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## Spain-Bangladesh international trade for small and medium enterprises: Exploring the potential scopes

**Dr. Ramón Sanguino Galván, Md. Habibur Rahman and Samsul Alam**

### Abstract

There exists no adverse relation between Spain and Bangladesh instead it is seen rare international as well as bilateral relation of these two countries and we found scopes for engaging international trade for both of the countries. Spain is a country capable of producing for example, a lot of electronic products. In Bangladesh, there are growing demand for some of the top listed goods like vehicles, machineries and more. The surplus of these goods if any, exported to that country, a huge foreign currency may be achieved and thus the country may be financially benefited to cope with the existing market recession. On the other hand, there are some top listed exporting goods of Bangladesh including clothing, labor, leather, and more. Spain might get economic advantage to some extent from international trade with Bangladesh. Thus, from both side export-import trade relationship of these Small and Medium Enterprises (SMEs), both countries can be economically benefited and thus Spain can get solution for reducing existing recession to some extent and Bangladesh can find a feasible solution to achieve the vision 2021 of digital Bangladesh and 2041 of being a developed country in the world. Again, there will be a bilateral relationship between these two countries. This study attempts to justify the relevance and feasibility for Spain of the goods to be exported to and imported from Bangladesh. The findings of this qualitative study show that there are possible scopes and fields to make a big deal between Spain and Bangladesh and thus the international trade for SMEs would positively contribute to the economic development of the both parties

**Keywords:** International trade, economic development, economic recession, SME, Spain, Bangladesh

### Introduction

Since the emergence of civilization, long-distance trade has been playing a major role in the exchanges of goods and services taking place between the major centers in Europe and Asia during antiquity. Some of the trade routes had been in use for centuries, but by the beginning of the first century, merchants started crossing the ancient world from Spain in the west to the east. The trade routes served principally to transfer products especially luxury goods from areas with surpluses to others where they were in short supply. The surplus of Spanish production, if any, exported to Bangladesh, a huge foreign currency might be achieved. The top exporting goods of Spain have growing demands for Bangladesh. There are some Bangladeshi exporting goods, on the other hand, have demands in Spain that can be imported from Bangladesh as they would be more cheaply than importing from any other sources. This study shows that Bangladesh exports Ready-Made Garments (RMG) and labor to abroad that are considered as the life blood of economic development for Bangladesh which has a tremendous appeal in Spain too. Importing these goods from Bangladesh, Spain can also save currency instead importing from other sources because Bangladesh has the opportunity to use labor in their RMG sector that enable to export products at the lowest minimal cost maintaining the quality which has been being exported to the developed countries like USA for decades. Again, Spain has unutilized resources that require labor which is not equipped with the national people as the cost is higher for which labor supplied from Bangladesh can be employed such as to cultivate the unused cultivable land.

The study was conducted based on the secondary source. The data used in this study was collected from different secondary sources like the journal articles, books, websites, news papers and so on. In this research, both the qualitative and quantitative data were used for making decision.

The primary purpose is to reduce the existing economic recession of Spain by earning more foreign currency through exporting the surplus of GDP to Bangladesh and strengthening economy by importing from Bangladesh as well to provide Bangladesh a supporting solution to achieve its vision. The secondary purpose is to build a Spain-Bangladesh bilateral relation.

The primary focus is on the export of the Spanish goods to Bangladesh that has attractive appeals. We discuss about (i) Automobiles, and (ii) Agricultural machineries. There are some resources in Bangladesh that are produced in a huge quantity at a low cost which have demand in Spain that not generated domestically and our focus tends to import these goods and services from Bangladesh instead of spending to other countries. We focus on the 3 sectors to import from Bangladesh that include (i) RMG, (ii) Manpower, and (iv) Leather.

