

CHAPTER 1

1.1. INTRODUCTION

From time immemorial, the arts and crafts of Bangladesh are closely linked to our culture and heritage. Leather and leather products have always been a part of that heritage and after the emergence of an independent Bangladesh in 1971; the industry received a fresh impetus. Today the country earns a sizeable amount of foreign exchange every year through export of leather and leather products to a number of overseas markets. The Leather Industry of Bangladesh has been given particular attention for developing its infrastructure. By combining the latest in leather technology with abundant raw materials and inexpensive skilled labour, leather and leather products are now playing an important role in earning foreign exchange for the country. Export of leather and Leather goods (including Footwear) earned US\$303.33 Million for Bangladesh in the fiscal year 2004-2005.

The raw materials leather industry produces the world's finest quality goatskin of a very fine and smooth grain pattern. Country's cow leather has excellent natural compact fibre structure with a round feel and touch. More than eighty percent of the country's annual production is exported worldwide as semi finished/finished Leather, footwear and accessories.

Over 250 manufacturers are producing various Leather items such as travel goods, suitcases, briefcases and fashion accessories, along with belts, wallets, hand bags, case holders etc. for overseas export. Bangladesh has also entered the field of Leather fashion garments with items of distinction and prestige.

1.2. HISTORY OF LEATHER GOODS

Man from the very beginning, has been using animal skins for covering his feet and legs from climatic conditions, keeping his provisions of water in goat skins, and making belts for various purposes.

Leather goods such were created much later. 700 years B. C., the shepherd "GYPES", who become the kind of LYDIA, created the gold currency standard. A money holder was required and that's how purse came into existence.

Later on, the purse become part of the standard equipment of he roman legionary made especially for the currency of the country where he went on campaign. 88

In the middle Ages, leather goods manufacturing was divided into various guilds. Like Purse maker, Saddler, Cobbler, Glover. At the 12th century "Chaplain's Purse" is introduced, which was closed by a lace and tied to the waist.

In 13th century moneybag has arrived, It was containing all the savings kept in a co88ffer. It has a metallic clasp.

Rabelais used the worked "Marioquin", meaning a goat skin tanned in morocco at 16th century.

Today we can distinguish between,

Small leather goods:

Wallet, purse, card holder, key holder, Cheque holder, spectacle case, pen case etc.

Medium leather goods:

Hand bags (ladies and gents)

Luggage:

Traveling bag, suitcase, vanity case, attach case etc.

Saddlery:

School bag, satchel, document holder etc.

Leather covering:

Box, case jewelers box, office equipments, upholstery etc.

Belt and Wrist Watch Strap

1.3. GENERAL CLASSIFICATION OF LEATHER GOODS

There is wide variety of leather goods produced in the worldwide. The main groups are,

- Small leather goods/Fancy leather goods
- Medium leather goods
- Heavy leather goods

Small Leather goods

Small leather goods or sometimes called personal leather goods which are usually carried in pocket or hand bags, includes purses, wallets, key case, passport case, note case, card case, cigarette case and cigar case, match box case and so others. Most of those products are made without any internal stiffening of reinforcement. These leather goods require leather having thickness of about 0.5 mm to 1.00 mm. different types of hides and skins which are usually used in making small leather goods are, cow softy, goat glaze, sheep napa, calf skin etc.

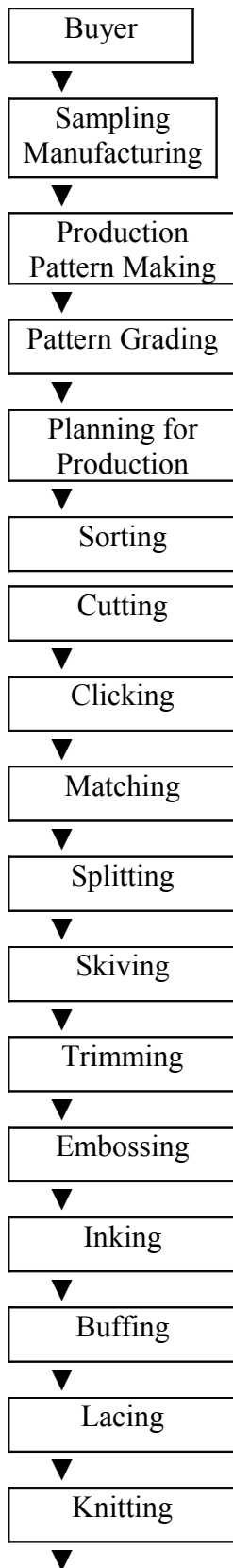
Medium Leather Goods

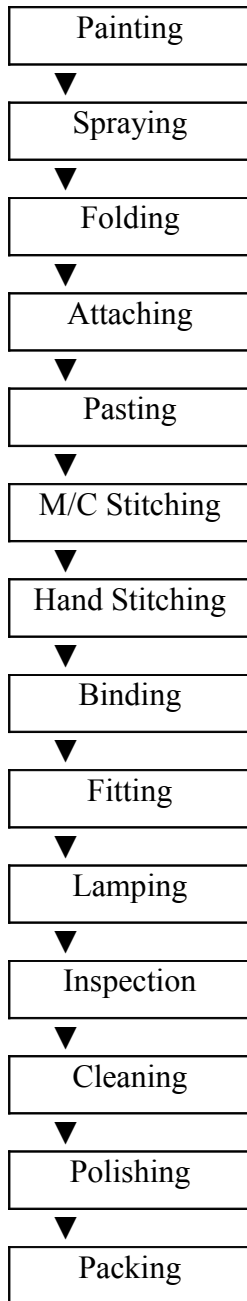
It includes hand bags, shopping bags, shoulder bags, document cases, attach cases and so on. These bags are made from calf, Goat, Sheep and exotic skins and hides finished with range of colors which generates a good appearance and look sophistication and modernity. Leather, which has a thickness of 0.8 mm to 1.2 mm is used in making of medium leather goods. Cow softy, dry milled, cow napa, sheep napa, goat and buff softy leather are widely used in making of medium leather goods.

Heavy Leather Goods

These are made generally from cow and buff hides, which are strong and durable. The hides have distinct surface grain patterns and size ranges from 20 to 30 sq. ft is full hide. Cow and buff hides of thickness 1 to 1.5 mm are used for making heavy leather goods. The type to leather goods for making heavy leather goods are, box sides, Katti Leather, Split Leather, Cow Upper, Upholstery, Buff Softy, etc.

1.4. FLOW CHART OF LEATHER GOODS MANUFACTURE





It is general flow chart for leather products making. Process can be varied with different design, style and on the kind of article.

1.5. EVALUATION OF DESIGN AND FASHION TREND IN LEATHER GOODS

Before dealing with the concept of design in detail, a broad outline of what have originated before the advent of design in dealt with, it started first with the purpose of utility. During the pre-historic times, man was exposed to a lot of natural hostile forces from the environment such as cold, heat and rain. Initially, he started using large leaves to cover himself and palm leaves to protect his feet but when demand for these increased, he looked for alternatives with a longer durability.

Then started the emergency of using the skin of animals. As he hunted for his food, he discovered a number of applications of the skin including protecting himself the elements.

Hence, from the crude utility stage, it moved, in the later stages to a higher level of designing. Design took different from another, to differentiate life styles, occupation and so on. As civilization progressed, simultaneously population grew and demand also increased. Market paved its way to competition. Competitions vied with one other and it was them that DESIGN took stronger roots. Design plays a major role in a number of fields. It is not limited and has application in diverse fields like architecture, scientific equipment etc.

A study of design in the leather industry would show that of late there has been a dramatic change. A number of design schools have been started to meet the growing demands of the trade. The designer's words are exhibited in fairs organized by the leather industry. It goes into the various attributes and a jury is formed to evaluate the displayed designs. The displayed designs are then awarded a ranking. It is then selected for a period of two years to be the fashion. Designs are selected two years in advanced before coming into market.

In the western countries fashion charges twice a year, due to their climatic conditions. Hence, we find that winter wear has its own fashion vary different from that of summer. Here we also find that purpose power is vary high and hence we find there are designers like Pierie Cardin, J. C. Penny and so on who bring out a total range of wear consisting of clothes to footwear, together with leather accessories.

Clothes and footwear change are attributed to formal occasions, such as an informal party dress to a formal dinner wear. Colors also play a very vital role in fashion trend. When a particular design is selected by the jury, rights are granted to the manufacture for production which finally comes to the market, it is at this

stage, it is seen whether the level of acceptance by the public is high, which in turn determined by the sales and successful it becomes a trend of that time.

The foregoing indicated market that pertains to the western countries. There is a complete absence of these trends in a developing country like India. Only now there exists a very marginal awareness of design in the minds of the younger generation. With the advent of multinationals among the major business houses, there seems to be a positive outlook even though it might not be as successful as their western counterpart.

1.6. DESIGN AND PATTERN DEVELOPMENT

In the processing and marketing of leather goods, design & development (pattern development is the off – shoot of design & development) is of utmost importance. Without proper conception or grasp of functional value, no design could converted into a fabricated product and such as the work relating to the design and pattern development aspect of leather goods manufacture cannot be over emphasized.

In the first instance, a design should be as simple as possible and easily workable and saleable. The function of the design should be crystal clear before pattern making. Multipurpose functions (end use) with too many components joined or assembled should be avoided to the extent possible, as it cuts into other important aspects of the design namely size, a9apprave, shape and aesthetic value. A compromise or judicious or imaginative blend of elegance and performance, quite in harmony with the function use is suggested for the best creative designs.

As the sole intention of design is to meet the requirements of its basic functions, its performance could be better built around its generic character rather than its additive character. A good leather goods designer has to foresee the fashion trend / change and style in the coming seasons usually a year ahead and form an idea of what things are in store for the market. In fact, designer stands between the market and the manufacture. He is the creator of fashions and fashioner of creations. Some of the important factors are color matching, texture, feel embellishments and son on but the most important parameter being the functional value.

Another important aspect of design and pattern development is that the design should be easily translated or transformed into production schedule. Further productions and productivity are the key factors for a successful commercial venture. That is why it has been advocated that too many components have to be avoided. For instance, from the author's experience, a wallet could be made out of one single components of leather in less than three minutes, here the design and pattern making of the wallet plays a stellar role, but the consumptions of leather in pattern cutting is high but the compensated with the ease of operation and the productivity is very high in this case. On the other hand, the same wallet could be made with 5 or 6 components assembled together. Here we care saving leather, but production schedule is long and productivity slows down within its ambit. So in design and development of leather goods (the above is only in illustration to drive home the point) a judicious blend of production technique and productivity, cost saving, value addition and quality control aspects should be taken into consideration.

The pattern maker, next to the designer should have sound knowledge about the design chosen, the various materials of construction that are to be used and the different. In each pattern, allowances for seam and turnover are to be provided. The pattern size varies for leather, lining, foam and reinforcements. It is always the practice to have distinct markings in the patterns itself for button holes and other fasteners. Normally the patterns are made of thick strong paperboard with metallic piping around the edges or made of metal like aluminum and zinc. These are known as templates in technical parlance. The individual patterns of an article are numbered and kept together and stored properly for easy identification and reproduction at a later stage.

