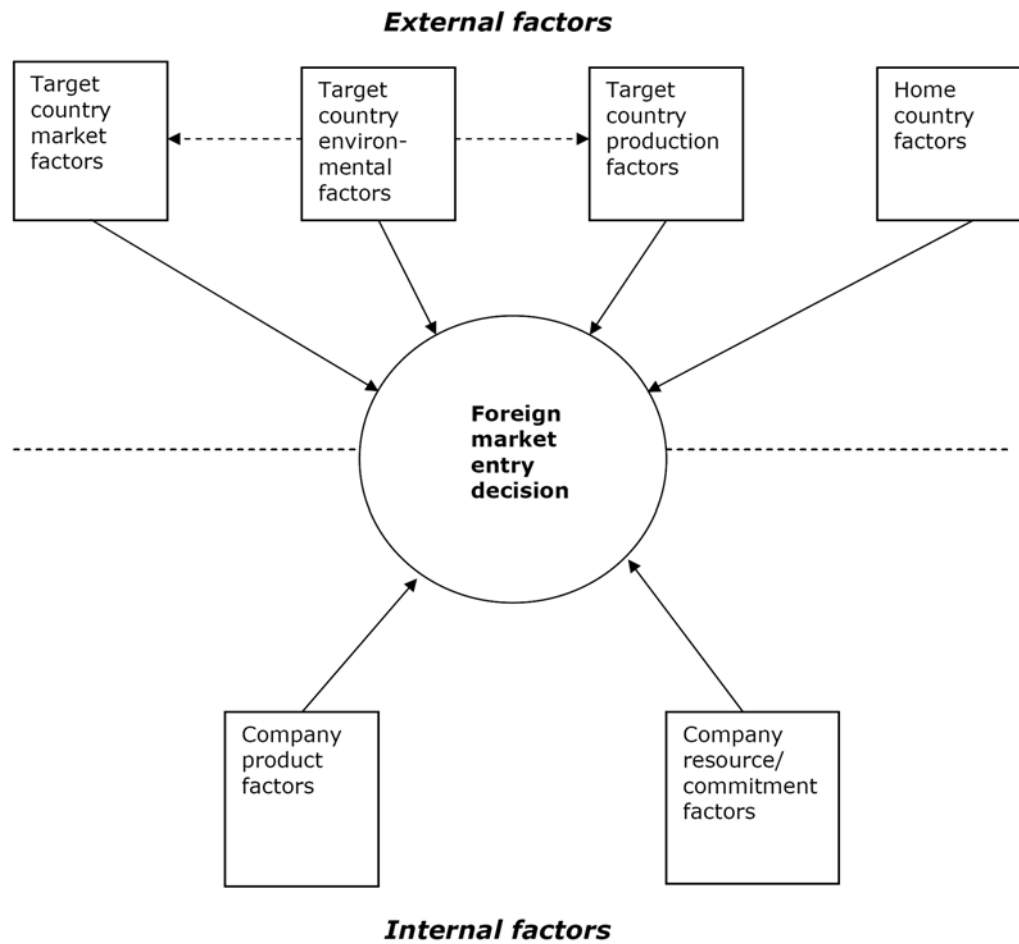


Figure 3.1: Factors in the entry mode decision
Source: Root (1994)

External factors

Market, production, and environmental factors in both the target and home country can seldom be affected by management decisions. They are external to the company and may be regarded as parameters of the entry mode decision. Because no single external factor is likely to have a decisive influence on the entry mode for companies in general, we can only say that such factors encourage or discourage a particular entry mode [Root 1994].

Internal factors

The internal factors concentrate on the way a company responds to the external factors in choosing an entry mode. To clarify the model above, table 3.1 shows examples of both the external and internal factors from figure 3.1.

With the assessment of the European market, these factors give a clear overview of opportunities and threats by looking at different factors that might influence the company. For this research question, the focus of the external factors will be on the target country market and environmental factors. Home country factors are left out, since these factors are not so relevant in the context of this research. Target country production factors are left out, because JDP products are not produced in Europe, and therefore this factor is not relevant to the research.

Factor	Examples
<i>External factors</i>	
Target country market factors	<ul style="list-style-type: none"> - present and projected size of the target country market - competitive structure of the target market - availability and quality of the local marketing infrastructure
Target country production factors	<ul style="list-style-type: none"> - quality, quantity, and cost of raw materials, labour, energy in the target country - quality and cost of the economic infrastructure
Target country environmental factors	<ul style="list-style-type: none"> - government policies and regulations with regard to international business - geographical distance - economical characteristics like size of the economy and level of performance - sociocultural factors like cultural distance
Home country factors	<ul style="list-style-type: none"> - the competitive structure of the home market - High production costs relative to the foreign target country - Policy of the home government towards exporting and foreign investment by domestic firms
<i>Internal factors</i>	
Company product factors	<ul style="list-style-type: none"> - differentiation of the products - pre- and post-purchase services - technology of the products
Company resource/commitment factors	<ul style="list-style-type: none"> - a company's resources in management, capital, technology, production skills, and marketing skills

Table 3.1: Examples of external and internal factors

Source: Based on Root (1994)

To give the external factors support, Porter's five forces framework and the PESTEL framework are used. Porter's five forces help to identify the different sources of competition in the market, which supports the target country market factors of Roots' model. The PESTEL framework deals with relevant aspects that comply with the theory above.

The internal factors return to the attention in section 3.3, which deals with the characteristics of the Bangladeshi market for JDP products.

3.2.2 Porter's five forces framework

Within the European market, an important aspect is to look at the competitiveness of it. The five forces framework of Michael Porter helps to identify the different sources of competition that exist in the market or sector [Johnson & Scholes 2002].

Figure 3.2 outlines the five forces framework. As the figure shows, the forces are not independent of each other. Changes in one force can have consequences in another force.

Threat of entry

There are several factors that new entrants have to overcome if they want to be able to compete successfully. These barriers of entry determine for a large extent the threat of entry. Some typical barriers are among others economies of scale, access to distribution channels, and experience.

Threat of substitutes

Substitute products can provide a higher perceived benefit or value. This means that substitutes reduce the demand for a particular range of products, which has consequences for the demand of that range of products. It can even go that far that the switch to alternatives makes the original range of products obsolete.

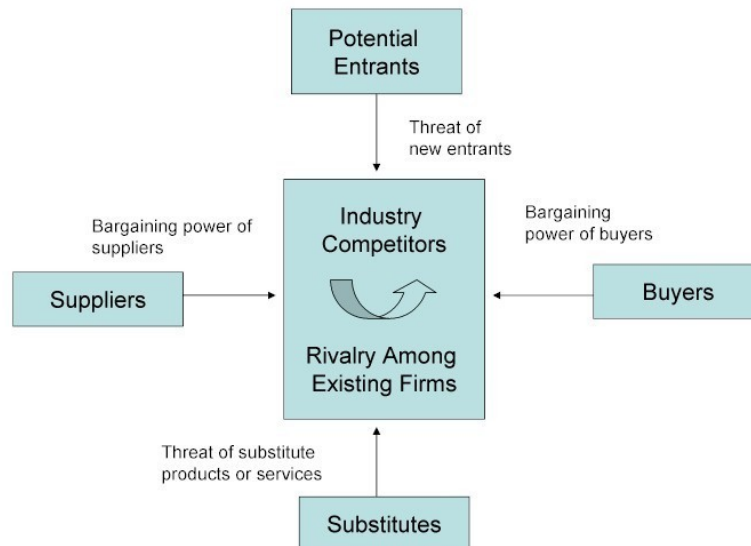


Figure 3.2: Porter's five forces framework

Source: Johnson & Scholes (2002)

Power of buyers and suppliers

This part is a combination of two forces, the power of suppliers and that of buyers. Both forces can have similar effects in constraining the strategic freedom of an organization and in influencing the margins of it. There are several factors that influence the power of buyers and suppliers, like the concentration of buyers and suppliers. Another example of an influencing factor is the switching costs from one buyer or supplier to another.

Competitive rivalry

Within this force, the focus is on the organization and its immediate competitors. Competitive rivals refer to organizations with similar products and services aimed at the same customer group. Also here, several factors influence the force, like the market growth rate and the extent to which the competitors are in balance.

3.2.3 PESTEL framework

The PESTEL framework consists of the following parts:

- Political influences
- Economic factors
- Sociocultural factors
- Technological influences
- Environmental influences
- Legal influences

This framework, shown in table 3.2, categorises environmental influences into six main types. It provides a summary of questions to ask about key forces at work in the macro environment.

It is particularly important that PESTEL is used to look at the future impact of environmental factors, which may be different from their past and present impact. Also,

environmental forces which will be especially important for one organisation may not be so important for another [Johnson & Scholes 2002]. The items listed in table 3.2 are of limited value if they are merely seen as a listing of influences. It is, therefore, important that the implications of the PESTEL factors are understood. It may be possible to identify a number of structural drivers of change, which are forces likely to affect the structure of an industry, sector or market. It will be the combined effect of some of these separate factors that will be important, rather than the factors separately.

Macro-environmental influences: The PESTEL framework	
Political <ul style="list-style-type: none"> - Government stability - Taxation policy - Foreign trade regulations - Social welfare policies 	Economic factors <ul style="list-style-type: none"> - Business cycles - GNP trends - Interest rates - Money supply - Inflation - Unemployment - Disposable income
Sociocultural factors <ul style="list-style-type: none"> - Population demographics - Income distribution - Social mobility - Lifestyle changes - Attitudes to work and leisure - Consumerism - Levels of education 	Technological <ul style="list-style-type: none"> - Government spending on research - Government and industry focus on technological effort - New discoveries/development - Speed of technology transfer - Rates of obsolescence
Environmental <ul style="list-style-type: none"> - Environmental protection laws - Waste disposal - Energy consumption 	Legal <ul style="list-style-type: none"> - Monopolies legislation - Employment law - Health and safety - Product safety

Table 3.2: PESTEL framework
Source: Johnson & Scholes 2002

Table 3.3 shows the factors that are relevant for the external analysis in this research. The elements that are relevant for the external factor are given in the right section of the table.

Factor	Elements
<i>External factors</i>	
Target country market factors	<ul style="list-style-type: none"> - Threat of entry - Threat of substitutes - Power of buyers - Power of suppliers - Competitive rivalry
Target country environmental factors	<ul style="list-style-type: none"> - Political - Economic factors - Sociocultural factors - Technological - Environmental - Legal

Table 3.3: Factors and elements

3.3 Strengths and weaknesses of the Bangladeshi JDP industry

3.3.1 The value chain

A value chain includes a full range of activities that are required to bring a product from its conception, through different phases of production to its final customer. The value-chain helps to improve the overall productivity of a sector, which means all individual actors can benefit from it. In general, a value chain takes the form of figure 3.3.

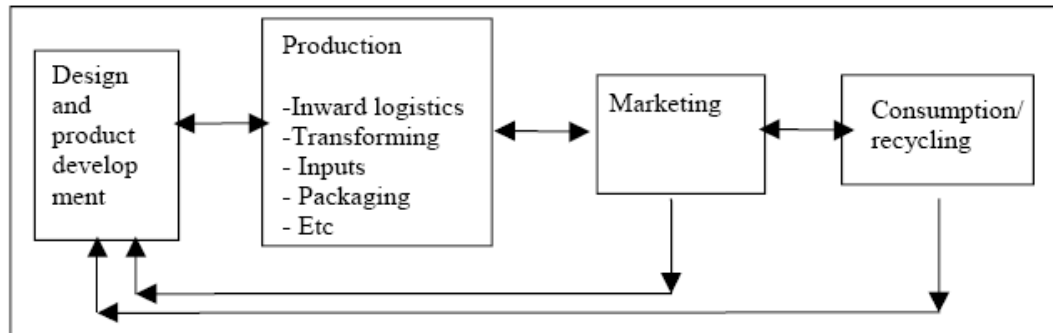


Figure 3.3: The value chain

Source: Kaplinsky, and Morris (2000)

The figure shows that production is only a part of the complete chain. Every part is linked and the linkages between the parts are of a two-way nature. This is a simplified value chain, and often they are more complex, with more participants and linkages. The main goal of the value chain is to give an overview of the actors within a certain chain and what their relations and value addition are.

PROGRESS selects value-chains, which have relevance to the different components of PROGRESS (see section 2.1), and which can create opportunities for additional jobs and scopes for diversifying the export portfolio of Bangladesh. More information about the components of PROGRESS can be found in appendix 1. GTZ-PROGRESS considers the Jute Diversified Products (JDPs) within the jute sector as one of the potential value chains for extending its support [PROGRESS 2006].

Next to the value chain assessment of the Bangladeshi jute industry, more knowledge about the JDP industry in Bangladesh is necessary to assess its strengths and weaknesses. Relevant aspects are products, export, marketing, and competition. For this research, a questionnaire was developed and interviews held with JDP producers to get information about these aspects (see appendix 4).

The subjects of products (design and product development), production, and marketing relate back to elements of the value chain (see figure 3.3). Export is supported by the theory of export promotion and development, outlined in section 3.5, and competition by Porter's five forces framework (section 3.2.2.), which looks at competition from various points of view.

The value chain assessment gives a complete overview of the actors in the jute industry, while the interviews give more specific information about the JDP industry in Bangladesh. The combination of the value chain assessment that has been conducted by PROGRESS and the interviews with Jute Diversified Products (JDP) producers results in strengths and weaknesses.

3.3.2 Linking national producers to international markets

Part of the analysis of the Bangladeshi jute industry is to see how organizations and firms communicate and are organised.

Humphrey (2002) distinguishes 2 forms of coordination, the firm and the market. The firm coordination deals with coordinating a whole range of activities and bring them within the control of a single firm, and to coordinate them through management.

The market coordination focuses on activities along the value chain.

Humphrey states that global markets are becoming more complex. Global buyers want to have much more information about both their immediate suppliers and about what is happening further back along the supply chain. The article gives four reasons for the information demand;

1. Product differentiation and innovation have become increasingly important sources of competitive advantage;
2. The elimination of stocks and the pressure to reduce 'time to market' favours greater integration of supply chains;
3. Final product markets in developing countries are characterized by an increasing emphasis on safety, labour, and environmental standards;
4. In the pursuit of low-cost inputs in labour-intensive sectors such as garments, global buyers are frequently looking to develop new sources of supply.

The four points that were just mentioned support the theory of the value chain in section 3.3.1 (see also figure 3.3).

1. Product differentiation and innovation have become increasingly important sources of competitive advantage → this point can be linked to the design and product development stage of the value chain;
2. The elimination of stocks and the pressure to reduce 'time to market' favours greater integration of supply chains → this point can be linked to the production stage of the value chain, especially the inward logistics and transforming stage;
3. Final product markets in developing countries are characterized by an increasing emphasis on safety, labour, and environmental standards → this point can be linked to both the design and product development and the production stage;
4. In the pursuit of low-cost inputs in labour-intensive sector such as garments, global buyers are frequently looking to develop new sources of supply → this last point can be linked to the production stage of the value chain.

These four points also are part of the questionnaire (see appendix 4), in which a section relates to production and production methods. Objective is to get insights into the capabilities of the producers, the current range of products, and the level of R&D.

So, in order to gain more understanding of the JDP industry a questionnaire was developed and interviews held with existing JDP producers in Bangladesh. The questionnaire was developed as a semi-structured interview. The interviews were recorded by note-taking.

The questionnaire can be found in Appendix 4 and is divided into five different areas with different subjects:

- A quick overview of the organisation
- Products
- Export
- Marketing
- Competition

The combination of both theories (the value chain and linking national producers to international markets) gives the basis from where the complete value chain can be developed and supported. Humphrey gives important issues that should be addressed in combination with the value chain. This gives a complete overview of stakeholders and their interests.

3.4 The most promising market opportunities in Europe for the Bangladeshi JDP industry

In order to be able to promote the Bangladeshi JDP products into Europe, market opportunities and improvement areas for those products have to be determined and formulated. This means comparing the results from the both the European (opportunities and threats) and the Bangladeshi (strengths and weaknesses) analysis.

In today's world, the growing integration of world markets provides opportunities for substantial economic growth, like for example gaining higher incomes and increasing the quality of the differentiated final products [Kaplinsky, 2000]. Globalization has also opened up possibilities for developing countries. For the developing world globalization contains a potentially increasing scope of industrial growth and an upgrading of their manufacturing and service activities. Without sustained economic growth the chances of reducing poverty and inequality is difficult to achieve.

3.4.1 SWOT analysis

The SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis provides a good framework for reviewing strategy, position, and direction of a company or business proposition, or any other idea.

The SWOT analysis is a subjective assessment of data which is organized into a logical order that helps understanding, presentation, discussion, and decision making. The four dimensions are a useful extension of a basic two heading list of pro's and con's¹.

The SWOT analysis summarizes the key issues from the business environment and the strategic capability of an organization that are most likely to impact on strategy development. This can also be useful as a basis against which to judge future courses of action [Johnson & Scholes 2002].

The SWOT analysis template is normally presented as a grid, comprising four sections, one for each of the heading.

SWOT confrontation matrix		
	<i>Opportunities</i>	<i>Threats</i>
<i>Strengths</i>	S+O	S+T
<i>Weaknesses</i>	W+O	W+T

Figure 3.4: SWOT confrontation matrix

Figure 3.4 combines the forces into a confrontation matrix. In this matrix, four cells emerge. Each of these cells has different strategies that could be applied:

- S+O are opportunities that are a good fit to the industry's strengths
- S+T identifies ways in which the company can use it's strengths to reduce it's vulnerability to external threats
- W+O identifies weaknesses that should be overcome to pursue opportunities
- W+T calls for a defensive plan to prevent the weaknesses from making it highly susceptible to external threats

By using this theory, the opportunities and threats of the European market for JDP products are compared and combined with the strengths and weaknesses of the

¹ Source: www.quickmba.com

Bangladeshi JDP industry. By combining all of the four areas into a confrontation matrix, an overview is created that shows where opportunities lie and improvements are needed. From this, market opportunities and improvement areas emerge. The market opportunities will act as the basis for the export potential for the Bangladeshi jute industry, and eventually result in interventions for PROGRESS.

3.4.2 Using networks to solve export marketing problems of SMEs from developing countries

Networks play an important role for exporting organizations around the world.

In their article, Ghauri et al. (2001) suggest that export problems are time, industry, state, and even country specific. Export marketing problems are often classified as internal and external, where internal export problems are related to the firm and are usually associated with insufficient organizational resources for export marketing, and external export problems are related to the industry, the export market and the macro environment.

They developed and identified three stages in the evolution of a network:

1. the emergence of the network;
2. the network development process;
3. the achievement of the network.

The relationship between these three stages is depicted in more detail in figure 3.5.

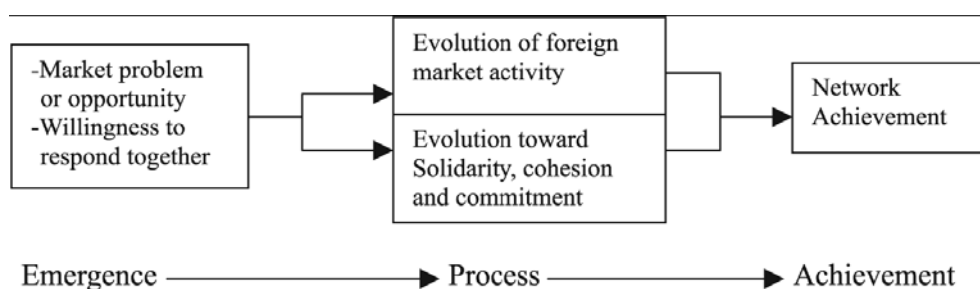


Figure 3.5: Relation of three stages of network evolution

Source: Ghauri, Lutz & Tesfom (2001)

From experiences discussed in the article, it can be concluded that the above presented model is in line with the experiences. The successful networks are characterized by the existence of a concrete market opportunity (threat), a willingness to cooperate, some form of early market penetration together with a process creating solidarity, cohesion and commitment among group members.

Networks can be a useful approach to solve internal export problems concerning quality, organizational, financial or information problems, and may also accommodate external export problems related to the export market or the industry (Ghauri et al., 2001).

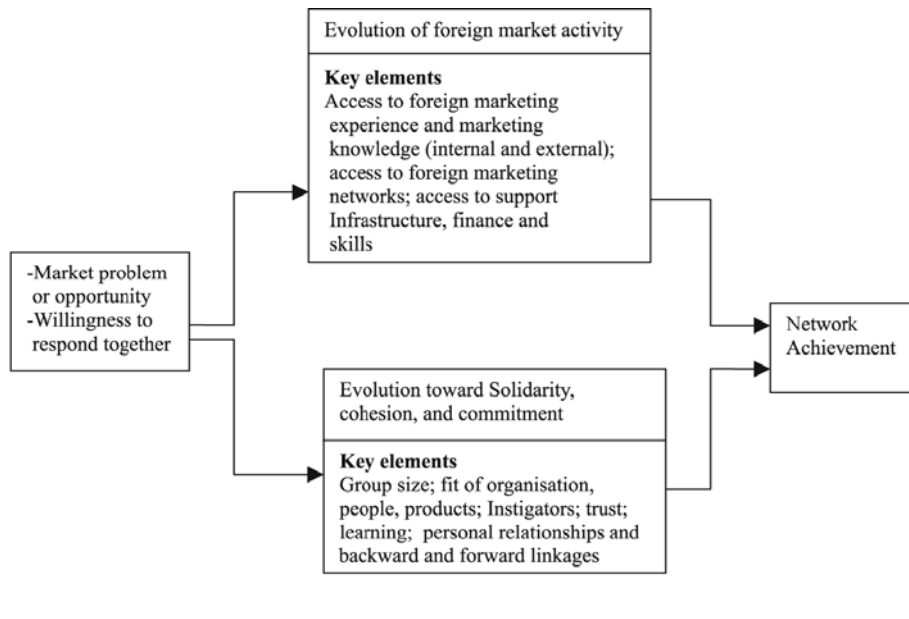


Figure 3.6: Network evolution in developing countries

Source: Ghauri, Lutz & Tesfom (2001)

Figure 3.6 outlines the network evolution of firms in developing countries. It addresses the variables related to the emergence, the development process, and the achievement of networks. Network development is highly influenced by two key factors:

- the evolution of the foreign marketing activity
- the evolution toward solidarity, cohesion and commitment

Network development should be demand oriented. The model makes this explicit as it stresses the importance of a market problem or market opportunity. This means that a network must be based on a thorough analysis of the problems or market opportunities.

For companies in developing countries, and thus also in Bangladesh, networking should be an important aspect of doing business. Once the market opportunities and improvement areas are identified, this theory can be useful to give direction to the opportunities and improvement areas.

3.5 Export potential and needs of the Bangladeshi JDP industry with respect to the market opportunities identified

3.5.1 Export development and promotion

Firms develop themselves gradually. Both Bell & Young (1996), Root (1994), and Seringhaus and Rosson (1991) developed a framework for the internationalization and export development of companies.

There has been a lot of research into the field of internationalization and much of it has been influenced by the conceptualizations which comes from the 'Uppsala school' in the mid- to late 1970's. Several models emerged and most of these propose an incremental stages approach. Less emphasis is placed on the development of alternative market entry modes. From being unwilling to export, firms proceed through various stages to become experienced, highly committed exporters [Bell & Young, 1996]. These stages are:

1. No regular export activities
2. Export via overseas agents
3. Establishment of an overseas subsidiary
4. Overseas production manufacturing

The structure of these stages is confirmed by Root (1994). In addition, Root also makes a distinction between kinds of export.

