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AN ANALYSIS OF THE POTENTIAL OF JUTE EXPORTS FROM BANGLADESH

Abstract

This paper attempts to highlight the future potential of jute exports from Bangladesh in the context of renewed interest on natural fibre because of global climate change. Jute and jute products earned the highest amount of foreign currency till the mid-1980s, which declined rapidly later due to the dominance of artificial fibre in the global market and emergence of readymade garments (RMG) in the export basket. Bangladesh is currently the highest exporter of jute and jute goods in the world market. However, the production and export of jute items are limited to some traditional products but there is an increasing urge to add more environment-friendly products in export basket. The demand for products made by natural fibres has been increasing significantly in the world market, which would be a game-changer for Bangladesh in export earnings. Given this context, this paper aims to assess the future potential of jute production of Bangladesh and for that, it has focused on market potential of jute products according to product category and describes the potential of new products in jute exports. It uses both primary and secondary data and materials to analyze the present global market of the jute products and to identify new diversified products to lead the global jute market made of natural fibre. Finally, it suggests a set of recommendations, which can be implemented by the government and private sectors to improve the overall performance of jute exports.

Keywords: Jute Export, Sonali Bag, Jute-Blended Textiles, Geo-Textiles, Viscose

1. Introduction

Jute, a natural fibre and also termed as ‘golden fibre’, is a significant source of foreign currency for Bangladesh with a glorious history. It is the second most important natural fibre after cotton. There are diversified usages of jute including the production of other value-added products, such as composites, geo-textiles and home textiles-but not limited to traditional uses. Moreover, this biodegradable and environment-friendly fibre is a source of annually renewable energy with a high

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biomass production per unit land area. Increasing awareness of environmental issues globally triggers increasing demand for eco-friendly jute fibre. Being a labour-intensive sector, it has created employment opportunity for a large number of people residing in different areas both urban and rural parts in the country.

Being one of the fastest growing economies in world trade, Bangladesh is rapidly expanding in the global market not only with its manufactured products such as readymade garments (RMG), frozen food, leather item and footwear, but also primary goods like jute fibres. Jute and jute products were the main export items few decades ago, but to keep pace with ecological sustainability and environment friendly characteristics, it is expected to add diversified products in export basket, such as commercialization of diversified products, such as jute polybag, jute tin, jute leaf tea, jute geo-textile and other forthcoming products. Prime Minister Sheikh Hasina has taken an active interest in scientific invention and innovating new products for reviving the golden days of jute.

Given this broad backdrop, the objective of this paper is to evaluate the future potential of jute products in the export earning of Bangladesh. The specific objectives are to analyze the market potential of jute according to product category, identify potential of new products in jute exports and provide some policy recommendations for growth and development of the sector. This paper is descriptive in nature which is based on secondary data of Bangladesh Bank, Export Promotion Bureau (EPB) of Bangladesh and Trade Map database, since the secondary information regarding the products and market are scanty in research papers, reports, newspaper articles and web materials. The information regarding market situation and potential has been generated through interviews of industry experts and officials of the public and private sectors.

The present paper is a diagnostic study that tries to examine the potential of emerging and diversified jute products of the country in the international market. The contributions of this paper are as follows. First, graphical presentation of Bangladesh's exports compared to partner's imports of the jute products are portrayed by product category. Second, concentration of importing countries and average distance with their supplying countries are presented graphically according to product category. Third, the prospect for market diversification of the country is analyzed by product category. Fourth, this is the first paper that summarizes all the potential jute products in a single paper with all relevant details.

The paper has been organized as follows. After this brief introduction, export performance has been briefly described along with the effect of the recent imposition of anti-dumping duty (ADD) of India on Bangladesh's exports. Export potential of

the sector is given in Section 3 by product category. Potential of new products in jute exports of Bangladesh is presented in Section 4. A set of policy recommendations has been suggested in Section 5. Finally, the paper ends with concluding remarks in Section 6.

2. Export Performance of Jute and Jute Products

Bangladesh is currently the highest exporter of jute and jute products in the international market. According to Trade Map database, the country’s share was about 64 per cent in the total global market in 2018, which was followed by India and China.¹ However, Bangladesh’s export earnings from jute products have been small compared to the total export earnings and it demonstrates considerable fluctuations for nearly a decade. Its share in total exports of goods has been very low, which ranged from 2.65 to 2.01 per cent from 2013-14 to 2018-19 (Table 1). This implies that Bangladesh’s jute products have been failing to grab the global market despite having significant potential as a natural fibre because of growing environmental awareness among the consumers of developed countries and global climate change. Its value of exports has been ranging from nearly US\$799 million to US\$1.02 billion since 2010-11. With this tiny export earnings and its declining share in the total export of goods, it is hard to justify the importance of jute in Bangladesh’s export basket.

Table 1: Trend of jute exports (US\$ million)

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Jute	950.43	1,020.36	798.96	865.57	913.78	961.62	1,023.07	832.15
Total Exports (Goods)	24,302.00	27,027.45	30,186.62	31,208.95	34,257.18	34,655.90	36,668.20	40,535.04
Jute % of Total	3.91	3.78	2.65	2.78	2.67	2.78	2.8	2.01

Source: Bangladesh Bank and extracted data from the Export Promotion Bureau of Bangladesh (EPB), various years.

The largest export earnings from all jute products come from single yarn of jute or of other textile bast fibres of Harmonized System (HS) code 53.03 (HS code 53071000). The export earnings from this product category were US\$384 million (47 per cent share of total jute exports) in 2018-19, even though its export earnings demonstrate fluctuating but a generally stable trend over time. The second largest export receipt of jute comes from multiple (folded) cabled yarn of jute (HS code 53072000). In 2018-19, its export value was US\$129 million and it showed a steadily

¹ International Trade Centre, available at <https://www.trademap.org/Index.aspx>, accessed on 13 October 2019.

increasing trend—its share in total jute exports increased to 15.8 per cent in 2018-19 from merely 0.3 per cent in 2010-11. The third largest product is unbleached woven fabrics of jute (HS code 53101000) since the export earnings from this product group were US\$101 million in 2018-19. It continued to increase from 3.8 per cent of 2011-12 to 12.4 per cent share of jute exports in 2018-19.

Detailed data on jute export are available at the broad product group level (HS 6-digit codes: tariff headings). However, data is not available at the individual product level (HS 8-digit codes: tariff sub-headings) in EPB and ITC trade map database. Therefore, export data and indices have been analyzed at HS 6-digit level. The paper found seven product groups under which jute products are currently traded. Even though Bangladesh's share is about two-thirds in aggregate jute exports in the world market, the country's position is the second in two broad products.

Export of jute and jute items contributes a major portion in the export basket of Bangladesh in the Indian market and in 2015-16 it was 37.8 per cent of total exports, which was the highest in the preceding five fiscal years. However, the jute exports are on the decline since raising the anti-dumping duty (ADD)² from 5 to 30 per cent over Bangladeshi jute products on 05 January 2017. The jute goods that are exposed to ADD include jute yarn/twine, hessian and sacking bags. The ADD imposed by the Indian Directorate General of Anti-Dumping Duty and Allied Duties (DGAD) ranges from US\$19-352 per metric ton on these products of 255 Bangladeshi jute mills and exporters. However, only two exporting jute mills that exported do not face any ADD from India.

² According to WTO, if a company exports a product at a price lower than the price it normally charges on its own home market, it is said to be “dumping” the product. GATT Article 6 allows countries to take action against dumping. The Anti-Dumping Agreement clarifies and expands Article 6 and the two operate together. They allow countries to act in a way that would normally break the GATT principles of binding a tariff and not discriminating between trading partners-typically anti-dumping action means charging extra import duty on the particular product from the particular exporting country in order to bring its price closer to the “normal value” or to remove the injury to domestic industry in the importing country. See <https://www.wto.org> for details.

Table 2: Export of jute and jute products (US\$) million

HS Code	Product description	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
53031000	Jute and other textile bast fibres, raw or retted	19.65	14.04	88.34	65.18	44.93	21.84
53039000	Jute, etc. (excl. flax, true hemp and ramie), nes; tow and waste	2.82	2.34	8.34	1.26	4.51	3.50
53071000	Single yarn of jute or of other textile bast fibres of 53.03	47.23	50.96	77.87	38.63	26.46	28.15
53072000	Yarn of jute or of other textile bast fibres of heading 53.03, multiple (folded) of cabled	1.20	4.42	9.07	28.28	32.44	23.71
53101000	Unbleached woven fabrics of jute or of other textile bast fibre	9.01	17.44	19.34	18.50	49.52	61.26
53109000	Woven fabrics of jute or other textile bast fibres (excl. unbleached)	0.69	0.78	--	--	0.22	--
63051000	Sacks and bags, used for packing goods of jute, etc.	26.53	32.75	57.72	18.15	8.00	7.41
Export to India		107.13	122.73	260.68	170	166.08	145.87
Exports to India % of Total Export to World Market		23.46	23.28	37.80	25.28	19.02	17.53

Data source: Authors' presentation from EPB.

With a declining share of jute products in the export earning, the growth of exports would be driven heavily by clothing products (HS codes 61 and 62) as well as other made-up textile articles and worn clothing. Therefore, the issue of ADD has emerged as a major concern in growing trade relationship with India. The Government of Bangladesh has requested the Government of India to reconsider the

issue. Two countries engaged in bilateral negotiation to settle the issue amicably, but the effort did not benefit Bangladesh. Given the strong bilateral relationship between the two countries, this issue needs resolving amicably.

Indian DGAD was quite thorough before adopting ADD and conducting oral hearing from 21 October 2015 to 22 November 2018, which can be observed from various stages and final finding text of the Gazette of India-Extraordinary on the case of Janata Jute Mills of Bangladesh. However, the past experience of bilateral negotiation on ADD imposed by India on Bangladeshi lead-acid battery from 2001 to 2004 was also unsuccessful. Later on, the Government of Bangladesh went to the Dispute Settlement Body (DSB) of the World Trade Organization (WTO) to resolve the matter. The matter was then resolved, with the outcome favouring Bangladesh. Even though Bangladesh is currently enjoying a nearly zero tariff market access in India, the practice of imposing ADD makes the market prospect uncertain and unpredictable.