Undoubtedly, pattern cutting is an art, but it is scientific in the sense that it required elementary mathematics and geometry as symmetrical (sometimes odd) shapes of pattern are to be fitted in the area of leather judiciously to get the maximum advantage of cutting. The art of pattern cutting requires anticipation, sound judgment, cultivated style of approach with a sense of quality control.

After going through the scientific system of designing pattern development, one feels inclined that the principles of designing are based purely on mathematical calculations and geometrical drawings.

In the beginning, it is so; angle, degrees, dividers, set squares is necessary. But by identifying one self within such limits, one cannot become a perfect pattern maker. Experience, practical knowledge and keen observation are the ingredients to become efficient to give perfect, vital shape to the patterns and this requires training.

CHAPTER 2

2.1. MRKETING- THE CORE CONCEPT

Marketing is a social and global as well as managerial process by which individuals and groups obtain and want through creating, offering and exchanging products of value with others.

Needs, wants, demands, value, cost and satisfaction; exchange and transaction; relationships and networks; markets and finally marketers and prospects are the basic core concepts of marketing.

2.1.a. Needs, Wants and Demands

Marketing starts with human needs and wants; People need food, air, water, cloth and food, air water, clothing and shelter to survive beyond this people have a strong desire for recreation, education and other services. They have strong preferences for particular versions and brands of basic goods and services.

Need is a state of deprivation of some basic satisfaction. People require food, clothing, shelter, safety belonging and esteem. These needs are created by society and market makers.

Wants are desire for specific satisfiers of needs. An American needs foods and wants a hamburger, French fried and coke. In another society these needs might be satisfied differently.

Demands are wants for more particular or specific products that are backed by an ability and willingness to buy them. Many People want a Mercedes; only a few are able to and willing to buy one. Company must therefore measure not only how many people want their product but more importantly, how many would actually be willing and able to buy it.

2.1.b. PRODUCTS (Goods, Services and Ideas)

People satisfy their needs and wants with products .A product is anything that can satisfy needs and wants with products. Occasionally we will use other terms for product such as offering or solution.

A product or offering can consist of as many as three components; Physical goods, services, and ideas.

In fact services are also supplied by other vehicles; such as organizations, people, places, activities and ideas

2.1.c. VALUE, COST AND SATISFACTION

Value is the consumer satisfaction of the products overall capacity to satisfy his or her needs. Suppose Tanha is primarily interested to buy a ladies bag. If she gets offer to buy in 15% discount she will buy this one. Otherwise she will buy footwear which she needs more. Therefore she will consider the product's value and price before making a choice.

2.1.d. EXCHANGE AND TRANSACTIONS

Exchange is the act of obtaining a desired product from someone by offering something in return. For exchange potential to exist. Five conditions must be satisfied

- There are at least two parties.
- Each party has something that might be of value to the other party.
- Each party is capable of communication and delivery
- Each party is free to accept or reject the exchange offer
- Each party believes it is appropriate or desirable to deal with the other party.

2.2. CONCEPT OF MARKET

A market consists of all the potential customers sharing a particular need or want who might be willing and able to engage in exchange to satisfy that need or want.

Thus the size of the market depends on the number of people who exhibit the need or want, have resources in exchange for what they want.

Traditionally a market was a place where buyers and sellers gathered to exchange their goods, such as a village square. Economics use the term to refer to a collection of buyers and sellers who transact over a particular product or product class.

Businesspeople often use the term "market" colloquially to cover various groupings of customers.

Essentially manufacturers go to resource market (raw materials, labor markets, money market and so on), buy resources and turn them into goods and services. And then sell the finished products to intermediaries who sell them to consumers.

2.3. MARKETERS AND PROSPECTS

The concept of marketers brings us a full of circle to the concept of marketing. Marketing means working with market to actualize potential exchanges for the purposes of satisfying human needs and wants. The marketer can be a seller or buyer. Suppose several people want to buy.

2.4. MARKET TRENDS

A Trend is a direction or sequence of events that have some momentum and durability. Marketing is not like Euclidean geometry, a fixed system of concepts and axioms. Rather marketing is one of the most dynamic fields within the management arena.

Here are several emphasis on current marketing thinking;

- A growing emphasis on quality, value and customer satisfaction.
- A growing emphasis on relationship building and customer retention.
- A growing emphasis on managing business processes and integrating business functions.
- A growing emphasis on global thinking and local market planning.
- A growing emphasis on building strategic and networks.
- A growing emphasis on direct and online marketing.
- A growing emphasis on services marketing.
- A growing emphasis on high tech industries.
- A growing emphasis on ethical marketing behavior.

2.5. EXPORT POLICY OF BANGLADESH

2.5.a. INTRODUCTION

- Acceleration of production and expansion of trade result in growth of national wealth. Increased production in export sectors may become the prime mover in the development cycle in a densely populated Bangladesh like ours as this will generate employment opportunities which in turn will generate savings and investment on consequent flow of capital. The prime national objective of poverty alleviation will thus be materialised. As a first step towards reaching this goal we need to look at the country's production infrastructure.
- Our export trade is featured by the dominance of a few commodities in a narrow market. Such dependence on a limited number of export

items targeted a limited market is not desirable for economic development. We must, therefore, aim both at product and market diversification or else our export trade will become stagnant in the near future.

- Our export trade must keep pace with the projected GDP growth @ 7% and make due contribution through increased export earning. In this exercise it is imperative to identify new thrust sectors, increased export of higher value added items, diversify product wise , ensure products quality, improve packaging, attain efficient productivity. We should aim at marketing quality products at competitive price at the correct time.
- The Export Policy 1997-2002 has been designed to operate in the imperatives and opportunities of the market economy with a view to maximizing export growth and narrowing down the gap between import payment and export earning.

2.5.b. Objectives

The principal objectives of this policy are :

To achieve optimum national growth through increase of export in regional and international market.

To narrow down the gap between the country's export earning and import payment through achievement of the export targets.

To undertake timely steps for production of exportable goods at a competitive price with a view to exporting and strengthening existing export markets and making dent in new markets.

To take the highest advantage of entering into the post Uruguay liberalized and globalizes international market.

To make our exportable items more attractive to the market through product diversification and quality improvement;

To establish backward linkage industries and services with a view to using more indigenous raw materials, expand the product base and identify and export higher value added products ;

To simplify export procedures and to rationalize and solidify export incentives

To develop and expand infrastructure

To develop trained human resources in the export sector

To raise the quality and grading of export products to internationally recognized levels.

2.5.c. Strategies

The following strategies shall be undertaken to attain the objectives of the export policy 1997 - 2001 .

Simplifying export procedures, and helping the private sector achieve efficiency. The Govt.. desires more and more involvement of the private sector while the govt. will continue to play its facilitating role

Enhancing technological strength and productivity and facilitating reduce cost and attain internationally accepted standard of quality of exportable products and thereby consolidate their competitiveness.

Ensuring maximum use of local raw materials in the production of export goods and encouraging establishment of backward linkage industries;

Participation in the international trade fairs, specialized fairs, single country exhibitions abroad and also sending out trade missions, with a view to consolidating our position in the existing market and creating new markets;

Encouraging export of new category high value added readymade garments and also encouraging the concerned trade associations for establishment of a Fashion Institute.

For promotion of high value added leather and leather goods export: providing various facilities including bonded warehouse facilities for import of materials such as raw hides, pickled, wet blue, crushed and finished leather, components and chemicals etc. to 100% export oriented leather industries;

For promotion of export of shrimp: Extension and modernization of traditional/semi-intensive method of shrimp cultivation and ensuring quality as per buyers requirements.

For promotion of export of jute and jute goods: Undertaking extensive publicity of jute and jute goods as environment-friendly natural fibre and diversification of the uses of jute products.

For promotion of export of tea undertaking programmes for establishing brand name and developing linkage with established blending and distributing agents.

For promotion of export of agro based products: undertaking programmes for raising quality standard and expansion of market.

For the promotion of export of electrical and electronic goods (including computer software and data entry) : Building and ensuring conducive infrastructure;

For the promotion of export of engineering consultancy and other services and sub-contracting involving, in a bigger way, Bangladesh missions abroad obtaining contracts;

Organizing regularly international trade fairs and product-specific fairs with the country;

Making appropriate development and expansion of infrastructure conducive to export;

Making arrangements for necessary technical and practical training for development of skilled manpower in the export sector;

Ensuring maximum utilization of financial and other assistance extended by the World Trade Organization to the Least Developed Countries;

Ensuring maintenance of ecological balance and pollution-free environment in the production of exportable goods;

Extending technical and marketing assistance for development of new products and for finding appropriate marketing strategies;

Taking necessary steps to assist procurement of raw materials by the export oriented industries at world price.

2.5.d. Scope and General Provisions

This policy shall apply to the customs areas (excluding Export Processing Zones) of Bangladesh.

This policy shall take effect from 01.07.1998 and remain in force till 30.06.2002. However, the policy shall be considered valid until the next Export Policy is announced.

If any provision of this policy is found inconsistent with any provisions of the Imports and Exports (Control) Act, 1950, or of the Import Policy Order, the

Ministry of Commerce shall be entitled to amend, alter or modify such provision.

The Ministry of Commerce may, as and when necessary, amend, alter or modify any provision of the Export Policy including the export negative/restricted items.

Different aspects of the Export Policy shall be reviewed annually.

2.5.e. Target

For the policy period Export targets have been set at US dollar 5020 million for the fiscal year (F.Y.) 1997-98, US dollar 5,630 million for the F.Y.1998-99, US dollar 6,340 million for the F.Y. 1999-2000, US dollar 7,175 million for the F.Y. 2000-2001 and US dollar 8,100 million for the F.Y. 2001-2002. Details of the export targets have been shown at annexure 'A'.

2.5.f. Export Promotion Councils/Committees

A National committee on export has been formed. The highest level committee on export promotion, is headed by the Honorable Prime Minister and consists of the Honorable Ministers for Foreign Affairs, Finance, Commerce and Industries, Planning, Jute and Textile as well as senior government officials and representatives of important trade associations. The committee reviews the export situation, provides necessary directions and readily resolves problems.

For immediate attention and action on export related problem a task force has been formed under the chairmanship of the Honorable Minister for Commerce.

With a view to exchanging ideas with Chambers of Commerce and Industries, Exporters' Associations and private sector organizations in formulating export policy and strategies, and up lamenting policy decisions an export council has been formed.

A task force shall also be formed to recommend practical measures for export increase and monitoring the implementation of incentives and facilities of thrust sector and crash programme items.

Commodity Councils:

Commodity Councils shall be formed for jute, tea, shrimp, readymade garments and leather & leather products.