### Review from the Related Literature

In terms of total export revenue, SMEs in the portfolio management sector rank first (2007), followed by their peers in architectural, engineering and related services; computer system design and related services; software publishers and management; and scientific and technical consulting services; wholesale trade, other service industries, finance and insurance are the sectors where SME multinationals derive most of their total sales (Adlung and Soprana, 2013)<sup>[2]</sup>. SMEs accounted for approximately 30% of known U.S. merchandise exports between 1997 and 2007. In 2007, U.S. SME exports amounted to US\$ 306.6 billion (Hammer *et al.*, 2010)<sup>[17]</sup>. SMEs are critical to European economies too. They provide two of every three jobs and account for 58% of gross value added (GVA). SMEs play an even more prominent role in Italy, Portugal and Spain, where they account for 20% more employment than the European average. Sustained economic recovery in Europe thus hinges on restoring the health of SMEs across the EU (Tran, 2015)<sup>[39]</sup>. The analysis on a sector by sector basis has led to conclude that Spain can create up to 3 million sustainable jobs if the right actions are taken. With this purpose two growth engines include tourism and service (e.g. Business services like SME) (Beltran, 2010)<sup>[9]</sup>. At the end of 2010, SMEs accounted for 99.9% of the Spanish non-financial business sector in terms of number of enterprises, and contributed 76% of the employment and 68% of the added value of that sector. These percentages, which are 10% points higher than the same figures for the European Union (EU) as a whole, underline the greater preponderance of SMEs in the economy, which is even more apparent if we compare the Spanish situation with that of the main EU economies (Arce and Lopez Sanjuan, 2011)<sup>[5]</sup>. The growth of the European economy depends heavily on the SME sector. In 2008, 78% of business economy workforce in Spain was employed in an SME while in Hungary it was 73%. The added value of the SME sector in share of the national GDP in 2005 in Spain was 68.5% (one of the highest in the EU) and in Hungary just above 50%, well below the EU-average (57.6%) (Eurostat 2008; MITC, 2011 & Nagy, 2015)<sup>[24]</sup>. Italy, France, Spain and Germany accounted for more than 50% of total EU SME exports. This highlights the importance of SMEs as a generator of export value in many EU countries (Cernat, 2015)<sup>[11]</sup>. However, it should be noted that in developed countries, exports tend to be dominated by large firms (WTO, 2015)<sup>[45]</sup>.

SMEs also contribute to developing economies. According to Tambunan (2009) data shows that SMEs are major contributors to total exports for instance, in India, SMEs accounted for 38-40% of exports in the 10-year period from 1998-2008, China 60%, Vietnam 20%, and Thailand 46%. Studies indicate that "formal-sector" SMEs contribute up to 45% of employment and up to 33% of GDP in developing economies; these numbers are significantly higher if the contributions from the "informal sector" are taken into account (International Finance Corporation, 2010). As an example, in Morocco 93% of industrial firms are SMEs, accounting for 38% of production, 33% of investment and 30% of exports (Edinburgh Group, 2013). In Ghana, SMEs represent about 92% of Ghanaian businesses and contribute about 70% of Ghana's GDP (Abor and Quartey, 2010). Further studies found that the contribution to employment by SMEs is 51% in low-income countries, 44% in lower-middle income countries and 38% in upper-middle income countries (Ayyagari *et al.*, 2011). The picture is similar in least developed countries (LDCs). For instance, in Lao PDR, SMEs account for 98% of firms and generate more than 81% of employment (WTO, 2015)<sup>[45]</sup>. In most countries, SMEs represent the overwhelming majority of enterprises; they are an important source of private sector employment creation and contribute significantly to gross domestic product (GDP). SMEs are often among the most dynamic players in any economy, notably because small size facilitates flexibility and creativity. SMEs also have an important social policy dimension, notably in the areas of poverty alleviation and the empowering of otherwise disadvantaged groups, including women (WTO, 2015)<sup>[45]</sup>. Bangladesh mainly exports readymade garments including knit wear and hosiery. The sector currently employs 4.2 million people about 40% of total manufacturing (85% of these employees are women) and accounts for 76% of the country's export earnings and 10% of its GDP. Others include: Shrimps, jute goods (including carpet), leather goods and tea. Bangladesh's main export partners are United States (23% of total exports), Germany, United Kingdom, France, Japan and India (Academia.edu, 2015)<sup>[1]</sup>.