Bangladesh's Prime Minister Sheikh Hasina raised this issue during her visit to India in April 2017 and requested India's Prime Minister Narendra Modi to review the decision of imposing the ADD and was assured.³ Nevertheless, Indian DGAD continued to strictly impose the duty and Bangladesh thinks that the decision taken by Indian authorities was not fair.⁴ The exports of jute products to India would increase significantly if the country withdraws the ADD, which would help to grow the total export of jute goods of Bangladesh since it is one of the most important markets for the country

3. Export and Market Potential of Jute by Product Category

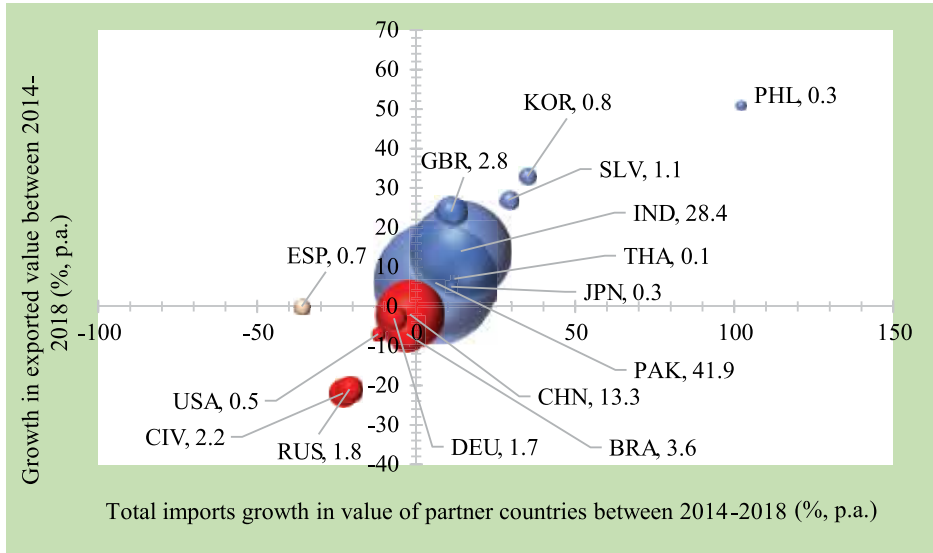
3.1 *Raw or Retted Jute Fibres*

This product category includes long jute, jute cuttings, jute fibres processed but not spun, tow and waste of such fibres including yarn waste and garnetted stock, mesta fibre and tow and waste (excluding mesta fibre) of jute (HS Code 530310). The total value of exports of this product was US\$144.03 million in the world market. Bangladesh's value of exports of this product was US\$115.54 million and its share was 80.2 per cent of world exports in 2018. The other important countries that exported this product were Tanzania and India with nearly 11 and 4 per cent share in the world market, respectively.

³ Article 35 of the Joint Statement, 08 April 2017.

⁴ M. Kabir and M.A. Razzaque, *Promoting Bangladesh's Exports to India*, Dhaka: BEI, 2019.

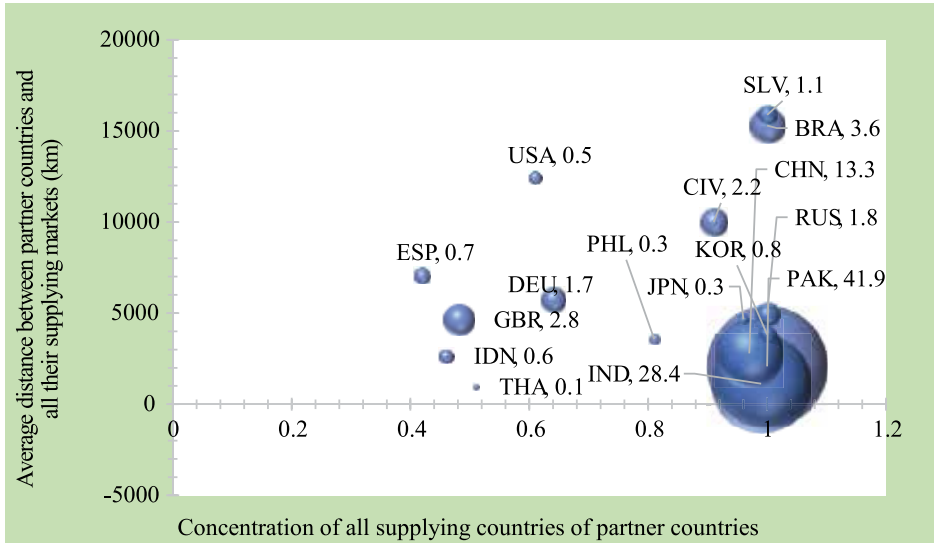
Figure 1: Bangladesh’s Exports vs. Partner’s Imports of Raw or Retted Jute Fibres



Notes: (1) The bubble size is proportional to the value exported by Bangladesh for the product category.
 (2) Amber bubble indicates negative growth in exported value of Bangladesh between 2014-2018 (% p.a.)
 (3) Red bubbles imply negative growth in both exported value of Bangladesh and total imports in value of the country’s partner between 2014-2018 (% p.a.)
 Source: Authors’ presentation based on ITC Trade Map Database (2019).

Bangladesh’s value of exports under this product category experienced 4 per cent growth per annum during 2014-2018, while import of the partners from global market for this product category also increased by 7 per cent per annum during the same period. The country’s exports to Pakistan and India experienced positive growth among the top export destinations (the highest was in India), while it experienced slightly negative growth in Chinese market over the same period. Conversely, the country’s export growth and import growth of its partners from global market were negative in China, which is a major destination of this product category and in some other countries, such as Brazil, Côte d’Ivoire and Russia.

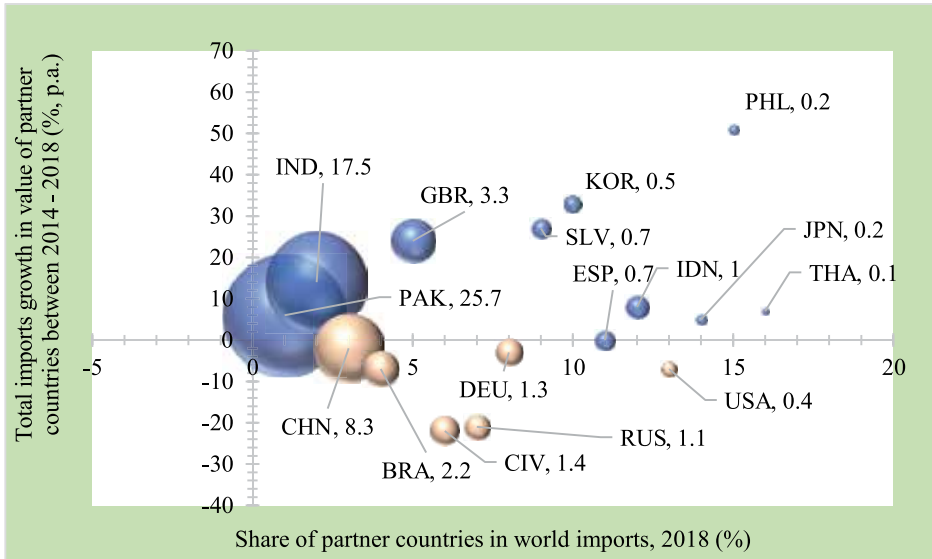
Figure 2: Concentration of Importing Countries and Average Distance with their Supplying Countries for Raw or Retted Jute Fibres Exported by Bangladesh, 2018



Note: The bubble size is proportional to the value exported by Bangladesh for the product category
 Source: Authors' presentation based on ITC Trade Map Database (2019).

Bangladesh's export destinations of the jute products under this category are mostly concentrated to geographically contiguous countries, such as Pakistan, India and China. However, the country can geographically diversify its export market in distant countries as well. Pakistan, India and China are also the major importers of these products from the world market. Even though they are the largest importers of Bangladeshi products, their share of import of these products in the world market is lower than that of Bangladesh. There are many other smaller importers which have been demonstrating positive import growth in recent years, such as the United Kingdom (UK), Brazil, Germany, Russia and Japan. Bangladesh has the scope to increase its exports to these countries.

Figure 3: Bangladesh’s Prospect for Market Diversification of Raw or Retted Jute Fibres



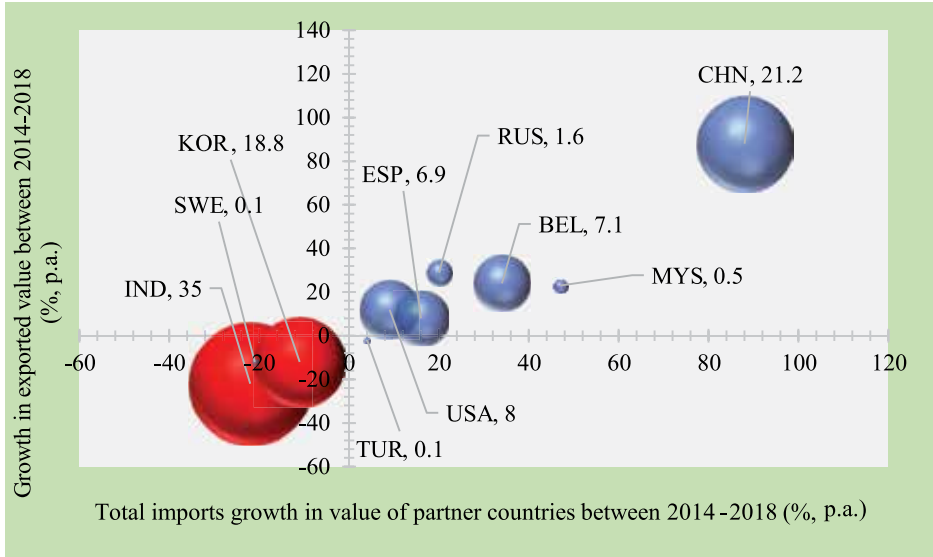
Note: The bubble size is share of partner countries in world imports for the product category.

Source: Authors’ presentation based on ITC Trade Map Database (2019).