Based on their experiences, Bell & Young (1996) reveal some common assumptions. First, firms develop in their domestic market before initiating exports. This comes from the fact that initially, the need to go outside the domestic market is not present, and often derives from the satisfaction of the domestic market and the expansion of the organization.

Second, there is some initial resistance to become involved in export activities, for a large part in developing countries because of lack of knowledge.

Third, firms begin by exporting to psychologically close countries and thereafter move to more distant countries.

Fourth, there is a logical, linear sequence whereby firms begin by exporting before considering alternative market entry modes, where overseas production/manufacturing is the ultimate stage.

Lastly, internationalization can be seen as possible in both directions and to some extent inevitable once the first steps have been taken.

Bell & Young have a view that too much attention has been given to the merits of competing theories and models and too little attention is paid to their potential complementarities. They designed an integrative framework for internationalization of the firm on the basis of three assumptions; (1) both behavioural and transaction cost theories may be appropriate in different circumstances, (2) the nature and pace of internationalization is conditioned by product, industry and other external environmental variables, as well as by firm-specific factors, and (3) the firm's international marketing decisions are made in a more central way, incorporating products, markets and entry modes.

Seringhaus and Rosson (1991) share the view from Bell & Young that exports develop gradually. They distinguish four factors that help explain why companies seek export promotion support and why this is provided by public organizations:

1. The growing importance of international trade
2. The increasing intensity of international competition
3. The necessity of participating in the global expansion of trade in goods and service
4. The need to strengthen domestic industrial sectors

In the context of exporting, most public organization activity is undertaken by departments of government (like US Department of Commerce, quasi-government organizations (like Swedish Trade Council), and non-governmental organizations (like Chamber of Commerce).

The export promotion programs will only assist exporters to the extent that they meet real needs, which vary depending on a company's stage of export involvement. Table 3.4 provides a summary of the stages of export involvement, corresponding company needs, and export promotion program responses.

Type of export involvement	Key questions	Company need	Export promotion focus and typical initiatives		
			Motivational	Informational	Operational/ resource
Non-exporter	Should we even consider exporting?	To be made aware of opportunities	Advertising, local seminars, export weeks/months		
New exporter	Should we initiate exporting? Which market should we investigate?	To determine feasibility of exporting	Seminars, export bulletin/newsletter	Market reviews, supplier/buyer newsletter, custom market research	Trade missions, financing/insurance
Expanding exporter	Which new market should we enter and how?	To select the most promising market and the market entry method		Market visits, export seminars/meetings, export newsletter	Trade fairs, trade missions, financing/insurance
Continuing exporter	How can we achieve better performance	To improve and fine tune existing operations		Export seminars/meetings, export newsletter	Trade fairs, foreign buyer visit, sales office, financing/insurance

Table 3.4: Stages of export involvement

Source: Seringhaus & Rosson (1991)

Seringhaus and Rosson state that the crucial barriers to increased involvement by companies in foreign markets are managerial motivation, knowledge and resources. Non-exporters often view exporting as more risky, costly and time-consuming than domestic business. This perception, although partly true, is incomplete. Exporters find that entry to foreign markets frequently generates good returns, spreads market risks, and provides opportunities for growth and expansion. Thus, many firms need motivation before they are likely to start exporting. This is the first barrier to be overcome. Advertising, testimonials and seminars are frequently employed to achieve this goal. Information barriers are the second hurdle. Many companies do not know where to begin; they lack both an appreciation of the information that should be collected, where it might be found and, in the event that these problems are dealt with, how it should be analyzed. Again, public organizations play a role in this area, providing standardized economic data on markets around the world, more specific data by product or country, and assistance in interpreting data collected. Operational or resource barriers mean that companies suffer from a shortage of the time and/or money that must be invested if export markets are to be seriously developed. As argued above, although critical to success, managerial knowledge of foreign markets and marketing is typically lacking in the not experienced exporter. Again, public organizations frequently help companies to deal with these barriers through, for example, such vehicles as cost-shared market visits, trade missions, and trade fairs.

For the research, this method is chosen to classify the producers of jute products from Bangladesh. It gives categories of exporting and guidelines to each of these categories with regard to needs and possible interventions. By applying this method, it should become clear what the export potential and need of the Bangladeshi JDP industry is. Also the theory by Humphrey (2002)² is appropriate here. Humphrey states that global markets are becoming more complex. The four reasons that were given in section 3.3.2 are also useful to attain in this part of the research. By looking at the four points, important issues concerning the development of exports and international business are brought to the attention.

² See section 3.3.2

3.6 Interventions for PROGRESS in order to support the Bangladeshi JDP industry

3.6.1 Market matching

The markets of Europe and Bangladesh have a lot of differences, among others both economically as well as culturally. Ghauri developed a useful model to deal with differences between markets and link markets that are different on several levels and factors.

The model for a foreign entry process consists of an establishment process and a resulting position of an organization in the network [Ghauri & Holstius, 1996]. The establishment part consists of three phases; (1) the search phase, (2) the project phase, and (3) the establishment phase. In each of these phases, the network variables actors, activities and resources are present.

Matching is used as a key concept how the development of successful business relationships can be facilitated between two countries which are culturally, politically, legally, and economically dissimilar. The matching concept comprises everything from facilitating systems provided by governments and international organizations to company-specific measures. Steps can be taken at three levels; (1) global level, (2) macro level, and (3) micro level.

The establishment process with its three different phases constitutes the core of the foreign market entry model. It shows how companies develop relationships and build up a market position. As companies in a network produce or consume complementary or competing products, the network always includes elements of both conflict and co-operation. Since matching takes place at three levels, there are three levels of matching actors, too. Particularly at the macro and micro levels, matching helps a company to establish contacts with different counterparts, with companies as well as authorities. The foreign market entry model and the matching model are combined in Figure 3.7.

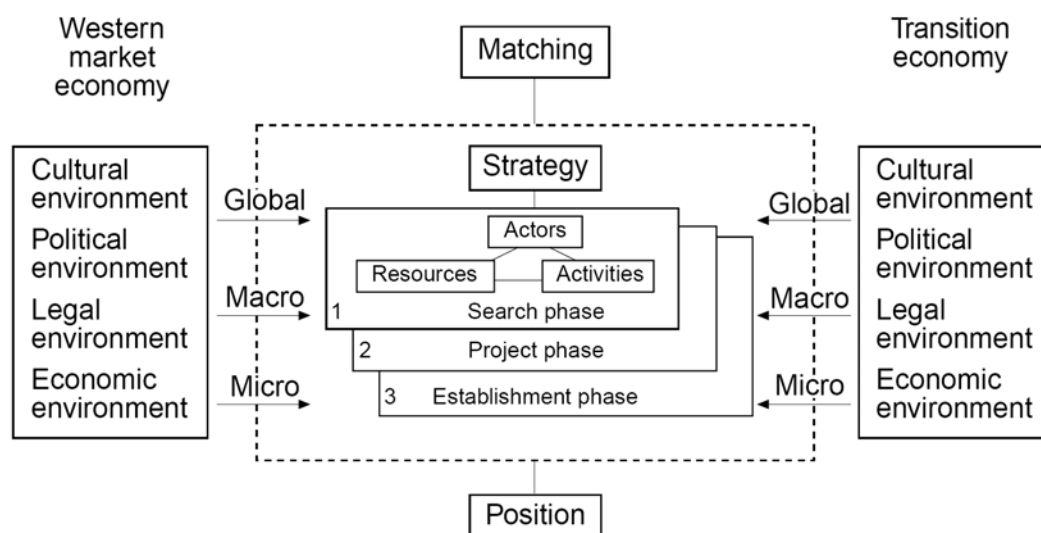


Figure 3.7: Matching markets

Source: Ghauri and Holstius (1996)

Matching helps a company to solve problems caused by the environment. Just as the importance of relationships with different actors changes during the company's entry process, it can be assumed that different matching methods are important in different phases of the process. The most important benefit of combining these two models, network and matching, is to identify the actors, activities and the resources exchanged at three different levels.

3.6.2 Export development and promotion

In section 3.5.1. the theory of export development and promotion was outlined, and is also suitable for this part of the research. Table 3.4 provides a summary of the stages of export involvement, corresponding company needs, and export promotion program responses. In this part of the research, where the focus is on developing interventions for PROGRESS, the part of the company needs can be very useful here. It provides guidelines to where the focus of the needs lie.

3.6.3 Business Development Services

All of the above theories should lead to the development of interventions for PROGRESS. In the research, these will be compared to the possibilities within the range of PROGRESS. BDS market development is a methodology that is widely applied within PROGRESS. Business Development Services (BDS) are any non-financial services provided to SMEs on either formal or informal basis. As such, BDS refers to a wide range of services used by entrepreneurs to help them operate and grow their businesses.

PROGRESS bears in mind that the development of the BDS market is one of its main objectives. The approaches in developing business services for the actors should be characterised by the following:

- Providing basic, rather than sophisticated or strategic services at the outset
- Ensuring informal but effective delivery mechanisms rather than formal mechanisms
- Service delivery through different forms of public-private partnerships
- Services embedded within social and business transactions and relationships

The business and market development services should center around and be guided towards:

- Developing a shared market concept for a sector
- Organising institutional training to develop entrepreneurial and managerial skills of the key players of the selected sectors
- Business development services should equip the enterprises with the knowledge on how to solve issues at their own level as well as at an institutional level.

3.7 Summary

In figure 3.8 the theories that are discussed in this chapter, are combined in one model with the research questions.

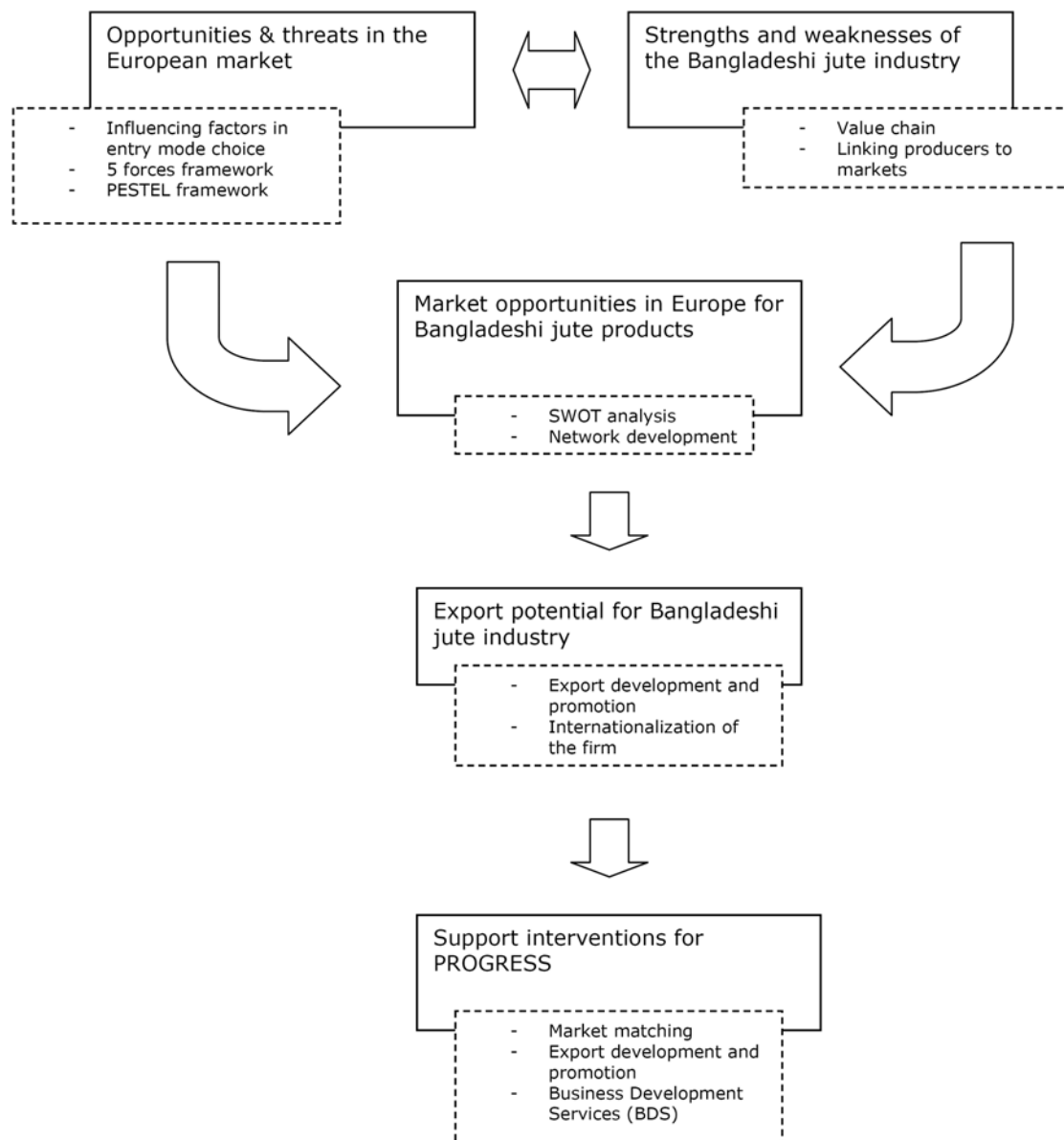


Figure 3.8: Research questions and models & theories

4. Market for diversified jute products in Europe

4.1 Introduction

The objective of the assessment of the European market is to see where the opportunities and threats lie in the European (EU) market. The EU market consists of 27 member states. The most important markets are in West Europe, and therefore the focus for this research is on the West European countries.

Section 4.2 looks at the target country market factors, and is followed by the target country production factors in section 4.3. Then, in section 4.4 the target country environmental factors are handled, followed by the conclusions of this chapter.

4.2 Target country market factors

The first part in the model of Root (1994) (see figure 3.1) consists of target country market factors. The target market of the research is the EU market, and especially the West European countries. To gain some more understanding of jute and its markets, first general information is given about the total world market for jute. Next, the chapter will specify more into the target market of the research.

4.2.1 The world jute market

Bangladesh, India, Myanmar, Vietnam and Thailand account for over 95% of the world production in jute [Ministry of Jute of Bangladesh³, 2006]. For Bangladesh, it once accounted more than 80% of the country's total foreign exchange. But times have changed and Bangladesh now faces a decline in the profits, and many of the government-owned mills are shut down. The decline of the jute items is shown in table 4.1. A main explanation for this decline is the use of various synthetic substitutes and artificial fibres [PROGRESS 2006]. The table shows that the share of jute items, after a decline, is increasing again and this could increase more with the development of JDPs and more JDP producers.

Nowadays the jute industry is still the third most important source of foreign exchange for the country, and almost one-seventh of the total population is involved in jute production, transportation, processing and marketing, either directly or indirectly. This means that the jute sector provides about 10% of the total employment in the economy [Ministry of Jute and Textiles Bangladesh 2006].

(value in million dollar)

Fiscal year	Total export	Jute items		Non-jute items	
		Value	% Share of total export	Value	% Share of total export
1984-85	934.43	540.61	57.85	393.83	42.15
1994-95	3472.56	398.25	11.47	3074.31	88.53
2002-03	6548.44	339.64	5.19	6208.8	94.81
2003-04	7602.99	326.15	4.29	7276.84	95.71
2004-05	8654.52	403.67	4.66	8250.85	95.34

Table 4.1 Value of export in Bangladesh

Source: Export Promotion Bureau of Bangladesh

Table 4.1 shows the decline from the jute items compared to the non-jute items. Compared to the year 2003-2004, the share of jute items rose in the year 2004-2005. The target for the jute goods in 2004-2005 was USD 370 million, and the actual export

³ See also www.juteministry.org

was USD 403.67 million, which means the actual exports have exceeded the target by almost 14%. In comparance, the total exports only rose 1.04% to USD 8,654.52 million [Export Promotion Bureau of Bangladesh, 2006]. From this amount, USD 4,621.22 million is exported to the EU, which means that 53.40% is exported to this region. The EU destination countries are; Austria, Belgium, Denmark, France, Finland, Germany, Italy, Greece, Ireland, Luxembourg, the Netherlands, Portugal, Spain, Sweden, and the UK. The development of the export to the export is shown in table 4.2. 3.55% of the total exports are jute goods, where the Ready Made Garments (RMG) sector is the largest with 74.16% [Export Promotion Bureau of Bangladesh 2006].

(value in million dollar)

	Total export
2000-01	2,960.44
2001-02	2,852.99
2002-03	3,282.33
2003-04	4,279.51
2004-05	4,621.22

Table 4.2: Exports to EU

Source: Export Promotion Bureau of Bangladesh

4.2.2 Porter's five forces framework

Threat of entry

Bangladesh is one of the few countries that grows jute and produces jute goods (India is the only other *large* producer), and therefore the threat of entry is not so high. Figure 4.1 outlines the world production in jute from the largest jute producing countries. Other producing countries are Thailand, Nepal, Vietnam, Myanmar and some small parts in Latin America.

There are several reasons that the threat of entry is not so high. First, labour costs in Bangladesh are amongst the lowest in the world, and economies of scale are an important aspect with regard to production costs of JDPs. Second, producers from jute growing areas have far more experience with producing jute and jute products than European countries. Producers who market their products in Europe gain experience in, for example, marketing and can further try to expand their position on the European market. Another point here is, in combination with the low wages, that it is impossible for European countries to import the jute and produce jute products that can compete in price with those that are made in Asian countries.

When a company decides to enter the European market, it is important to try and differentiate the products in order to be competitive and gain profit. Goal is to produce products that are of a higher perceived value than the competition. Because the quality of jute in Bangladesh is among the best available in the world, differentiating on quality could help in reaching a higher perceived value.

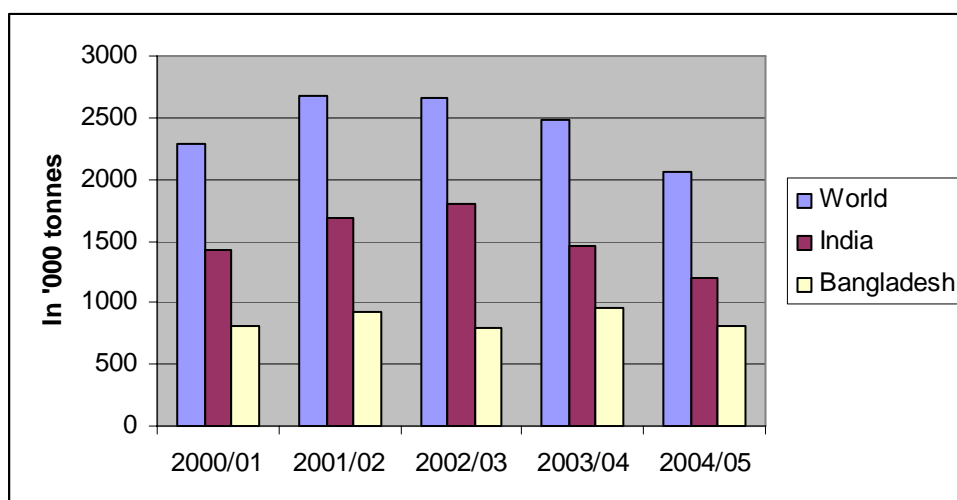


Figure 4.1: World production of Jute in major producing countries

Source: Food and Agricultural Organisation of the UN

Threat of substitutes

With regard to the traditional jute products like sacks, the threat of substitutes concentrates to synthetic fibres. These synthetic products have an advantage in use compared to their cost. This is called product-for-product substitution.

For this research, the JDP market is more relevant. The JDP market deals more with a generic substitution, where products compete for disposable income. It is expected that the JDP market will further open up new possibilities for revival of the jute sector in Bangladesh. It creates additional employment opportunities, improves the economic conditions of farmers and workers, and hence assists in poverty reduction [PROGRESS 2006]. Looking at, for example, the geotextiles made from jute, these compete with traditional geotextiles. Other JDPs compete with substitute products like gift items from other third world countries. By differentiating the products, competitive advantage can be gained compared to other gift items.

Power of buyers

The power of buyers is not so high. The market, West Europe, does not contain a few large buyers.

The export market for JDPs is currently developing and therefore buyers could be sought in all parts and layers of the market. Because these products (JDPs from Bangladesh) are relatively new to both the foreign as well as the domestic market, there is not much information about the customers of these products. Important for exporters and new exporters in the market is to get insights into the buying habits of the customers and learn from other similar products that already have experience in the (West European) market. This importance also comes from the interviews that were held with JDP producers. The producers all mentioned the competition that is coming from areas with more experience like India (see chapter 5).

Although the world production and consumption of jute and traditional jute products is decreasing, the market for JDPs is increasing, which means the potential for JDPs is rising [PROGRESS 2006]. Next to the competition from India, there is still a huge potential in the home market, where the familiarity with the diversified products leaves room for improvement.

Power of suppliers

The jute mills in Bangladesh, the suppliers of jute for the jute producers, have relatively high power. Since the quantities of JDP producers are low compared to that of the traditional jute products producers, their bargaining power is also lower. This can have consequences for the quality of the diversified products. Jute mills tend to sell their best quality jute to the largest buyers in order to secure their profits. Since their quantities are lower, the quality of the jute that JDP producers can buy can be also lower. This has

consequences for the total quality of the products and their price, and has consequences for the selling of a standard (high) quality. In order to improve the standard quality of the jute delivered by the jute mills, the bargaining position of the JDP producers must be improved.

The European market is not relevant with regard to power of suppliers. All of the JDPs are produced in countries where the jute is grown as well. Main reason for this is that the production typically takes place in developing countries. Second it is not feasible for European companies to start producing these products competitively. Raw jute, production costs, and labour costs are lower in developing countries (which also produce the jute).

Competitive rivalry

Competitive rivals are organisations with similar products and services aimed at the same customer group. In the international JDP market, India is considered to be the market with the most fierce competition and competitors. Next to Bangladesh, India has the largest market and producers of JDPs. Because India started earlier with the production of JDPs, it has the advantage of more experience. Although India has more experience with JDPs, Bangladesh is the largest exporter of jute and jute products in the world. Figure 4.2 shows the world exports of jute products from India, Bangladesh, and the other jute producing countries. The largest difference between the Indian and Bangladeshi jute market is that 90% of the Indian market is used domestically and 90% of the Bangladeshi jute is exported [Ministry of Jute of Bangladesh, 2006].

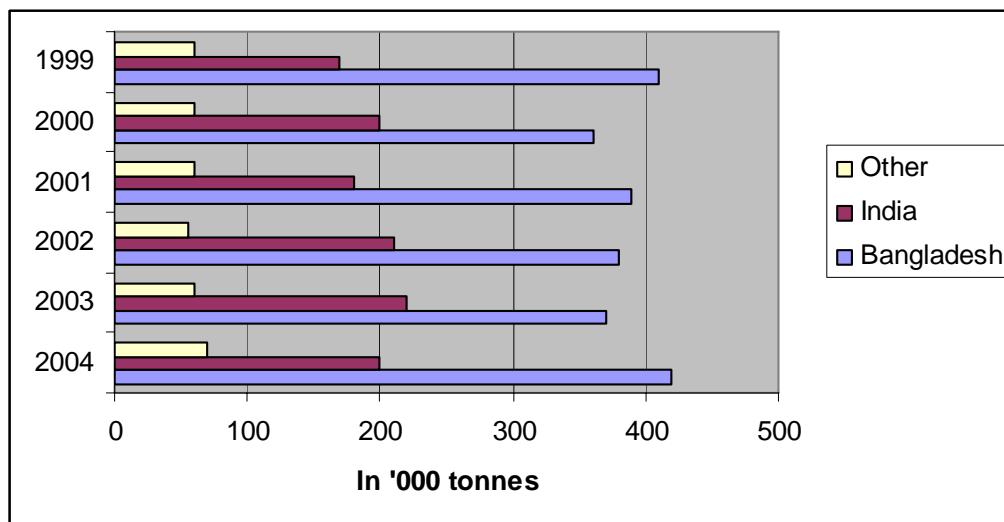


Figure 4.2: World export of jute

Source: Food and Agricultural Organisation of the UN

One way to cope with this fierce competition, mainly from India, is for producers from Bangladesh to differentiate their products (for example focus on the trend of environmental friendly products). When a lot of products in a market are undifferentiated, there is little to stop customers switching between competitors or other third world gifts. This also comes back in the fact that a lot of producers are of roughly the same size and relatively new to the market.