2.5.g. Thrust Sector

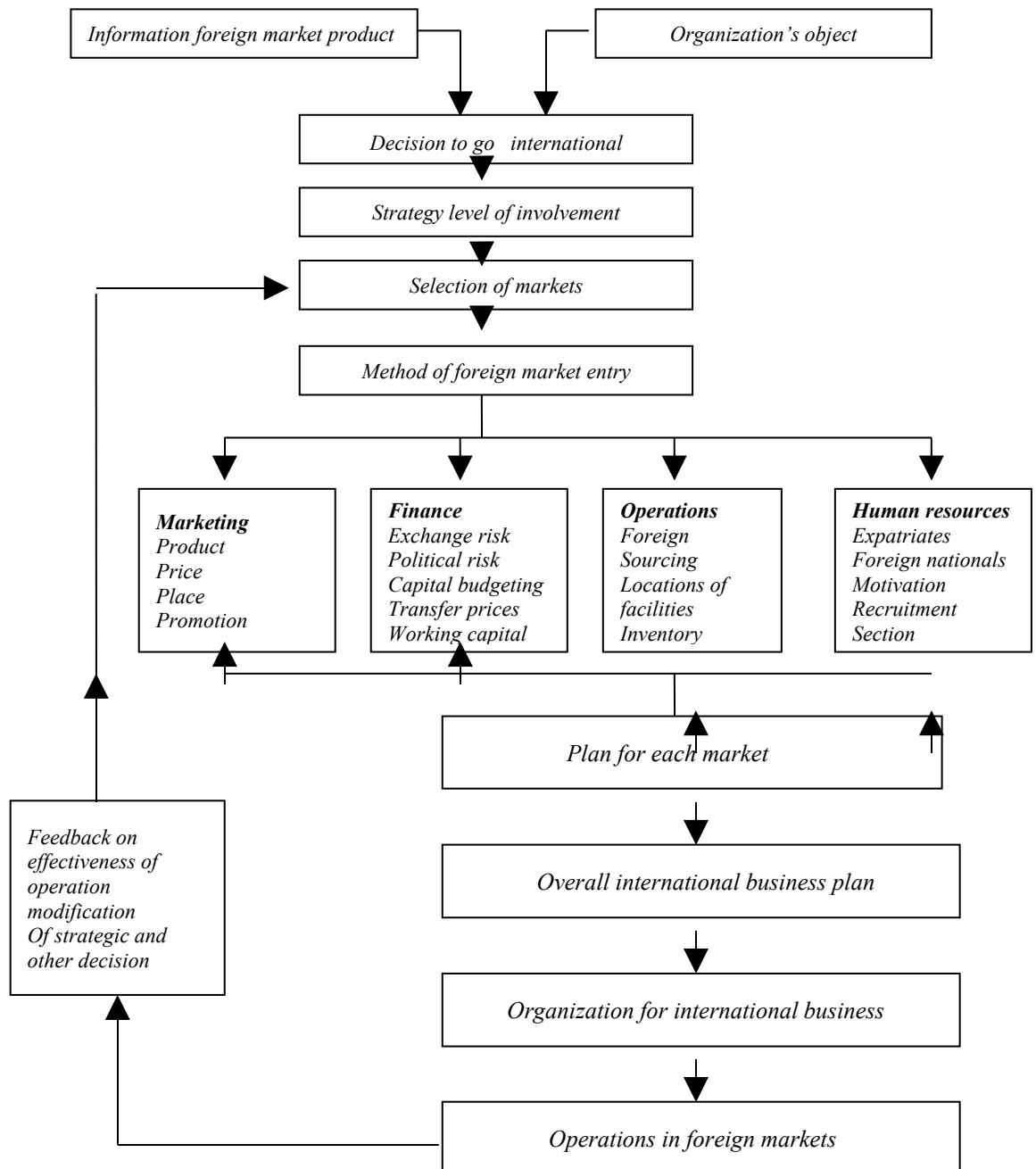
Leather and leather goods industries, high and high value added readymade garments, computer software and agro-processing sectors have been identified as thrust' sectors in this export policy. Although the leather and leather goods sector has enormous export potential the sector has not been able, till date, to achieve desired results. On the other hand, the readymade garments sector is expected to stage a breakthrough in the export of high-priced, high value added garments of newer categories after having survived successfully the initial phase of exporting low-end garments. Like wise computer software and agro-processing sectors could not record the desired level of export through the sectors offer bright prospects for earning foreign exchange. These -four sectors have been declared, 'Thrust Sectors', in this policy to ensure priority with the following lines of actions :

Leather & Leather Goods

- Leather manufacturing units shall be modernized in order to enable them to produce increased quality of finished leather out of raw hides.
- With a view to reducing cost of production, steps shall

2.6. UNDERSTANDING THE INTERNATIONAL MARKETING STRATEGY

In order to understand the international process it needs to be viewed schematically from the first decision –marketing process through to implementation and control. This entire process is outlined below as follows:



It is explained in more details as follows:

Information: Foreign Market Potential:

Any decision to go international must be based on soiled and reliable market information on the potential to the organization from the foreign market.

2.6.a. Organization's Objectives

A clear understanding of the organization's corporate and marketing objectives will help the marketer to understand whether international marketing and or the selection of the particular key markets is in line with the organization's objectives and ambitions for the future.

2.6.b. Decision to go International

The difference between an organization deciding strategically to take an international role in its business rather than opportunistically following up the odd foreign sales lead has a very different effect on the organization and the way it approaches its international markets. With a corporate decision to take international business as a serious activity, the organization is likely to put the resources required behind the effort and to treat it as a key activity in the future.

2.6.c. Strategy 'Level of Involvement

The first strategic decision the organization makes on its route to internationalization is to decide how deeply involved it wishes to become in the international marketplace. The organization's chosen level of involvement in international business will determine (at least in the short term) the marketing, financial, operation and human resource strategies that can be employed. The different level of international involvement range from active exporting subsidiaries overseas as far as foreign production and foreign marketing.

2.6.d. Selecting the Markets

The organization should resist the temptation to attack too many markets there by spreading effort and resource too thinly to be successful. The most successful international operations often come from making an initial effort into a single market and then extending this to other possibly neighbouring markets as learning in international business increases. Market selection can be based on

three criteria: market potential, similarity to the home or other foreign markets & market accessibility.

2.6.e. Method of foreign Market Entry

Unlike domestic marketing, the organization often has a clear choice of how it proposes to enter overseas markets. How the method of market entry is selected will determine the freedom of action the organization has over the various elements of the markets mix. As with level of involvement, method of entry may dictate marketing activities in the short term.

2.6.f. Foreign Market planning

Although the international marketing strategy is primarily concerned with marketing activities in overseas markets, the modern marketer can ill afford to ignore the international aspects and pressures upon other functional areas of the business. Not only must decision be made on the marketing mix most appropriate to international markets but also the other functional requirements of the organization must be considered if any strategic marketing activity is to be successful. Financial considerable and will cover issues such as exchange risk, political risk, capital budgeting, transfer pricing working capital requirements.

2.6.g. Plan for Each Market

In order to control the marketing & business operations in over as markets it is important that a plan is developed for each individual market based upon the differing marketing characteristics & customer expectations from the marketplace.

2.6.h. Overall International Business Plan

International business planning requires that the individual market plans be coordinated and controlled for international operations. Unlike the domestic situation where there is a single market and easily understood planning parameters, the international environment tends to be much more fragmented and may require differing resources at different stage and levels of allocation. It is important that the organization attempts to remain in control of the situation and the coordination of (often diverse) national or market plans become a major strategic activity.

2.6.i. Organization For International Business

Structure can be a severe brake on any organization's international ambitions and new organization structures may be required in order to facilitate and promote international business.

2.6.j. Operations in Foreign Markets

As operations and activity 'on the ground' begin to unfold it is important that evaluation and control methods be in place for the organization continually to improve its activity in international markets.

2.7. Summary

- There is little conceptual difference between international marketing and domestic marketing.
- The focus of the international marketer's activity is the customer (as in the domestic situation), but the customer happens to be in a foreign market with all that entails.
- A primary problem in successful international business is the social \ cultural conditioning of the international marketing (remember the S R C).
- International marketing consists of four interrelated questions:
 - Whether to?
 - Where do?
 - What to?
 - How to?

SOME EXCLUSIVE ITEMS FOR EXPORTING





**STUDIES ON THE
EXPANSION POLICY OF
LEATHER PRODUCTS
BUSSINESS IN
BANGLADESH**

CHAPTER-3

● An Abridged Overview of Bangladesh Leather Products Sector

An Abridged Overview of Bangladesh Leather Products Sector

Leather sector in Bangladesh has, by and large, made a progressive growth in terms of the output of producing finished leather, Leather Footwear Production etc.. Technical improvements integrated in the process of producing finished leather has widened and enriched the product lines in various sub-sectors of the whole leather sector. Presently an output of around 200 million sq. ft. Of leather is attained annually.

Leather from Bangladesh enriched with natural texture and grain patterns, is in great demand and benefits from high reputation in the international market. In spite of these favorable factors, the industry has not yet exploited its potential and its performance in world trade is marginal compared to the continued increasing trend.

Leather and leather products are among the most widely traded and universally used commodities in the world. Formal trade in these products is recorded at over US\$ 60 billion per year and it is estimated that the value of the informal trade is similar amount to formal trade in many developing countries. Moreover, the international market for leather and leather products is far from a saturated point. Analyst's projection indicates that in the next decade the demand for raw materials and finished products will outweigh supply situation. Trade of developing countries is not confined to export of raw materials. In fact, developing countries take 45% share of exports of leather manufactures. However, the following charts will project global performance vis-à-vis shares of Bangladesh.

Table-1: World Trade (US \$ million)

	2001	2002	2003	2004	2005
Hides and Skins	4,184	3,493	4,444	4,957	4,696
Leather	11,116	10,566	12,423	13,199	13,402
Leather goods	1,101	1,196	1,461	1,437	1,752
Leather garments & gloves	6,320	6,040	7,484	7,910	7,993
Footwear	34,303	34,050	34,819	35,843	36,492
Total	57,024	55,345	60,631	63,346	64,335

Table-2: Bangladesh share in world trade (US \$ million-year 2002)

	World	Bangladesh	
Hides and skins	4,696	1	0.021
Leather	13,402	188	1.403
Leather goods	1,752		0.004
Leather garments and gloves	7,993	22	
Footwear	36,492	35	0.096

UN COM trade-rounded figure

Leather products sector is perceived to be one of the important economic sectors in Bangladesh. As a single sector of the economy, the sector contributes modestly to the country's GDP. Contribution of leather sector (hide and skin, leather and leather goods, and footwear except rubber) to GDP is 0.31 (at constant price) in FY 2003.

The leather sector accounts for about 4% of total exports earnings of Bangladesh. Nevertheless, it is a major export commodity after ready-made garments and jute products and its development, is considered by the GOVT. a priority for export diversification and employment generation. This status was confirmed by the Round Table on the Integrated Framework (IF) for LDCs, held in January 2000, and by the World Bank, which included the leather sector among the priorities of the Export Diversification programme for Bangladesh.