3.2 Processed but Not Spun Jute Fibres

This product category is comprised of jute and other textile bast fibres, processed but not spun, tow and waste of such fibres, including yarn waste and garnetted stock, mesta fibre and tow and waste (excluding mesta fibre) of jute and other rex bast fibres including yarn waste (HS Code 530390). The total value of exports of this product was US\$23.81 million in the world market by all countries. Bangladesh was number one exporter of this product in the world market and its value of exports of this product was US\$12.92 million with a share of 54.3 per cent of world exports in the same year. The other important countries that exported this product were Belgium and Tanzania and India with nearly 16 and 11 per cent share in the world market, respectively. It implies that other countries are also taking an active part in supplying this product to the world market.

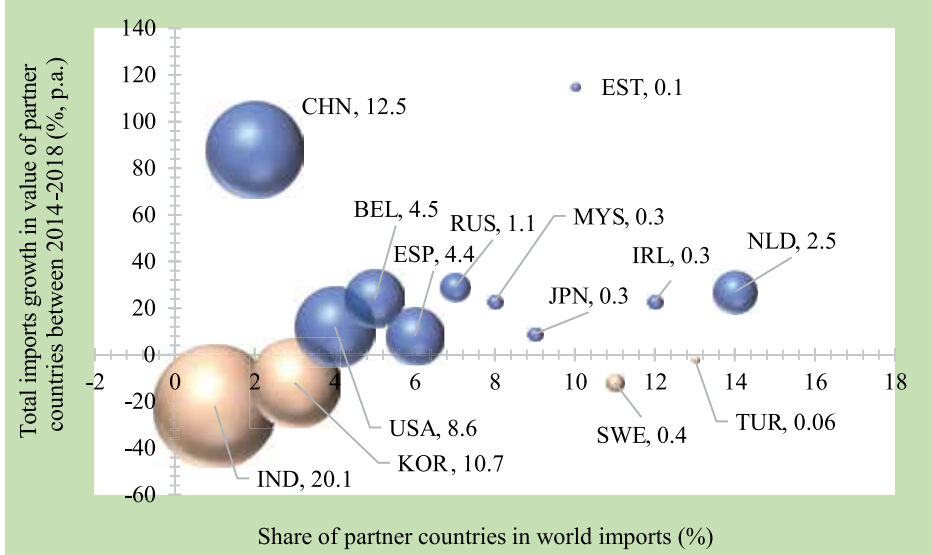
Figure 4: Bangladesh’s Exports vs. Partner’s Imports of Processed but Not Spun Jute Fibres



Notes: (1) The bubble size is proportional to the value exported by Bangladesh for the product category.
 (2) Red bubbles imply negative growth in both exported value of Bangladesh and total imports in value of the country’s partner between 2014-2018 (% p.a.)
 Source: Authors’ presentation based on ITC Trade Map Database (2019).

Bangladesh’s value of exports under this product category experienced 2 per cent decline per annum during 2014-2018, while import of the partners from global market for this product category also decreased by 1 per cent per annum during the same period. Such a negative growth mainly came from a sharp decline in exports to India, which was 22 per cent per annum. The country’s exports to China experienced 88 per cent growth per annum, while it witnessed 11 per cent average annual decline per annum in South Korea’s market during this period.

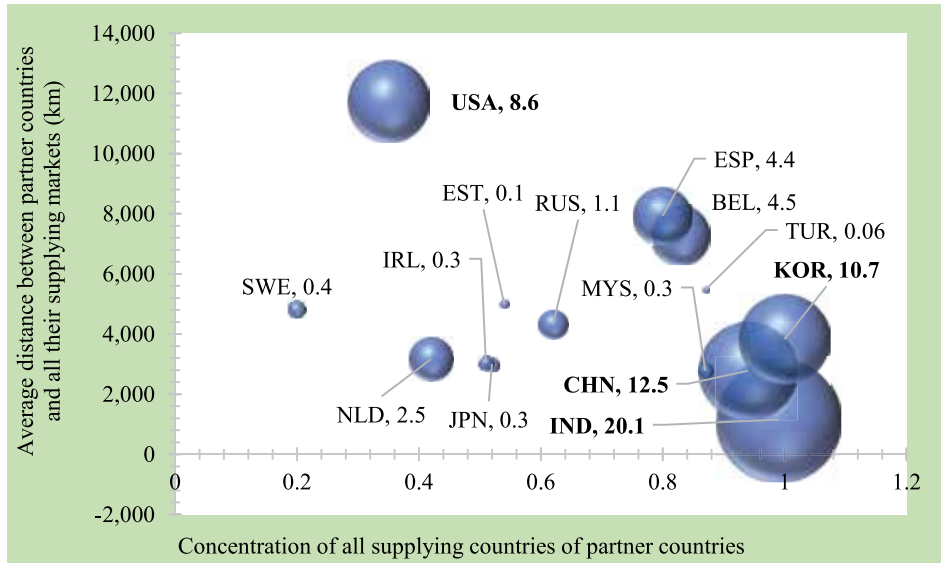
Figure 5: Bangladesh’s Prospect for Market Diversification of Processed but Not Spun Jute Fibres



Notes: (1) The bubble size is in proportion to the value exported by Bangladesh for the product category. (2) Amber bubbles indicate negative total imports growth in value of Bangladesh’s partner countries between 2014-2018 (% p.a.).
 Source: Authors’ presentation based on ITC Trade Map Database (2019).

The import growth of India and South Korea from global market was negative, which were major export destinations of Bangladesh for this product category. However, import growth was positive for the country’s most of the partners during 2014-18. It implies that Bangladesh can avoid any shock in exports through market diversification in this product.

Figure 6: Concentration of Importing Countries and Average Distance with their Supplying Countries for Processed but Not Spun Jute Fibres Exported by Bangladesh, 2018



Note: The bubble size is proportional to the value exported by Bangladesh for the product category.
 Source: Authors’ presentation based on ITC Trade Map Database (2019).

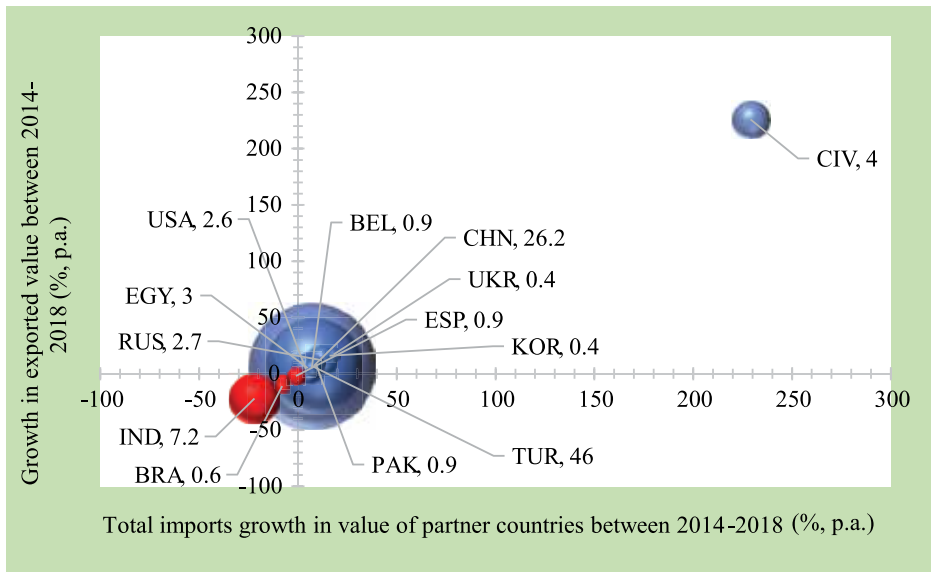
Bangladesh’s export destinations of the jute products under this category are notably concentrated on two geographically adjacent countries, viz. India and China. Nevertheless, Bangladesh has been performing well in exporting to distant countries, such as South Korea, the USA, Belgium, Spain and the Netherlands. Therefore, Bangladesh needs to plan farsightedly to outreach these countries in the near future where demand for jute and jute products is likely to increase because of national commitments for environmental protection and investment on climate change adaptation.

3.3 Single Yarn of Jute

This product category is comprised of single yarn of jute or of other textile bast fibres of heading 5303 (HS code 53071000), yarn of jute or of other textile bast fibres of heading 5303: single: twist (HS code 53071010) and yarn of jute or of other textile bast fibres of heading 5303: single: other (HS code 53071090). The total value of exports of this product was US\$310.75 million in the world market by all countries. Bangladesh was number one exporter of this product in the world market and its value of exports of this product was US\$302.66 million with an overwhelming

share of 97.4 per cent of world exports in the same year. The other countries that exported this product were Turkey, Belgium and India with a minuscule share in the world market (around 1.26, 0.38 and 0.35 per cent, respectively).

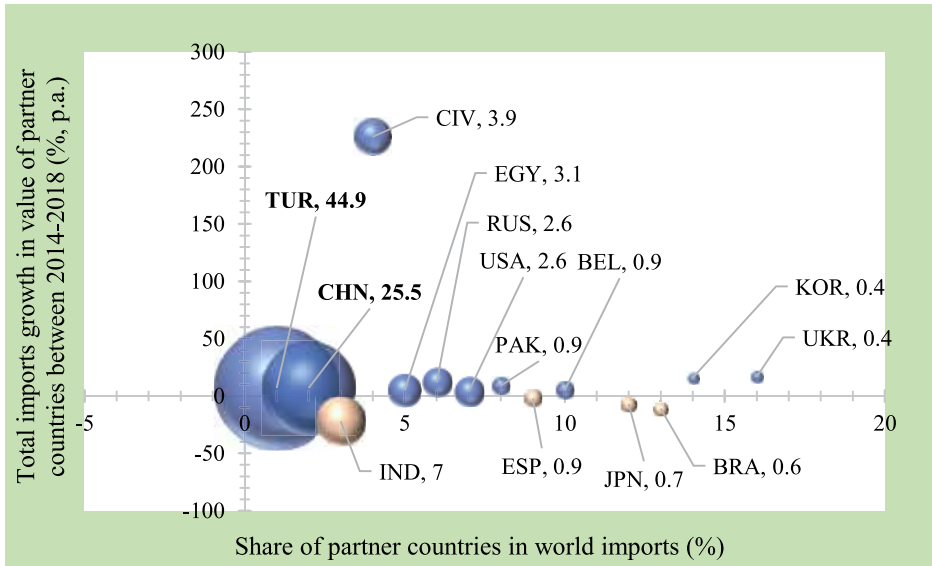
Figure 7: Bangladesh’s Exports vs. Partner’s Imports of Single Yarn of Jute



Notes: (1) The bubble size is proportional to the value exported by Bangladesh for the product category. (2) Red bubbles imply negative growth in both exported value of Bangladesh and total imports in value of the country’s partner between 2014-2018 (% p.a.)
 Source: Authors’ presentation based on ITC Trade Map Database (2019).