The competition between producers (SMEs) in Bangladesh is not so relevant, since the market for JDPs is relatively new and producers are still developing their products and designs. The market still offers room for expansion and new producers.

Important for producers is to gain knowledge and get insights into the customers' wishes. A good example to meet customers and give them the possibility to meet companies is to attend a trade fair. Especially in Europe, there are a lot of trade fairs that focus on gift items from third world countries.

Most competition in the market for JDPs comes from India, but especially in the area of jute quality, Bangladesh can differentiate itself from these competitors.

4.4 Target country environmental factors

The PESTEL framework is a suitable tool to observe a market through several environmental factors (See section 3.2.3 and table 3.2). Each of the six factors will be shortly discussed.

Political

In West Europe, each member state has its own political climate. This means each state can decide its own political direction and regulations. Not every regulation is important or relevant for the JDP industry. As with every development with target country environmental factors, companies have to determine which regulations are relevant enough to focus on. There are collective agreements with regard to the EU and imports, but often the end decision lies with the country itself.

Since the target market in West Europe are developed countries, the government often is politically stable and products from developing countries often are welcome, because most countries have poverty reduction programs that encourage trade and products from developing countries.

Bangladesh's exports to the European market have benefited from a preferential market access like duty and quota-free access. However, the trade capacity of Bangladesh presently relies on a very limited number of export products. There is, therefore, a need for a profound diversification of the country's export range. Figure 4.5 gives an overview of the total exports from Bangladesh to the EU the last few years. There is clearly an upward tendency in the figure. Next to that, more than half of all the exports from Bangladesh go to the EU (53%) [Delegation of the European Commission to Bangladesh, 2004].

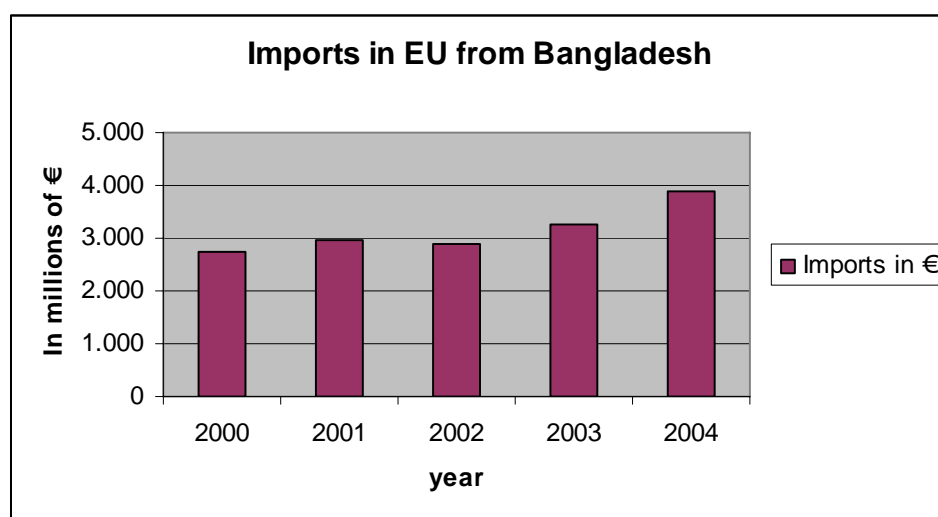


Figure 4.3 Imports in EU from Bangladesh

Source: Delegation of the European Commission to Bangladesh

Economical factors

The world market for jute is positively influenced by the market expansion of diversified jute products [Food and Agricultural Organisation of the UN, FAO]. The diversified products are a small proportion of the total consumption, however their share in the value of total exports is rising. With effective research and development strategies and intensified marketing efforts there is real potential growth.

Owing to the increasing use of environmental friendly products in the developed countries, the market for jute made products is gradually expanding. Countries such as

India are increasingly diversifying the products made of jute and exporting these to developed countries. Their ability to produce and market a wide range of JDPs shows the scope for expanding demand for such products. Bangladesh too has the potential to capture certain market segments, provided that the JDP producers improve the quality and designs, increase the product range, establish effective market linkages and uphold the image of Bangladeshi products in foreign markets [PROGRESS, 2006].

In 2002, the government of Bangladesh set up the Jute Diversification Promotion Centre (JDPC)⁴ to inspire both new and old entrepreneurs to set up factories in this promising sector by offering technical and financial supports. Goal is to increase both the foreign as well as the domestic market of JDPs. The task of the JDPC is to provide support and information to entrepreneurs in the JDP market, and those who want to enter the market. Support is provided in terms of loans to entrepreneurs and (free) technical support [Ministry of Jute of Bangladesh, 2006].

Next to the increasing international market for diversified products, the domestic consumption pattern in Bangladesh is gradually changing, as more and more people are recognizing the aesthetic and ecological values of jute products [PROGRESS 2006]. According to statistics compiled by the JDPC and the Ministry of Textile and Jute, the local sales of JDPs will increase the coming years. This is also presented in figure 4.4, which indicates the trend of the past few years and the predictions for the coming years.

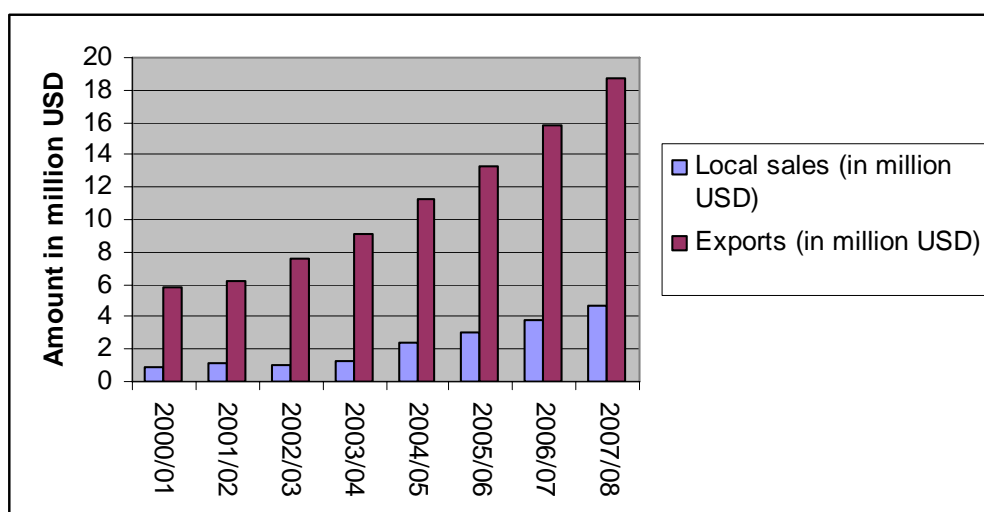


Figure 4.4: Export and local sales value of JDPs
Source: Value chain assessment of the jute sector in Bangladesh, 2006

Sociocultural factors

Growing consciousness for environmental products in developed countries from developing countries sets opportunities for the diversified products from jute. This means that in the target market of the research, West Europe, there is also a growing demand for environmental products from developing countries.

The growing consciousness for these products has set a change in standards and values of people in developing countries concerning the poverty reduction in developing countries.

Technological

For the last decade, the jute production and consumption has been declining. The jute market is negatively influenced by the intensity of competition with synthetic fibres. Another form of competition is that of paddy. Farmers have to make a choice between land occupation, and the choice between jute and paddy depends for a large extend on

⁴ See appendix 5

prices in the market farmers can get. Since the price of jute is increasing the last years, the amount of farmers that grow jute is also rising again.

Also the extension of bulk handling of various agricultural commodities puts pressure on the world jute market, although at a slower rate than in the past and in line with improvements in the infrastructure in developing countries [PROGRESS 2006].

Since the production of JDPs is for a large part done by hand, the developments with regard to machinery is not relevant. Second here is that producers often lack the possibility to invest in new, and often expensive, machinery.

Environmental

Figure 4.5 shows the total exports and imports of Bangladesh with the EU from 1999 until 2003. The figure shows a slight decline in 2002, which also comes forward in the jute sector. Although the decline in the jute market covers more than one year, the figure shows that the whole economy suffered from a setback in that period. One reason for the troubled situation in that period is the for the whole world economy are the terrorist attacks in New York of September 11th.

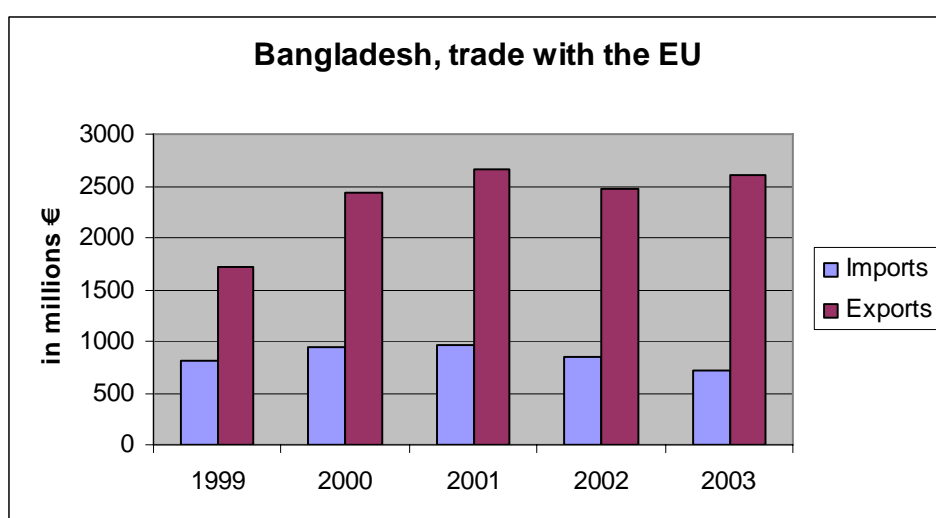


Figure 4.5: Bangladesh trade with the EU

Source: Delegation of the European Commission to Bangladesh

Legal

Since the jute products are produced in Bangladesh and do not need further production, regulations in the EU concerning production and employment laws are not relevant. The only relevant regulations are those that have to do with imports. Because Bangladesh is a developing country, import restrictions are not that relevant as well, since these countries often have special regulations and quotas.

In developing countries, jute is mainly consumed in the form of Hessian cloth and food grade bags for cereals and sugar, while carpet backing is the main jute product consumed in developed countries. During the past decade, the world jute consumption decreased because of two factors; the intensity of competition with synthetic fibres and the replacement by synthetic fibres. The total market decreased with 16% from 3.4 million tons in the period 1988-1990 to 2.9 million tons in 1998-2000.

4.5 Conclusion

The objective of this part of the research was to define opportunities and threats in the European market for jute products from Bangladesh. Table 4.3 gives an overview of the findings of this chapter. This will form the basis for the SWOT analysis in chapter 6.

Opportunities	Threats
<ul style="list-style-type: none"> - Increasing international interest in environmental friendly products from developing countries - Increasing world market for jute diversified products - The market for gift items from developing countries and therefore JDPs is increasing - Because of low wages, Bangladesh has the advantage to be able to be competitive on price with other less developed countries 	<ul style="list-style-type: none"> - Competition from India, which has more experience with JDPs, which results in a greater product range and depth - Competition from other gift items from developing countries which have more sufficient support from their government - The market for traditional jute products is decreasing, partly because of substitution by other artificial fibres

Table 4.3: Opportunities and Threats of the European market

5. Analysis of the Bangladeshi Jute Diversified Products (JDP) industry

5.1 Introduction

This chapter aims to seek strengths and weaknesses in the Bangladeshi JDP industry. The value chain (see chapter 3) is a useful way to outline the complete industry. The jute industry in Bangladesh is very broad and therefore, the research focuses on the market for Jute Diversified Products (JDPs). In section 5.2 this market for JDPs will be analyzed. Section 5.3 outlines the value chain and gives a complete overview of the jute sector in Bangladesh and its stakeholders.

Section 5.4 contains a strengths and weaknesses analysis of the JDP industry, with an emphasis on areas like R&D, production, export, marketing, and competition. The chapter ends with conclusions of this chapter.

5.2 Jute Diversified products

The use of jute in traditional ways is to produce classical products like among others sacking, Hessian, and carpet backing cloth. The largest problem for these products is the ability to sell them in international markets for competitive prices, compared to products as synthetics. But the use of jute in different ways gives opportunities to the jute market. The image of jute has always been restricted to that of traditional packaging materials like Hessian, sacking, rope, twine, and carpet backing cloth. In order to overcome the declining market for these conventional products, new technologies have been evolved for the bulk use of jute as a raw material in the production of high-value-added and price competitive intermediate of final products. A host of innovative new products have been developed. The use of jute in new, alternative and non-traditional ways that add value to the final product are generally termed Jute Diversified Products (JDPs). The traditional items together with the diversified products are generally called jute goods. A chart that shows the different uses of Jute Diversified Products can be found in Appendix 2.

A breakthrough to revive the jute industry is only possible by concentration on the production and expansion of JDP exports, since the profit margins of JDPs are much higher than those of traditional products.

With an increasing worldwide demand for such environmental friendly products, the governments of many countries and the jute industry of Bangladesh have undertaken programs to develop jute diversified products over the last few years. To this end, international agencies and governments in both exporting and importing countries have supported research and development (R&D) efforts to develop new jute products. Many of the private sector entrepreneurs have also entered this market and are already gained profits by exporting diversified products. They have proven that it is possible to gradually turn the present circumstances around by producing and commercialising high value added jute diversified products.

It is expected that production and promotion of jute diversified products will further open up new possibilities for revival of the jute sector and will create additional employment opportunities, help improve the economic conditions of farmers and workers and hence assist in poverty reduction in the jute producing countries.

A list of jute diversified products is given in table 5.1.

Fibre based products

Pulp, paper & paper products, jute composites, wood/plastic substitutes, non-woven products, wipes, medicare textiles, absorbents, insulation & bonding materials, cellulose and its derivatives, micro crystalline cellulose, high-tech fibres, panels, floor tiles, damp proofing sheet, etc.

Yarn based products

Fine yarn, bleached yarn, dyed yarn, de-haired yarn, polished yarn, woollenized yarn, blended yarn, other treated yarn, fire retardant/proof yarn, corded yarn, hammock, shikkas, shoes, shoe uppers and soles, sandals, doormats, belts, tape, lace, braids, braided rugs, door and window screens, sweaters, cardigans, jackets, mufflers, caps, carrying kits, knitted bags, etc.

Fabric based products

Light fabric, striped fabric, checked fabric, dyed fabric, bleached fabric, treated fabric, laminated fabric, printed fabric, suitcases, briefcases, gift and jewellery boxes, pots, purses, bags, folders and files, beach products, denim, apparel, home textiles, furnishing fabric, scrim cloth, quilts, ventian blinds, canvas, tarpaulin, carpet, blankets, different kinds of mats, satranji, geotextiles, brattice, linoleum backing cloth, floor covers, different kinds of bags, travel kits, sacks, toys, decorative products, berets, nursery pots etc.

Table 5.1: List of Jute Diversified Products

Source: Value chain assessment for the jute sector in Bangladesh

5.3 The jute sector value chain

In order to gain more understanding of the jute industry and the JDP sector, it is important to know who are involved within the industry. A useful tool is using a value chain (see chapter 3). PROGRESS has conducted a study into the jute sector and developed a value chain map which outlines the actors within this chain. A description of all the different actors and their activities can be found in Appendix 3. Figure 5.1 outlines the value chain as developed by PROGRESS. As the figure shows, the chain is extensive and it also states the output flow of each part of the chain.

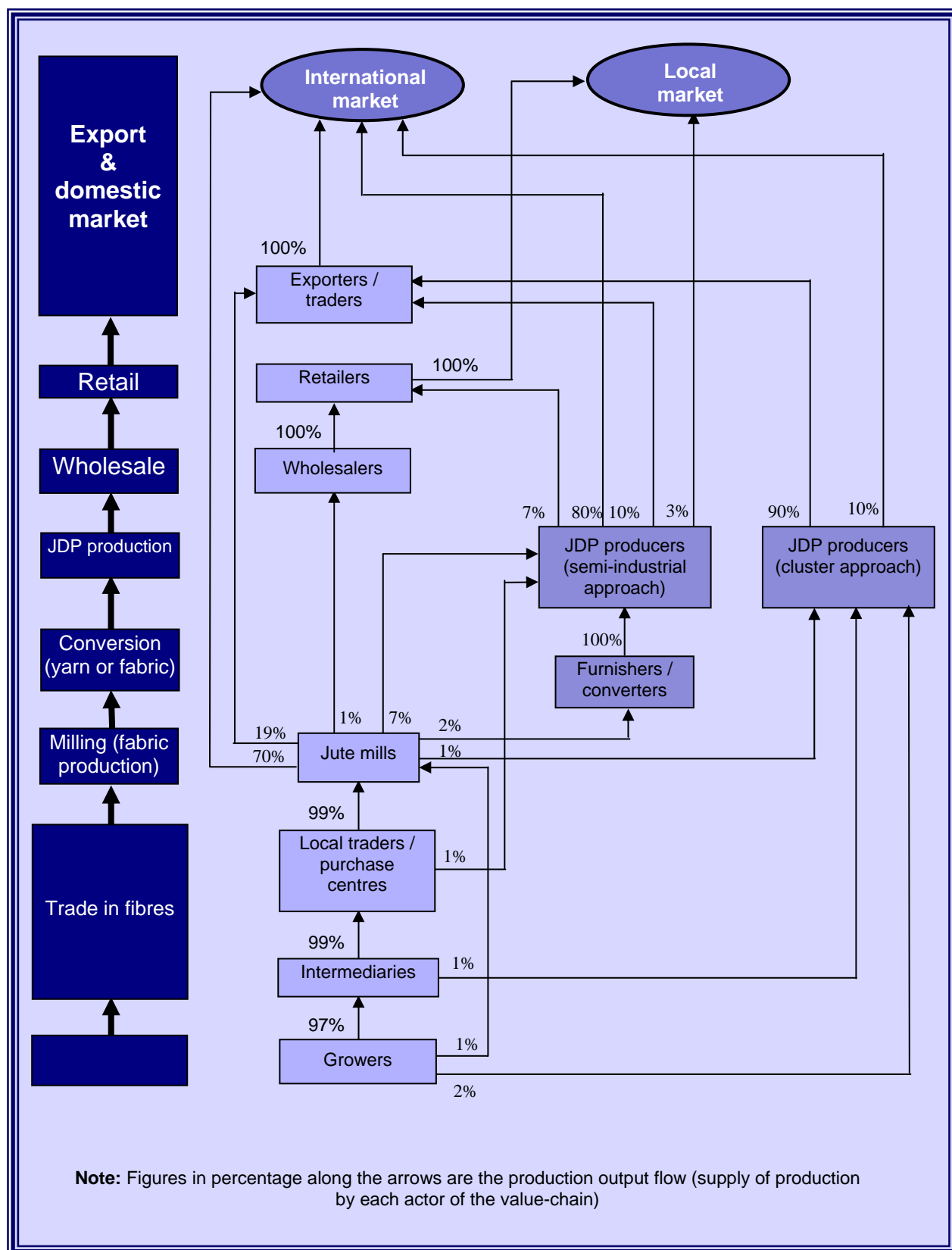


Figure 5.1: Value chain of the jute industry in Bangladesh

Source: Value chain assessment for the jute sector in Bangladesh, 2006

The total number of people in Bangladesh that are involved in the jute industry is almost 1.5 million. This makes the jute sector among the most important industries in Bangladesh. Table 5.2 shows the partitioning of the workers in the jute industry. Jute production in Bangladesh consists of highly labour intensive farming, which explains the large figure of farmers compared to the other value chain actors.

Value chain actors	Total number of people employed
Farmers	1,200,000
Intermediaries	500
Jute mills	137,151
Furnishers/converters	300
JDP producer (semi-industrial approach)	20,000
JDP producer (cluster approach)	14,000
Wholesalers	50
Retailers	500
Exporters	1,000
Total number of people employed	1,373,501

Table 5.2: Total number of people employed in the jute industry in Bangladesh

Source: Value chain assessment for the jute sector in Bangladesh, 2006

The following table shows the distribution of added value of a JDP (jute bag) among various stages of the value-chain (from growers to exporters / retailers). This gives an example of the value addition at the different stages. The calculation has been made considering the final sales price of the JDP as 100%. Percentages within columns 2 and 3 of Table 5.3 vary due to different selling prices in local and international markets.

Stage	Local market	International market
From growers to farias ⁵	7.10%	7.34%
Farias to traders	0.18%	0.21%
Traders to jute mills	19.82%	20.49%
Jute mills to converters	16.08%	16.72%
Converters to JDP producers	36.82%	38.17%
JDP producers to whole salers	4.12%	N/A
Wholesalers to retailers	15.88%	N/A
JDP producers to exporters	N/A	17.07%
Total	100%	100%

Note: N/A = Not Applicable.

Table 5.3: Distribution of value addition across different stages of the value chain

Source: Value chain assessment for the jute sector in Bangladesh, 2006

As seen in section 3.3.2, global markets are becoming more complex. The jute industry in Bangladesh also becomes more complex when exports increase. Global buyers want to have a lot of information about both their immediate suppliers and what is happening further back along the supply chain. For the JDP sector, the four points mentioned by Humphrey (2002)⁶ are all important with regard to the development of the sector.

5.4 Strengths and weaknesses analyses of the JDP sector

In order to gain more understanding of the jute industry, especially into the JDP sector, both primary and secondary data are used. For the primary data, a questionnaire was developed and interviews held with JDP producers. At this moment there are about 10 JDP producers in Bangladesh that are relevant to the JDP market, from which 7 were

⁵ The term farias is used to identify local intermediate traders

⁶ Section 3.3.2

interviewed. The questionnaire can be found in Appendix 4. The questionnaire was divided into five different areas with different subjects:

- A quick overview of the organisation
- Products
- Export
- Marketing
- Competition

The size of the companies that were interviewed varied. Table 5.4 shows the amount of producers in each category of number of employees.

Category	Number of factories
1 to 25 employees	3
26 to 50 employees	2
more than 50 employees	2

Table 5.4: Size of factories

Section 5.4.2 to 5.4.4 deal with subjects from the questionnaire, while section 5.4.1 derives from secondary data and 5.4.5 deals with data from PROGRESS. The information that is retrieved through the questionnaire is combined with secondary data and data from a value chain research conducted by PROGRESS. From the questionnaire, the secondary data and data from PROGRESS the strengths and weaknesses from the Bangladeshi jute industry are determined.