The recent overall economic and financial developments confirm the stabilization that has been unfolding over the last two years in Spain. This country report also assesses progress towards implementing the 2014 country specific recommendations. It concludes that on average, Spain has made some progress in implementing them (Commission Staff Working Document, 2015)<sup>[12]</sup>. Spanish larger SMEs are benefited from a more standardized international marketing strategy and lagged behind because of environmental differences between home-host markets whereas smaller SMEs that belong to low-technology industries preferably benefited from a more adapted international marketing strategy and they do not consider environmental barriers as high export barriers (Stoian, Rialp and Rialp, 2012)<sup>[34]</sup>. In 2007, just before the economic crisis unfolded, exports of goods and services represented 26.9% of GDP, up slightly from 26.8% in 1999. Spanish exports grew much faster than GDP, and faster than in the period prior to the crisis. As a result, the contribution of exports to economic activity rose considerably. To the extent that Spain's recent export performance is underpinned by the structural decision of a large number of firms to turn to international trade, it becomes more likely that the current account adjustment currently underway is of a permanent nature (Cernat, 2015)

[11]. 89% of Spanish enterprises confirm that their competitiveness increased as an effect of internationalization, and half of them are willing to enter new markets in this order: China, Mexico, USA, Braszil and Eastern European countries (Buisán & Espinosa, 2007 and Nagy, 2015) [24]. Commercial diplomacy plays a significant role in International trade, investments and promotional activities. In today's era of globalization, enormous technological advances, persistent pressure in the market economy, the role of commercial diplomats have become all the more complex, challenging and multi-dimensional. In order to remain competitive, commercial counselors should be updated with relevant information pertaining to their tasks (Safiullah, 2015) [29]. Spain's recovery has gathered speed, but unemployment is still very high. Growth has picked up and is expected at 3.1 percent in 2015 and 2.5 percent in 2016, well above the euro area average. Strong policy implementation has supported the return of confidence, and significant external tailwinds are helping the rebound. The current account maintains a small surplus while financial conditions remain supportive. The pace of private sector deleveraging has slowed and new credit is being extended. Job creation has picked up, but more than 5 million people remain unemployed and new jobs still rely heavily on temporary and part-time contracts. There were a few imports of Spain in 2010 from Bangladesh (0.30%) where from China it was 7.92% (Trade Comparison, 2012) [37]. Though Spain is gradually overcoming the existing economic recession successfully, there are scopes for Spain to regain more promptly through making international trade relation with developing countries like Bangladesh that no study found in this regard. We describe some ways of developing economic relationship between Spain and Bangladesh where Spain can save and earn foreign currencies and Bangladesh can also go ahead fulfilling vision 2041 of 'moving ahead Bangladesh' for being a developed country.

### Economic Condition of Spain

**Overview of Spain:** Officially named the Kingdom of Spain, Spain is a country capitalized in Madrid located on the Iberian Peninsula in southeastern Europe with a total population of 47.1 million with Population density (people per sq. km of land area) 92.8 and coverage area of 504,645 sq. km got victory in 1492. It joined European Union (EU) in 1986. In 1975, Spain became the modern, democratic country. The Castilian Spanish (*español*), is the official language of the entire country. The other official languages of Spain, co-official with Spanish are Basque, Catalonia and Galicia. Most of the people here are Catholic Christian. The currency used is euro.

**Economy of Spain:** Spanish economy is the 14<sup>th</sup> largest by nominal GDP and 16<sup>th</sup> largest by purchasing power parity in the world as well as the 5<sup>th</sup> largest in the European Union, 4<sup>th</sup> largest in the Eurozone, based on nominal GDP statistics. In 2012, it was 12<sup>th</sup> largest exporter and 16<sup>th</sup> largest importer in the world. In 2009, Spain boasted the world's 9<sup>th</sup> largest economy. Spain is a member of World Trade Organization (WTO) and Organisation for Economic Co-operation and Development (OECD) that facilitates its international trade. From 2008 to the date Spain has been going through financial crises known as the Great Recession or the Great Spanish depression when the world also started facing financial crisis during 2007–08. The economy, which grew 3.7% per year on