Bangladesh’s value of exports under this product category experienced of 10 per cent growth per annum during 2014-2018, while import of the partners from global market for this product category also increased by 4 per cent per annum during the same period. Such a positive growth mainly came from a notable increase in exports to Turkey, China, Côte d’Ivoire, Egypt and Russia among which exports to Côte d’Ivoire alone experienced 229 per cent growth per year during the same period. Conversely, among the major export destinations, the country experienced 22 per cent decline per annum in India.

Figure 8: Bangladesh’s Prospect for Market Diversification of Single Yarn of Jute

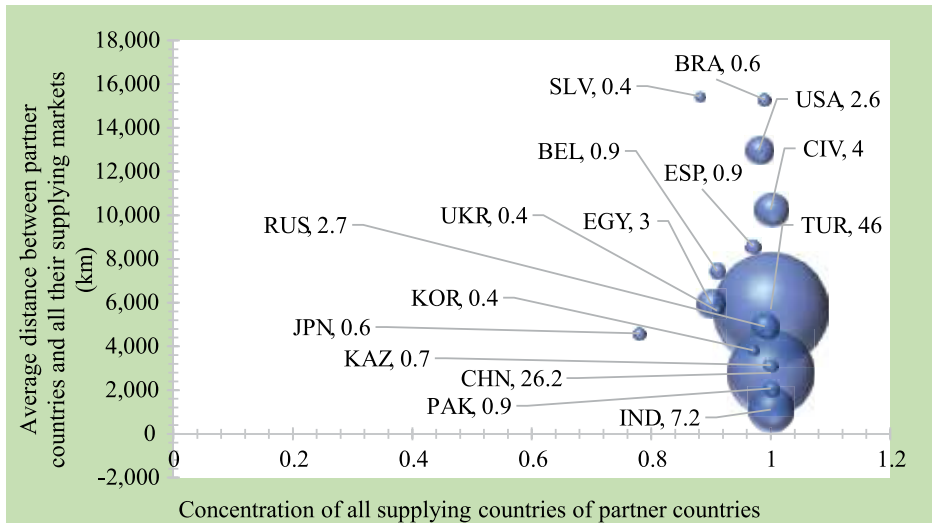


Notes: (1) The bubble size is proportional to the value exported by Bangladesh for the product category.
 (2) Amber bubbles indicate negative total imports growth in value of Bangladesh’s partner countries between 2014-2018 (% p.a.).

Source: Authors’ presentation based on ITC Trade Map Database (2019).

The import growth of Bangladesh’s major partner was mostly positive during 2014-18 except India in which Bangladesh exported 7 per cent of products under this category. There are few other countries, such as Spain, Japan and Brazil where the imports slightly declined but they were insignificant importers from the world market.

Figure 9: Concentration of Importing Countries and Average Distance with their Supplying Countries for Single Yarn of Jute Exported by Bangladesh, 2018



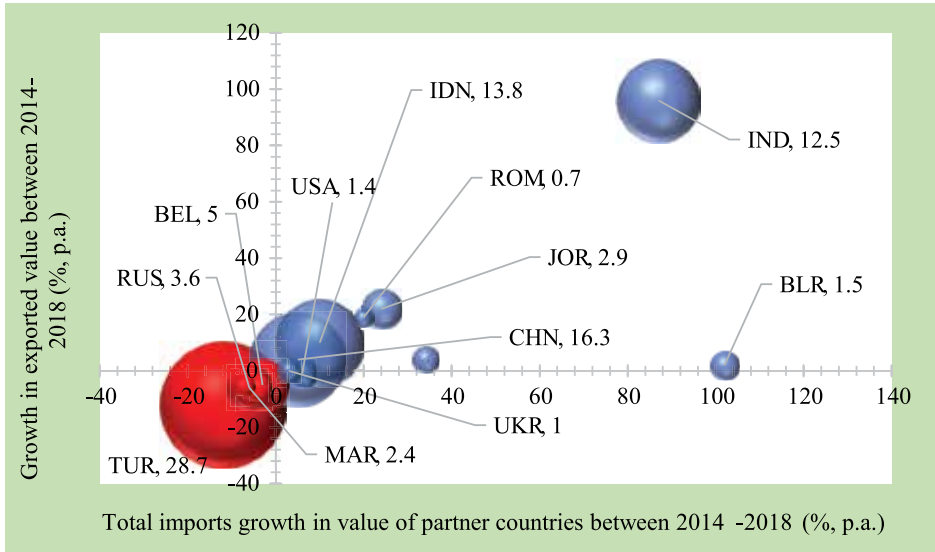
Note: The bubble size is proportional to the value exported by Bangladesh for the product category.
 Source: Authors' presentation based on ITC Trade Map Database (2019).

Turkey and China constitute more than 72 per cent source of exports earning for Bangladesh and they also have about 70 per cent share of imports from the world market. It implies that any shock in these two markets would have a detrimental impact on Bangladesh's exports of the products under this category. Therefore, the country must diversify its market since this product has been one-third of the total export earnings from jute in 2018.

3.4 Multiple "Folded" or Cabled Yarn of Jute

This product category is comprised of multiple "folded" or cabled yarn of jute or of other textile bast fibres of heading 5303 (HS code 53072000), multiple (folded) of cabled: twist (HS code 53072010) and multiple (folded) of cabled: other (HS code 53072090). It is also an important product category of which the total value of exports of this product was US\$181.19 million in the world market by all countries in 2018. Bangladesh was number one exporter of this product in the world market and its value of exports of this product was US\$150.44 million with a share of 83 per cent of world exports in the same year. The other countries that exported this product were India, Nepal and Turkey with a small share in the world market, which was nearly 8.9, 1.8 and 1.8 per cent, respectively.

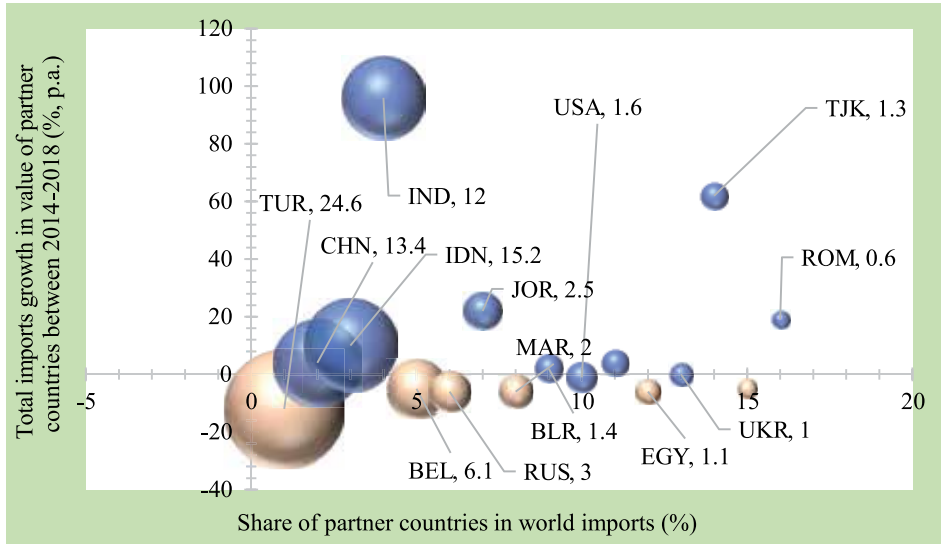
Figure 10: Bangladesh’s Exports vs. Partner’s Imports of Multiple “Folded” or Cabled Yarn of Jute



Notes: (1) The bubble size is proportional to the value exported by Bangladesh for the product category.
 (2) Red bubbles imply negative growth in both exported value of Bangladesh and total imports in value of the country’s partner between 2014-2018 (% p.a.)
 Source: Authors’ presentation based on ITC Trade Map Database (2019).

Overall, Bangladesh’s value of exports and import of the partners from global market under this product category did not experience any change during 2014-2018. However, among the top destinations, exports to Turkey, which is the top destination, has declined on average at 12 per cent per annum. Conversely, exports to other important destinations, such as China, Indonesia and India, increased during this period. The similar pattern was observed in the imports of these countries from the world market.

Figure 11: Bangladesh’s Prospect for Market Diversification of Multiple “Folded” or Cabled Yarn of Jute

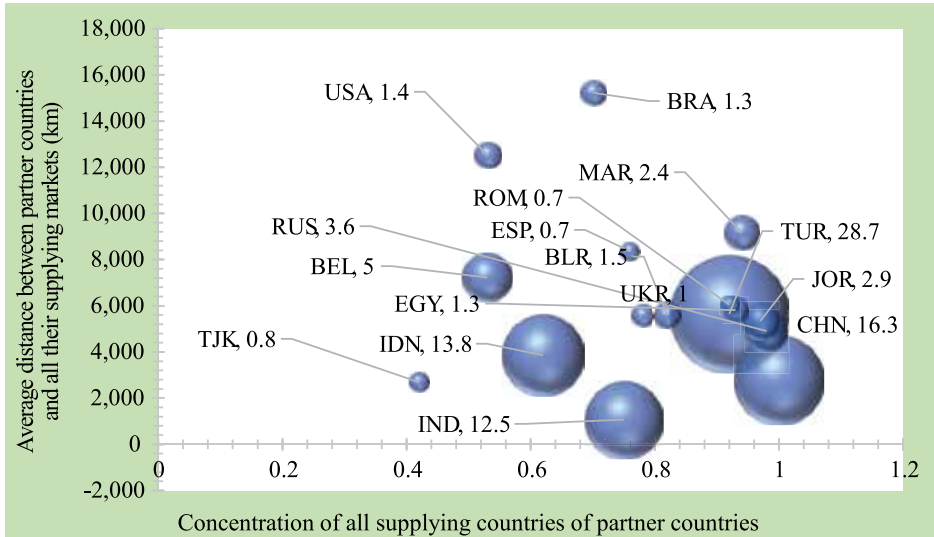


Notes: (1) The bubble size is proportional to the value exported by Bangladesh for the product category. (2) Amber bubbles indicate negative total imports growth in value of Bangladesh’s partner countries between 2014-2018 (% p.a.).