5.4.1 Research and development

Both the value chain and also Humphrey (2002) state the importance of product development. R&D is important to the survival of any company, as a company must continually invest in new technology in order to compete and stay competitive in the market. The R&D a company can do depends on its management policies, how much money there is available, and often whether R&D can be deducted from the tax obligations as an expense. A nation's tax policies can therefore influence the amount of money that is available to private businesses for R&D. Historically, industrialized countries were the sources of innovation while less industrialized countries provided raw materials as well as lower-cost labour and manufacturing. However, many developing countries have begun to move from being imitators to being innovators by investing in people, research, technology, and an innovation-friendly environment [Ball & McCulloch, 2004].

In order to be competitive and maybe more important, stay competitive in the market, entrepreneurs have to differentiate their product and try to improve their products and innovate their processes.

The level of R&D in Bangladesh is relatively low, since for private companies, this often involves investments they cannot (financially) make. Consequence is that also the level of innovation is low. The level of R&D and innovation that exists within a company often is done by the owner and concentrates on adjusting the size and colour of products. New products are mostly copied from other (foreign) producers and the focus of competition is on the price.

5.4.2 Production

To get insights into the diversified products industry, a part of interest is production. In the questionnaire and interviews with JDP producers, a section of questions was related to the diversified products and its characteristics.

The subjects that were discussed were:

- Product range of the producers
- Annual turnover
- Lead time of products and shipments
- Production capacity

Each of these subjects will be briefly discussed below.

Products

All of the producers that were interviewed make several different jute diversified products and some of them are also producing other kinds of handicrafts, for instance from cane or bamboo. There are also combinations possible from different materials, for instance cane elements within jute items.

The shopping bag and wine bag are popular items to produce, since all of the producers have some kind of design of the shopping bag or wine bag in their collection, which are also suitable for the export. The market of diversified products is relatively new, so there is not much product development. Entrepreneurs are trying to get into the market with existing products, that can easily be copied and have some certainty in sales.

Other interesting products are the cushion covers, the handmade paper products, and the geo-textiles. All of the products come in different sizes and colours. Table 5.5 summarizes a list of JDPs that are made and sold at this moment.

Fibre based products

Pulp, paper & paper products, jute composites, wood/plastic substitutes, non-woven products, wipes, medicare textiles, absorbents, insulation & bonding materials, cellulose and its derivatives, micro crystalline cellulose, high-tech fibres, panels, floor tiles, damp proofing sheet, etc.

Yarn based products

Fine yarn, bleached yarn, dyed yarn, de-haired yarn, polished yarn, woollenized yarn, blended yarn, other treated yarn, fire retardant/proof yarn, corded yarn, hammock, shikkas, shoes, shoe uppers and soles, sandals, doormats, belts, tape, lace, braids, braided rugs, door and window screens, sweaters, cardigans, jackets, mufflers, caps, carrying kits, knitted bags, etc.

Fabric based products

Light fabric, striped fabric, checked fabric, dyed fabric, bleached fabric, treated fabric, laminated fabric, printed fabric, suitcases, briefcases, gift and jewellery boxes, pots, purses, bags, folders and files, beach products, denim, apparel, home textiles, furnishing fabric, scrim cloth, quilts, ventian blinds, canvas, tarpaulin, carpet, blankets, different kinds of mats, satranji, geotextiles, brattice, linoleum backing cloth, floor covers, different kinds of bags, travel kits, sacks, toys, decorative products, berets, nursery pots etc.

Table 5.5: List of JDPs

Source: Value chain assessment of the jute sector in Bangladesh, 2006

Turnover

The turnover of the producers was hard to determine, because sometimes there is no financial record that is kept. A main reason for this is that a lot of producers are just starting up business and are hesitant on sharing financial information or share information that is not completely true. Also, the figures that are given are often not useful, since they do not give a relevant image of the company and its share of diversified products.

Lead time

The lead time can be defined as:

The amount of time between placement of an order and the receipt of the goods ordered is considered to be the lead time

The lead time for shipments with JDPs by sea that comes from Bangladesh with destination Europe, on average takes about one month. After the shipment, the goods have to be cleared in the port of destination, in order to allow them to enter the country. This clearing takes about 3 to 4 days. Another way to ship the goods is by air, which only takes about 3 days, but is more expensive than by sea transport. The choice of transportation also depends upon the agreement with the customer and the possible urge for the customer. A second thing is the choice who is paying for the freight, since air freight is very costly.

Production capacity

The production capacity of a company indicates the maximum amount of products that can be produced within a certain period of time. The JDP producers indicate the production capacity depends on the product. Some products are easier to make than others which concludes in different production capacities. Next to the different products, the capacity also varies among the different producers, because of differences in the amount of staff the company has, and most of the products are labour intensive.

The main difference compared to Europe lies in the production methods. Where most of the production in Europe is done automatically by machines, a lot in Bangladesh is done by hand. From this comes forward that machines in Bangladesh are bought second hand from European countries.

5.4.3 Export

In the questionnaire, another part consisted of questions with regard to the export. The subjects that were discussed dealt with the following issues:

- Local and export market
- Indirect and direct export
- Export countries
- Starting up exports
- Difficulties with exporting
- Adoption for exports

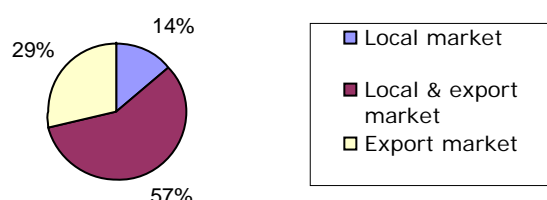


Figure 5.2: Partitioning of market expansion

Local and export market

While some of the producers are producing solely for the export market, also some are producing for both the export and the local market. Figure 5.2 shows the partitioning of the market expansion of the producers that were interviewed. Most of the producers both sell products in the home market and/or export their products.

The products that are produced for the local market may not be suitable for the export market. Issues like quality and design are often different in export markets.

Indirect and direct export

When a company uses indirect exporting it uses an intermediary, such as a middleman or a trading company, to take care of business, arrange financing and ship goods. An advantage of this method is that it can save a considerable amount of time for the company, while a disadvantage is that the company will not gain first hand exporting experience that can be very useful in the development of future plans. On the other hand, with direct exporting, a company handles all of its own market research, financing, export licensing, sales promotion, and shipping. An advantage of this method is the control for the company over the various components of the operations, while a disadvantage is the effort the company has to put into exporting.

Figure 5.3 shows the difference between direct and indirect export. When there is an intermediary involved, you are dealing with indirect export. Is this intermediary not involved, one speaks of direct export.

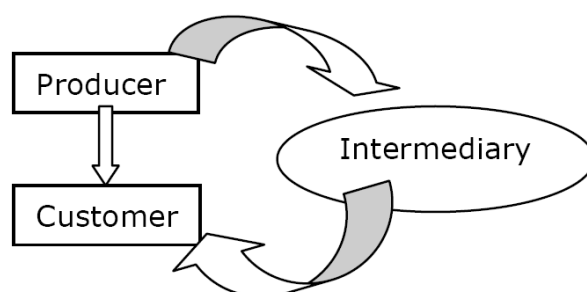


Figure 5.3: Direct and indirect export

The producers that were interviewed used both direct and indirect exports. For the ones that make use of indirect exports, the most important reason was that the middleman takes care for the exports, since the producers often lack the knowledge to export themselves. The producers who indicate they are involved in indirect export do say they would like get involved in direct export. The reasons they indicate for involvement in direct export are that it is more profitable to them and the improvement of direct communication with the customer.

Export Countries

From the producers who are actively exporting, the regions that were frequently mentioned are Europe, USA, and Japan. The countries that were mentioned in Europe are shown in table 5.6, since these are relevant to this research. There is no information available with regard to the proportioning of sales to these countries.

Germany	Portugal
Spain	UK
the Netherlands	Sweden
France	Greece
Italy	Norway
Denmark	

Table 5.6: Export countries of Bangladehi jute goods in Europe

Starting up exports⁷

There are many reasons for starting up exports, like for example:

- Increased revenue and profit
- Increased productivity
- Additional markets
- New product ideas
- Spread risk base of business
- Economies of scale

Next to these reasons, companies should prepare themselves before exporting, and one of the most important issues is that the company and its products must be ready to export. There are also certain disadvantages to exporting, like for example:

- Increased travel and administrative costs
- Hiring additional staff
- Need to develop new promotional material
- Modify the products to meet international requirements
- Must obtain export licenses and import permits
- Fluctuations in foreign exchange currency

With a proper plan and preparation, these disadvantages can be overcome, and critical mistakes can be avoided.

Diverse customer requirements, standards and improvement suggestions from customers in new markets can result in improved products and company performance, both domestically and overseas. The innovations of foreign competitors, together with exposure to new ideas and technical information in overseas markets, also can motivate an exporting company to attain new levels of achievement.

For the Bangladeshi producers, starting to export can have several reasons, and for communication, trade fairs play an important role. Through the participation in trade fairs, new customers from new markets are met. This can help develop the exports to new markets and customers. Next to that, fairs also give the opportunity to see other products and gain ideas for product development and improvement. Copying is an important form of product development for JDP producers in Bangladesh.

Bangladesh has several institutions that can help in the development of exporting. For the JDP producers, the Export Promotion Bureau (EPB) is often mentioned as a helpful source for contact addresses and information on exporting. An extended overview of the tasks of the EPB can be found in Appendix 5. Another way for the producers to get into exporting is with the help of intermediaries, which is called indirect export. These intermediaries can take care of the most part of the shipment and handling of goods for export.

Adaptation for exports

The demands from customers are different in an export market than in the local or domestic market. Therefore, the producers that are going to export have to adapt their products according to foreign standards. For those companies, it often means adapting the quality and the designs. For companies that only produce for the export market, this adapting may be a little easier, since they might be more familiar with the international standards and demands.

5.4.3 Marketing

The marketing of products is a process of getting the interest of potential customers and clients for your products. In order to get this interest, efforts must be taken by a company. It is important to get a growing base of satisfied customers.

⁷ Source: Ball & McCulloch, 2004

In the questionnaire, four areas concerning the marketing were addressed with the following subjects:

- Promotion efforts
- Gaining of market information
- Finding new clients
- Product design

Promotion efforts

Promotion efforts are undertaken to make customers and clients aware of the fact that you are selling products and which.

In the questionnaire, the producers were asked which promotion efforts they took to promote their products. Most of the producers developed some kind of brochure which outlines the products range and sometimes also the company. A problem with these brochures is that most of them contain a lot of spelling errors and the layout is not very simple, and not very representative.

A second widely used promotion effort is the participation in trade fairs. Through these fairs, new customers are met and physical contact with existing customers is established. The producers indicate this is their most important promotion effort, and the before mentioned brochure also is used in these trade fairs.

Another tool that is only used by a few producers yet is a website. In Bangladesh, some of the producers are hesitant to set up a website with all of their products, since other producers will copy these designs and produce them also. Still, websites are a powerful tool to reach a lot of people with relatively less effort. They also offer possible customers and clients a possibility to see the products and come and keep in contact.

Gaining market information

In order to take decisions, knowledge is necessary. With respect to export decisions, this knowledge can be obtained through different resources. The producers were also asked to indicate whether they obtain information and where they obtain that information.

The producers that were interviewed do not really take effort into to gaining of market information. All of them are not fully aware of the advantages that knowledge of markets has. The producers make use of the EPB, the Chamber of Commerce, networks and trade fairs to gain information. Also some producers indicate that they use the internet, but this possibility is not used very widely. This is unfortunate because the internet is a huge source for information that could be gained relatively easy and cheap.

Product design

It is important for companies to innovate and create new ideas. For the Bangladeshi producers, the product design is mostly done within their own company. Ideas for new (or copied) designs are collected in different ways, like trade fairs, magazines and the internet. Because a lot of information concerning the trends is lacking, it is hard for the producers to design products that follow trends. R&D is not widely used, and also new production technologies are not researched, often because of a lack of financial resources. Customers and clients do have some influence on the products they buy in terms of colour and size.

5.4.4 Competition

Next to its own environment, companies should also look at its competitors. The questionnaire contained some questions with regard to the following issues:

- Competitive products
- Competitive markets
- Competitive advantages
- Product quality

These issues should give an indication which products are the most competitive ones and which markets are considered as competition to the Bangladeshi market.

Competitive products

In order to stay competitive in the market, a company also has to look at competitive products. Although only a few of the producers actually look at competitive products, other fibres like cotton, silk, and synthetic fibres are considered to be competitive to the jute products. A problem can be that some of the producers do not actively look into the market and its products, and are convinced that the design and quality of their own product will do the job, and the products will sell themselves. This view could have consequences for the continuity of the company.

Products like the shopping bags and wine bags are produced by more producers, so these products also could be considered to be competitive products, and producers are keen on design and quality to distinguish their products.

Competitive markets

Next to Bangladesh, also India, China, Nepal, Thailand, Vietnam, are producing jute. From these countries, India and Bangladesh are the largest producers. Figure 5.4 shows the production of jute, kenaf and allied fibres in China, Myanmar, Nepal, Thailand, and Vietnam. Bangladesh produced about 800,000 metric tons of jute in 2003, and compared to this, the other countries except India are small producers.

This explains why India is the most competitive market for the Bangladeshi jute industry. At this moment, India is the largest producer of jute and jute products, followed by Bangladesh.

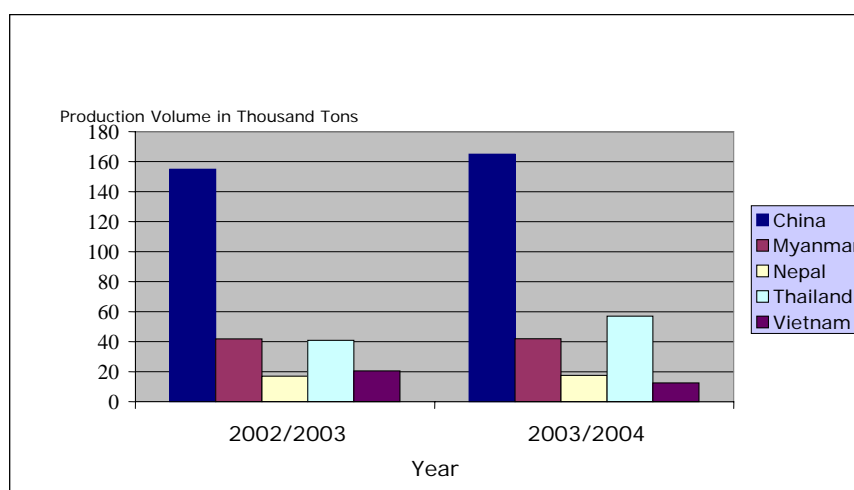


Figure 5.4: Production of jute, kenaf and allied fibres

Source: Value chain assessment for the jute sector in Bangladesh

Although India is the largest producer, the quality cannot compete with that of the jute products in Bangladesh. A problem that is connected with this is that it is not widely known that products from Bangladesh mostly exceed the quality from those of India.

Competitive advantages

The competitive advantages of a company are the identification of positions and sources of advantage that lead to desired market performance outcomes. The sources of these advantages are superior skills and resources. Positional advantages are superior customer value and lower relative costs. The performance outcomes of these advantages are satisfaction, loyalty, market share, and profitability.

For the JDP producers, one of the major competitive advantages is the quality. Since the best quality jute is produced in Bangladesh, this is the main competitive advantage for most of the producers. Other important factors are the design, and customer satisfaction. Customer satisfaction could mean that customers and clients intend to buy more often, become a fixed customer and a steady factor of income. This helps the company building

a network with fixed customers, and in so doing, improving the continuity of the company.

Product quality

For all companies, quality is an important issue. Improving the quality of products is one of the most important factors a company has to cope with. Also quality control is part of the overall quality standard that a company awards to its products.

5.4.5 Weaknesses in the JDP sector according to PROGRESS

The JDP sector is still relatively a small sector in the jute industry, but it is developing and growing both domestically as well as international. In order to develop and improve the industry, capabilities must be developed and constraints overcome.

PROGRESS has conducted a value chain assessment for the jute sector in Bangladesh. Part of this assessment included a research into the JDP sector, as part of the jute industry. The most important weaknesses that were identified from this research have been summarised in table 5.7. These constraints give a good overview of the improvements that the industry and JDP sector needs.

	Constraint
1.	A lack of skilled labour in the JDP sector leads to production of inferior quality products resulting in loss of competitiveness in the export market
2.	A lack of skilled designers and specialized craftsmen in the JDP sector leads to production of typical non-demanded products resulting in loss of additional opportunities in both the domestic and international markets
3.	A lack of international exposure of the local designers on the JDPs leads to inability to develop designs as per global trends resulting in inability to increase export orders
4.	The absence of continuous product development by JDP producers leads to production of stereotyped products resulting in an inability to penetrate newer markets
5.	Inadequate R&D facilities at both the public and private levels in the JDP sector leads to an absence of continuous product innovation resulting in loss of growth opportunities
6.	A lack of market development knowledge by the exporters leads to ineffective promotion of products in both international and domestic markets resulting in loss of potential market opportunities
7.	Insufficient cost effective market development tools for exporters leads to using expensive means resulting in an inability to promote their products adequately
8.	A lack of effective initiatives to develop the local market by the retailers leads to a loss of market potentials resulting in a loss of income opportunities for the JDP producers
9.	A lack of awareness in the domestic market about JDPs leads to customers that often prefer to buy available substitutes resulting in loss of potential income and an inability to strengthen the domestic market
10.	The absence of government policies to develop the JDP sector leads to a loss of sectoral growth opportunities resulting in slower development of SMEs in this sector

Table 5.7: Constraints in the JDP sector

Source: Value chain assessment for the jute sector in Bangladesh, 2006

5.5 Conclusion

In this chapter, both primary and secondary data have been used to describe the characteristics of the JDP industry in Bangladesh. These data will be translated into strengths and weaknesses.

As with chapter 4, also here, the strengths and weaknesses are summarised in a table. This table, together with the table from chapter 4, will form the SWOT analysis from which the market opportunities will be identified.

Strengths	Weaknesses
<ul style="list-style-type: none"> - Higher profit margins for JDPs than for traditional jute goods - Market share of JDPs offer room for expansion compared to other (traditional) jute products - Quality of jute fibres is among the best in the world - A high share of people who are familiar with the processing of jute - Labour costs that are amongst the lowest in the world 	<ul style="list-style-type: none"> - Lack of information from government bodies - Lack of R&D facilities and a lack of product development - Price instability and delivery of raw jute from jute mills - Lack of support and policy from government bodies, as well as poor implementation of policies and strategies - Lack of development of the home market for JDPs - Power of jute mills with regard to quality of jute - A lack of export experience

Table 5.8: Strengths and weaknesses of the Bangladeshi jute industry

6. Market opportunities for the Bangladeshi JDP industry in Europe

6.1 Introduction

In the chapters 4 and 5 the research has focused on the opportunities and threats of the European market and the strengths and weaknesses of the Bangladeshi JDP industry. In this chapter both parts will be combined and compared to see where the opportunities in Europe lie for the jute products from Bangladesh. In order to explore the market opportunities, the SWOT-model gives support and will be used. Section 6.2 combines the results of chapter 4 and 5 into a matrix. This matrix serves as the basis for the market opportunities, which will be defined in section 6.3. The chapter ends with conclusions.

6.2 SWOT matrix

Now the parts of the SWOT analysis have been explored in the previous two chapters, the research enters its next phase, which will result in market opportunities that will be further explored. Before the market opportunities will be identified, the strengths, weaknesses, opportunities, and threats will be combined in a SWOT matrix. This matrix is depicted in table 6.1.

SWOT matrix	
Strengths	Weaknesses
<ul style="list-style-type: none"> - Higher profit margins for JDPs than for traditional jute goods - Market share of JDPs offer room for expansion compared to other (traditional) jute products - Quality of jute fibres is among the best in the world - A high share of people who are familiar with the processing of jute - Labour costs that are amongst the lowest in the world 	<ul style="list-style-type: none"> - Lack of information from government bodies - Lack of R&D facilities and a lack of product development - Price instability and delivery of raw jute from jute mills - Lack of support and policy from government bodies, as well as poor implementation of policies and strategies - Lack of development of the home market for JDPs - Power of jute mills with regard to quality of jute
Opportunities	Threats
<ul style="list-style-type: none"> - Increasing international interest in environmental friendly products from developing countries - Increasing world market for jute diversified products - The market for gift items from developing countries and therefore JDPs is increasing - Because of low wages, Bangladesh has the advantage to be able to be competitive on price with other less developed countries - Labour costs that are amongst the lowest in the world 	<ul style="list-style-type: none"> - Competition from India, which has more experience with JDPs, which results in a greater product range and depth - Competition from other gift items from developing countries which have more sufficient support from their government - The market for traditional jute products is decreasing, partly because of substitution by other artificial fibres

Table 6.1: SWOT matrix

In this matrix, the four areas can be emerged into a confrontation matrix. From this confrontation matrix, four cells emerge. Each of these cells has different strategies that could be applied:

- S+O are opportunities that are a good fit to the industry's strengths (attack)
- S+T identifies ways in which the company can use it's strengths to reduce it's vulnerability to external threats (defend)
- W+O identifies weaknesses that should be overcome to pursue opportunities (improve)
- W+T calls for a defensive plan to prevent the weaknesses from making it highly susceptible to external threats (reorganize)

The confrontation matrix is outlined in table 6.2.

SWOT confrontation matrix		
	Opportunities	Threats
Strengths	<ul style="list-style-type: none"> - An increased interest in environmental products in developed countries from developing countries can lead to a higher market share of JDPs in Bangladesh - The low labour costs in Bangladesh, among the lowest in the world, combined with the relatively high profit margins on JDPs makes this sector very interesting 	<ul style="list-style-type: none"> - By expanding the market of JDPs, the relative power of these producers with regard to the jute mills and quality of raw jute should be improved - Because the quality of jute products in Bangladesh is amongst the best in the world, competition can be faced with emphasis on product quality
Weaknesses	<ul style="list-style-type: none"> - A lot of companies in Bangladesh are not aware of the chances for environmental friendly products, partly because of the lack of information from government bodies - The lack of experience with exports can be improved by proper information, education and training 	<ul style="list-style-type: none"> - The lack of R&D facilities and product development could influence the competition with India, which already has more experience with the production of JDPs - The lack of support and policies from the government has consequences for the power of the jute mills

Table 6.2: SWOT confrontation matrix

6.3 Market opportunities and improvement areas

The matrix in table 6.2 serves as a guide to identify market opportunities and improvement areas. In this section both will be identified and shortly described in order to give more detailed information of the opportunities and improvements areas that emerge. The market opportunities are useful to formulate the interventions, while the improvement areas give room for further research.

6.3.1 Focus on environmental friendly products

The use of environmental friendly products is increasing in developed and developing countries, and therefore also in the target market for the research, West Europe. This

means that the market for jute products, and especially JDPs, is expanding. There are many products that used to be made of synthetics and plastic those are now made of jute, although synthetics are still one of the most important substitutes.

Profit margins of JDPs are significantly higher than on traditional jute products, mainly because the selling prices of JDPs are higher than those of traditional jute products. For a lot of jute products producers, the JDP sector would be a chance to move to another, more profitable, segment. Mostly, the production of JDPs shows a lot of similarities with traditional jute products. The largest problem here is the lack of knowledge to start with the production of other jute products. Furthermore, a lot of the production is done by hand, and workers can easily be trained to perform other tasks.