Table-3: Leather Sector about 4% of total export earnings of Bangladesh

Year	Total Export	Leather, Leather Footwear And Leather Goods Export	Leather, Leather Footwear and Leather Goods as % of Total Export
2002-2003	5312.86	219.39	4.39
2003-2004	5752.20	246.89	4.30
2004-2005	6467.30	290.68	4.50
2005-2006	5986.09	252.49	4.22

**Source: Export Promotion Bureau of Bangladesh (EPB)
Leather Goods**

The leather goods producing enterprises only a few in number (15-20 units) with product lines relating to travel goods, suitcases, briefcases and fashion accessories, along with belts, wallets, hand bags, case holders etc.. for overseas export. Export of leather goods made of Ostrich bird leather, is an unique collection amongst many other exciting products made of goatskins,

cow calf, Buff-Calf etc.. Articles made of ostrich bird leather are exported to Australia (ostrich bird leather is imported from South Africa and Australia). Bangladesh has also entered the field of Leather fashion garments with items of distinction. The leather goods manufacturing firms use basically finished leather and lining leather as raw materials and all are collected from local sources. The sendry items such as buckles, rivets, locks, trims etc.. are imported.

Supply of Hides and Skins

The supply of hides and skins, the basic raw material if leather, footwear and leather goods industries depends on the rate of slaughtering of animals. which in turn depends on the demand of meat and the livestock population.

Table-I: Livestock Population in Bangladesh

Species	1983-84 full count	1999	2000	2001	2002	2003	2004	2005
Cattle	21,495	23,244	23,500 (1.00)	23,,480 (Nil)	23923 (1 89)	24,130 (0 87)	23,400 (-0.60)	23254 (-0.06)
Buffalo	567	758	810 (3.10)	832 (2.72)	866 (4.09)	874 (0.92)	820	850
Goat	13,658	21,031	22,000 (4.61)	23,979 (9.00)	25,967	28,050 (8.19)	33,500	34,590
Sheep	767	873	900	940	989	1,070	1,110	1,118
Total	36,487	45,906	47,210	49,2314 9.231	51,745	54,124	58,830	59,812

Source: estimates bases on FAO and BBS reports, and export statistics

The annual supply of hides and skins is about 200 million square feet of which 64% are cow hides, 31.82% goat skins, 2.25% buffalo hides and 1.10% sheep skins. Only 15-18 percent of the total supply is needed to meet the domestic requirements and the rest remains surplus for export. About 40% of the supply of hides and skins comes from animals slaughtered during the annual Muslim festival of Eid-UI-Azha. In addition to daily consumption of meat, festivals, Muslims weddings, and other celebrations yield a substantial supply of hide and skin.

Production of Leather and Leather goods

Leather manufacturing enterprises produce a variety of leather (e.g. wet-blue, crust and Finished) and leather goods (e.g. shoes, bags, readymade leather garments etc.).

Bangladesh produces about 220.70 million square feet leather including 117.54 million square feet crust leather for export and 1069.17 million square feet various type of finished leather for export and local consumption.

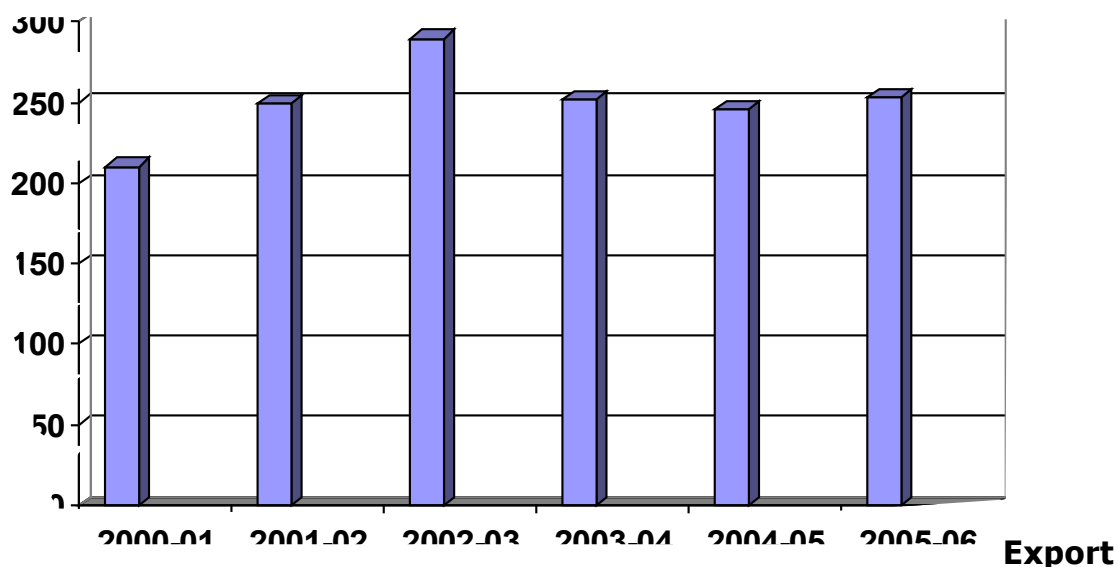
Export of leather, Leather Footwear and Leather Goods

Bangladesh earned 265.91 million US dollar from the leather, leather footwear and leather goods in the year 2003-2004.

Table-5: Export of Leather, Leather Footwear and Leather Goods

Year	Leather		Leather Footwear		Leather Goods		Total
	Export	% of total	Export	% of total	Export	%of total	
1998-1999	168.25	76.69%	46.55	21.22%	4.59	2.09%	219.39
1999-2000	195.05	79.00%	48.26	19.55%	3.58	1.45%	246.89
2000-2001	253.93	87.36%	33.63	11.57%	3.12	1.07%	290.68
2001-2002	207.33	82.1%	41.29	16.4%	3.87	1.5%	252.49
2002-2003	191.23	83.2%	35.06	15.3%	3.43	1.5%	229.72
2003-2004	211.41	79.50%	50.86	19.13%	3.64	1.37%	265.91
2004-2005	232.48	76.64%	87.55	33.87%	70.85	23.36%	390.88
2005-2006	257.27	88.13%	95.44	39.75%	7.12	2.29%	349.83

Source: Export Promotion Bureau



Market of Leather, Leather Footwear and Leather Goods

Leather and leather products are exported to different countries of the world; the major importing countries are Italy, Korea, Japan, Hong Kong, Spain, France, Germany, UK and USA.

Table-6: country wise Export of Leather

Countries	2004-2005		2005-2006	
	Value	% of Total	Value	% of Total
Hong Kong	69039	36.10	72026	34.06
Italy	38621	20.20	43601	20.62
Korea Rep.	13736	7.18	19779	9.36
Japan	15029	7.86	15188	7.18
Taiwan	11556	6.04	11850	5.61
Vietnam	4928	2.58	11500	5.44
Spain	6821	3.57	9709	4.59
China	5932	3.10	7655	3.62
Mexico	2027	1.06	2160	1.02
UK	1507	0.79	1228	0.58
France	1779	0.93	1106	0.52
USA	983	0.51	631	0.30
Germany	818	0.43	549	0.26
Others	18450	9.65	14430	6.84

Total	191226	100.00	211412	100.00
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Table-7: country wise Export of Leather products

Countries	2004-2005		2005-2006	
	Value	% of Total	Value	% of Total
Germany	1842	53.70	1940	53.30
Saudi Arabia	22	0.64	366	10.05
UK	321	9.36	333	9.15
Japan	161	4.69	258	7.09
Spain	-	-	87	2.39
Canada	13	0.38	78	2.14
USA	517	15.07	62	1.70
Singapore	-	-	58	1.59
Switzerland	9	0.26	57	1.57
Italy	11	0.32	50	1.37
France	269	7.84	3	0.08
Others	265	7.74	348	9.57
Total	3430	100	3640	100

Source: Export Promotion Bureau

Leather is the sector with major added value for the Bangladeshi economy-calculated at about 80% of the value chain, and quality few materials are available locally and the industry has developed from hides and skins to finished products. The expansion of exports of finished products (footwear, leather goods and garments) will further increase that added value and exercise a pull drive force on the whole supply chain, fostering also an increased production of quality leather by tanneries.

In fact, there is probably no better example of globalization than the leather sector. Leather products often are not the result of the industry, but of an integrated industrial supply chain which is determined by many different factors in the successive stages of the chain-in product design, in the selection and purchase of raw materials and components, in the production processes. In marketing, distribution and sales and finally by consumer demand both at home and abroad. This supply chain, which is quite often buyer-driven with marketing and manufacturing agents setting up global production networks, principally in developing countries can be spread across several countries and regions. There are enormous opportunities for Bangladesh amongst Asian

countries to explore its possibilities to increase export performance in the Global market and take due share therein particularly in Leather Footwear and Leather Goods Business. Potentiality to invest in leather products sector in Bangladesh

- There is no multinational company that produces leather goods except some local based.
- Bangladeshi cow and goat finished leather is very much suitable for different types of leather goods especially smaller one like travel bags, ladies bags etc.
- Own arrangements for producing different types of fasteners and ornaments.
- Also different types of reinforcement materials also available.

Preferable location:

1. Tongi (Northern side of Air Port)
2. Savar (Western side of Air Port)
3. Kaliakor (North-West side of Air Port)

- Local consultancy is available.
- Designing, product development activities to be organized by the sponsors.
- Fiscal benefits:
 - i. Tax Holiday
 - ii. No custom duty on capital machinery.
 - iii. Internal transport system is quite operationally satisfactory.
 - iv. Two Sea Ports conveniently connected with almost all part of the world. Dhaka Airport is widely connected with Europe and Far East.
 - v. Capital investment is repatriable.

• Essential services:

1. Electricity-1 lkb step down to 415 v
2. Water-own arrangement to be made
3. Gas for better and generator readily available in country.

CHAPTER-4

•PROBLEMS & PROSPECTS OF EXPORT ORIENTED LEATHER GOODS INDUSTRY IN BANGLADESH.

•STRENGTH & GROWTH PROSPECT OF THE LEATHER AND *LEATHER PRODUCTS INDUSTRY IN BANGLADESH.*

•THOUGHTS ON POLICY ON THRUST SECTOR (LEATHER SECTOR) V'IS-A-VJS LEATHER GOODS.

PROBLEMS & PROSPECTS OF EXPORT ORIENTED LEATHER GOODS INDUSTRY IN BANGLADESH.

Leather and leather product industry has a potential and significant economic impact towards the economy of Bangladesh. The optimization in the use of resources, both human and material is the growth potential for the economy of any country. And Bangladesh possesses distinct comparative advantages for the use of both human resources and locally available raw materials like leather. The challenge ahead is thus to attain certain objectives to remove the obstacles for the growth of a healthy export oriented leather goods industry in Bangladesh.

There is no denial of the fact that our export business, by and large, has been hard-hit following the incident of September 11, 2001 in the USA. Although initial panic had been experienced around the world including the set-back in the global export market due to the consumers' behavioral pattern which have been changed in a great extent. On the other hand, considerable pressure is being exerted by environmental groups on the governments in industrialised countries that do not maintain nationally prescribed environmental protection standards. Many chemicals that are considered harmful to humans are banned for use in leather products in these countries.

On contrary, unfortunately, the export from our leather goods sector is going instead of going ahead. In the year 1998-99 Bangladesh exported leather goods worth of US\$ 4.59 million, which came down to US\$ 2.88 million in the 2001-2002. So the entrepreneurs of export oriented leather goods industry and concern agencies of the GOB should come forward with specific programmes and policies, so that the' growth of a sustainable export market for Bangladeshi leather goods would become possible in the coming days.