Source: Authors’ presentation based on ITC Trade Map Database (2019).

The market for the products under HS Code 530720 is more diversified than the above mentioned jute products and the destinations are more fragmented even though about 70 per cent of products are exported to four countries. However, the products are exported more to distant countries. It implies that Bangladesh has a good potential to diversify the market of these products by targeting distant countries and territories.

Figure 12: Concentration of Importing Countries and Average Distance with their Supplying Countries for Multiple “Folded” or Cabled Yarn of Jute Exported by Bangladesh, 2018

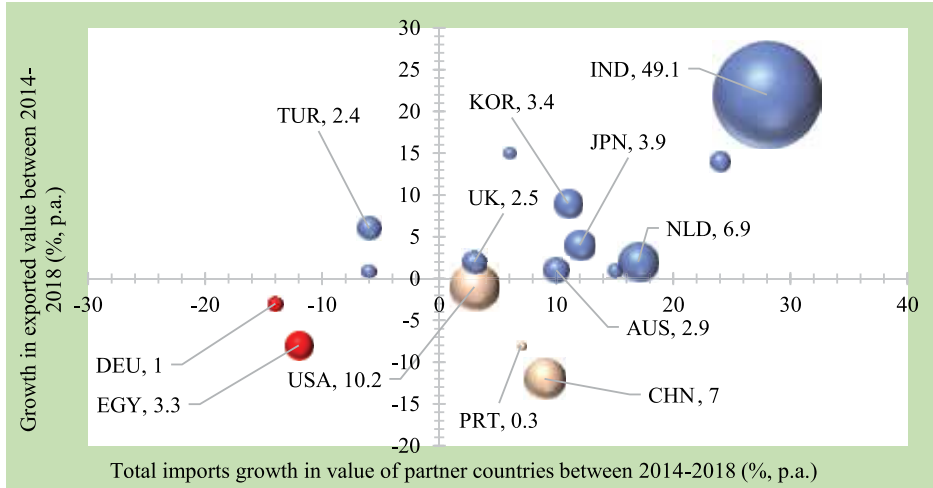


Notes: The bubble size is proportional to the value exported by Bangladesh for the product category.
 Source: Authors’ presentation based on ITC Trade Map Database (2019).

3.5 Unbleached Woven Fabrics of Jute

This product category includes woven fabrics of jute or of other textile bast fibres of heading 5303, unbleached (HS Code 531010). It is an important product category of which the total value of exports of this product was US\$184.7 million in the world market by all countries in 2018. Bangladesh was the second largest exporter of this product in the world market after India and its value of exports of this product was US\$71.1 million with the share of 38.5 per cent of world exports in the same year. India’s export share was 42.2 per cent in the global market in the same year. The other countries that exported this product were Germany and China, which had a meagre share in the world market (about 1.4 and 1.3 per cent, respectively).

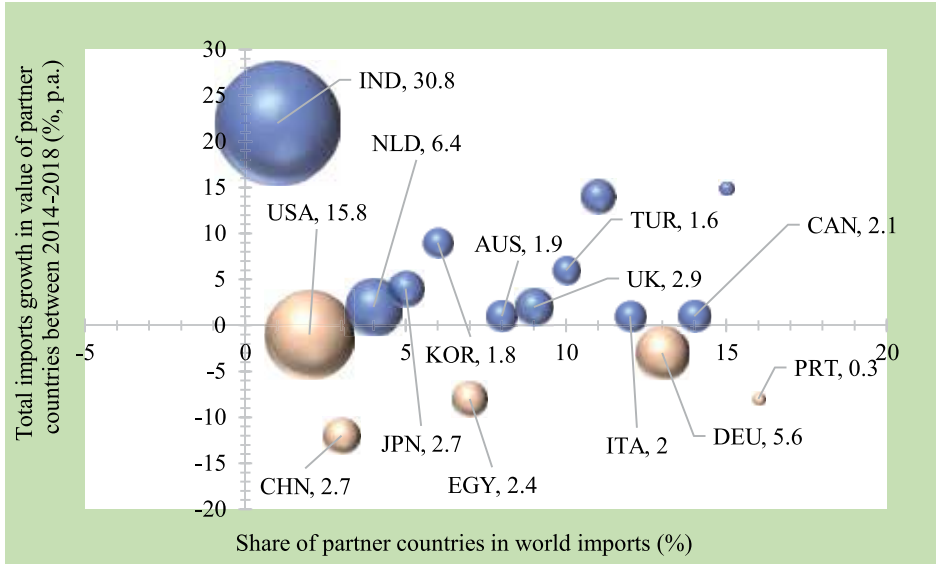
Figure 13: Bangladesh’s Exports vs. Partner’s Imports of Unbleached Woven Fabrics of Jute



Notes: (1) The bubble size is proportional to the value exported by Bangladesh for the product category.
 (2) Red bubbles imply negative growth in both exported value of Bangladesh and total imports in value of the country’s partner between 2014-2018 (% p.a.)
 (3) Amber bubble indicates negative growth in total imports growth in value of Bangladesh’s partner countries between 2014-2018 (% p.a.)
 Source: Authors’ presentation based on ITC Trade Map Database (2019).

Bangladesh’s value of exports and import of the partners from global market under this product category witnessed 14 per cent growth while growth of imports of the partners was 5 per cent per annum during 2014-2018. Among the top destinations, exports to India and the Netherlands registered positive growth while exports to the United States of America (USA) and China decreased. Conversely, the latter two countries witnessed positive growth of imports of these products from the world market. Thus, Bangladesh could not tap its potential to increase exports to these important destinations.

Figure 14: Bangladesh’s Prospect for Market Diversification of Unbleached Woven Fabrics of Jute

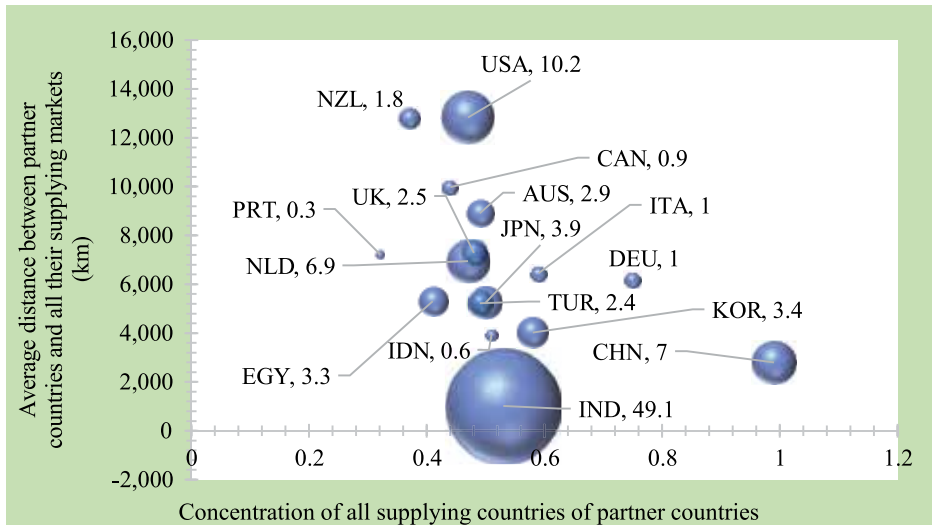


Notes: (1) The bubble size is proportional to the value exported by Bangladesh for the product category.
 (2) Amber bubbles indicate negative total imports growth in value of Bangladesh’s partner countries between 2014-2018 (% p.a.).

Source: Authors’ presentation based on ITC Trade Map Database (2019).

The market for the products under HS Code 531010 is quite diversified despite the fact that half of the products are exported to India. However, the products are exported more to distant countries. It implies that Bangladesh has a good potential to diversify the market of these products targeting to distant countries and territories, especially developed countries, which would emerge as major consumers of environment and climate-friendly products in near future. For example, the USA, the Netherlands and Germany along with other advanced Asian and European countries are importing considerable jute products from the world market. Bangladesh can target these markets with diversified and quality products as per the need of their consumer groups.

Figure 15: Concentration of Importing Countries and Average Distance with their Supplying Countries for Unbleached Woven Fabrics of Jute Exported by Bangladesh, 2018

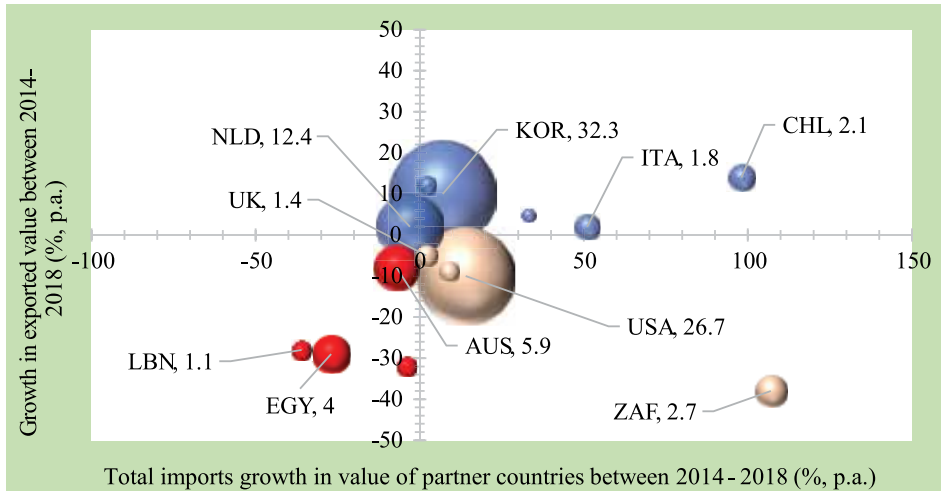


Notes: The bubble size is proportional to the value exported by Bangladesh for the product category.
 Source: Authors' presentation based on ITC Trade Map Database (2019).