average from 1999 to 2007, has shrunk at an annual rate of only 1% since then. The main cause of Spain's crisis was the collapse of an enormous housing bubble and the accompanying unsustainably high GDP growth rate. In these early times Spain had a huge trade deficit, a loss of competitiveness against its main trading partners, an above-average inflation rate, house price increases, and a growing family indebtedness. Large-scale immigration continued throughout 2008 despite severe unemployment, but by 2011 the OECD confirmed that the total number of people leaving the country (Spaniards and non-Spaniards) had over taken the number of arrivals. Spain is now a net emigrant country. There are now indications that established immigrants have begun to leave, although many that have are still retaining a household in Spain due to the poor conditions that exist in their country of origin. The current gross domestic product (GDP) of Spain is US\$ 1.740 trillion (2015). Year-on-year, the economy expanded 3.5%, bringing full 2015 growth to 3.2%, higher than 1.4% in 2014. GDP Growth Rate in Spain averaged 0.53% from 1995 until 2015, reaching an all-time high of 1.60% in the first quarter of 2000 and a record low of -1.60% in the first quarter of 2009. GDP Growth Rate in Spain is reported by the National Statistics Institute (INE). Total labor of 22.93 million (2014) engaged in services (70.7%), industries (14.1%), construction (9.9%) farming and fishing (4.5%), energy (0.7%) (2009) though the GDP growth rate of this country decreases by 0.8% by this year.

**International Trade of Spain:** In 2014, exports from Spain amounted to US\$ 318.6 billion, up 29.4% since 2010. Spain's top 10 exports accounted for 55% of the overall value of its global shipments which earned between vehicles US\$ 51.6 billion (16.2% of total exports), machines, engines, pumps US\$ 24.4 billion (7.6%), oil US\$ 23 billion (7.2%), electronic equipment US\$ 17.2 billion (5.4%), pharmaceuticals US\$ 12.7 billion (4%), plastics US\$ 12.4 billion (3.9%), Fruits, nuts US\$ 9.3 billion (2.9%), Iron and steel US\$ 9 billion (2.8%), Iron or steel products US\$ 8.2 billion (2.6%), Clothing (not knit or crochet) US\$ 7.4 billion (2.3%). Main destination of these products in 2014 are in percentage European Union (28) (62.2), United States (4.4), Morocco (2.4), Turkey (2.1), China (1.7), and unspecified destinations (3.4) showing share in world total exports of 1.71% which is the 32% of total GDP. The top 10 importing products and their contribution are oil US\$ 73.5 billion (20.9% of total Spanish imports), vehicles US\$ 39.5 billion (11.2%), machines, engines, pumps US\$ 29.7 billion (8.5%), electronic equipment US\$ 24.4 billion (6.9%), pharmaceuticals US\$ 15.2 billion (4.3%), plastics US\$ 11.4 billion (3.2%), organic chemicals US\$ 10.9 billion (3.1%), iron and steel: US\$ 10.1 billion (2.9%), clothing (not knit or crochet) US\$ 8.9 billion (2.5%), medical, technical equipment US\$ 7.6 billion (2.2%) where originate countries are in percentage European Union (28) (52.5), China (7.5), USA (3.9), Algeria (3.4), Nigeria (2.5) showing the share in world total imports of 1,88% that is 29.6% of total GDP.

**Attempts to Recover Economic Recession:** Unemployment rate fell by 2.2% from March 2014 to March 2015. Spain's National Statistics Bureau said that the number of people without jobs fell by 295,600 to 5.15 million, with the economy adding 411,000 jobs, the highest number since the second quarter of 2005. Spain is ranked 21<sup>st</sup> out of 43 countries in the Europe, and its overall score is above the

world average. The rule of law is respected, and export growth is encouraged by an open trade and investment framework. In the first quarter of 2014, Spain experienced its largest GDP increase since the 2008 recession. Procedures for establishing a business have been streamlined, and licensing requirements have been reduced. Bankruptcy proceedings are fairly straightforward. Labor market reforms have made it less costly to dismiss a permanent worker. EU members have a 1% average tariff rate. Although some non-tariff barriers exist, the EU is relatively open to external trade. Like other EU member states, Spain generally treats foreign and domestic investors equally. Banking has experienced deep restructuring and a notable turnaround. A robust economic recovery in Spain is projected to continue into 2016 and 2017, though at a gradually slowing pace as the positive impact of the depreciation of the euro, and lower oil and other commodity prices, dissipate. The implementation of significant structural reforms is increasing business confidence. Product market reforms and increasing innovation are crucial to boost the economy's productivity.