Export of Leather Goods in Last 4 Years
(In million US Dollar)

2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
4.59	3.58	3.11	2.88	0.98 (July October)

The Present Situation in Export Oriented Leather goods Industry

The above export figure reflects the present situation of leather goods (apart from shoes) has not been so mentionable, though GOB provided GSP facilities and increase the cash incentives to 15% instead of 10% from the current fiscal year for the export of leather goods. Only few manufacturing units

are engaged in this area and most of them are not so mechanized. More than 60% worker of leather goods sector become jobless and some of the leather goods units has been diversified towards local market, making various goods using synthetics. Reputed export oriented leather goods factory, once who has been awarded the export trophy closed down since long.

Average labour cost in Asia and South American Countries

SI. No.	Country	US\$/Hour
1	Japan	24.00
2	Italy	14.00
3	South Korea/Taiwan	6.00
4	Brazil	1.50
5	Mexico	0.8_0_
6	Indonesia	0.45
7	China/Vietnam	0.30
8	Bangladesh	0.20

Major Problems of Export Oriented Leather Goods Industries

The export of leather goods we declining every year due to various reason and most of the problems are solvable if concerned agencies of GOB extend full support and cooperation through the policy incentives.

Problem 1: Supply of Quality Finished Leather

This problem is very acute for the leather goods entrepreneurs, who don't have own backward linkage facilities i.e., Tannery Organization.

It has been observed that inadequate interest of the major finished leather producers has unwillingly made non cooperative towards leather goods exporters with respect to export through local L/C etc.. Most of the finished leather Tanneries are not serious enough to supply in time, which causes delay in export. Quality problems are found in having appropriately matched color, softness and other properties. The Tannery authority usually charges higher prices than the normal export prices of the same leather.

Problem 2: Lack of Trained Manpower

The Leather Goods factory now need specialized trained personnel for the work like designing, cutting, Stitching and finishing but BCLT now conducting 4 years long graduation course in leather product technology which is really extremely effective to build up trained manpower. Leather goods

Problem 3: Heavy tax and duty on import of Leather Goods Accessories

The current tax and duty structure on the import of leather goods Accessories is extremely high or highest in the Bangladesh custom Tariff formulated and implemented by National Board of Revenue. The following are the H.S. code numbers using in the import of leather Goods Accessories:

H.S. Code No. 4202.11.00

4202.12.00

8301.40.20

The duty figure is 32.5% inclusive VAT etc.. total is 70% but this tax was more higher 37.5% +VAT in the previous years. This level of duty for an export oriented sector could be termed as an instance of irresponsibility of the Finance Ministry, which continued for many years. The objective of imposing such high and abnormal duty on leather goods accessories is to discourage the export of leather goods from the country and which already achieved through declining of export of leather goods in 1997-98 US\$ 5.47 million to US\$ 2.88 million in 20002001.

It is quite funny and impossible to compete with any Asian Leather goods producers in the export market after paying such high percentage of import duty. National Board of Revenue offered the industries to enjoy the bonded warehouse facilities, but it is really impossible for the small and new entrepreneurs to use this facility for themselves because of the official and unofficial costs involved with process which is very high and there is no regular guaranteed buyer for all the leather goods exporters. So bonded facilities for leather goods entrepreneurs is nothing but a joke only.

Problem 4: Design and Development

This is most common problem for a leather goods sector in Bangladesh to get an expert suggestion in designing matter from anywhere to go ahead with a regular production. The copying of best designed foreign made leather goods, also need some low cost technical support. Entrepreneurs operating small and medium range of production can not meet the constraints of appropriate product knowledge. They also suffer from the lack of regular acquaintance with overseas customer. The assistance to promote the business through participants in fairs/trade show from Export Promotion Bureau is also very rare for the leather goods exporters.

Policy Measures Suggested for Export Oriented Leather Goods Industry

Export oriented Leather Goods industries could be termed as highly value added sub-sector in the Leather Field. Bangladesh has fine quality cattle hides and top quality goat skins along with valuable water buffalo and one of the

cheapest labours in the world. We only need to overcome of the weakness of the industry and can make leather goods industry as most prospective sector. The annual exports of Leather goods exported from India in 2001-2002 were 109 million US\$.

The following recommendations are suggested to boost-up the export performance in leather goods sector:

Proper policies have to be developed to influence integration between finished leather Producing Tanneries and leather goods entrepreneurs to ensure supply of quality finished leather at reasonable prices. The high profit making tendency of the finished leather supplier has to be minimized through formulating of certain policy incentives.

The Ministry of Education should constitute an expert committee to oversee the actual development work in BCLT and lead to run this important and only institution towards the benefit of the export oriented leather and leather product industry.

The import duty on leather goods accessories should be 0% and following are the H.S. Code No. If GOB want to promote the export oriented leather goods industry, this types of duty figure must be maintained. Only offering GSP facilities and 15% cash incentives in export for leather goods is not enough.

A centralized training center for skill development, R & D facilities to develop new design is very much essential to boost export of leather goods in the country. In India UNIDO have extended such facilities for leather goods and footwear exporter. GOB should have make a formal request to UNIDO to built such Centralized training center for both leather goods and footwear in Bangladesh.

Strength & Growth Prospect of the Leather and Leather Products Industry in Bangladesh

Leather and Leather products occupies fifth place in our export trade as a non -traditional export items. The export potential of Leather and allied industries to our economy in view of its massive approach towards growth prospects on terms of value addition and scope of employment generation is very high. There has been increasing emphasis on its planned development through choice of technology for preservation of rawhide & skins production technique, optimum utilization of available raw materials and stopping of its pollution as a whole.

The phenomenal growth of 10% in export from US \$246.98 million in the year 1999-2000 than that of the previous year which is actually 4.29% of the country's export volume. Apart from a significant foreign exchange earner this industry has tremendous potential for employment opportunities especially in the export oriented Footwear & Leather Goods industries. Currently huge number of peoples is getting their employment in this important export oriented footwear production segment and the total income was US\$ 46.26 million in the 1999-2000 fiscal year by exporting leather footwear. But in 1995-96 the export earning from footwear sector was only US\$ 19.13 million.

Our Livestock population, natural quality of rawhides & skins and human resource is the strength of our leather industry. We have a large but not adequate raw material base in the country. This is on account of livestock population of 70 million Cattle, 35 million Goat and 5 million Sheep & 4.5 million Buffalo and these four species provide us the basic raw materials for the leather industry. The annual availability of about 180 million sq. feet raw hide & skins is the main resource, which's correct and modern preservation has to be considered very important.

The leather Product Industry, one of the major foreign exchange earners of the country recorded steady growth in the past decades. In the 1999-2000 financial years the total export earning from Leather sector US\$ 246.98 Million is being considered as higher after the Independence. The major important countries are Italy, Germany, UK, USA, Hong Kong, Japan etc. In 2000-2001 financial year, the export of leather and leather footwear and leather goods would reach in such a level that in July-Oct four months term Bangladesh earn about US\$ 100 million and we are very much hope full that at the end of the financial year the total earning will exceed US\$ 300 million.

The Government of Bangladesh should given special attention to export oriented leather & leather products sector at various levels with a view to boost exports considering its inherent strength and prospective futures. Possible formation of Leather Council and a co-operative attitude towards entrepreneurs of leather industries from the financial Institutions and other co-operation in this regard have to be considered as the major change in the Government policy on Leather.

**THOUGHT ON POLICY ON THRUST SECTOR
(LEATHER SECTOR)
VIS -A-VIS LEATHER GOODS**

1. Preamble:

It is an appreciable work that the Govt. has been very rightly over emphasizing the needs to further aggrandize all activities in the "Thrust Sector" to boost-up the export performance in bringing the country's economy out of an encircled situation on account of abnormal retardation on the foreign exchange reserve.

There is no denial of the fact that our export business, by & large has been hard- hit following the incident of September 11, 2001 in USA. Although initial panic had been experienced around the Global Stock Market; Consumers behavioral Pattern has not been reported to be so declining. Of course, concerns in business community do and will continue for some time. It is also a hard fact, that recession would, in some form or other, create buttress in our regular activities of export business. However, some exaggeration (!) are reported by the business community through media perhaps to draw the attention of the concerned Govt. authority with a view to getting accelerated remedial measures. Leather Sector being one of the "Thrust Sectors", has a unique position in such training the continuity of export business despite usual "ups and downs" in the business. In view of international situation, price range gets subjected to variation form time -to -time. But, by large, the performance in the `leather Sector' gets going. The hard fact still remains that export of finished leather (or next stage of leather goods or shoes etc.,) is only 15-20% of the total export in leather sector.

The above scenario demonstrates that opportunities/potentials on finished leather business and more particularly leather goods along with Leather Footwear Production, still remains remarkably unveiled.

The other important aspects of the constraints are that leather goods manufacturing units are facing (even leather Footwear Industries) is insufficient incentives given by the Govt. to the entrepreneurs. It may be mentioned here that an incentive of only 10% is allowed to Leather Footwear Industries & Leather goods Industries in respect of their export performance.

This issue can be appropriately addressed taking into consideration the incentives being provided by the neighboring countries (India, Pakistan in leather sector as a whole.

4. Policy Measures Suggested for Leather Goods Industry:

The following measures are suggested to boost -up export in Leather goods at large:

A. For the import of machinery & equipment's worth US \$ 100,000.00, Bank loan should be given at a lower interest rate (57%). The grace period should be at least 12 months from the date of commencement of commercial production.

B. The Working Capital needs to be worked out on the basis of 3-4 times stock-turn. This means $\frac{1}{4}$ or $\frac{1}{3}$ of yearly estimated Turn Over should be added here that interest rate on Working Capital should be also charged at lower rate.

C. The Footwear Design & Development Institute (FDDI), which has been a long pending matter, should be settled without any more loss of time. It may be added here that it was agreed in principle on a high level meeting in the Ministry of Commerce (where I was present personally), that this important Institute would be set up within or around the premises of Leather research Institute at Nayerhat, Dhaka. This will facilitate training of manpower for stitching, cutting, prefabrication etc.. that are common to both Footwear and Leather goods s Industries.

D. The present policy on Tax Holiday needs to revised with softer terms & conditions particularly the length of period the commencement of commercial production It is needless to mention here t hat in view of the fact that the Leather Goods Industries are to be essentially near Dhaka City for the reason that supply of finished Leather is available only in Dhaka. The present facilities for the industries around Dhaka City permit only years Tax Holiday. It is strongly believed by the entrepreneurs that this should be at least 7 years.

E. Because of the relatively small volume of the orders for Leather Goods, special Airfreight charges can be allowed on Bangladesh Air line throughout the year. The Leather Sector is a very important sector with value addition between the range of 65-75% and it necessitates no further explanation as such.

Through this article, it is urged upon the concerned authorities of the Govt. to take a very close look at the whole leather sector and the experts in the filled can be assigned together with the Govt. officials for drafting a "National Leather Policy" which was long back initiated but,

with no comprehensive result. Since it has been a long pending/unresolved matter, it is suggested to start the work de novo and this bring an end to this issue in the greater national interest of boosting -up the export performance in the whole Leather Sector of the country.