3.6 *Bleached, Dyed or Printed Woven Fabrics of Jute*

It is a small product category (HS Code 531090) of which the total value of exports of this product was only US\$11.92 million in the world market in 2018. Bangladesh was the largest exporter of this product in the world market but representing only US\$3.54 million or 29.7 per cent of world exports for this product in the same year. However, the other countries that exported this product in notable portion to the world market were China, Spain and India, which had 13, 12 and 9 per cent share in the world market, respectively.

Figure 16: Bangladesh’s Exports vs. Partner’s Imports of Bleached, Dyed or Printed Woven Fabrics of Jute

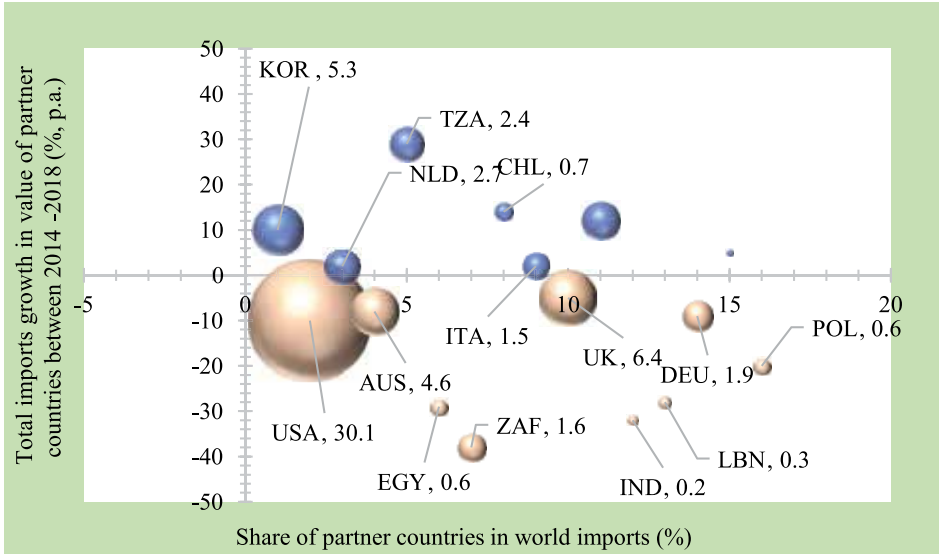


Notes: (1) The bubble size is proportional to the value exported by Bangladesh for the product category.
 (2) Red bubbles imply negative growth in both exported value of Bangladesh and total imports in value of the country’s partner between 2014-2018 (% p.a.)
 (3) Amber bubble indicates negative growth in total imports growth in value of Bangladesh’s partner countries between 2014-2018 (% p.a.)

Source: Authors’ presentation based on ITC Trade Map Database (2019).

Bangladesh’s value of exports and import of the partners from global market under this product category witnessed 7 per cent decline while imports of the partners declined by 9 per cent per annum during 2014-2018. Among the top destinations, exports to South Korea and the USA experienced positive growth while exports to the Netherlands and Australia decreased.

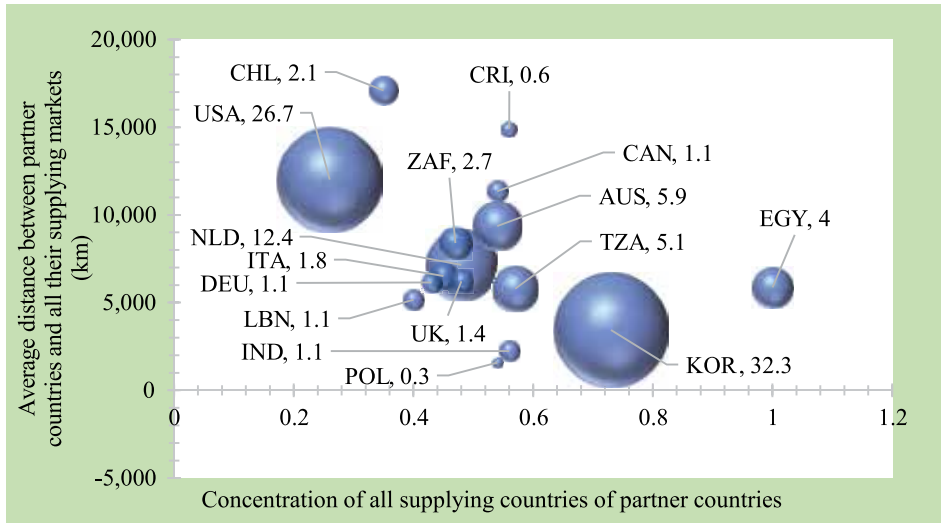
Figure 17: Bangladesh’s Prospect for Market Diversification of Bleached, Dyed or Printed Woven Fabrics of Jute



Notes: (1) The bubble size is proportional to the value exported by Bangladesh for the product category. (2) Amber bubbles indicate negative total imports growth in value of Bangladesh’s partner countries between 2014-2018 (% p.a.).
 Source: Authors’ presentation based on ITC Trade Map Database (2019).

Even though South Korea had one-third share of Bangladesh’s exports of these products, its share in the global imports was only 5.3 per cent. Conversely, the share of the USA was 30 per cent in 2018 and the share of the UK was 6.4 per cent in the world import in which Bangladesh’s share was much lower. In addition, the country’s exports of these products are much diversified and being exported mostly in high-income and developed countries. Therefore, the country has the scope to export more in those countries.

Figure 18: Concentration of Importing Countries and Average Distance with their Supplying Countries for Bleached, Dyed or Printed Woven Fabrics of Jute Exported by Bangladesh, 2018

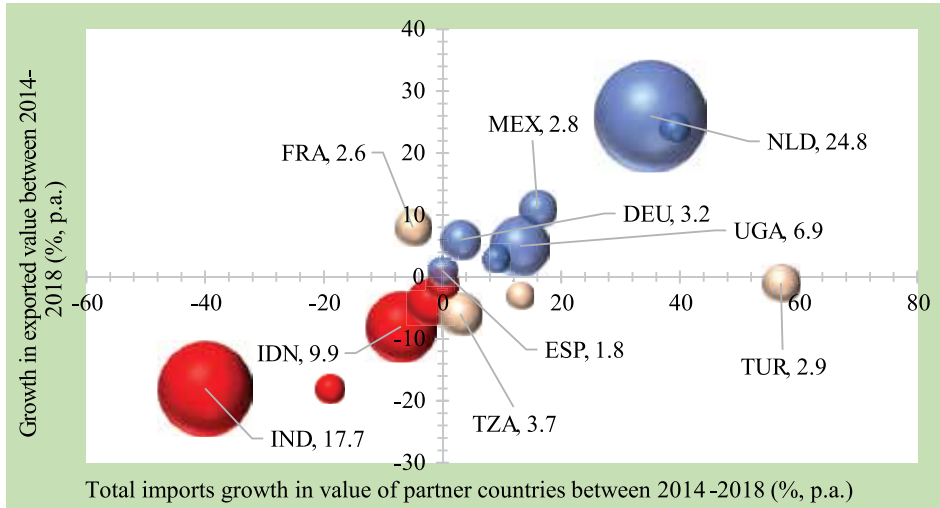


Notes: The bubble size is proportional to the value exported by Bangladesh for the product category.
 Source: Authors' presentation based on ITC Trade Map Database (2019).

3.7 Sacks and Bags for Packing of Goods

It is one of the most important product categories of which the total value of exports was US\$259.79 million in the world market in 2018. Bangladesh was the second largest exporter of this product (HS Code 630510) in the world market but representing only 17.6 per cent of world exports for this product in the same year. India was the largest exporter of these products with 45.83 per cent share in the world market in the same year. The other countries that exported this product in notable portion to the world market were Nepal, Côte d'Ivoire and the UK, which had 8.3, 7.3 and 5.2 per cent share in the world market, respectively.

Figure 19: Bangladesh’s Exports vs. Partner’s Imports of Jute Sacks and Bags

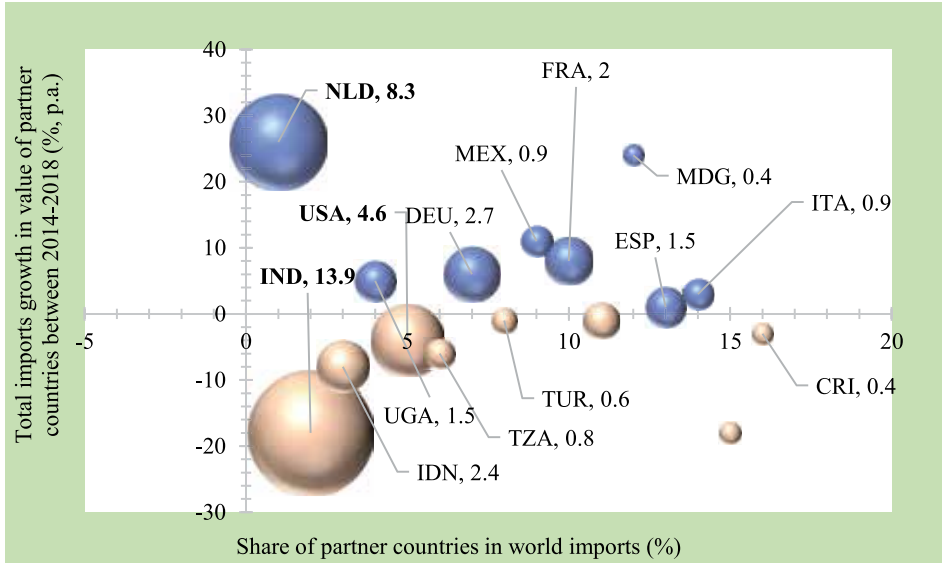


Notes: (1) The bubble size is proportional to the value exported by Bangladesh for the product category. (2) Red bubbles imply negative growth in both exported value of Bangladesh and total imports in value of the country’s partner between 2014-2018 (% p.a.) (3) Amber bubble indicates negative growth in total imports growth in value of Bangladesh’s partner countries between 2014-2018 (% p.a.)

Source: Authors’ presentation based on ITC Trade Map Database (2019).