A good example for Bangladesh is India, which has more experience with exporting diversified jute products to developed countries. Their ability to produce and market a wide range of JDPs shows the scope for the expanding demand for such products [PROGRESS 2006].

6.3.2 Development of new products and designs

Bangladesh has the potential to capture certain market segments, provided that the JDP producers improve the quality and designs, increase the product range, establish effective market linkages and uphold the image of Bangladeshi products in foreign markets [PROGRESS 2006].

Because financial possibilities are often lacking for producers, there is not much R&D in the JDP sector. A consequence is that there is not much innovation, and therefore expansion of new markets could be difficult, since every producer is marketing the same stereotype products. By differentiation of the products, the Bangladeshi JDP producers can try to capture part of the global market for JDP products. Development with the focus on quality and design originality could have positive influence, since the quality of Bangladesh is among the best in the world. This requires investments in development of products and designs.

6.3.3 Improve cooperation of JDP producers

The market share of the gift items (from developing countries) market in Europe should be improved. This can be possible by extending the exports of JDPs. In order to establish this increase, the JDP market in Bangladesh must grow with new producers and new products and designs. This was also centre of attention in the previous sections (6.3.1 and 6.3.2).

To improve the buying power of JDP producers, an option is to let JDP producers work together, which can provide mutual advantages. Especially with regard to the buying of jute from jute mills combined buying might serve as an answer to the bargaining position. Producers could also cooperate on other aspects and levels, and increase their bargaining power with respect to the quality of the jute. Another option could be to set up a joint venture, in which two or more companies sign a licensing agreement, in which they share costs, responsibilities, rights and profits from sales of the products. An advantage is that a foreign market can be penetrated more quickly and the experience from other parties is shared. These points show that networking is an important aspect of cooperation. Another option is to organize seminars and information markets where producers can gain knowledge and information about products and how to market them in national and international markets.

By combining the power of JDP producers, and the development of the foreign JDP market, networking can play an essential role in the improvement of the Bangladeshi JDP industry. Ghauri (2001) outlines that a willingness to respond together, can create a network that has advantages and access to more and better information. The evolution of a network is depicted in figure 6.1.

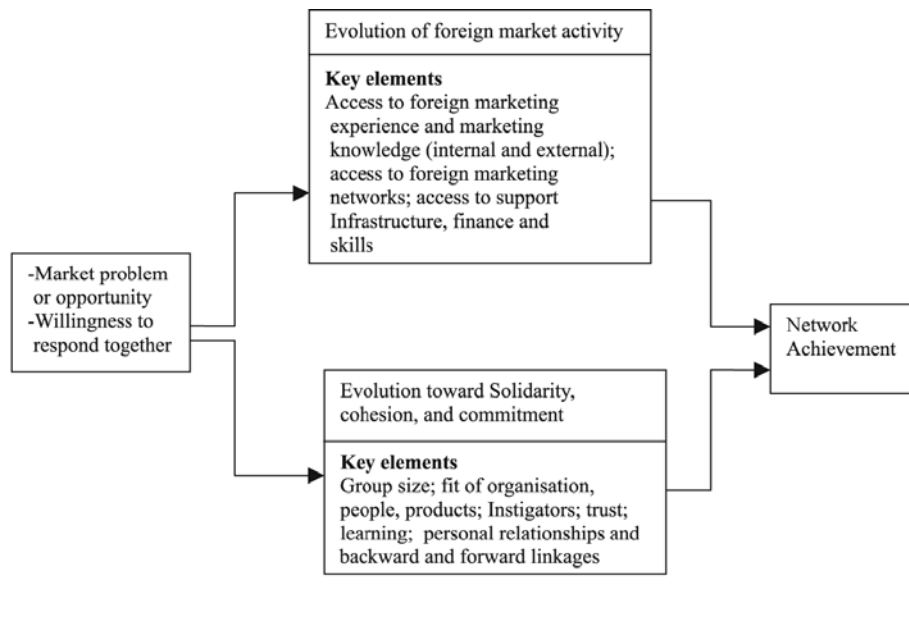


Figure 6.1: Network evolution in developing countries

Source: Ghauri, Lutz & Tesfom (2001)

6.3.4 Improve policies and support from government bodies

In order to substantially improve the market and exports of JDPs, the sector needs support from government bodies. Government bodies can play an important role as facilitator of information and act as an intermediary. At this moment, decent policies concerning the JDP market lack the need that exists. Next to that, corruption and conflicting interests undermine the task of government bodies. Government employees often give preference to their own interests, which often strokes with the policies and interest of the government. Unfortunately corruption has a great deal in this.

In order for the Bangladeshi JDP market to develop, government policies and government bodies should be sufficient to support the sector and provide information and policies that are helpful to the producers.

What is notable is that during the interviews, not one of the producers referred to the Jute Diversified Promotion Centre (JDPC) as a source of information (see section 5.4). This is surprising, since the centre is especially established with the eye on the development of JDPs. The largest provider of information is the Export Promotion Bureau (EPB), further defined in appendix 5. Another conflicting problem here is that the JDPC falls under the Ministry of Textiles and Jute and the EPB under the Ministry of Commerce. These ministries often conflict with each other and this can have consequences for the availability of information and functioning of both institutes.

The JDPC should be an active government body that could provide useful information for JDP producers. Since none of the producers interviewed mentioned the JDPC in any sense, it can be concluded that the role of the institute can be improved.

6.3.5 Increase the number of JDP producers in Bangladesh

At this moment, the market for JDPs is developing and does not count many producers. One reason for this is the lack of knowledge with producers who are not yet producing JDPs. In order to compete with larger markets like India, this number should increase and more producers should be made aware of the possibilities that the JDP market has to offer.

Slowly, the government acknowledges the importance of the development of the JDP market. As already mentioned, corruption within the government bodies does not help

very much. There are programs and initiatives to increase the number of JDP producers. One of those programs is the foundation of the Jute Diversified Promotion Centre (JDPC), further outlined in appendix 5. This government body is especially founded to develop the JDP market.

Once jute producers acknowledge the advantages of the JDPs, their number will rise and the market for JDPs will increase. This also improves the international position of the Bangladeshi JDP market and the competitive position.

6.4 Conclusion

The combination of both the European and Bangladeshi assessment led to the above mentioned market opportunities and improvement areas. Before the research specifies into the export potential and interventions, it is useful to summarize and distinguish between the market opportunities and improvement areas. Table 6.3 gives a clear overview of the distinction between market opportunities and improvement areas.

Market opportunities	Improvement areas
Focus on environmental friendly products	Improve the cooperation of JDP producers among each other
Development of new products and designs	Improve policies and support from government bodies with regard to the JDP market
	Increase the number of JDP producers in Bangladesh to strengthen the market and the international position

Table 6.3: Market opportunities and improvement areas

7. Export potentials for the Bangladeshi jute industry and possible interventions for PROGRESS

7.1 Introduction

In this chapter the main results from the analysis from the European market and the Bangladeshi jute industry together with the definition of the market opportunities are used to identify the export potential and opportunities for interventions.

The models of Seringhaus and Rosson (1991), table 3.3, on export development and promotion and internationalization of the firm [Bell & Young 1996], in section 3.5.2, provide useful tools to explore the export potential and define interventions for PROGRESS.

Section 7.2 looks at the export capabilities and 7.3 at the export constraints. Companies have general problems they face (see section 5.4.5) and specific export problems. Both will be combined in section 7.3. From these capabilities and constraints, interventions will be defined in section 7.4. These interventions will be translated in section 7.5 to support interventions that are useful to PROGRESS.

7.2 Export capabilities

Bangladesh and the JDP market are developing. This means more producers will step in to the JDP segment and start or expand their production and/or exports. The demand for market information and exports will increase, which confirms the growing role of the government as one of the most important source of information.

Producers of JDPs in Bangladesh have to gain experience with exporting, which should be supported by sufficient information. For Bangladesh, the focus on quality is an important aspect in the pursuit of competitiveness in the international JDP market. Bangladesh produces jute that is amongst the best quality available in the world.

Producers could improve their bargaining power with jute mills by combining their buying. By combining the buying, the quantities will increase, which will also increase the bargaining power at the jute mills. Another aspect with this is the bargaining power for a certain quality, which cannot always be granted at this moment.

The experience that current exporters have should be used to make other producers that are not yet exporting aware of the possibilities and take away their hesitations.

Seringhaus and Rosson (1991) developed a model that gives four stages of export involvement (see table 3.4). They make a distinction between non-exporters, new exporters, expanding exporters, and continuing exporters. Most of the JDP producers in Bangladesh are non-exporters, new exporters or expanding exporters. With each of these stages, Seringhaus and Rosson developed the export promotion and typical initiatives. Table 7.1 gives examples of export promotion efforts for each stage of export involvement.

Table 7.1 shows that government bodies can play an important role in the promotion of the export. Both the Jute Diversified Promotion Centre as the Export Promotion Bureau (see appendix 5) can address the role as source of information and support for each of the stages of export involvement. PROGRESS can assist in the execution and development of services both agencies can offer. At this moment, both agencies fall under different ministries, and communication could be improved, in which PROGRESS can play an essential role.

Stage of export involvement	Export promotion focus
Non-exporter (Companies must become aware of the opportunities with exporting)	- advertising - local seminars - assistance of government bodies
New exporter (Companies must determine the feasibility of exporting)	- market reviews - seminars - trade fairs and missions - financing/insurance
Expanding exporter (Companies must select the most promising market and entry method)	- export seminars - trade fair - market visits - financing/insurance

Table 7.1: Export involvement and promotion focus

7.3 Export constraints

In the questionnaire (see appendix 4), a section of questions was devoted to exports. Part of the questions related to the difficulties that producers experienced with exporting. Once exporting, entrepreneurs face difficulties they have to overcome, and from these difficulties, experience is gained which is useful for the future. The producers that were interviewed faced several problems, and some of them were similar among more producers. Bell and Young (1996) mention that there often is some initial resistance to become involved in export activities, for a large part because of lack of knowledge. This is also relevant in Bangladesh.

One problem that is faced by most producers is the difficulty to produce the right quality. Diversified jute products from Bangladesh have to compete for the largest part on quality. This problem comes from the fact that jute mills, the factories where the producers buy their raw jute, sell their best quality jute to large foreign customers, who pay prices and buy quantities that the local producers cannot compete with. The largest buyers have the best negotiating power.

Another problem is the competition from other markets, and mainly India. Furthermore it is not widely known that Bangladesh produces the best quality jute in the world. JDP producers in Bangladesh think that because of the size of the Indian market, it is presumed that also the quality is better than that of Bangladeshi jute products.

Because market research in Bangladesh is lacking, it is difficult for producers to obtain up-to-date information on markets, which in turn makes it difficult to predict trends and adjust the product range according to that. This also brings up the fact that there is no clear centralized information point with regard to exporting.

Finally, since trade fair participation is expensive, it puts a heavy financial load on the company, and for some companies, fair participation may not even be possible. This is a problem that needs attention because for a lot of producers the trade fair is the main event to gain customers, knowledge and experience.

Table 7.2 gives an overview of the most important difficulties that are faced by exporters and non-exporters.

	Difficulties with exporting
1.	Producing the right quality
2.	Lack of image, and competition from India
3.	Competition from other (artificial) fibres
4.	Lack of (export)market information
5.	Costs of participating in trade fair

Table 7.2: Overview of difficulties with exporting

The results from the primary and secondary data indicate that the research from PROGRESS into the JDP sector, in combination with the interviews with JDP producers from this research, identifies similar problems and difficulties. The problems that companies face and the weaknesses in the JDP sector concentrate on the same areas. Table 7.3 combines the results from table 5.8 (section 5.5) and 7.2 to show the overlap in export difficulties and weaknesses.

Next, in section 7.4 and 7.5, interventions will be developed that deal with the above constraints and are aimed at improving the export environment and that are suitable for PROGRESS.

Difficulties with exporting	Constraints
Quality problems	<ul style="list-style-type: none"> - Price instability and delivery of raw jute from jute mills - Power of jute mills with regard to quality of jute - Lack of support and policy from government bodies, as well as poor implementation of policies and strategies
Lack of image, and competition from India	<ul style="list-style-type: none"> - Lack of R&D facilities and a lack of product development
Competition from other (artificial) fibres	<ul style="list-style-type: none"> - Lack of development of the home market for JDPs - Price instability and delivery of raw jute from jute mills - Power of jute mills with regard to quality of jute
Lack of (export)market information	<ul style="list-style-type: none"> - Lack of information from government bodies - A lack of export experience - Lack of support and policy from government bodies, as well as poor implementation of policies and strategies
Costs of participating in trade fair	<ul style="list-style-type: none"> - Lack of support and policy from government bodies, as well as poor implementation of policies and strategies

Table 7.3: Combination from difficulties and constraints

7.4 Interventions

By combining the market opportunities from chapter 6 and the export potential part of this chapter, interventions will be defined and after that specified for PROGRESS. As mentioned above, the research conducted by PROGRESS and this research shows similarities concerning constraints and difficulties. Bearing this in mind, the interventions that are defined here use those similarities as a basis.

The largest problems for JDP producers in Bangladesh concentrate on lack of knowledge and experience, and government support and policies. To get a good overview of the capabilities, constraints and the possible support activities these factors have been combined into table 7.4.

The constraints and difficulties from table 7.4 have been formulated into six relevant areas, and in combination with the market opportunities from chapter 6, support activities have been formulated. The market opportunities concentrate on:

- The focus on environmental friendly products
- Development of new products and designs

Constraint area	Support activities
Lack of market information and because of that a lack of knowledge about exporting	1. Training and education
Lack of support and policies from government bodies	1. Improve cooperation between SMEs and government 2. Improve the functioning of government bodies
Lack of product development and R&D	1. Training and education 2. Cooperation with foreign parties 3. Improvement of research facilities
Competition from other LDCs and mainly India	1. Improve quality 2. Improve competitiveness 3. Improve export knowledge
Lack of knowledge of the domestic market for diversified jute products	1. Promotion of the home market
Lack of skilled workers, designers and companies with sufficient export experience	1. Training and education 2. Improve working conditions

Table 7.4: Constraints and support activities

Lack of market information and knowledge of exports

For producers that want to start up exports, it is often difficult to obtain market information. Producers often do not know to which institution they can turn for information. Furthermore they often are not familiar with the possible advantages of exporting and therefore are not actively pursuing information.

The market for JDPs is relatively new, and the amount of entrepreneurs that decide to step into this market is increasing. This means that proper information about the market and also the availability of information is essential. By providing useful information, the chances for new producers and potential exporters are rising.

Lack of support and policies from government bodies

From the interviews that were held with the JDP producers, one of the most noticeable things that came forward is the fact that none of the producers mentioned the Jute Diversified Promotion Centre (JDPC⁸) as a source of information. This is surprising, since the centre is especially established with the eye on the development of JDPs. This means the institution does not fulfil its tasks according to the objectives.

The JDPC should be an active government body that could provide useful information for JDP producers. Since none of the producers interviewed mentioned the JDPC in any sense, it can be concluded that the role of the institute can be improved.

Lack of product development and R&D

In order for the JDP industry to become and stay competitive in international markets, product development and R&D are important factors. Trends in markets are changing constantly and it is essential to keep up in these trends in order to stay competitive.

R&D is important with regard to new products and producing facilities. The development of new products can improve the competitiveness and the image of the Bangladeshi JDP industry. Cooperation with foreign companies from other (target) markets can be essential to develop a market position. Market matching (Ghauri, section 3.6.1) can help to solve problems caused by the environment. By improving business relations between markets that are culturally, politically, legally, and economically dissimilar, this matching can result in an increasing market position.

⁸ Appendix 5

Competition from LDCs and mainly India

The world market for JDPs is increasing and with that increase also comes more competition. At this moment, India is the largest competitor, and also the Chinese JDP market is developing. The main advantage of India is the experience, since most producers already have some more experience in the (international) JDP market. As mentioned in the previous point, product development and R&D are important with regard to the competitiveness of Bangladesh in the international JDP market.

Lack of knowledge of the domestic market for JDPs

The theory in chapter 3 states that firms develop themselves gradually [Bell & Young (1996), Root (1994), and Seringhaus and Rosson (1991)]. Since the market for JDPs in Bangladesh is currently increasing, the home market is not increasing proportionately. This means that exports develop also without the experience in the home market. The advantage of development from the home market is more experience when starting exports and often more financial possibilities. Since the home market in Bangladesh is not yet satisfied, there are still a lot of possibilities to expand there.

Lack of skilled workers, designers and companies with sufficient export experience

Because the market for diversified jute products is relatively new in Bangladesh, the amount of specialized workers is not so high. Although the workers can sometimes be easily trained, the skills often require adjustments compared to other jute operations. The lack of designers is a more serious problem, since this eventually could have consequences for the competitiveness of Bangladeshi jute products in international markets. Objective must be to train more designers that have access to up-to-date information on trends in markets and in this way be able to design according to those trends and keep companies competitive in the market.

7.5 Support interventions for PROGRESS

The objective of PROGRESS is to assist in developing the SMEs in Bangladesh. For this research, the objective was to develop interventions for PROGRESS that can help the exports of Bangladeshi JDP products into the European market. In combination with the constraints and support activities earlier developed, support interventions for PROGRESS are formulated and these are outlined in table 7.5. Consequently, each intervention will then be shortly elaborated.

PROGRESS has also conducted and developed similar researches and interventions in the sectors RMG, leather, and silk. The interventions are always categorised in one of the five PROGRESS components (see appendix 1), which helps to specify the support need.

The experiences with interventions in other sectors can be used to serve as a guide in the interpretation of the formulated interventions for the JDP sector. All sectors cope with problems in areas like:

- Lack of knowledge
- Lack of experience
- Lack of R&D

The main support from PROGRESS focuses on the improvement of knowledge through education, training, consultation, and counselling. Other support areas include market research, stimulation of sectors through an intermediate role, and improving cooperation and policies of government bodies.

Table 7.5 outlines the interventions that PROGRESS should develop in order to support the improvement of the JDP sector in Bangladesh. The interventions are formulated with regard of the earlier developed constraints and support activities.

Constraint	Support activities	Interventions PROGRESS
Lack of market information and because of that a lack of knowledge about exporting	1. Training and education	Organize customized training on 'international marketing' for (potential) exporters of JDPs
Lack of support and policies from government bodies	1. Improve cooperation between SMEs and government 2. Improve the functioning of government bodies	Assist in establishing an appropriate structure in Bangladesh for international market research for jute and jute products.
Lack of product development and R&D	1. Training and education 2. Cooperation with foreign parties 3. Improvement of research facilities	Facilitate development of product design as per global market trend
Competition from other LDCs and mainly India	1. Improve quality 2. Improve competitiveness 3. Improve export knowledge	Assistance in the development of brochures and catalogues with detailed information about the range of JDPs.
Lack of knowledge of the domestic market for diversified jute products	1. Promotion of the home market	Organizing a specialized trade show to display the entire range of jute products and try to improve domestic knowledge of the products and its possibilities
Lack of skilled workers, designers and companies with sufficient export experience	1. Training and education 2. Improve working conditions	A training needs assessment to find the actual skill deficiencies of the artisans and workers of the JDP sector. This helps PROGRESS in designing appropriate strategies for training interventions

Table 7.5: Constraints, support activities and PROGRESS interventions

Organize customized training on 'international marketing' for (potential) exporters of JDPs

One of the largest problems for the producers of JDPs and possible entrants is the lack of knowledge. With the help of suitable training, this knowledge can be improved and producers can improve their business. The focus of the training should be on international business and export aspects. Another option is to have meetings where producers can exchange experiences and potential producers can gain information and knowledge.

This intervention can be connected to the Skills Development component of PROGRESS (see appendix 1).

Assist in establishing an appropriate structure in Bangladesh for international market research for jute and jute products.

In this research, a value chain is given that outlines the complete jute sector in Bangladesh. By establishing an appropriate structure, like this value chain, it becomes easier for institutions to initiate new researches and gain more knowledge about this sector. Producers can have advantage of these researches, because more information will be available about the sector and its environment.

This intervention can be connected to the Enabling Business Environment component of PROGRESS (see appendix 1).

Facilitate development of product design as per global market trend

For the JDP producers in Bangladesh, it is important to produce products that meet international requirements. Since R&D is a point of attention and that can be improved, this intervention is important with regard to the development of the JDP market. By the facilitation of possibilities for the development of product design, the competitive position of Bangladeshi producers will improve, because the quality and designs of the products will increase.

This intervention can be connected to the Design and Product Development component of PROGRESS (see appendix 1).

Assist in the development of brochures and catalogues with detailed information about the range of JDPs.

By promoting the Bangladeshi JDP products, international acknowledgement can be improved and familiarity with Bangladeshi JDPs will increase. By assisting with the development of brochures and catalogues that contain detailed information, a good overview of the availability of JDPs is forehand and can improve the image of the Bangladeshi JDP market. Also, assistance could be given with the development of interactive websites that can help in promoting the JDPs in international markets.

This intervention can be connected to the Enterprise Information Services component of PROGRESS (see appendix 1).

Organizing a specialized trade show to display the entire range of jute products and try to improve domestic knowledge of the products and its possibilities

By improving the domestic knowledge of JDPs, producers can strengthen their home market, which gives them a more solid basis for exports as well. A trade show is a useful tool to improve the domestic knowledge of JDPs. It also is a way to show potential producers of JDPs what is possible with diversified products and what kind of products are being made.

This intervention can be connected to the Enabling Business Environment component of PROGRESS (see appendix 1).

Organize a training needs assessment to find the actual skill deficiencies of the artisans and workers of the JDP sector

By improving the skills of artisans and workers, the quality and designs of the products will increase. With this increase, the sales and also the image of the Bangladeshi JDPs will rise. By organizing a training needs assessment, this assists PROGRESS in designing appropriate strategies for training interventions. Trainings that are specific for the artisans and workers can be developed according to the wishes and demands of the market.

This intervention can be connected to the Skills Development component of PROGRESS (see appendix 1).

8. Conclusions, recommendations and reflection

8.1 Conclusions

Bangladesh is a developing country that is slowly developing. The government has to invest in its economy and try to improve its international position. Especially in industries like the jute industry, competition is fierce and Bangladesh has to constantly invest and improve to keep up with the competition. This research focused on opportunities for JDPs in the West European market and consisted of five steps, in a logical sequence.

The assessment of the European market resulted in an overview of factors that can influence the JDP sales in this market. Several environmental aspects have been assessed and resulted in opportunities and threats. Important is the rise of international interest in environmental friendly products, and the price competitiveness of the JDPs from Bangladesh.

Following the European assessment, the Bangladeshi JDP industry was assessed, which resulted in strengths and weaknesses of the industry. In this part, the constraints are an important aspect, since these are factors that have to be improved. These aspects form the basis for the interventions and market opportunities. Education and training play an important role, since a lot of the weaknesses contained a lack of knowledge of some form.

The combination of the assessments of both Europe and Bangladesh formed a SWOT analysis. From the confrontation matrix, market opportunities and improvement areas were identified that form the basis for the interventions that should be formulated. Especially the improvement of the role of government bodies and communication play an important role. This role is also relevant with regard to the lack of knowledge, the government should be a source of information.

The export potential of the JDP industry is measured through export capabilities and constraints. Capabilities are used to develop the industry, while the constraints should be improved to be able to contribute to the development of the industry.

The support interventions are developed to improve the export possibilities for SMEs in Bangladesh. These interventions are in line with the objectives of PROGRESS, and each of them is categorised in one of the five PROGRESS components. They have been formulated with the experience of other sectors and similar support activities.