CHAPTER-5

BUSINESS EXPANSION POLICY

1. Introduction:

1.1. Acceleration of production and expansion of trade result in growth of national wealth. Increased production in export sectors may become the prime mover in the development cycle in a densely populated Bangladesh like ours as this will generate employment opportunities which in turn will generate savings and investment on consequent flow of capital. The prime national objective of poverty alleviation will thus be materialised. As a first step towards reaching this goal we need to look at the country's production infrastructure.

1.2. Our export trade is featured by the dominance of a few commodities in a narrow market. Such dependence on a limited number of export items targeted at a limited market is not desirable for economic development. We must, therefore, aim both at product and market diversification or else our export trade will become stagnant in the near future.

1.3. Our export trade must keep pace with the projected GDP growth @ 7% and make due contribution through increased export earnings. In this exercise it is imperative to identify new thrust sectors, increase export of higher value added items, diversify product wise, ensure product quality, improve packaging, attain efficient productivity. We should aim at marketing quality products at competitive prices at the correct time.

1.4.. The Export Policy 1997-2002 has been designed to operate in the imperatives and opportunities of the market economy with a view to maximizing export growth and narrowing down the gap between import payment and export earnings.

2. Objectives:

The principal objectives of this policy are:

2.1. To achieve optimum national growth through increase of exports in regional and international markets;

2.2. To narrow down the gap between the country's export earnings and import payments through achievement of the export targets;

2.3. To undertake timely steps for production of exportable goods at a competitive price with a view to exporting and strengthening existing exports

markets and making dent in new markets;

2.4. To take the highest advantage of entering into the post Uruguay liberalized and globalize international market;

2.5. To make our exportable items more attractive to the market through product diversification and quality improvement;

2.6. To establish backward linkage industries and services with a view to using more indigenous raw materials, expand the product base and identify and export higher value added products .

2.7. To simplify export procedures and to rationalize and solidify export incentives;

2.8. To develop and expand infrastructure;

2.9. To develop trained human resources in the export sector;

2.10. To raise the quality and grading of export products to internationally recognized levels.

3. Strategies:

The following strategies shall be undertaken to attain the objectives of the export policy 1997 - 2001

3.1. Simplifying export procedures, and helping the private sector achieve efficiency. The Govt. desires more and more involvement of the private sector while the govt. will continue to play its facilitating role;

3.2. Enhancing technological strength and productivity and facilitating reduce cost and attain internationally accepted standard of quality of exportable products and thereby consolidate their competitiveness;

3.3.. Ensuring maximum use of local raw materials in the production of export goods and encouraging establishment of backward linkage industries;

3.4. Participation in the international trade fairs, specialized fairs, single country exhibitions abroad and also sending out trade missions, with a view to consolidating our position in the existing market and creating new markets;

3.5. Encouraging export of new category high value added readymade garments and also encouraging the concerned trade associations for establishment of a Fashion Institute ;

- 3.6. For promotion of high value added leather and leather goods export: providing various facilities including bonded warehouse facilities for import of materials such as raw hides, pickled, wet blue, crushed and finished leather, components and chemicals etc.. to 100% export oriented leather industries;
- 3.7. For promotion of export of shrimp: Extension and modernization of traditional/semi-intensive method of shrimp cultivation and ensuring quality as per buyers requirements;
- 3.8. For promotion of export of jute and jute goods: Undertaking extensive publicity of jute and jute goods as environment-friendly natural fibre and diversification of the uses of jute products;
- 3.9. For promotion of export of tea undertaking programmes for establishing brand name and developing linkage with established blending and distributing agents;
- 3.10. For promotion of export of agrobased products: undertaking programmes for raising quality standard and expansion of market;
- 3.11. For the promotion of export of electrical and electronic goods including computer software and data entry) : Building and ensuring .conductive infr^astructure;
- 3.12. For the promotion of export of engineering consultancy and other services and sub-contracting involving, in a bigger way, Bangladesh missions abroad obtaining contracts;
- 3.13. Organizing regularly international trade fairs and product-specific fairs with the country;
- 3.14. Making appropriate development and expansion of infrastructure conducive to export;
- 3.15. Making arrangements for necessary technical and practical training for development of skilled manpower in the export sector;
- 3.16. Ensuring maximum utilization of financial and other assistance extended by the World Trade Organization to the Least Developed Countries;
- 3.17. *Ensuring* maintenance of ecological balance and pollution-free environment in the production of exportable goods;
- 3.18. *Extending* technical and marketing assistance for development of new

products and for finding appropriate marketing strategies:

3.19. Taking necessary steps to assist procurement of raw materials by the export oriented industries at world price ;

4. Scope and General Provisions

4.1. This policy shall apply to the customs areas (excluding Export Processing Zones) of Bangladesh.

4.2. This policy shall take effect from 01.07.1998 and remain in force till 30.06.2002. However, the policy shall be considered valid until the next Export Policy is announced.

4.3. If any provision of this policy is found inconsistent with any provisions of the Imports and Exports (Control) Act, 1950, or of the Import Policy Order, the Ministry of Commerce shall be entitled to amend, alter or modify such provision.

4.4. The Ministry of Commerce may, as and when necessary, amend, alter or modify any provision of the Export Policy including the export negative/restricted items.

4.5. Different aspects of the Export Policy shall be reviewed annually.

5.Target:

For the policy period Export targets have been set at US dollar 5020 million for the fiscal year (F.Y.) 1997-98, US dollar 5,630 million for the F.Y.199899, US dollar 6,340 million for the F.Y. 1999-2000, US dollar 7,175 million for the F.Y. 2000-2001 and US dollar 8,100 million for the F.Y. 2001-2002. Details of the export targets have been shown at annexure 'A'.

6. Export Promotion Councils/Committees;

6.1. A National committee on export has been formed. The highest level committee on export promotion, is headed by the Honourable Prime Minister and consists of the Honourable Ministers for Foreign Affairs, Finance, Commerce and Industries, Planning, Jute and Textile as well as senior government officials and representatives of important trade associations. The committee reviews the export situation, provides necessary directions and readily resolves problems.

6.2. For immediate attention and action on export related problem a task force has been formed under the chairmanship of the Honourable Minister for Commerce.

6.3. With a view to exchanging ideas with Chambers of Commerce and Industries, Exporters' Associations and private sector organizations in formulating export policy and strategies, and up lamenting policy decisions an export council has been formed.

6.4. A task force shall also be formed to recommend practical measures for export increase and monitoring the implementation of incentives and .facilities of thrust sector and crash programme items.

6.5. Commodity Councils:

Commodity Councils shall be formed for jute, tea, shrimp, readymade garments and leather & leather products.

7. Thrust Sector:

7.1. Leather and leather goods industries, high and high value added readymade garments, computer software and agro-processing sectors have been identified as thrust' sectors in this export policy. Although the leather and leather goods sector has enormous export potential the sector has not been able, till date, to achieve desired results. On the other hand, the readymade garments sector is expected to stage a breakthrough in the export of high-priced, high value added garments of newer categories after having survived successfully the initial phase of exporting low-end garments. Like wise computer software and agro-processing sectors could not record the desired level of export through the sectors offer bright prospects for earning foreign exchange. These -four sectors have been declared, 'Thrust Sectors', in this policy to ensure priority with the following lines of actions

7.2. Leather & Leather Goods:

7.2.1. Leather manufacturing units shall be modernized in order to enable them to produce increased quality of finished leather out of raw hides.

7.2.2. With a view to reducing cost of production, steps shall be taken to establish accessories industries for producing necessary chemicals and other inputs within the country.

7.2.3. The existing Leather Technology Institute shall be modernized for use as a 'Common Facilities Centre' for the suscountry leather units.

7.2.4. Necessary credit facilities shall be extended for setting up of leather goods industries and efforts for marketing the produces shall be strengthened.

7.2.5. Cluster industries comprising small units of leather goods factories shall be set up with a view to generating employment.

7.2.6. A 'Leather Council' shall be formed.

7.2.7. Industrial units having no bonded warehouse at the same time not interested to avail of duty draw back facilities shall be entitled to cash benefit in lieu of duty drawback.

7.2.8. Import of raw hides including wet blue and pickled leather, shall continue with the prevailing customs duty (2.5%) and import licence fee (2.5%) leviable on the importation of raw leather for three years.

7.2.9. Uniform policy on bank loan as regards criteria and rate of interest shall be followed for credit to leather sector.

7.2.10. The total credit excluded to the leather sector shall be brought under a single bank and export will also be affected through that designated bank.

7.2.11. After careful revision of the overall situation prevailing in the leather industries, the time-limit for export of crust leather has been extended upto the year 2000. Facilities for BNIRE and other transformation process shall be made available to all tanning units to enable them to switcher by 2000, to processing crust/finished leather from wet blue leather.

7.3. Readymade Garments:

7.3.1. All out efforts would be made and steps taken for production and export of high priced ready made garments in the light of the prevailing market demand.

7.3.2. Immediate steps shall be taken to establish a Fashion Institute pending establishment of the Fashion Institute measures will be taken, under special arrangements, to extend expert services to match the actual demand.

7.3.3. Liberal credit may be considered for capacity building and hiring technology for producer of high quality garments.

7.4. Computer Software:

7.4.1. For the development of human resources in the software information of computer science, courses in all universities including B.I.T. and Polytechnic Institute and selected colleges shall be considered similarly for having a pool of skilled and trained instructors basic computer scheme at graduation level may be introduced.

7.4.2. An Information Technology Village making multifacet facilities shall be established as part of infrastructure development for promotion of export in this sector.

7.4.3. As a fillip to effective software marketing appropriate provisions on protection of intellectual imports shall be incorporated in the existing copyright Act.

7.5. Aero Processing:

7.5.1. For the development of the agro-processing industries 'Hortex Foundation' has already been established. Development activities of this sector under the Foundations programmes will go on.

8. Export Incentives

In the light of the objectives and strategies of the Export Policy 1997-2002, several new incentives and facilities have been made available to the exporters. Besides, some existing incentives have been modified and improved to make them more workable. The rest of the existing facilities and incentives will remain unchanged. The incentives as offered are enumerated below

8.1 Fiscal Incentives:

8.1.1. Restructuring of the Export Credit Guarantee Scheme (ECGS): At present, there are four schemes, namely, the Export Credit Guarantee (Pre-shipment), Export Credit Guarantee (Post-shipment), Export Payment Risk Policy (Comprehensive Guarantee) and Whole Turnover Pre-shipment Finance Guarantee, available under the Export Credit Guarantee Scheme (ECGS) covering risks on export credit as well as probable commercial and political risks occurring abroad. These schemes, however, are becoming ineffective to the desired extent due to existence of various complications in realizing their benefits. To strengthen the role of the Export Credit Guarantee the schemes shall be restructured.

8.1.2. Convertibility of Taka:

Taka has been made convertible in the current account in lieu with the policy of export-led growth in the liberalized world market. As a result, earning from the trading account shall be freely convertible into foreign exchange for import of goods (barring a few banned items). Under this arrangement, exporters shall be allowed to retain their foreign exchange earnings in their respective foreign exchange accounts gradually at higher proportion.