Currently, Bangladesh’s top five export destinations of this product cover about 64 per cent of exports. The countries are the Netherlands (25 per cent share of exports of this product), India (18 per cent), Indonesia (10 per cent), Uganda (7 per cent) and the USA (4 per cent). Among them, both India and Indonesia registered a decline in the imports from Bangladesh and the world market over the period 2014-18. Except the Netherlands, the country’s most important export destinations experienced decline in imports of these products from the world market.

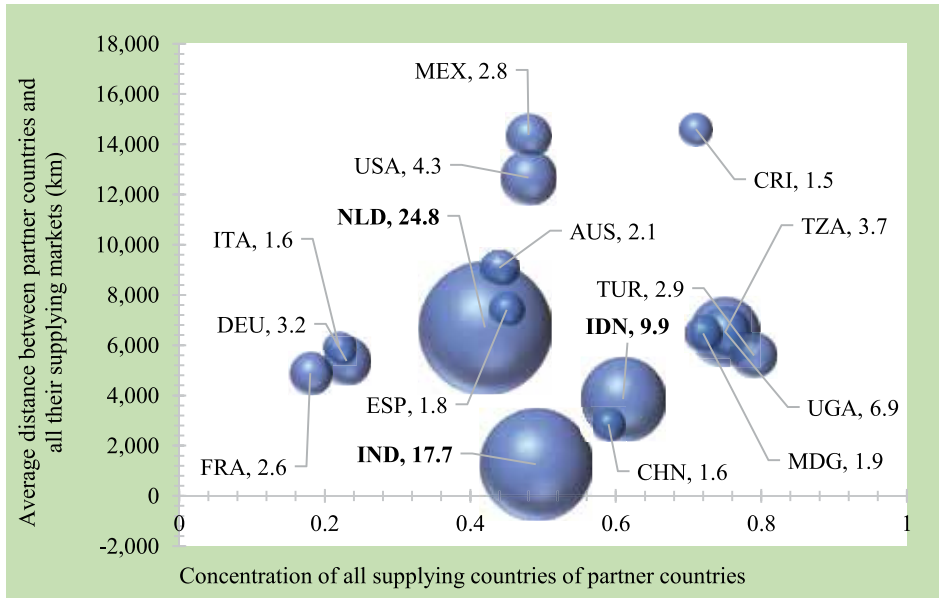
Figure 20: Bangladesh’s Prospect for Market Diversification of Jute Sacks and Bags



Notes: (1) The bubble size is proportional to the value exported by Bangladesh for the product category. (2) Amber bubbles indicate negative total imports growth in value of Bangladesh’s partner countries between 2014-2018 (% p.a.).
 Source: Authors’ presentation based on ITC Trade Map Database (2019).

Even though the Netherlands had one-fourth share of Bangladesh’s exports of these products, its share in the global imports was only 8.3 per cent. Conversely, the share of India was 18 per cent in 2018 while its share in the world imports was 14 per cent, the highest among Bangladesh’s export destination of these products. Since exports of these products are not concentrated to few countries, there are many other countries in which Bangladesh can tap its potential to increase its exports.

Figure 21: Concentration of Importing Countries and Average Distance with their Supplying Countries for Jute Sacks and Bags Exported by Bangladesh, 2018



Notes: The bubble size is proportional to the value exported by Bangladesh for the product category.
 Source: Authors' presentation based on ITC Trade Map Database (2019).

4. Potential of New Products in Jute Exports

Outmoded jute products such as raw fibre, jute sacks, jute hessian cloths, jute twine or jute yarn, jute shopping bags, rope and some handicrafts are ruling the export basket for years. However, Bangladesh cannot remain competitive without introducing new items in the global market due to the changing nature of customer preferences. The country needs to expand its range of products and introduce high-value products in the export basket to target the emerging demand of the international market.

4.1 Jute-Blended Textiles

Jute products of Bangladesh are used not only in the packaging of food-grade materials and industrial packaging, but also used as various types of shopping bags, promotional bags and geo-textiles. The demand for jute and other natural fibres that can be blended with cotton has also increased with the increase of demand of natural fibres. In recent times, textile and clothing (T&C) is using jute in many higher-end textiles for furnishings as well as in composites, especially as wood fibre. The major blended jute

manufactured products would be yarn and twine, jute sacking, hessian, carpet backing cloth and other T&C products. For example, if denim fabrics are produced with half jute and half cotton, then a pair of jeans would cost only one-third of the cost of full cotton denim fabrics. Bangladesh has a high potential in the European markets as the demand for natural fibre is increasing in this part of the world.

4.2 *Jute Sticks in Charcoal and Carbon Powder*

Jute-sticks, a byproduct of jute, can be a game changer in jute exports. Conventionally, these sticks are used as a source of firewood for earthen stoves and wall of huts as well as boundary walls at rural houses or making fences but the ash after burning the sticks are useful to wash utensils and are used as a raw material in many industries, such as cartridge of printers, charcoal and cosmetics, used for water filters, in gas masks and to remove odours. Activated carbon is produced from charcoal through manufacturing. High-quality jute-stick ash can be used to produce tooth-cleaning products, anti-toxin drugs, carbon paper, face-wash, dry-cell batteries, dried ink of photocopier machines and other chemicals.

If half of the jute-sticks can be utilized, then 250,000 tonnes of charcoal could be manufactured, which could alone earn about US\$200 million a year from export. Again, if half of the total product can be used to produce high quality ashes, US\$3-3.5 billion could be exported. In fiscal year 2017-18, Bangladesh earned US\$3.6 million by exporting jute charcoal to China while the total export of charcoal was only US\$3.64 million. The quantity of charcoal export to China can be increased significantly as Bangladesh gets duty-free market access of jute-stick carbon to China. Currently, Bangladesh is exporting charcoal only to the UK, Saudi Arabia and Taiwan. The markets of Brazil, Korea, Japan, Malaysia, Hong Kong, Turkey, the UAE, Germany, the USA, Australia, Canada and Mexico should also be explored because they also have considerable demand for this product.

4.3 *Interior Supplies for Global Automobiles*

Global car giants, such as BMW, Mercedes-Benz, Toyota, Renault, Mitsubishi, Volvo, Audi, Daimler Chrysler and Ford have started using natural fibre for furnishing car interior but earlier they used glass fibre to manufacture the interiors. Since glass fibre is not biodegradable, jute fibre emerged as a green alternative from 1994. The global car industry annually requires nearly 100,000 tonnes of jute, but Bangladesh exports only 12,000 tonnes for them. Bangladesh has an annual potential of export automobile interior products worth US\$5-7 billion depending on how it can successfully capture this market.

4.4 *Jute Polybag*

Recently the demand for jute bags has increased significantly in the European and North American markets because of growing environmental concern. Many countries have banned plastic packaging bags. The global market of jute bags is expected to be US\$2.6 billion by 2022. Currently, India is the largest producer and exporter of jute bags in the world market followed by Bangladesh and China.⁵ Sonali Bag, a Bangladeshi jute polybag which is under the first phase of commercial production after piloting,⁶ is recyclable, reusable and has reselling value which is degraded within eight hours after getting in touch with water and decomposes in earth within 4-6 months. Bangladesh Jute Mills Corporation (BJMC) has started manufacturing of Sonali Bag. It can overtake India's position in exports of jute bags by replacing harmful polybags. The country can earn considerable foreign currency by exporting Sonali Bag after meeting the internal demand and for that, the government will also need to encourage private entrepreneurs. Its production cost would decrease significantly if the economies of scale can be ensured through large-scale production of the bag.⁷

4.5 *Jute-Tin*

Jute-Tin⁸ is a notable diversified jute product. The core raw material to produce CI sheet (tin) is jute hessian, resin, coupling agent and some hardener.⁹ It is stronger and more durable than that of metallic tin, which avoids oxidation. It is sound and heat-proof and will save nearly all import cost of raw materials for producing metal sheets. Its production takes only 20 minutes and it does not need to use much electricity or gas. It can withstand rust for 100 years and it is a saline-resistant product which would be useful for coastal areas. This biodegradable product can be used to make furniture, fashionable home interior and exterior, sheds and alternatives to plastic, wood and cement.

⁵ Business Wire, "\$2.6 Billion Jute Bag Market: Global Industry Trends, Share, Size, Growth, Opportunity and Forecast 2017-2022 - Research and Markets", available at <https://www.businesswire.com/news/home/20171102006042/en/2.6-Billion-Jute-Bag-Market-Global-Industry>, accessed on 30 September 2019.

⁶ Bangladeshi scientist Mubarak Ahmad Khan invented the jute polybag, which is named "Sonali Bag" by Prime Minister Sheikh Hasina.

⁷ The size of the Sonali Bag would be 13"× 12" costed at Tk.10 per piece.

⁸ It is a recent invention of a Bangladeshi scientist Mubarak Ahmad Khan.

⁹ Md Zahirul Hoque, "Jute-Tin, another sustainable innovation by Dr. Mubarak", 16 May 2019, available at <https://www.textiletoday.com.bd/jute-tin-another-sustainable-innovation-dr-mubarak/>, accessed on 21 January 2020.

4.6 *Organic Jute Tea*

Recently Bangladeshi scientists have discovered the organic drink touted as “jute green tea”. It contains 30 per cent more calorie than spinach and its other rich ingredients are iron, vitamins, calcium, carotene, fibre, carbohydrate, protein and anti-oxidants. Intertrop, a Germany-based jute product manufacturing company, has initiated to manufacture jute tea in Germany and launch it in the European market in collaboration with the Government of Bangladesh based on the formula of Bangladesh Jute Research Institute (BJRI). They started a pilot project in Lemubari, Manikganj through a farmers’ cooperative to cultivate organic jute leaves for producing the organic tea, which would be certified as per European regulations.¹⁰ About 2.5 metric tons of jute tea has been exported to Germany in 2018-19¹¹, which would be increased later depending on the response in the European market.