The European market surely is an attractive market for JDPs coming from Bangladesh. The emphasis on environmental friendly products will increase chances for these products, and also the sales of products from LDCs are increasing in Europe. The selling of these products can help reduce the poverty in Bangladesh and improve its position in international markets. In combination with the development of new products and designs (increase the R&D) this can lead to the development of an international acknowledged industry.

Although the awareness in developed countries for environmental friendly products is increasing, the competition from other fibres like synthetics is still a problem, mainly for the traditional jute products. The fibres like synthetics and plastic can be produced cheaper than jute products, and also the quality can be more consistent. With the increasing demand for environment friendly products, there are possibilities for the JDP producers.

A good example is India, which is producing and exporting JDPs at a higher rate than Bangladesh, but with less quality compared to the Bangladeshi JDPs. Now, in Bangladesh only 12% of all the jute products are JDPs, and this means that market share can be gained, and efforts to do so should be taken. With the development of the domestic market of JDPs in Bangladesh, this also gives a more solid basis for the exports.

Reasons for most of the traditional jute producers for not entering the JDP market are:

- The lack of knowledge with regard to JDPs
- The lack of knowledge of exports
- The avoidance of risk that comes with the lack of knowledge

With the support of among others PROGRESS, the JDP sector in Bangladesh should be able to increase its market share in the international diversified jute product market. This research has shown that the industry has potential, but also faces some fundamental problems, which have to be improved.

In section 8.2 recommendations and some suggestions will be made for further research into the field of diversified jute products. Finally, section 8.3 contains the reflection of this research.

8.2 Recommendations

The interventions developed in this research give PROGRESS clear points they can use to try and improve exports of JDPs. The report made clear that the awareness of JDPs has to be increased, especially in the home market, and the functioning of government bodies can be improved. In order to improve the functioning of government bodies, PROGRESS should act as an intermediary and critically look at the policies and the execution of these policies. Other areas of attention for PROGRESS are in the field of JDP producers. There are not so much JDP producers in Bangladesh at this moment, and in order for this industry to develop itself, more producers are needed and useful. Through information sharing and support PROGRESS can help in the process of convincing producers of (traditional) jute products that the JDP industry can be very attractive.

The conclusions and interventions of this research do not conclude the research into this market and these products. More research means more knowledge and insights into this area that can help develop this industry and increase chances for JDP producers.

Next, some suggestions for further research are made, that can help to get more insights into the market and industry.

Suggestions for further research

The research that has been conducted gives a good impression of both the Bangladeshi diversified jute products industry and the European market for these products. The conclusions as mentioned offer good possibilities, but also some improvement areas came forward that could, when improved, help develop the market and market position. Further research is necessary and suggestions are made here. These suggestions are bulleted and are shortly described:

- Research into the development of the home market. This market is underestimated and can play an important role in the development of experience for exports and offers a stable turnover for producers
- Research into the role and functioning of government bodies like the JDPC and EPB, which should support each other, but currently working with different interests and for different ministries
- Research into the possibilities to improve the number of JDP producers. Producers have to be informed about the advantages, costs and possibilities for the JDP market
- Research into the possibilities of FDI into Bangladesh by stakeholders from Europe, in order to develop the market and bring knowledge from Europe into Bangladesh

The familiarity in Bangladesh with regard to diversified products is increasing but could use some additional support. PROGRESS can help in several ways, and maybe future research will boost up the market even more.

8.3 Reflection

The objective of this research was to formulate interventions for PROGRESS. Although the scope for the research was to look for chances in the European market, in an early stage it already became clear the domestic market also has a lot of potential. Further research of this market could therefore be useful and interesting. Why is there still so little knowledge among Bangladeshis with regard to JDPs?

Since the market for JDPs is still expanding and increasing, further research is wished to get more insights into the developments for the coming years. Suggestions for further research have been given in section 8.2. By expanding the research into the JDP market, more knowledge will be gained, from which the Bangladeshi JDP market can benefit.

With this research, the data collection was a very time consuming activity and sometimes difficult because of cultural and language barriers. Also secondary data about the European market for diversified jute products was hard to find, and concrete information is practically not available. Because of that, comparisons have been made to other, similar products that are comparable to JDPs, for example other gift items from developing countries. This proved to be quite a challenge, often because it concerns small producers that export their products in small quantities and also produce in relatively small quantities.

The interviews all were quite informal, and most of the interviewees were prepared to cooperate and acknowledged the importance of the research. Although the language barrier was a disadvantage, the help I received from PROGRESS was very useful. Throughout the interviews I had the constant help of a personal translator. This proved to be necessary, because often questions were not understood or interpreted in the wrong way. Second here is that it was useful to have a local supporting me during the interviews, which improves the trust between the producers and the goal of the research. All together, the interviews were very useful in the scope of this research, although the number of producers interviewed was relatively low. In future, the research should be taken within a wider scope, and more producers should be interviewed, also because the number of JDP producers will increase.

The interventions that are formulated should be implemented by PROGRESS and could help to increase the international JDP market for Bangladeshi producers. As mentioned, further research is necessary to keep up with developments and policies. Also the domestic market is a market with a lot of potential and chances. By developing this market, also the number of JDP producers could increase, because of familiarity with the products.

The development of the JDP market is essential, since competition is getting fiercer, and Bangladesh has to stay competitive and improve its market share in the international JDP market.

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Appendix I

GTZ Profile

In this appendix, the five different components from PROGRESS in Bangladesh will be elaborated more extensively. These five components are;

- Enabling Business Environment
- Design and Product Development Services
- Enterprise Information Services
- Skills Development Services
- Social- and Environmental Standards

These components together contribute to the development of five different sectors. The sectors are the ready made garments (RMG), silk, leather, handicraft and seed.

Enabling Business Environment

Development of complete sectors (or value-chains) is a complex process, addressing the needs at enterprise level, at institutional level, as well as at macro level. An enabling business environment, also referred to as investment climate, should exist at meso and macro level, in support to a business service market development. PROGRESS institutionalized this support as one of its components, in which it cooperates with business associations and government bodies.

Potential and ongoing interventions for an enabling business environment

In Bangladesh, a country that is blessed with intense donor support, the creation of an enabling business environment is a joint effort of all donors that contribute to the development of the private sector. In this context, PROGRESS participates in the following two cooperation structures:

- Local Consultative Group on Private Sector Development (LCG-PSD)
- Market Development Forum (MDF). This is a cooperation structure of approximately 15 different projects that address private sector promotion. PROGRESS is one of the four initiators and is member of the executive committee

PROGRESS links with leading business associations in those sectors that are being supported. On the one hand this provides PROGRESS a strong stake in the sectors that are being supported, and on the other hand those organizations are being supported. This support includes:

- Human resource development of staff and management of the associations, to enhance their negotiation power
- Development of infrastructure to increase efficiency of their operation
- Joint undertaking of sector studies, which would result in recommendations for improvement

In PROGRESS, the Ministry of Commerce and GTZ are 'political partners'. Additionally, PROGRESS enhances capabilities within the Ministry of Commerce that would increase its facilitating role in market development. Likewise as support to business associations, the Ministry of Commerce enjoys organizational development support.

Design and Product Development Services

The objective of this component is to develop a market for design and product development services. To develop the service market, this program component focuses on the following three components:

- Development of service providers
 - Initially, PROGRESS assisted in the establishment of the Design and Technology Center (DTC), which is now run by a consortium of stakeholders from the private sector. Support to the DTC continues in the scope of a further development of a wider service market in which other service providers also can play a role.
To serve the market, PROGRESS will also contribute to the development of a pool of designers within the 'market', which can be tapped either by the DTC or any other organization that is in the need of such services
- Demand development
 - Hand in hand with the development of service provision, PROGRESS will contribute to the awareness creation of design and product development services. Objective is that SMEs value these services and will use them for the further improvement of their businesses
- Design council
 - The creation of a design council contributes to international networking and national advancement. Attention is also given to the awareness creation and valuing of design services among SMEs

Enterprise Information Services

The Enterprise Information Services (EIS) component has set its objective to increase use and improve supply of demand-led Enterprise Information in the regional economies. In achieving this objective, EIS has to address two types of players in the economy. They are the suppliers and consumers of enterprise information. Enterprise information are validated, business-related facts and figures, that enable enterprises to take better business decisions and can be provided as a distinct commercial service or embedded into existing services of chambers and associations. EIS intends to strengthen the supplier side while assessing and creating the demand from the consumer side in parallel. Figure A.1 shows a conceptual model of the EIS.

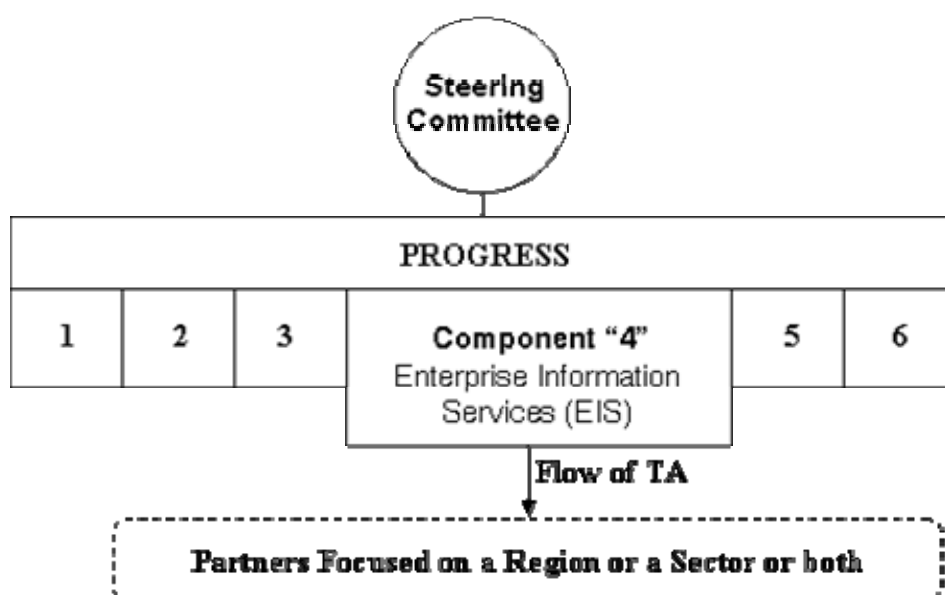


Figure A.1: conceptual model of the EIS

Source: PROGRESS

In figure A.2 an operational model of EIS partners is given. Explanations for the abbreviations in the figure are given below.

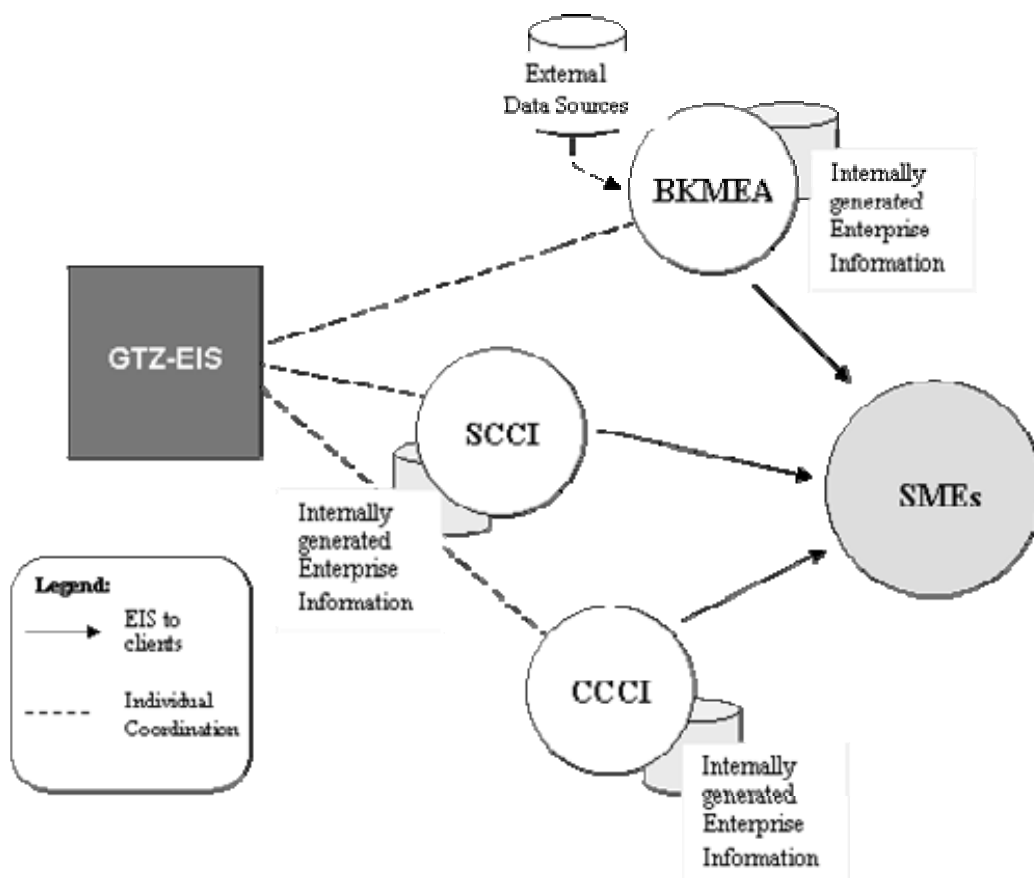


Figure A.2: operational model of EIS partners

Source: PROGRESS

Partner profiles

CHAMBERS:

The Chittagong Chamber of Commerce and Industry (CCCI):

- The CCCI, established in 1959, is a pioneer chamber in the country
- CCCI represents the prime maritime port city and commercial capital of the country, endowed with the country's biggest industrial base and highest business activities
- CCCI's members include firms, companies and corporate bodies engaged in trade, commerce, industry, agriculture, manufacturing etc.
- The basic objective of CCCI is to promote and protect the trade, commerce and industry of Bangladesh in general and those of Chittagong in particular, and also to enable the government and other authorities to perform these functions by rendering assistance, information and advice

The Sylhet Chamber of Commerce and Industry (SCCI):

- The SCCI was established in 1966
- The SCCI consists of persons, firms, companies, corporate bodies engaged in trade, commerce, industry, agriculture, manufacture etc.
- The SCCI provides many support services to its members such as telephone, facsimile, typing etc.
- A wide range of commercial intelligence is available for business operation in the domestic market and for export service ranging from information of market opportunities and trading conditions to export documentation and participation in trade fairs, festivals, and trade missions abroad

- Another important and regular service offered by the SCCI is the distribution of all notifications, circulars etc. issued by the government and other agencies on trade, commerce, industry, and finance

ASSOCIATIONS:

Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA):

- The BKMEA was established in 1996 to represent solely the knitwear sector of Bangladesh
- The BKMEA's agenda includes protection, capacity building, promotion of the knitwear sector as well as raising awareness of compliance issues and workers' rights
- Advisory services on markets and promotions, social compliance and research and development
- Arbitration
- Utilization declaration and utilization permission certification

Bangladesh Handicrafts Manufacturers and Exporters Association (BANGLACRAFT):

- The association was established in 1979
- Services offered by BANGLACRAFT:
 - Arrange product and skills development
 - Arrange trips to foreign countries for product development and marketing
 - Coordination with the government and other organizations
 - Participate in local and international trade fairs
 - Arrange bank finance for the artisans, production units and exporters
 - Technology transfer for product development
 - Research and design development

ECOTA Fair Trade Forum (EFTF):

- EFTF is a national networking body of NGOs and SMEs that are involved in the production and marketing of handicrafts at both the national and international level
- Since 1990, EFTF has been working to promote handicrafts and to uphold the interest of thousands of destitute artisans working in this sector throughout Bangladesh
- EFTF has been working for the promotion of the craft business by fair and ethical trade standards that aim at poverty alleviation, artisan development and women empowerment, with special concern for environment
- At present, the EFTF is delivering its services based on three program components:
 - Education, Campaign, and Advocacy
 - Networking and Coordination
 - Member Support Services

The EIS has benefits to both the Chambers and Associations:

1. A new service for the members
2. Expands member outreach
3. Potential to increase revenue
4. Recognition
5. Networking with other organizations

Figure A.3 shows the support package of PROGRESS in the EIS component.

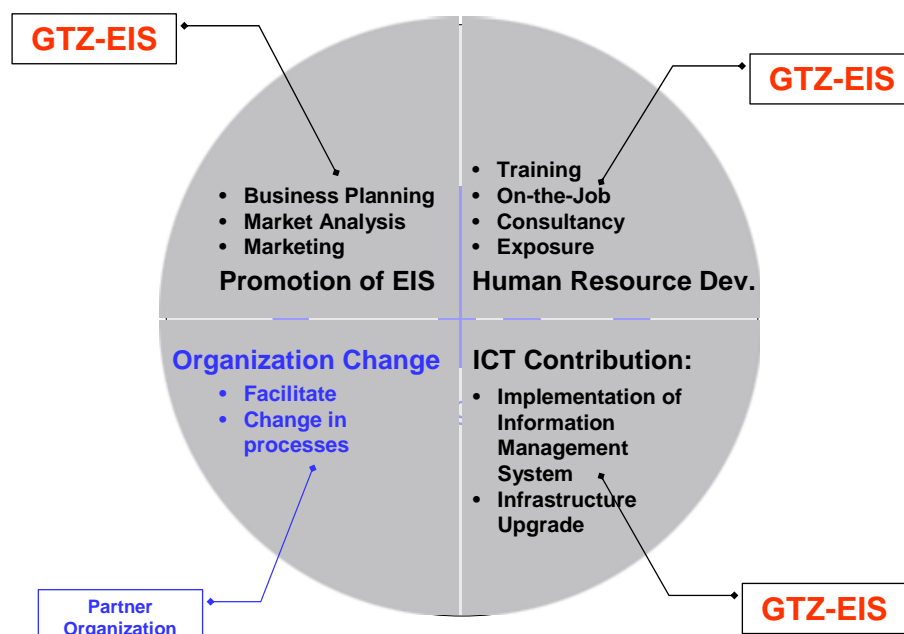


Figure A.3: Support package of PROGRESS in EIS

Source: PROGRESS

To develop the service market, the EIS project focuses on the following three modules:

- EIS partner strengthening; the EIS/PROGRESS support comprises the following components: 1) Organizational Development; 2) Infrastructural upgrade; and 3) Information Management
- EIS operation; operational focus is on: 1) Information demand assessment of the target clients; 2) Information resource generation based on the demand identified; and 3) Marketing Campaign
- EIS mainstreaming; once EIS activities have been successfully implemented, the following will be addressed: 1) Replication of the concept in other sectors or regions; and 2) Implementation of a national information portal

Skills Development Services

The first phase of the Skills Development component covers three years, over the period 2005-2007. Support of PROGRESS is for technical advice, investment in training facilities, and human resource development. The operational partners of PROGRESS are diverse, coming from the public and private sector.

Potential and ongoing skills development interventions in the RMG sector

The following project interventions are foreseen, of which details have to be confirmed by the skills demand assessment:

- Vocational training institutional development; a leading vocational training centres in Dhaka will be approached to develop a 'model training' for workers of the RMG sector. They will be supported in modifying their regular training program to match the demand of the industry in terms of trainers, training, modes of delivery, etc.
- Educational skills development of in-company trainers; target group are the supervisors in RMG factories that are engaged in training of their workforce. They will be equipped with didactical skills. A training organization will be supported in the development and marketing of such training programs

- Training kits for technical skills to be used for in-company training; factories that undertake already now in-company training, will be provided with a training kit. The kit may include training aids, teachers' guides, curricula, trades tests, etc.
- Mobile training unit; a mobile training unit, equipped with appropriate equipment, will visit factories for short-term courses in specific vocational skills
- Awareness creation; target group are the potential trainees (labour force in the RMG sector) and the decision makers in training programs in the factories (factory managers). Tools may include regular columns in existing publications and web sites that reach the RMG sector managers, regular radio programs that reach the workers of RMG factories, design and distribution of informative brochures on training, etc.
- Training vouchers; a voucher system will be put into place to promote accredited training providers
- RMG skills development platform; A 'round table' will be formed with interested stake holders from the industry, ministries, training organizations, universities, etc. The round table will contribute to a common understanding and will advise on policy matters and interventions
- Business management skills for RMG middle-management; a business management skills training program in specific skills demanded by the RMG sector, such as production planning, or the application of ICT in business management, will be developed in cooperation with a leading business management training organization in Bangladesh
- Business counselling services; BS-net, and its network, will provide counselling services to RMG factories

Within the RMG sector, the development and implementation process is illustrated in figure A.4.

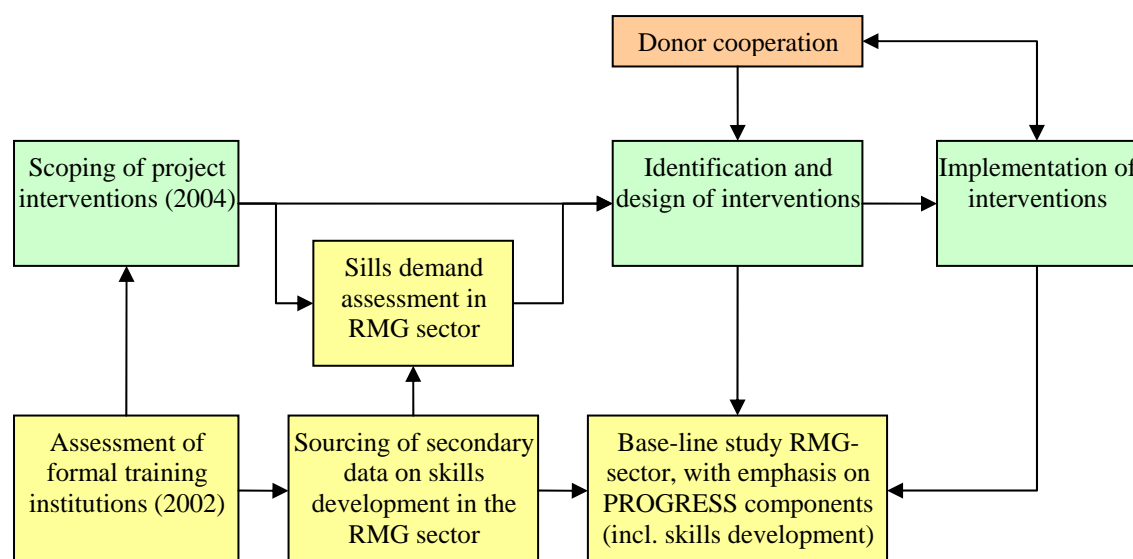


Figure A.4: Implementation process

Source: PROGRESS

Social- and Environmental Standards

The target group of this component are SMEs in the RMG sector in Bangladesh, primarily export-oriented enterprises. As a rough dividing line, these enterprises are usually defined as employing a workforce of less than 1,000.

The main weak points of garment producers in Bangladesh identified so far (e.g.: based on the audit results of the Public-Private-Partnership with the Foreign Trade Association of German Retailers, AVE) are a lack of knowledge, information and understanding regarding:

1. General management know-how: administration, documentation, and communication
2. Technical know how: on rationalizing production flows particularly regarding environmental effects as well as the optimum use of the labour force
3. Substantive knowledge of the importance of working conditions as essential economic factor: for example product quality, productivity/effectiveness efficiency of the operational processes

SME training and network building

Deficits can be remedied by specific trainings which can be implemented together with institutions/persons from the public and/or private sector as Train-the-Trainers (ToT) workshops. Such capacity-building activities are aimed at ensuring that enterprises carry out necessary changes independently in the long term.