**Economic Condition of Bangladesh**

**Brief Overview of Bangladesh:** The official name of Bangladesh is the People's Republic of Bangladesh which is a country in South Asia, surrounded by India and Myanmar. The Bengali nationalism was raised in East Pakistan by the Bangladesh Liberation war in 1971 (Thorpe, 2012) [36]. In 2014, according to World Bank data, the population of Bangladesh is 159.1 million and it is the 8<sup>th</sup> most populous country in the world and the 93<sup>rd</sup> biggest country by area. The population density of Bangladesh is 1,222 per sq. km of land area. Considering the World Bank data, the average unemployment rate in Bangladesh was 4.50% from 2003 to 2013, reaching an all-time high of 5.10% in 2009 and a record low of 4.30% in 2006 although from a report by Bangladeshi newspaper named the Daily Star, it is found that there are about 47% unemployed graduate in Bangladesh. Bangladesh has a low literacy rate, estimated at 61.3% for male and 52.2% for female in 2010 (Photius.com, 2010) [27].

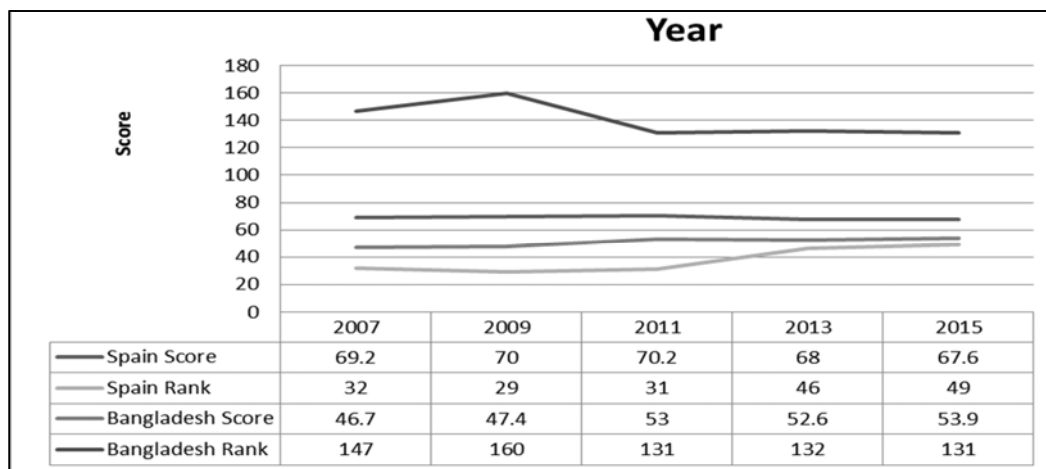
**Economy of Bangladesh:** Bangladesh is a developing country which is categorized as a next eleven evolving marketplace and one of the frontiers five. Bangladesh presently has Gross Domestic Product (GDP) of US\$ 209 billion averaged a GDP growth rate of 6.4% (Global Finance

Magazine, 2015) [16]. The economy is progressively controlled by export-oriented industrialization. In 2015, the per-capita income of Bangladesh stood at US\$ 1, 314. Bangladesh has been graded a lower-middle income country for its upgraded economic performance in the previous year, according to the World Bank. While attaining important macroeconomic constancy, Bangladesh lasts to face challenges such as infrastructure deficits and energy scarcities (The Daily Star, 2015) [23, 35].