8.1.3. Utilization of Foreign Exchange by Exporters:

So long exporters were allowed to retain 20% of their FOB earnings in their respective foreign currency accounts in US dollar or Pound Sterling. From now on they will be entitled to retain either 40% of such earning or at a rate fixed by the government from time to time on proper review. However, in cases of export products where the import contents used in the manufacture of such items are relatively high (such as, naphtha, furnace oil, bitumen and other petroleum products, readymade garments and electronic goods) and in the case of export of services (legal advice, consultancy and similar professional services), the exporters concerned will be entitled to retain only 7.5% of their FOB export earnings. Immediately on realization of export proceeds, the concerned banks will credit the exporters' foreign currency account in proportion to their respective entitlements. Exporters may utilize this foreign exchange for bonafide business purposes, namely, undertaking business trips abroad, participating in export fairs and seminars, importing raw materials, machineries and spares and even setting up overseas business offices. Foreign exchange may also be kept in the renewable fixed deposit account which will bear interest.

8.1.4. Export Promotion Fund (EPF)

The following assistance and support would be provided out of the Export Promotion Fund to producers/exporters of new and non-traditional items including those under the crash programme for product development and product and market diversification:

(a) Venture capital on easy terms and low interest rates ;

(b) Assistance in obtaining foreign technology and consultancy for product development and diversification;

(c) Assistance in fielding marketing missions abroad and participating in international fairs for market compatibility of products;

(d) Assistance in Establishing Sales and Display Centres abroad and extending warehousing facilities ;

(e) Assistance for participation in overseas training programmes on product development and marketing help develop technical skill and marketing expertise ;

(f) Assistance in any other activity related to product and market development.

8.1.5. Extension of Time-limit for adjustment of Export Credit from 180 days to 270 days.

At present export credit is allowed at concessional rate of interest for a maximum period of 180 days. A section of exporters however cannot enjoy the benefit of such concessional credit facility due to structural characteristics of certain commodities. Under such circumstances, the time limit for repayment of export credit has been extended from 180 days to 270 days in case of export of frozen food, tea and leather by way of relaxing the condition of submission of firm contract/L.C. and considering working capital as export credit. The time limit for export credit under the Export Promotion Fund in certain cases shall be extended up to 270 days.

8.1.6. Export Financing:

(a) Introduction of Credit Card : In view of the risks involved in carrying of cash foreign exchange/travellers cheque while undertaking business trip abroad, the practice of issuing credit cards to exporters against their respective foreign exchange entitlements will continue.

(b) Limit of Export Credit : Exporters may obtain export credit from commercial banks upto 90% of the value of their irrevocable letter of credit/confirmed contract.

(c) Credit to first time applicant : With a view to encouraging the new comers to enter into export trade the commercial banks will consider their credit proposals on a priority basis.

(d) Monitoring the Over-all flow of export credit
Bangladesh Bank will take necessary steps to ensure that normal flow of export credit is maintained. The C.C. limit of the exporters will be determined only on the basis of their export performance in the preceding year. This will not be subject to any general credit squeeze measure. Such credit facilities will also be available to new contracts.

(e) Overdue interest: No overdue interest will be charged by the commercial banks in cases of export against irrevocable letter of credit on sight payment basis. In such cases, however, exporters will be required to submit necessary export documents within the specified time.

(1) Export credit cell: As special export cell to supervise and monitor the export financing has been functioning in Bangladesh Bank. Besides, in every commercial bank a special unit has been created for processing exclusive export credit proposals.

(g) Export monitoring: A high-powered committee has been functioning to assess the export credit requirement and to review and monitor the flow of

export credit to ensure that adequate and timely credits are made available to the exporters.

(h) Inland back-to-back letter of credit: Authorized dealers may establish inland back-to-back letter of credit in favor of local suppliers of raw materials, against the corresponding master letter of credit.

8.1.7. Rebate on insurance premium:

Special rebates are allowed on premium covering fire and marine insurance to export-oriented industries (non-traditional items). Such rebates will be available also to the exporters of these items on shipment of goods.

8.1.8. Incentives for export of non-traditional industrial products
Incentives will be provided for export of non-traditional/new industrial products, especially where value addition is 50% or more.

8.1.9. Similarly, export firms having exceeded the proportionate export target set for that product-sector will be considered for incentives facilities.

8.2. Fiscal Incentives:

8.2.1. Import facilities of raw materials for export-oriented leather industries:

To encourage increase in productional export at competitive price of finished leather customs duty and import license fee leviable on import of wet blue and pickled leather by export-oriented leather industries will be exempted.

8.2.2. Income tax rebate on export earnings

Previously, 50% rebate on taxable income generated from export earning was admissible under the Finance Act every year. From now on 50% of the income tax on any income on export will be exempted through incorporation of a new provision in the Income Tax Ordinance itself rather than as a temporary relief hitherto granted under the Finance Acts on a yearly basis.

8.2 .1. Lowering the rate of AIT at source:

Tax at source on all export earnings shall be deducted at the rate of 0.25%

8.2.4. Payment of duty drawback through commercial banks

For quick disbursement of duty drawback with a view to giving a competitive edge to our export in the international market, payments will be made by the commercial banks immediately on receipt of foreign exchange against all exports except the deemed exports, determined on the basis of the principles laid down by the National Board of Revenue.

8.2.5. Bonding facilities for export-oriented industries:

Bonded warehouse facilities have generated special enthusiasm among the import-led export-oriented industries. To sustain such interest the procedures for providing bonded warehouse facilities to such industries will be further simplified, and will be extended to all industries recognized as 100% export oriented industries.

8.2.6. Duty-free Import of capital machinery by export-oriented industries:

Presently, items produced in the Export Processing Zones (EPZ) are entirely exported. Likewise 100% export-oriented industries located elsewhere in the country are also required to export their produces entirely from this point of view as the objectives and functions of the industries of both locations are identical. Duty free import facility of capital machinery has also been extended to the 100% export oriented industries out side the EPZ.

8.2.7. Alternative facilities in lieu of customs bond or duty drawback for export-oriented domestic textile sector and garments industries:

During fiscal year 1995-96, the government, in an attempt to give incentive to the domestic textile and garments sector, allowed 25% compensatory assistance to the industries of this sector. In future also, these sectors will continue to receive reasonable facilities. Such compensatory assistance will also be admissible to a composite unit producing both fabric and garments or to the manufacturer only in case the exporter is not the producer of the local fabric provided no bonded warehouse or duty drawback facilities were availed of for such importation. If, however, the exporter is an intermediary buyer, the facility will go to the original producer of goods.

8.2.8. Tax holiday:

To encourage a rapid growth and attract entrepreneurs to export oriented industries tax holiday incentive will continue till the year 2000 in consonance with the Industrial Policy. The industrial enterprises enjoying the benefit of tax holiday shall be exempted from deduction of tax at source. After 2000, decision on tax holiday will be taken in the light of the

government policy of that period.

8.2.9. Duty drawback scheme:

(a) Exporters of manufactured products are entitled to draw back after the export is effected. The amount of duties and taxes paid on importation of raw materials under any of the three systems, namely, actual drawback, notional drawback and flat rate drawback. However, as a simpler mechanism of getting drawback, the flat rate method shall continue to receive greater weightage.

(b) The rate of duty drawback payable on export of all traditional and non-traditional items will be renewed at regular intervals and more and more, new products will be brought under the duty drawback system.

8.2.10. Value Added Tax (VAT) on packaging materials:

Should jute clothes and bags be used in the packing of export goods VAT paid on such products will be refunded.

8.2.11. Simplification of the procedure for refund of VAT paid on export support services:

To maintain competitiveness of export prices, VAT paid on export support services, namely, C & F service, telephone, telex, fax, electricity, insurance premium; shipping agent's commission/bill will be refunded under a simplified procedure.

8.2.12. Permission for sale of goods rejected for exportation:

20% of the rejected goods of the 100% export-oriented industries including leather goods and readymade garments will be admissible for sale in the local market subject to payment of usual duties and taxes.

8.3. General incentives:

8.3.1. Declaring 80% export oriented leather industries as 100% export oriented industries:

Most of the leather industries are able to export at least 80% of their products; rarely they are in a position to export 100 of their product. In order to bringing about dynamism in the leather sector 80% export oriented leather producing units have been declared 100% export-oriented industries.

8.3.2. Other 80% export-oriented industries to get identical incentives available to 100% export-oriented industries:

Other 80% export oriented industries (other than leather industries) will be given following incentives with a view to encouraging their export operations:

(a) Financial incentives including bank loan as available to 100% export-oriented industries. However, the benefits allowed to the 100% export-oriented industries by the National Board of Revenue in respect of duties and taxes will not be applicable to them.

(b) Sale permission upto 20% of their production in the local market on payment of usual duties and taxes.

8.4. Reduced airfreight for export of all crash programme items including fruits and vegetable:

(a) Airfreight at lower rate will be changed for export of all crash programme items including fruits and vegetables.

(b) Withdrawal of royalty from foreign airlines extending cargo services. In order to ensure export of goods by cargo services of foreign airlines and sell export goods at competitive price, the royalty being presently imposed by Biman Bangladesh Airlines may, if necessary, be further reduced or may be withdrawn altogether.

8.5. Settlement of trade disputes:

With the expansion of exports trade disputes are also increasing. In many cases Bangladesh's image as an exporting country is being tarnished because of such disputes. On the other hand, Bangladeshi exporters are also incurring financial losses. To remove such difficulties, the Export Promotion Bureau will initiate steps for settlement of trade disputes through conciliation. For this, necessary amendment will be made in the Charter of Export Promotion Bureau to enable them to perform this responsibility effectively.

8.6. Recognizing small and medium size agricultural farms as Industry:

To encourage production of fruits, vegetables, fresh flowers, orchid etc.. for export, agricultural farms of a minimum size of 5 acres have been recognized as 'Industry' and become eligible for all facilities of export oriented industries.

8.7. Research and development:

Marketing of products in the international market is becoming increasingly competitive due to globalization and liberalization of trade. To sustain in the face of such stiff competition, continuous quality improvement and market adaptability have become necessary. For this purpose, industrial enterprises should be equipped with their own Research and Development (R & D) facilities . For this duties and taxes on machinery and equipments imported by export units will be gradually lowered. Research institutions on the recommendation by the Export Promotion Bureau will also be entitled to such benefit.

8.8. Export on the basis of sub-contracting

The sub-contracting service sector has immense potential for export. All out efforts will be made to exploit the opportunities in this sector especially in the automobile industry in Japan and the printing industries in the western countries.

8.9. Assistance to contract services abroad like Engineering Consulting Services Contract and Civil Construction Contract etc..

Contract Services like engineering, consulting and civil construction contract abroad have been identified as potential export sector. The following facilities are being extended to assist this sector

(a) Issuance of bid bond and performance bond, at 1 % margin by commercial banks for submission of tender and on receipt of work order respectively;

(b) Allocation of fifty thousand dollars annually to each organization to meet the expenditure like maintaining communication, sending representatives, making overseas trips, purchasing tender documents etc.. before receipt of actual work order ;

(c) Permission for setting up overseas office and appointment of staff,

(d) Permission for Sadharan Bima's Individual professional guarantee/insurance in favour of project specialists.