Within the scope of the ToT programmes, at least one group of enterprises will be trained in order to guarantee a practical training of trainers. The ToT programmes are largely aimed at company representatives and local consultants, but should also be open to further stakeholders (e.g. members of associations, chambers of commerce, trade unions, NGOs, ministries, research institutes) in order to come up with a greater number of multipliers.

The following instruments are relevant:

ENVIRONMENTAL STANDARDS:

- Good Housekeeping Guide (GHK)
 - Efficient use of input materials in the production process
 - Improvement of organizational procedures
 - Improvement of health and safety conditions for employees
 - Achieving cost reductions
- Environmental Cost Management (EoCM)
 - Promoting an internal process of change
 - Increasing the transparency of the production process
 - Reducing the companies' negative environmental impact
 - Achieving cost reductions

SOCIAL STANDARDS

- Profitable Social Management (PSM)
 - Awareness-raising
 - Identification of optimization potential at the factory level
 - Development of action plans
 - Network-building for enterprises
- Social Standards Exchange of Experience and Practical Learning (SEAL)
 - Awareness-raising and support regarding the implementation of a Social Management System (SA8000)
- Enabling Dialogue between Management and Workers
 - Promoting the capacity of managers and employees to engage in social dialogue
 - Establishment of in-house dialogue structures

Multi-stakeholders dialogue

Promoting the compliance with social and environmental standards, the capacity building approach for enterprises should be accompanied by the active engagement in multi-stakeholder dialogue. Such forums play a major role for developing 'ownership' of the ongoing and sustainable improvement of working conditions. Many issues (e.g. extensive overtime, discrimination, etc.) cannot be effectively dealt with at the company level alone. A societal process of raising awareness plays a key role, thereby contributing to

the strengthening of (governmental) monitoring and enforcement of voluntary standards and legislation.

This approach is pursued through the 'Round Table Social Standards' that emerged from the Public Private Partnership AVE-GTZ as well as through actively participating in the 'Social Compliance Forum for RMG' established in 2005.

The AVE-GTZ project mentioned above has the goal of implementing a uniform procedure for adapting social standards in the textiles, sports apparel, shoes and toy industry to the European market requirements as well as improving the situation of workers employed by the supplier firms. Suppliers of German retailers in Asia and Eastern Europe are being provided with one single standard, instead of being confronted with multiple Codes of Conduct that foster inefficient and cost-intensive auditing. This approach not solely relies on audits for change, but also includes setting up National Round Tables in each supplier country. The most important national stakeholders participate in a dialogue process on social standards. This approach aims at embedding the issue into larger society and gaining ownership.

Dialogue and cooperation with donors and buyers

Apart from strengthening multi-stakeholder dialogue, there are two key supporters in striving for the promotion of the compliance issue: other donors working on social and environmental standards as well as the group of buyers sourcing from Bangladesh. Permanent information exchange and cooperation needs to be ensured. This builds on existing forums, such as the 'Local Consulting Group' (donor coordination), the 'Social Compliance Forum for RMG' and the 'Round Table Social Standards'.

National programs for building security

Events such as the collapse of factory buildings are not just a disaster for the victims, they can also seriously harm the image of an entire industry abroad, such as the textile industry, and incur tangible sales and export losses. International media, NGOs and buyers today are very responsive to these issues. Appropriate monitoring and enforcement programs for the existing national law and regulations can be developed and implemented together with business associations, the service sector as well as the relevant ministries.

Capacity building for (governmental) supervisory bodies

Neither the number nor the qualification of the available labour inspectors is adequate to perform the supervisory function incumbent on the government. Only if this function is performed more consistently will there be a chance for an increasing number of enterprises, particularly those from non-export-oriented sectors, to make efforts towards compliance. Distortions of competition can only be avoided through an industry-wide approach of compliance. As long as only a small number of companies seek to comply with current laws and international standards in response to the demands of their international customers, the acceptance and impact of social standards will remain limited.

The acceptance of compliance issues can be significantly enhanced if the enterprises experience the (economic) benefits of complying with labour law. This presupposes that (government) supervisory bodies do not see themselves as mainly performing a 'policing' function, but perceive themselves more in the role of consultants. This should be implemented together with the Ministry of Labour as well as with the large business associations (BGMEA and BKMEA) in the RMG industry.

When working with the Ministry of Labour the level of sensitivity to corruption related to the inspection system must be taken into account. Therefore a sole increase of labour inspectors for the RMG sector alone will not bring about an effective solution. Besides, a continuous awareness raising at the level of the Ministry for the importance of actively upgrading the industry's standards will be needed. Incentives for inspectors and

employers would be helpful as well as effective sanctions for companies not complying with the labour law. Incentives must not only be provided for by the government, but also depend on the sourcing decisions of the large buyers.

Overall, capacity building should focus on the most pressing issues in Bangladesh, such as Occupational Health & Safety (OHS), building security etc.

Facilitating a process of mutual recognition/harmonization of social standards applied in Bangladesh (RMG sector)

Since the 1990s, suppliers in developing and transformation countries have been facing new and additional requirements with international buyers formulating Codes of Conduct, thereby addressing the social and environmental side effects of the production process and demanding compliance with their set of standards. The largest buyers of garments from Bangladesh are the European Union and the United States, respectively discount retailers.

The buyer study currently being conducted by Marks & Spencer will include a gap analysis of buyers' codes in Bangladesh and should serve as a good starting point in talks aimed at the mutual recognition of the existing Codes of Conduct and social management systems. It is recommendable to identify a local facilitator for the harmonization process.

Large multinationals can be supportive of enforcing standards by making a clear statement towards compliance, instead of continuously sending mixed messages ('buying department versus compliance staff'). There is a necessity of collective action by the buyers to harmonize their codes and change the buyers' practices. By creating a long-term basis with the suppliers, the buyers can reward compliance so it can be seen as an investment, and not solely a cost for the local enterprises.

In the second step, dialogue should be continued and harmonization sought. This would considerably reduce the cost burden for local enterprises related to audits, corrective action and certification. If this process does not succeed in an adequate period of time, a national code of conduct should be drafted under the lead of the Ministry of Labour.

Initiating a national Corporate Social Responsibility process for Bangladesh and building up the required advisory capacities

A local facilitator would be supported to take the lead in moderating a national forum on Corporate Social Responsibility (CSR) covering the implementation of both social and environmental standards at the enterprise level. The Bangladesh Enterprise Institute (BEI) is a potential candidate for taking over this task with its involvement in the current process of setting up a CSR centre in Bangladesh.

Company representatives (especially the owners) are key players to engage in this process. Their participation is even more crucial, facing the weak institutional setting in Bangladesh. The leverage to convince them is by showing them the link between compliance and long-term economic success of their business.

Initiating a national CSR process calls for a thorough analysis of the current deficits in complying with existing national laws and internationally proclaimed social and environmental standards. Based on this assessment, it must be ensured that all relevant stakeholders participate in a process to match international definitions of core standards with the local circumstances, culture and understanding. The stakeholders must be carefully selected, in order to gain legitimacy for the process and its results reaching beyond the level of the 'Round Table' discussion. At the end of the process, a consensus should be reached on the content of relevant standards as well as on the concrete means on how to upgrade standards at the enterprise level.

An example of a very sensitive issue to potentially be discussed is the payment of a minimum wage. Currently, the wage commission sets wages industry by industry, based

on the skill level. But this is largely ignored by the private sector. In this context, Bangladesh's 'strategy of low wages' as a competitive advantage could be questioned as well.

Other challenging topics are the issues 'Freedom of Association' and 'Collective Bargaining' as enabling rights for workers. One of the main challenges is the identification of unions that are not politically motivated, but that are willing, capable and free to act as real representatives of the workers' interests. Workers do not practice their union rights because of legal uncertainty, bureaucratic hurdles, and lack of awareness as well as concerns over job security. Where the right to form/join unions and the right to collective bargaining is not viable, alternative means must be identified, such as setting up workers' committees. Such steps are already ongoing, but must be carefully advised and monitored in order not to undermine real union rights. The goal is to build constructive industrial relations between management and workers in the future.

Issues such as corporate governance or corporate social responsibility are also increasingly under debate in other partner countries of international development cooperation wishing to increase their international competitiveness. A foundation has been set up in India supported by public and private institutions (National Foundation for Corporate Governance), consisting of the Ministry of Company Affairs, the Institute of Chartered Accountants, the Institute of Company Secretaries as well as the Confederation of Indian Industries. The Foundation has set itself the task of mainstreaming CSR throughout universities and management institutes (curricula development) as well as to advise companies. For this purpose, it will cooperate closely with associations, chambers and management institutes. The objective is to strengthen social and environmental standards in the culture and the management systems of Indian enterprises, especially in export oriented SMEs. The result aimed at is a country-specific CSR concept, taking into account international standards and experiences. A comparable approach to the one in India could be applied in Bangladesh.

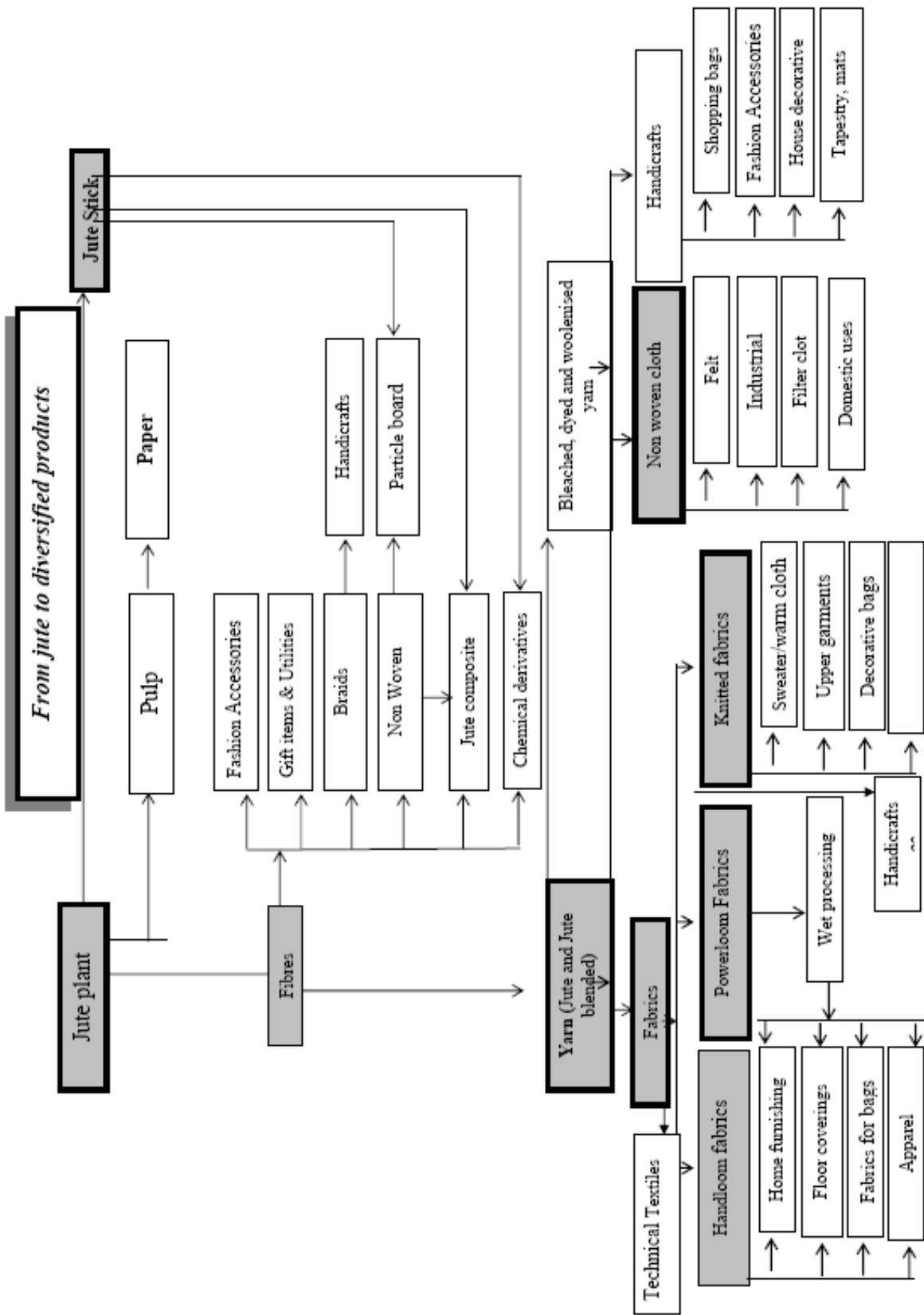
Development and dissemination of information material on social and environmental standards

If employees neither know the wording nor the content of the social and environmental standards applying to them, nor understand these, they cannot be implemented consistently. Therefore it is imperative to inform both the workers and the management about their rights and duties and to disseminate appropriate information material taking into account the respective educational level. A benchmark for such information material can be the publication on Codes of Conduct and social standards drafted by the German Round Table in 2004 (scope of social standards, process of introducing Codes of Conduct, good practices, interviews with key stakeholders, abstract on the role of NGOs and trade unions, etc.). Besides, information on the workers' rights in the context of the national labour law should be provided.

Appendix II

Chart Jute Diversified Products

Figure A.5: Chart Jute Diversified Products



Appendix III

Actors in the value chain for JDPs

Input suppliers (jute farmers)

The farmers first tie the plants in bundles and leave it in the fields for four or five days for the leaves to shed after harvesting the plants. These bundles are carried to retting places (places with clean, stagnant water) and are immersed into the water. After retting (the process of rotting the jute plants), the bundles of retted plants are taken out and the fibres are extracted from individual plants or a number of plants at a time by hand. Each bundle of fibres extracted is washed well until all non-fibrous materials are washed away. 20 to 30 small bundles of fibres are bundled up and kept overnight for rinsing out the water. The fibres are exposed to sunlight for two to three days until the fibres are dry. Dry jute fibre is again tied into bundles of about 4 Kgs each and is thus made ready for sale. The farmers sell the jute either to the intermediaries or to the jute mills and JDP producers following a cluster approach. However the last two are negligible as the farmers nearly always sell the raw jute to the intermediaries.

Intermediaries

The intermediaries are a group of middlemen generally called 'Farias'. They buy the jute from the farmers and local bazaars and sell them to the local traders or purchase centres of the jute mills. They often supply to the jute diversified producers who engage in the cluster approach⁹ to make handmade jute diversified products.

Jute mills

The jute mills buy the jute from the traders or from their own purchase centres that are located in different areas. These mills are of two types, firstly those who are engaged in producing traditional items such as Hessian, sacking, carpet backing cloth, ropes, twines etc. and secondly those who are to some extent involved in producing jute diversified products. In both the cases, their production processes are similar to the point of producing yarn or twine from the raw jute. Once the bales are received in the godowns¹⁰ it is selected based on the quality and type of jute that is required and softened accordingly.

Piling or conditioning is the next step after which the raw jute is carded. The jute is then spun and wound to make yarn. If the mill produces Hessian and sacking materials, then these yarns are made into fabric, cut, and sewed according to the required sizes and shapes. Such products as well as ropes, yarns or twines, and in certain cases fabrics, are supplied to the JDP producers following the cluster approach. Those following a semi-industrial approach receive similar inputs from the mills and use these to manufacture finished products of added value. A very negligible percentage of these products are also sold to the wholesalers. Jute mills also sell their products to the exporters/traders who in turn sell these in international markets. In some cases, the mills directly sell their products in international markets. It is difficult to separate the number of persons employed in the jute mills dedicated to manufacturing jute diversified products, as often the number of mills allocate only a small portion of their factory to producing JDP. Nonetheless, an estimate of the number employed in 100 jute mills (total mills under BJMC, BJMA, and BJSA together) is provided.

Furnishers/converters

These entities are involved in intermediary activities such as colouring fabrics or yarns (known as wet processing), lamination, accessories development, printing and other activities. These products are sold to the JDP producers following the semi-industrial

⁹ Either large organizations or artisans based at different locations on a contractual basis

¹⁰ Godowns: warehouses for storage

approach. Since traditional products are still manufactured in large quantities, many mills do not have a separate wet processing plant in their premises. For the same reason, the need for such plants is also not that high and hence there are only a few numbers of such enterprises. For enterprises (either mills or JDP producers) manufacturing JDP, the cost of setting up a wet processing plant is too high and as a result, most of these operations are outsourced to the existing furnishers.

Jute Diversified Products (JDP) Producers, following a semi-industrial approach

These actors manufacture items that involve certain machineries either during the production process or at the finishing stages. Their inputs range from yarns or fabrics used to make products like cushion covers, curtains, bags, clothes, paper, particleboard, and so on. These products are largely sold directly in international markets, while only a small percentage is sold to the retailers for domestic market consumption. Sometimes these producers do not sell directly to the international markets but do so through exporters/traders.

Jute Diversified Products (JDP) Producers, following a cluster approach

These entities are either large organizations or NGOs who work with artisans based at different locations on a contractual basis. The items that they produce are somewhat traditional as they often restrict their product lines to traditional products like shikkas, mats, hammocks etc. This is mainly due to the skills of the artisans, as they are often adept at certain tasks only and are unable to make other items. Only recently, some organizations are diversifying their product range by rigorously training their artisans in various areas. Some organizations also encourage them to come up with newer designs, patterns, or products, and promote these to their regular customers. These are then improved upon based on the feedback received from the buyers. They, too, sell either to retailers in small quantities and to exporters/traders.

Wholesalers

The role of the wholesalers in the JDP sub sector is very limited as the mills, the producers, and/or the exporters/traders usually take up their roles. Since a large portion of jute goods are exported, the wholesalers only cater to the domestic market in very small quantities and usually supply to the retailers only.

Retailers

There are not many retail houses in the city dedicated to different jute diversified products. The showrooms that exist are usually not large, except for a few renowned stores. These stores however carry a wide range of items and not just jute goods. The retailers buy a large quantity of the products from the JDP producers. A small portion of their goods is bought from the wholesalers as well. Though initially the size of the domestic market was small, it is gradually growing, due to changes in the tastes and choices of the local people.

Exporters/traders

This group acts as the commission agents taking various products from the mills or the JDP producers and selling these items in international markets. The products they sell can range from traditional jute goods to jute-diversified products. In case of exporting shikkas, an exporter adds value of 94% because the marketing cost much less and the transportation cost of brining the shikkas from small towns to the city is relatively higher. However, if jute bags are considered, the value addition is 21% only as the marketing costs are lower. One reason for the difference in the marketing cost is that JDP producers following a cluster approach often do not have to take extensive marketing campaigns. Rather their approach is usually to sell smaller quantities of traditional items that have a ready market around the world.

Appendix IV

Questionnaire



Export Promotion Research

Interviews with producers of Jute Diversified Products in
Bangladesh

Date of the interview	
Time of the interview	

1. COMPANY INFORMATION

Organization* _____

Contact person* _____

Address* _____

Website _____

Email _____

Phone Fax* _____

Year of
establishment _____

Number of staff _____

*in case of business card no need to fill in

2. PRODUCTS

- 2.1) What kind of JDPs are produced/explain your product range?
- 2.2) What is the annual turnover (fabrics, m2, mt, ed)?
- 2.3) What is the average 'lead time' to produce your JDPs (from order to delivery at port in Bangladesh)?
- 2.4) What is the average 'lead time' for the shipment of the products to Europe (from order to delivery) and what is the reliability of these shipments?
- 2.5) What is your production capacity?

3. EXPORT

- 3.1) Are you producing for the local market *and* the export market?
- 3.2) Are you involved in direct or indirect export, and in case of indirect export, how (e.g. trader/middlemen)?
- 3.2a In case of indirect export, have you thought of direct export? Why (not)?
- 3.3) To which countries are you currently exporting (to the EU, why (not))?
- 3.4) How did you start up exporting?
- 3.5) What are the difficulties concerning the exports you are presently facing?
- 3.6) Have you adapted your production processes to the exports, and if yes, in which way?

4. MARKETING

- 4.1) What promotion efforts are you using considering your exports and what is the effect (e.g. brochures/trade fairs)?
- 4.2) How do you gain market information about exports and markets that you need?
- 4.3) How do you find new clients, and how do you reach them?
- 4.4) How do you do your product design and is it linked to export markets?

5. COMPETITION

- 5.1) What do you consider competitive products to yours?
- 5.2) Which markets do you see as competition to yours, local as well as foreign (e.g. India/China) markets?
- 5.3) What do you consider to be the competitive advantages of your products?
- 5.4) How do you consider the quality of your products compared to your competitors?

Appendix V

Institutions involved in promoting jute and JDPs

International Jute Study Group

The International Jute Study Group (IJSJ) is an intergovernmental body set up under the aegis of UNCTAD to function as the International Commodity Body (ICB) for Jute, Kenaf, and other allied fibres. It is the legal successor to the formerly International Jute Organisation (IJO), and was established on 27 April 2002, with the completion of the process of Definitive Acceptance/Acceptance by Governments of Bangladesh, India, Switzerland, and the European Community representing its 15 member countries and representing over 60% jute trade (import and export).

The main objectives of the IJSJ are:

- Provide an effective framework for international cooperation, consultation, and policy development among members with regard to all relevant aspects of the world of jute economy
- Promote the expansion of international trade in jute and jute products by maintaining existing markets and by developing new markets, including the introduction of new jute products and the development of new end-uses
- Provide a forum for the active participation of the private sector in the development of the jute sector
- Address the issues of poverty alleviation, employment and development of human resources, particularly women, in the jute sector
- Facilitate the improvement of structural conditions in the jute sector through improvement of productivity and quality, and promotion of the application of new processes and technologies
- Create and increase awareness of the beneficial effects of the use of jute as an environmentally friendly, renewable and biodegradable natural fibre
- Improve market intelligence with a view to ensuring greater transparency in the international jute market in collaboration with other organizations, including the Food and Agricultural Organization of the United Nations (FAO)

In pursuance of these objectives, the IJSJ has the following functions:

- To develop an appropriate strategy for the improvement of the world jute economy with particular emphasis on generic promotion of jute and jute products
- To conduct consultations and exchanges of information on the international jute economy
- To initiate, sponsor, supervise, monitor, and act as a catalyst with respect to projects and related activities aimed at improving the structural conditions of the world jute economy and the general economic well-being of those employed therein. In exceptional cases, the Council shall approve the involvement of the IJSJ in the implementation of projects, if this involvement shall not bring about any additional costs for the administrative budget of the IJSJ
- To provide any improve statistics and market intelligence on jute and jute-based products in consultation with the Food and Agricultural Organization of the United Nations and other appropriate bodies
- To undertake studies on various aspects of the world jute economy and related issues
- To consider problems or difficulties that may arise in the international jute economy.

The Export Promotion Bureau

The Export Promotion Bureau (EPB) is a government agency that is part of the Ministry of Commerce. It is entrusted with the responsibilities of promoting the export of Bangladesh. The agency is mainly responsible for:

- Coordinating export development efforts at different sectors and production levels
- Formulating and adopting of policy and program for active promotion of exports
- Coordinating, monitoring and evaluating national export performance and analyzing export trends
- Carrying out promotional activities in product development and expansion of the supply side capacity
- Exploring markets of exportable products abroad
- Collecting and disseminating trade information to the stakeholders
- Organizing participation in international trade fairs abroad
- Imparting training for HRD
- Conducting studies, surveys, research etc. for expansion and diversification of export and administering and monitoring of RMG quota
- Assists the Ministry of Commerce in formulating policies related to export

Department of Jute under Ministry of Textiles and Jute

The department of Jute is relatively a new establishment which was reorganised in 1992 through merger of the Directorate of Jute and Directorate of Inspection for Jute and Jute Goods.