4.7 *Jute Viscose*

Viscose, the regenerated cellulose fibre, is a popular man-made fibre and a basic input of fabrics which Bangladesh needs to import for textiles industry. Recently, a document was signed by BJMC and China’s Textile Industrial Corporation for Foreign Economic and Technical Corporation for technical and financial cooperation to Bangladesh for constructing a plant to produce viscose fibre. Laboratory tests have confirmed that pulp can be produced from jute, which can be used to produce high-quality viscose. A Feasibility study is currently being conducted to determine its commercial viability and to understand whether Bangladesh can produce jute viscose at large scale to export and substitute imports. Bangladesh needs an investment of US\$120 million for this project, which would help to substitute annual imports of viscose fibre of about US\$85-95 and US\$700-800 million of wood-derived viscose. It will bring a major breakthrough for the textile sector as a cheap and locally sourced input. By 2021, Bangladesh is expected to export jute and jute goods worth US\$5-7 billion using jute viscose if the project is implemented. The country would be able to produce 40,000 tons of viscose every year from this project, which can be increased further. Thus, jute viscose can be an important raw material for textiles and export-oriented composite RMG sector. It can also be directly exported to the world market.

¹⁰ Farjana Liakat, “Jute-Tee, Bangladesh beverage in German cups!”, *Prothom Alo*, 15 June 2019, available at <https://en.prothomalo.com/bangladesh/news/197299/Jute-Tee-Bangladesh-beverage-in-German-cups>, accessed on 22 December 2019.

¹¹ “Bangladesh to export 5 metric tons tea produced from jute leaves this year”, *The Daily Sun*, 09 September 2019, available at <https://www.daily-sun.com/post/422234/Bangladesh-to-export-5-metric-tons-tea-produced-from-jute-leaves-this-year>, accessed on 22 November 2019.

4.8 *Jute Geo-textile*

Improvised jute geo-textiles (JGT) can be an important export product. It is used in civil engineering, foundation, soil, rock, earth or any other geotechnical engineering material in man-made project, structure or system. JGTs have emerged as a commercially and ecologically viable alternative to synthetic geo-textiles which are harmful for the environment. Recently, BJRI and BJMC have developed some treatment techniques for JGTs which can enhance their life up to or even more than twenty years, which would allow them to be used in short-term to medium-term soil reinforcement, such as rural roads, construction access roads, flood and road embankments, etc. Biodegradable JGTs is meshed with the soil and act as a fertilizer after a certain period. These are regarded as the most versatile and cost-effective ground modification materials, which would save costs by 35-50 per cent compared to applications of their alternatives.¹² Some of the jute mills are currently exporting JGTs, but in a scanty amount.¹³ The global technical textile market was valued at US\$235 billion in 2017 and is projected to reach US\$335 billion by 2025, growing at a CAGR of 4.5 per cent from 2018 to 2025. Therefore, Bangladesh needs to improvise the JGT further and take steps to expand its exports through various promotional measures.

5. Policy Recommendations

5.1 *Reviving BJMC*

Comprised of 22 jute mills and 3 non-jute mills, BJMC is the largest state-owned manufacturing and exporting entity in the jute sector which still produces only traditional jute products.¹⁴ However, it is overburdened with administrative inefficiency, age-old machines, very low productivity, financial troubles and never-ending losses, which led to popular label as a “bottomless pit”. It purchases raw jute at a price which is much higher than the wholesale price, which makes the products costly and leads to incur continued loss. Currently, out of 10,835 looms,

¹² A. J. Khan, “Technical Assessment of Jute Geotextiles for Civil Engineering Applications”, available at <https://www.technicaltextile.net/articles/technical-assessment-of-jute-geotextiles-for-civil-engineering-applications-3344>, accessed on 16 July 2019.

¹³ Currently, Latif Bawany Jute Mills under state-owned BJMC exporting 5,000 metric tons and Janata Jute Mills Ltd., the only JGTs exporting private jute mill, are exporting 2,000-2,500 metric tons jute geo-textile every year.

¹⁴ “Industry Overview”, Bangladesh Jute Mills Corporation, available at <http://www.bjmc.gov.bd/site/page/c016d82d-5e15-4e7c-8bcd-a52df6324f94/%E0%A6%8F%E0%A6%95-%E0%A6%A8%E0%A6%9C%E0%A6%B0%E0%A7%87%E0%A6%AA%E0%A6%BE%E0%A6%9F%E0%A6%B6%E0%A6%BF%E0%A6%B2%E0%A7%8D%E0%A6%AA>, accessed on 26 January 2020.

4,452 looms in mills under the BJMC are operative which are again outdated, which were mostly bought before independence. Modernization and technological upgradation have not taken place after that, which is causing substantive decline in productivity. The efficiency of BJMC mills is now less than 50 per cent of their capacity. A full upgradation of machineries can reduce production cost and can improve their productivity significantly. Therefore, a comprehensive strategy needs to be formulated to revive the organization, which would help it remain relevant with its products in the international market.

5.2 *Innovations and Market Linkages*

A narrow range of products and traditional goods are failing to tap the emerging export potentials amidst growing concerns of climate change, especially in the European and North American markets. Therefore, the country must invest in innovations and market linkages for diversification of jute products keeping in mind the quality and standard requirement in the international market. The BJMC, private sector, BJRI and other research institutes, universities and around 200 jute mills in private sector¹⁵ should be actively involved in innovation and product diversification with technical and financial support from the government. Jute Diversification Promotion Centre (JDPC) has been promoting diversified jute products since 2002 that helped in producing more than 200 products targeting the international market and also organizing skill development training for entrepreneurs, designers, artisans and workers and training for new entrepreneurs. The government should allocate more resources in JDPC and increase its capacity in designing and innovation in products.

5.3 *Ensuring Commercial Viability for Export Market*

Some new jute products have been invented over the last couple of years, e.g., Sonali bag and jute viscose, which have high potential in the export market but these are still waiting for large-scale investment and commercial production. In order to make them commercially viable, domestic private and foreign investment can be invited. For domestic investors, special scheme with soft term loans can be created by Bangladesh Bank for reducing cost of machineries and other fixed costs in which BJMC can collaborate with these investments to develop production units in its own land. Physical facilities can be created in the Special Economic Zones (SEZs) for

¹⁵ "Export of jute, jute goods maintain steady growth", *The News Today*, 04 March 2018, available at http://www.newstoday.com.bd/index.php?option=details&news_id=2494062&date=2018-03-04, accessed on 20 January 2020.

establishing factories to attract foreign investment in the new and promising jute diversified products.

5.4 *Improvization and Marketing of Jute Geo-textiles*

Currently, most of the JGT products are not specially treated and mixed with other treated eco-friendly raw materials for hybrid and high-end JGTs as per the standard and requirement of the developed country markets. Bangladesh channels more than ten types of GSTs in the international market through Alibaba, which are basic products and gets very low response from the end customers. Therefore, JGTs must be improved through chemical treatment and standardization as per the requirement of the global market.¹⁶ Bangladesh has signed a memorandum of understanding (MoU) with India for standardization of JGTs. But since India is the country's competitor of jute products in the international market, other interested countries, such as China can be invited to help Bangladesh to standardize and improvise the JGTs.

5.5 *Investment on Research and Development*

Both domestic investment and Foreign Direct Investment (FDI) are required for quality improvement, new technology, standardization, advertisement and promotion, research & development (R&D) and greater access of jute products to the global market. Bangladesh Bank should come forward to develop a special scheme with soft loan and long-term financing to promote new and promising products by the medium and large enterprises that specialize in jute products targeting the international market. It is also important to finance R&D of private firms, scientists, designers, universities and BJRI to introduce new and lucrative products for the international market.

6. *Concluding Remarks*

Bangladesh is the top exporter of jute products in the world market for decades. Currently, the country's share in the global jute market is about three-fifths, followed by India with about one-fifth of total exports of jute by all countries of the world. However, exports of jute products are currently about two per cent of the country's total exports of goods. While other important products are demonstrating growth in terms of total exports and their share in export earning, jute products are

¹⁶ According to personal discussion with Dr Md Asaduzzaman, Director General, Bangladesh Jute Research Institute.

demonstrating a rather diminishing trend for more than a decade. Despite a number of measures for export promotion and diversification of jute products, the traditional products, such as raw jute fibre, jute sacks and bags for packing of goods, cabled yarn and woven fabrics, have remained the most dominant export products which have limited prospect in global market.

Therefore, in order to revive jute as an import category in export of goods, Bangladesh must officially recognize that the country should be graduated from the traditional age-old jute products from the export products which are basic and expensive. The new products would include bio-gradable Sonali polybag, jute-tin, jute viscose, treated and value-added geo-textiles, particle board, fashionable wall and floor covering, toilet wear, sanitary products, fashion fabrics, curtain, bed accessories, seats and blanket covering, fabrics blended with textiles, charcoal and carbon powder from jute stick, interior supplies for global automobile industry and jute leave tea. These products should be brought into the fast track of promotion and investment for large scale production aiming at the global market.

BJMC is the most dominant player in the domestic supply and exports of jute goods, which should be reformed through renovation. Innovations and market linkages are must to add high-end items in the export basket and private investment in the jute sector should be promoted through soft loan and introduction of special refinancing scheme by Bangladesh Bank. Finally, a comprehensive market research should be commissioned to understand the potential markets and emerging demand for specific jute products by country to help undertake future policy initiatives to support jute exports.

Annex

List of Interviewees

Sl.	Name of the Interviewee	Designation and Institution
1.	Mr Shah Muhammad Nasim	Chairman, Bangladesh Jute Mills Corporation (BJMC)
2.	Dr Md Asaduzzaman	Director General, Bangladesh Jute Research Institute (BJRI)
3.	Mr Md Kawsar Uddin	Market Promotion Executive, Jute Diversification Promotion Centre (JDPC)
4.	Ms Arzina Jannat	Deputy General Manager (MIS), BJMC
5.	Ms Sheema Das	Head of Project, Juto-Fibreglass Industry, BJMC
6.	Mr Mohammad Shahjahan Siddiqui	Legal Economist
7.	Mr Manzur Ahmed	Trade Expert and Head of WTO Affairs, Federation of Bangladesh Chambers of Commerce & Industries (FBCCI)
8.	Ms Kohinoor Yeasmin	CEO, Tarango
9.	Mr Md Rashedul Karim Munna	Managing Director, Creation Pvt Ltd
12.	Mr Altaf Hossain Selim	General Manager, Karupannya Rangpur Ltd

Note: The interviews conducted between July 2019 to January 2020.