**Exports-Imports Scenario of Bangladesh:** Workman (2015) [42, 43] stated the top exporting areas that contributed to the Bangladeshi economy during 2014 are: Knit or crochet clothing US\$ 14.3 billion, Clothing (not knit or crochet) US\$ 13.8 billion, Other textiles, worn clothing US\$ 1 billion, Fish US\$ 657.6 million, Footwear US\$ 655 million, Paper yarn, woven fabric US\$ 589.2 million, Raw hides excluding furskins US\$ 406.4 million, Headgear US\$ 213.3 million, Leather, animal gut articles US\$ 141.4 million, Tobacco: US\$ 105.6 million. In 2014, Bangladesh exported 53.30% in the European Union, USA 21%, Canada 4.20%, Turkey 2.70% and Japan 2.20% (WTO, 2014). Workman (2015) [42, 43] recorded top importing goods of Bangladesh which include: Cotton US\$ 5.2 billion, Machines, engines, pumps US\$ 4.3 billion, Electronic equipment US\$ 2.7 billion, Oil US\$ 2.5 billion, Iron and steel US\$ 1.8 billion, Plastics US\$ 1.5 billion, Animal/vegetable fats and oils US\$ 1.5 billion, Manmade staple fibers US\$ 1.4 billion, Vehicles US\$ 1.3 billion, Cereals US\$ 1.2 billion. In 2014, Bangladesh imports 22.80% from Thailand, from India 11.20%, China 8.80 %, from European Union (28) 6.80% and from Indonesia 6% (WTO, 2014).

**Spain-Bangladesh Relationship**

Bangladesh has 3 representations in Spain. These representations include an embassy in Madrid, consulates in Barcelona, and Zaragoza. The Spanish embassy is one of 83 foreign representations in Bangladesh, and one of 68 foreign representations in Dhaka. The Spanish embassy in Dhaka is one of 504 Spanish diplomatic and consular representations abroad. Instead, still now there is seen a very few international transaction between this two countries. The following figure shows the current scenario of Spain-Bangladesh score and ranking in relation to international trade freedom.



Source: 2015 index of economic freedom (Tradingeconomics.com, 2015) [38]

Fig 1: Freedom Score comparison

The table and above figure found for 8 years tell us that the overall score regarding Spain is about constant but its rank is going down overtime. On the other hand, as a developing country, Bangladesh is slightly going up and its rank was going to be good although from 2011 it's in constant condition.

It is a matter of hope that recently there held a meeting in case of strengthening and stretching the boundary of international trade between Spain and Bangladesh. The Economic and Commercial Office of the Embassy of Spain in India, and the Spanish Embassy in Bangladesh arranged the "Bangladesh-Spain Multilateral Partnership Meeting" in Dhaka on the 6<sup>th</sup> and 7<sup>th</sup> of October, 2015 (Spainbusiness.com, 2015) [32], whose objective was to promote collaboration between Spanish and Bangladeshi companies to participate in projects financed by multilateral funds. This event is an additional indication of commitment of the Spanish Government to further strengthen the existing bilateral relations between Bangladesh and Spain. It is envisaged as a platform for exploring new investment and business co-operation opportunities by improving the respective knowledge between countries and multilateral institutions. List of participating Spanish companies for B2B meetings includes Centunion (Transport Infrastructure), Constructora San Jose (Transport, Energy & Environment), EOLA ENERGIA (Energy), EPTISA (Transport, Energy & Environment), FRV (Energy), IDOM (Transport, Energy & Environment), ISOLUX CORSAN (Energy & Environment), TYPSA (Transport, Energy & Environment) and others.