The major functions of the department are:

- Application and implementation of the jute ordinance (1962)
- Application and implementation of jute (licensing and enforcement) rules (1964)
- Undertake control measures in accordance with the jute growers in border areas
- Identifying the businessmen engaged in illegal trading of jute and jute goods without trade license and punishing them as per the existing rules
- Taking legal action against the jute traders who do not export raw jute or jute goods as per the trade deal with the expatriate importers and or violate trade deals executed with them
- Renewal of license for trading jute and jute goods
- Collecting, disseminating information and statistics relating to sowing, export, production, internal use and storage of jute and jute goods
- Inspecting and evaluating quality of jute goods produced by the jute mills
- Supervising standard testing methods of jute mills
- Assisting the jute mills in the inspection and maintaining quality control aspects
- Preparing audit and annual stock of jute and jute goods and maintaining for use for concerned agencies
- Implementation of a project titled 'Integrated HYV jute and jute seed production project' for development of jute sector

Next to the major functions, the objectives and goals of the department are the following:

- Serve the interest of jute growers, traders and all persons and institutions involved in the production of jute goods and marketing
- Expand and control domestic and cross boarder business of jute and jute goods
- Collect, compile and preserve all sorts of statistics relating to production, use and marketing of jute and jute goods
- Keep watch over various types of crimes, corruptions, misuses and irregularities in matters relating to jute and jute goods
- Give strategic counsel to government in formulating jute policy
- Impart training to jute growers in producing jute in improved way, rating and marketing jute
- Test and inspect the standard of jute goods

Bangladesh Jute Mills Corporation (BJMC)

The Bangladesh Jute Mills Corporation (BJMC) was established as a statutory body under the Presidential Order 27 of 26 March 1972. Through this order, the overall operation, management, maintenance, and future development agenda of all the jute mills of Bangladesh under private ownership and formerly East Pakistan Industrial Development Corporation (EPIDC) were placed under the BJMC.

The main objectives of BJMC were to run the jute mills efficiently under a single organization and to expand the industry towards augmenting foreign exchange earning from jute goods. At the time of nationalization, there were 77 jute mills in Bangladesh; however, their performance continuously deteriorated. This led to the privatization of jute industry, under which 35 mills were transferred to their original owners in 1982/1983, leaving the rest to continue under BJMC. There are now 28 enterprises under BJMC, out of which, 25 are jute mills and the rest are non-jute mills.

Presently, BJMC has an installed loom capacity of over 13,000 of which around 70-75% remain in operation.

On an average, BJMC produces about 200-250 thousand metric tons of jute goods annually of which almost 85% are exported fetching about Tk. 6000 million on an annual basis. The products are mainly Hessian, sacking, CBC, carpets, mats, felts, yarn/twin etc. The non-traditional product range includes natural, bleached and coloured finer jute fabric (FJF) and products thereof, such as decorative fabric, household items, carry bags, purses, and other consumer items. BJMC also produces food-grade jute bags, jute intermediate bulk container (JIBC), geo-jute (soil saver), and various rot proof fabrics, sacks and sheets.

Jute Diversification Promotion centre (JDPC)

The Ministry of Jute from the Government of Bangladesh has set up the Jute Diversification Promotion Centre (JDPC) on 31st October 2000. The JDPC has been created with the vision of reviving the past glory of jute as the 'golden fibre' through expansion of the uses of jute by vertical and horizontal diversification and thereby improving the socio-economic conditions of all sections of people involved directly and indirectly in the jute sector.

The JDPC comprises of the following three sections:

- Technology transfer and project feasibility
- Market research and promotion
- Programme and project monitoring

The objectives of the JDPC are:

- To explore and promote new technologies for production of high value added diversified jute products by maintaining in close contact with various stakeholders
- R&D organizations and by way of conducting among others feasibility studies and surveys, and disseminate those to the prospective entrepreneurs
- To review and formulate appropriate policies for diversification of jute goods on a continuous basis
- To facilitate quick implementations of identified diversified projects
- To explore market potentials for diversified products both in the home market and abroad
- To explore possibilities of manufacturing high value added diversified products in existing jute mills and if possible, promote and provide support for these
- To make in-depth evaluations of JDPs and of projects submitted to the JDPC
- To arrange financing for diversified jute projects
- To help upgrade the skills of the jute industry in producing diversified goods
- To help build up the entrepreneurship of the jute goods manufacturers and bringing the long-term sustainability of the jute sector

- To provide data and information about diversified jute goods and the potential market to the enthusiastic entrepreneurs/manufacturers
- To arrange necessary financial assistance to the potential producers of diversified jute products
- To keep continuous touch with various R&D institutions of different national and international bodies like IJSG, BJRI, IJIRA, IFTH etc.
- To arrange market surveys, research and intelligence and creation of a database on markets and consumer choices/preferences on diversified jute products
- To develop a programme on industry and market promotion to incorporate market and technological research to cover in greater details the issues and concepts leading to specific investment proposals

The JDPC will perform the following functions under the general guidance of the Ministry of Jute which will set up a steering committee to provide policy guidance and support for efficient and effective functioning of the JDPC. The functions are:

- To assess the current status of jute diversification and its potential in the short, mid, and long term perspective
- To identify the suitable technologies for jute diversified products and acquire from R&D institutions their marketable technologies for commercialization
- To assess the demand and supply situation of diversified jute goods and the related goods in domestic as well as world markets and make projections on their future growth
- To help private entrepreneurs for the preparation of bankable project documents towards investments in diversified jute products
- To undertake feasibility studies on market intelligence, research and promotion, investment promotion etc.
- To provide package support which will include technological, marketing and financial assistance to the prospective entrepreneurs for diversified jute products producing units
- To monitor project implementation and evaluate their impact
- To publish a bi-monthly/quarterly bulletin on the activities of the JDPC, progress achievements in the area of diversification (production, marketing, etc.) and future activities of all the three major sections
- Any other related functions which are necessary to promote diversification uses of jute products

The functions of the Technology and Project Feasibility Section are:

- To select appropriate technologies for production of diversified jute goods with high value addition and market potential
- To obtain information from both the home and foreign market about technologies in diversified jute goods and make assessments in respect of facilities, abilities, facts, frameworks and climate about technologies for attracting investment in those fields in Bangladesh
- To acquire and transfer technologies of diversified jute products for commercialization by the private sector investors
- To assist the prospective private entrepreneurs in selecting appropriate diversified production and technological services in the production processes
- To undertake techno-economic feasibility on the new technologies for the production of diversified jute goods
- To assist the private entrepreneurs in the negotiation and procurement of machineries and the related services for manufacture of diversified jute products
- To explore and promote joint-venture collaboration between local and foreign investors
- To carry out any other tasks relevant to technologies and feasibility of diversified jute products and further value additions in Bangladesh

The functions of the Market Research and Promotion Section are:

- To undertake action for exploring and expanding markets for diversified jute products both at home and abroad
- To collect and disseminate information on diversified jute products, consumer preferences, market size, production specifications, costs, tariffs, prices, etc.
- To prepare export and import guides for trading of diversified jute products
- To provide support for export processing services to the exporters of diversified jute goods
- To prepare and publish a monthly bulletin regarding production, costs, prices, demand, supply projections for both the short and medium term of diversified jute products
- To collect, compile and analyse trade related data on diversified jute and the related goods, and establish and maintain a strong database for continuous market development of diversified jute goods
- To carry out other specific tasks relevant to market intelligence, research and promotion of jute diversified products

The functions of the Programming, Project Monitoring and Implementation Section are:

- To facilitate the preparation of project proposals on diversified jute products for bank financing
- To scrutinize and appraise the projects and make recommendations thereon for both the bank and the EC Complex Funds financing
- To provide assistance for lining up of investment fund and working capital for the projects
- To monitor closely with the BASIC and other banks the implementation of the projects under the banks and Complex Fund financing and ensure their effective implementation
- To provide support and guidance to the investors in the identification, formulation, and evaluation of projects and monitor performance of the projects in close association with other sections
- To carry out other specific tasks relevant to commercialization of new technologies of diversified jute products for further value additions in Bangladesh

List of potential technologies/project areas so far identified for establishing diversified jute industries with the help of JDPC and private entrepreneurs:

- Chemical treatment of jute for delignification
- Mini spinning of jute blended yarns
- Fine yarn spinning of jute blended with other fibres
- Integrated wet processing plant
- Jute re-inforced plastic granules
- Flexible jute bags for tea packaging
- Non-woven jute products
- Friction spinning technology
- Wood substitute from jute sliver
- Jute blanket
- Jute products from pultrusion technology

In addition constant research of technology for diversification of jute uses are going on both nationally and internationally through constant contact with R&D organizations like BJRI, BCSIR, IJRIA, IFIH, IJSG etc. Moreover various information about wet processing technologies is available for ready reference.

Bangladesh Jute Mills Association (BJMA)

The Bangladesh Jute Mills Association (BJMA) comprises of the owners of private jute mills operating in the country. The organization was created for sharing the problems and prospects in running jute mills under the private sector smoothly. There are 35 jute mills under the organization having an installed loom capacity of more than 10,000. Having more than 40% of the loom capacity (in case of composite mills), the BJMA mills are

contributing 20-25% of the total production of the traditional jute goods. The BJMA produces about 60-70,000 MT of jute goods annually, of which 50-60% is exported, earning about 18.8-20 million USD in foreign exchange on an annual basis. The products are mainly Hessian, sacking, and CBC.

Bangladesh Jute Research Institute (BJRI)

The Bangladesh Jute Research Institute (BJRI) was established in 1951 in order to do research to improve jute crops and products. Presently, the institute is active in the following areas:

1. Agricultural research on jute and allied fibres
2. Technological research on jute and allied fibres
3. Economics and marketing research
4. Jute and textile products development centre

Ad 1.

BJRI has a wing carrying out agricultural research on Jute & Allied Fibre (JAF) crops. The main achievements in this field are:

1. *Varietal Improvement Programme*: BJRI has developed and released 27 High Yielding Varieties of Jute & Allied Fibre crops (Kenaf and Mesta), for the various Agro-Ecological Zones in country.
2. *Collection Of Germplasm*: BJRI has developed a large collection of more than 5000 accessions of Jute & Allied Fibre Germplasm from home and abroad. The Gene Bank maintaining this Germplasm collection has been designated as the Global Repository for Jute & Allied Fibre crops.
3. *Crop And Soil Management*: A package of improved jute production technologies has been released for the farmers. For different varieties and locations, the quantities of different kinds of fertilizer and the method and time of their application have been devised and extended.
4. *Pest Management*: Effective botanicals for seed-dressing and plant-protection chemicals were developed from locally available plants like neem, garlic, jute seed and such others.
5. *Improvement Of Fibre Quality*: Improved retting (Ribbon-Retting) techniques were devised to ensure the production of high-quality fibre.
6. *Jute Farming Systems*: 20 improved cropping patterns were identified throughout the country; jute has already been incorporated into 18 of them.
7. *Seed Production*: An improved Late Seed Production Technology proved very effective and widely acceptable to the farmers. BADC has adopted the technology in the Certified Jute Seed Production Programme.
8. *Technology Transfer*: Nowadays, more Tossa Jute is cultivated: the ratio White Jute vs. Tossa Jute has changed from 65:35 to 35:65.
9. *The Impact Of Agricultural Research On Jute*: Jute is constantly pushed to marginal land, yet the yield per acre has increased due to the effective research on jute.

Ad 2.

BJRI has a wing carrying out technological research on Jute & Allied Fibre (JAF) crops. The main achievements in this field are:

1. A process for the production of blankets from jute-acrylic blend was developed by BJMC and BJRI. To commercialise the process a Memorandum of Understanding (M.O.U.) has been signed recently between BJRI and Grameen Uddog.
2. Commercial processes for the production of the following home-furnishing fabrics were developed: jute-cotton union fabrics, jute-synthetic union fabrics, wall covering with jute fibre.
3. Technologies for the production of jute products such as school bags, fashion bags/ladies bags, shopping bags, hold-alls, prayer mats, and shoe and sandal cloths were developed, and a M.O.U. has been signed between BJRI and Grameen Uddog.
4. Chemical processes for the production of cellulose derivatives such as Microcrystal cellulose (MCC), Carboxymethyl cellulose (CMC), oxalic acid, cellulose acetates, cellulose nitrates and activated charcoal from jute and jute wastes have been established. The process for the production of MCC has been leased out to BEXIMCO. A M.O.U. has been signed between BJRI and Kamrul Engineering and Trading for commercial production of CMC.
5. Scientific grading of raw jute fibres (both White and Tossa varieties of jute) was developed through determination of the chemical indices such as cellulose, lignin, copper number, acetyl content, ash content and nitrogen content.
6. A method was developed to blend chemically modified jute with other fibres. The technology has been transferred to the Jute Textile Product Development Centre (JTPDC) of BJRI for pilot scale production.
7. Methods to produce various cloths and garments from chemically modified jute blended with cotton, rayon, acrylic, polyester and silk were developed. Pilot scale production at the JTPDC was carried out.
8. Easier methods to determine the conductivity of jute and textile materials were evolved.
9. A process to determine the fibre length of jute based on Dollop weight and Doubling process was developed.
10. Methods for preparing felts from jute and jute wastes were developed.
11. Processes to prepare different yarns and fabrics by using natural and synthetic fibres in admixture with jute were developed.
12. Different processes were developed to improve and simplify the processing techniques of the jute industry.

Ad 3.

Different socio-economic and marketing studies relating to jute and allied fibres were conducted during 1986-1995. Important aspects of these socio-economic studies were trend analysis, cost and return, technology assessment, assessment of new varieties, economics of jute based cropping patterns, identification of farm level production and marketing constraints. Due to abolition of the economics and marketing division in 1995, the works of the division were stopped temporarily. Some of the work of the division was continued by the planning and training division. Since 1998, the new division Economics and Marketing Research has started functioning under a development project.

Some statistical data on the Jute production in Bangladesh:

Year	Area '000' ha	Production '000' MT	Yield MT/ha	Export of fibre '000' MT	Export of Jute products '000' MT	Export price of raw jute Tk./maund
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1993-94	521.3	782.3	1.5	310.4	494.9	284
1994-95	567.8	1027.4	1.8	214.9	427.9	289
1995-96	519.2	652.7	1.3	355.8	409.6	345
1996-97	506.7	900.0	1.8	432.9	354.0	452
1997-98	526.1	936.0	1.8	360.0	-	390

Table A.1: Statistical data on the jute production in Bangladesh

Source: FAO Statistical Bulletin

Ad 4.

The Jute and Textile Product Development Centre has started as a five year project, funded by the Government of Bangladesh. The main objectives of the project are:

1. To shift and replace the abandoned equipment/machinery of the defunct Jutton Project from the compound of Bangladesh Council of Scientific and Industrial Research to the BJRI compound.
2. To produce fine yarn and cloth from jute in blend with cotton, rayon, silk, polyester, acrylic etc. by the application of technology evolved by the Jutton Project and to strengthen the research activities for this purpose.
3. To create entrepreneurship, transfer the innovated technology for the purpose of commercial production, and promote marketing of the new products.
4. To develop the jute-based textile technology through the exchange of expertise and knowledge with textile, jute and garment industries and to make an extension of the technologies to the level of handloom and cottage industries.
5. To improve the country-made machinery and technologies in order to make a viable commercial production of jute based fine yarns and fabrics and various commodities produced experimentally in the laboratory.

BJRI has developed a variety of jute-based products, in order to broaden the market for jute products:

1. *Jute blankets*: Blankets produced from jute are strong and warm. They are not affected by moths, and cheaper than cotton, woolen or synthetic blankets.
2. *Novotex Fabrics*: The fabrics are made from jute and cotton. Novotex fabrics are strong, durable, light- and colour fast, attractive and cheap. They are suitable for apparels and upholstery. They are also excellent for travel kits, school bags, handbags, shopping bags etc.
3. *Wool-substitute soft jute yarn*: Jute yarn is processed to have a wool-like look and feel. It can be used to make sweaters, cardigan, scarves, socks etc. It is much warmer and cheaper than wool.
4. *Micro crystalline cellulose (M.C.C.)*: This is a non-fibrous form of cellulose. It is used in the pharmaceutical industry, and as thickener in printing paste for the textile industry.

5. *Fireproof jute fabrics*: These fabrics meet the requirements of flame-proof fabrics according to international standards. They are suitable for all specialised uses wherever fire proofing or insulation is desirable.
6. *Jute geo-textiles*: These textiles are flexible, foldable, not very biodegradable, and water-resistant in nature, particularly suitable for rain-fed, flood-prone climatic conditions. They can be used as geo-technical engineering products like fibre drains, separators, filters and reinforcing materials.

Jute is very important to the economy of Bangladesh. It is a leading cash crop and still a major source of foreign exchange. Jute provides employment to a considerable labour force; at least 30% of the population is involved in raising the crop. The government earns much revenue from the jute sector. The crop itself improves soil fertility, and its sticks are indispensable to the farmers for fuel, fencing and thatching. Jute is used to manufacture traditional products and packaging materials. The industrial products based on jute are environment friendly and have a world-wide popularity. The use of jute for paper pulp and geo-textile has improved the possibilities for extensive global use.

Nevertheless, jute in Bangladesh has started to suffer. Due to uncertain weather conditions, land scarcity, high input cost and an unfavourable jute-rice price ratio, jute is being pushed to less productive land. Low output prices and insufficient marketing support and extension services affect the jute cultivation and the export earnings.

Future research on jute should meet those challenges and hence BJRI envisions the following:

- Development of high yielding varieties for favourable ecosystems, with short duration, early sowing, and light or temperature tolerance. The yield should at least be 3-4 MT per hectare. Recent breakthroughs in biotechnology will be exploited. This will also help to reduce production cost. Emphasis will be given to varieties with improved fibre quality.
- Development of varieties for adverse environment: reasonably high yielding varieties tolerant to soil salinity, flooding depth of about 30 cm and drought and varieties for coastal and hilly areas and less fertile soil.
- Refinement of crop, soil, water and fertilizer management technologies. Special emphasis will be given to practices for better utilisation of marginal lands.
- Strengthening of participatory Jute Farming Systems Research and fine-tuning of jute cropping patterns for different agro-ecological zones and new retting technologies.
- Improvement of pest management techniques to reduce pest damage to the crops and to make jute more environmental friendly and cost-effective.
- Strengthening of the linkage between jute agricultural research, extension and farmers as well as the linkage between jute industrial research, pilot scale entrepreneurs and the industry, in order to accelerate the dissemination of new technology.
- Establishment of more international links with research organisations of jute producing countries and with industrial countries. The traditional links with IJO will also be strengthened. This will help BJRI scientists to acquire knowledge and enrich their research capabilities.
- Development of technology for farm-level quality seed production to meet the HYV seed shortage.
- Development of diversified jute products and fabrication of appropriate materials for diversified products. Cost-effective new jute products are needed for the domestic and international market.

- Generation of industrial technologies like paper pulp for the jute and paper pulp industries and geo-jute for road construction.

Bangladesh Jute Spinners Association (BJSA)

The Bangladesh Jute Spinners Association (BJSA), established in 1979, is an all country organization representing the jute spinning sector of Bangladesh. The association has a total membership of 44 jute spinning mills. The total production capacity of this sector is more than 290,000 M.Tons per annum. The association is represented on various advisory councils/committees under different ministries and departments of the Bangladeshi government.

The association is a dynamic, vibrant and up-to-date entity providing relevant and useful information and other services to its members comprising the leading entrepreneurs and manufacturers of jute yarn and twine. Each of these members has vast experience in commerce and industry.

The member mills produce a wide variety of jute yarn and twine from the world's best quality jute, meeting the international quality and quantity requirements of the world. Its products are used for carpet weaving, wall covering, jute webbing, fabrics for shopping bags, caps, handicrafts, jute cloth for various uses like canvas, decorative fabrics, laminated cloth, safety fuse for explosive and many more other uses.

The BJSA has a number of publications which are very popular in the country and abroad. The monthly publication *Spinners News* contains information on national and international issues related to jute and jute industry, statistics on exports, etc. Also, the Norwegian Agency for Development Cooperation (NORAD) is assisting the entrepreneurs in Bangladesh to develop finer quality of jute fabrics.

This industrial sector employs about 40,000 people, exports nearly 100% of its products and is one of the largest foreign exchange earners in the private sector. There are about 100,000 installed spindles at present. During 2000-2001, member mills produced 174,000 M.Tons of jute yarn and twine, exported 161,000 M.Tons and earned USD 67.1 million.

Bangladesh Jute Association (BJA)

The Bangladesh Jute Association (BJA) was formed and started activities in 1950 and was registered in 1959 in the name of Pakistan Jute Association. After the emergence of Bangladesh it has become the BJA. The main objectives of the BJA are:

- To promote and protect the jute trade in Bangladesh
- To watch over and protect the general commercial interests in every sphere of the jute trade of Bangladesh or any part thereof and the interest of persons engaged in the jute trade in Bangladesh
- To take up, consider and discuss questions connected with or affecting the jute trade
- To promote or oppose legislative and other matters affecting the jute trade
- To collect and circulate statistics and other information relating to the jute trade
- To make adjustment if controversies arise between members of the BJA
- To arbitrate and settle the disputes arising out of the commercial transactions of all kinds and grades of raw jutes referred to the BJA by the buyers/sellers (both in the home market and abroad)
- To establish just and equitable principles in the jute trade
- To form a code or codes of practice to simplify and facilitate transaction of business in jute
- To communicate with trade associations and other mercantile and public bodies throughout the world and concert and promote measures for the protection of the jute trade and persons engaged therein and specially in matters touching the interests of members of the BJA
- To publish a daily market report of raw jute

- To arrange for periodical fixation of wages of the labour force engaged in member firms

The BJA is a national association of Raw Jute Shippers, Pucca balers, External and Internal Brokers, Kutcha Balers, and Aratdars. As a representative body of the raw jute traders, it maintains continuous liaison with the Ministry of Jute to highlight the problems of raw jute trade, maintain close liaison with the international jute study group (previous IJO), the Bangladesh Jute Corporation, BJMC, Bangladesh bank, and other commercial bank. Representatives of the BJA are nominated to different government and trade bodies like the Jute Consultative Committee, the Jute Research Institute, the BSTI, the Export Promotion Bureau, railways, ports and shipping, Ministry of Commerce, Federation of Bangladesh Chambers of Commerce and Industry, Shippers' Council of Bangladesh etc.

The BJA has as many as 350 members. After the abolition of BJC the BJA members handle the total export of raw jute. On many occasion, the BJA deals the foreign raw jute buyers. The management of the BJA is entrusted with an executive committee and 15 other members. The members of this BJA are directly involved in every sphere of raw jute trade and contribute much in earning foreign exchange of the country by exporting raw jute to overseas countries. The BJA renders social services in supporting the government in among others the various national problems and needs.

Other Jute Associations

There are two other associations, namely the Bangladesh Jute Goods Association (BJGA) and the Bangladesh Jute Exporters Association (BJEA). The BJGA consists of exporters who export only jute goods. The BJGA's members are; the BJMC, some private mills, non-mill owners, traders and even some representatives of foreign buyers. On the other hand, the BJEA is an association of exporters who export only raw jute.