(e) Involving Bangladesh missions abroad to provide information and assistance.

8.10. Annual ceiling for dispatch of export samples:

At present, the annual ceiling for dispatch of samples to international trade fairs is fixed at US \$ 2000 (two thousand). The ceiling for sending samples for purposes other than international fairs was however considered inadequate. It has been raised in phases from Tk. 1000 per annum to US \$ 1500 (approximately Taka 65,000) per annum. The maximum limit for sending out samples by parcel post will be raised from its present limit of Taka 2,000.00 to Taka 5,000.00

8.11. Commodities under the Crash Programme

(a) At present toys, luggage and fashion items, electronics, leather goods, diamond cutting and polishing, jewellery, silk fabric, stationery goods, cut and artificial flowers and orchid, gift items, vegetables and engineering consultancy and services have been included under the crash programme. In order to boost production and export, promote goods/services under the crash programme, soft term credit will be provided for product development, market adaptation, and marketing. Import of raw materials, facilities will be provided for export on consignment basis and into duty drawback/bonded warehouse facilities. In addition assistance will be provided for market exploration obtaining joint venture. Fresh flower, fruits and bamboo, cane and wooden furniture shall be included in list of crash programming items apart from the items listed above.

(b) In order to increase the export of agro-based products, necessary assistance will be provided to the high value added agricultural products.

8.12. Increased import facilities of samples for product development:

For product development and market promotion any exporter except of RMG sector is entitled to import duty free:

Samples up to a maximum of US \$ 1000 (One thousand) annually on obtaining clearance from the Export Promotion Bureau. For import of samples exceeding US \$ 1000 (One thousand), clearance shall have to be obtained from the Chief Controller of Imports & Exports which will approve the import on the recommendation of the Export Promotion Bureau issued.

8.13. C.I.P. (Export):

Every year commercially important persons (CIPS) are selected from the highest export performers item- wise in recognition of their contribution to export.

8.14. National Export Trophy:

As mark of national accolade, 45 National Trophies are awarded every year to the most outstanding exporters in 15 product sectors. The trophy winning exporters are given C.I. P. facilities at the airport.

8.15. Deemed Export Facilities

Local raw materials used as direct import for export production for products supplied to local projects procurement in foreign exchange against international tender are regarded as 'deemed export' and qualify for all export incentives and benefits including duty drawback that extended to direct exporters.

8.16. Organizing Local Fairs of International Standard:

Organizing trade fairs of international standard plays a very important role in the promotion of exports. Trade fairs, help product familiarization on the one hand and establishment of closer contacts between foreign buyers and local sellers on the other hand. Considering this aspect general as well as specialized trade fairs of international standard will be organized within the country apart from participating in general and specialized International Trade Fairs abroad.

8.17. Import of samples by Export Promotion Bureau and TCB

The Export Promotion Bureau and the Trading Corporation of Bangladesh will be entitled to import duty free samples upto a maximum annual limit of taka 30,000.00 (Taka Thirty thousand).

8.18. Import of banned items:

Export-oriented industries may be entitled to import raw materials put under the banned/restricted list of import against specific export orders subject to permission from the Ministry of Commerce.

8.19. Import without L.C.:

Import without L/C is permissible in cases of import of capital machinery essential raw materials for export-oriented industries, and perishable goods for eventual re-exportation, irrespective of value ceiling.

8.20. Relaxation of provisions for import of raw materials for export oriented industries:

For import of raw materials through back-to-back L.C. by 100% export oriented industries, restrictions of the import policy order or the requirement of these rules of origin shall be relaxed.

8.21. Provision for Direct Air Booking:

Direct air booking facility from Rajshahi and Syedpur airports up to the destinations shall continue for export of fresh vegetables and other perishable items produced in the northern regions of the country to ensure quick transport and preservation of quality.

8.22. Inter-Agency, Inter-Sector Project for product diversification

An Inter-Agency, inter-sector project shall be taken up with the aim of product diversification. The existing bonding system, duty drawback, cash incentive etc.. shall be reviewed under the proposed project, with a view to keeping the export prices competitive. The project will encompass issues like product development, market expansion, trade cooperation, identification and removal of infrastructural impediments of the export trade. Appropriate project, aided by the World Bank or other sources, shall also be taken up for technology transfer in order to bringing about quick transformation of the export trade.

8.23. Encouraging increased use of local raw materials:

Composite knit/hosiery and garments manufacturing units operating under the bonded warehouse system have been increasingly using local raw materials. These units are presently enjoying bonded warehouse facilities for 50% - 70% of their imports. This rate of bonded warehouse facilities shall be gradually lowered in an attempt to ensure increased use of local raw materials.

8.34. Establishment of M.I.S. at the Ministry of Commerce:

With the financial assistance of the UNDP, an M.I.S. shall be established at the Ministry of Commerce under the Uruguay Round Study Project. Internet connection shall be available to the proposed M.I.S. allowing easy access to all information concerning world trade including imports and exports.

9. Product-Specific decisions:

9.1. Leather Garments:

9.1.1. Provisions have been made for the exporters of leather garments to retain in their respective foreign currency accounts the portion of their export earnings required for meeting the expenses on importing necessary commodities and other accessories through back-to-back letter of credit. The exporters that way shall be saved from incurring losses by first converting their export earnings to Taka and then re-converting the same to foreign exchange for payment of import bills on raw materials.

9.1.2. For making hand bag, wallet, ladies bags etc.. of leather imported under customs and permission would be accorded to take up such wool outside the bonded area, provided the concerned firm furnishes a bank guarantee for equivalent amount of customs duty leviable on such raw materials.

9.1.3. Import of samples for each category of garments:

At present, facility exists for duty free import of 20 pieces of samples for each category of garments subject to a maximum of 100 pieces. Imported samples are, however, subject to mutilation at the customs paid.

9.1.4. Rationalizing the rate of value addition:

(a) It has been found that keeping the rate of value addition flexible is congenial for the growth of the country's export trade. Therefore a Standing Committee will be formed for rationalizing the existing rates of value addition for all commodities including readymade garments.

(b) When a garment export unit relies exclusively on locally procured cotton and accessories through back to back L/c the maximum amount of back to back L/C in case of knitwear unit would be equal to the value of the master L/C.

9.1.5. Import of grey clothes:

With a view to expanding the base of backward linkage industries, permission is being accorded for import of grey clothes, through usual procedure for use in the export industries or for direct export against specific export orders. So long this facility used to be given only to the dyeing, printing and finishing factories. Since value addition in the readymade garments sector did not take place up to its potentialities inspite of this facility the government has allowed the exporters of readymade garments to import grey clothes.

10. Miscellaneous:

10.1.1. Quality control of export products:

10.1.2. Introduction of harmonized code for export products:

Codes incorporating full description of export goods will be introduced in conformity with the harmonized code followed by the world body in all import and export L.C. forms.

10.1.3. The fiscal and financial incentives offered by the Export Policy will be reviewed at regular intervals and necessary measures will be taken accordingly.

10.1.4. Appropriate measures will be taken to simplify the export procedures and procedural difficulty, if any, will be referred to the Task Force for immediate solution.

10.1.5. Establishment of an Export-Import Bank shall be examined.

10.1.6. For development of infrastructure in export trade, the following actions would be undertaken :

(a) Establishment of an Information Centre with network facilities at home and abroad;

(b) Establishment of a Foreign Trade and Investment Training Institute for human resource development in commercial fields ;

(c) Seek technical assistance for R & D by setting up research cells in the Export Promotion Bureau and Chambers of Commerce and Industry;

(d) Seek technical assistance from the World Bank for establishment of a Design and Fashion Institute.

10.1.7. Export trade has witnessed structural changes due to globalization and liberalization of trade which demand changes in the nature and pattern of the export services . In the light of such changed demands restructuring of the Export Promotion Bureau shall be considered.

Measures will be taken to create quality awareness among the exporters ,specially about the internationally recognized standards of export products. Quality control institutions will also be modernized. Quality standard compliance of health regulations and phytosanitary certification will be ensured before shipment of export cargo. Besides, exporters will be given training on and motivated for obtaining ISO 9000 for quality standard and SO 14000 for environmental regulations. Activities of the concerned organizations will also be intensified.

**EXPORT TARGETS (COMMODITY-WISE) FOR FINANCIAL
YEARS 2001-2002 THROUGH 2005-2006**

(In Million US dollar)

Commodity	2001-02	2002-03	2003-04	2004-05	2005-06
Readymade Garments	2500	2756	3010	3280	3590
Jute goods	307	312	314	317	319
Leather	205	225	240	280	330
Frozen food	320	350	380	400	420
Knitwear	983	1178	1412	1687	2010
Raw Jute	125	132	140	150	160
Tea	40	42	48	50	55
Chemicals	94	98	100	102	102
Petroleum products	10	10	10	10	10
Engineering products	18	21	23	25	28
Agricultural products	32	35	37	40	42
Handicrafts	8	9	9	10	10
Others	378	462	617	824	1024
Total:	5020	5.630	6340	7175	8100

* Rate of Exchange : US \$ 1.00 = Taka 45.00

**SUMMARY
AND
CONCLUSION**

SUMMARY

To expand the leather product business the following step should be taken:

1. Analyze the market for current trends.
2. Make products keeping pace with the market trends.
3. Make products for specific group of customers and try to fulfill their requirements.
4. Advertise the product feature elaborately to the customer.
5. Attend the national and international trade fairs.
6. Make the customer habituated to use the products.
7. The design should be consistent to the culture and current fashion trends.
8. Ensure a strong and healthy export policy.
9. Provide with proper facilities for the buyers.
10. To know the features of world class product and try to reach them.

In the end according to the overview on this project work it can be said that Leather Products Sector is one of thrust sector and if we take the above steps, the present condition of the sector will be more dynamic and stable.

CONCLUSION

The export earnings from leather products has increased significantly. Leather products sector has the potentiality of earning a huge amount of foreign exchange to develop our country economy as well. Globalization has made the market competitive. Nevertheless, availability of raw materials, lowest labour can draw extra advantages for Bangladesh leather products export. With the arrangements of quality raw materials, well trained workforce in management, marketing toward global aspect, pollution free separate leather state, common facility centre for SMEs, leather board and leather research institute are the factors to get the highest feedback from this sector.

Bangladesh needs entrepreneurs for this developing sector. It is a fact that lack of expert is an unique problem for this sector. On the other hand, B.Sc in leather products technology, the new subject and the first addition in Bangladesh College Of Leather Technology may be the possible solution to get a way to develop the sector in a significant way.

Leather products Technologist will be able to improve the leather sector with their innovation and technology.

After completion of my thesis work, it is crystal clear that leather products department has its drawbacks in the country economy and after completion the Degree there are lot of opportunities of the students of this subject. In addition, this the sector which is closely related to the development of the country has the potentiality to involve people not only in the job market but the leather products technologists have the scope to become an entrepreneur and an opportunity of establishment of new industry with their innovations and new technology.

opportunity to establish the motto to work as a leather products technologist not only but all over the world by the dint of globalization.

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