#### **Export Decision for Spain to Bangladesh**

**Automobiles (Vehicle Industry):** Spain is one of the largest vehicle producers that is the 2<sup>nd</sup> in the Europe and 9<sup>th</sup> in the world when it produced 2.4 million car in 2014. It is also the 1<sup>st</sup> industrial vehicle manufacturer in Europe including light vehicles. The industry automotive industry accounts for about 10% of Spain's total economic output and 10% of GDP. In 2009 LLAMA, the automotive industry was generating the 3.5% of Spain's GDP employing about 9% of the manufacturing industry. Most of the world's biggest car manufacturers are present in Spain with 17 automobile production plants. About 300,000 people directly employed in the Industry and 2,000,000 jobs are linked to the sector. 90% of the vehicles manufactured in Spain are shipped abroad to 130 countries. In 2013, 1.9 Million vehicles exported to 130 countries with export value of US\$ 28.42 billion. The Spanish auto-parts industry is another key factor to the success of the automotive sector. A thousand of companies belonging to 720 entrepreneurial groups are located in Spain, providing a fast and customized service to manufacturing plants. This industry turns over more than US\$ 29,975 million, 60% belonging to exports. The local market increased by 31.6% in 2014, leading the growth rate among the European Union country members that is the promising new trend in the Spanish market. During the first two months of 2015, the Spanish commercial vehicle market has grown at 27% rates. Analyzing the different market's subsectors, the most dynamic one is the light commercial vehicles market. The heavy commercial vehicles' sales in Spain experienced a 25.6% increase. The sales among the EU decrease by 6%. The medium and heavy commercial vehicles sales decrease by 8% in the EU, but the Spanish market confirmed its strength posting a 23.2% increase in 2014. According to 2013 data, Spain's vehicle exporting countries are France (28%), Germany (18%), United Kingdom (10%),

Italy (7%), Belgium (4%), Turkey (4%), Algeria (3%), Portugal (2%), Netherland (2%), Switzerland (2%), Austria (2%), Australia (2%), Poland (2%), Russia (1%), South Africa (1%), Israel (1%), Mexico (1%), Morocco (1%), Sweden (1%), United States (1%).

Bangladesh has a very few automobile companies. Every year Bangladesh imports a number of automobiles of different brands and models from various countries to fulfill the huge demand of the people. It takes on an average about US\$ 48,440 (analyzing web data) to purchase a new branded car in Bangladesh. The car price in Spain is comparatively lower. If Spanish car be available in Bangladesh, the selling price could be lower comparing the branded car of various countries. In Bangladesh the automobile brands which are imported available are Toyota, Hyundai, Mitsubishi, Nissan, Honda, Kia, Tata, Mazda, BMW, Mercedes-Benz. For importing a 1500cc private car assuming price of US\$ 10,900 from Spain, import duty & taxes of US\$ 14,200 and additional cost for shipping and insurance must be included based on 10% MFN duty rate and 21% sales tax. That means in total the cost to make available that automobile held about US\$ 25,610. After including profit its price goes below the average purchasing price for Bangladeshi people. If automobile industry of Spain thus can enter into Bangladeshi market, a considerable amount of automobile market can be captured by them and thus the economy may gain benefit from this international trade which can again contribution to the economic recession of the country. There are excellent maritime connections and logistics for the automotive sector for Spain. Bangladesh has two big International sea-ports namely Chittagong sea-port and Mongla sea-port which can be used as the channel for exporting automobile from Spain to Bangladesh. There are some political barriers in Bangladesh which has been lowering dramatically. There are also high taxes on automobile importing in Bangladesh.

**Agricultural machineries:** The economy of Bangladesh is based on agriculture. Most of the people there are farmer. About 47% people earn their livelihood by farming. But where world is upgrading day by day with the advancement and proper utilization of technology, Bangladeshi farmers are still lagging behind. Still now they are farming in traditional way. They are not provided with the modern agricultural equipment that's why the agriculture sector cannot grow expectedly. There is no option but to go in for mechanization, for that is the only way for farmers in the country to match up with the modern demands of production and quality. The concept of farm mechanization must be popularized. In this era of science, technologies and globalization, farmers cannot afford to stay away from mechanization and stick to the archaic methods. If farmers are provided with the modern agricultural equipment, they would produce a lot and thus they would lead a happier-easier life. On the other hand, the country could add economic strength. Bangladeshi farmers have tremendous demand for Tractor and power, Soil cultivator, Planter, Fertilizing & Pest Controller, Drip irrigation, Production sorter, Harvester/post-harvester, Hay maker, Loader, Milking pipeline, Animal Feeding machine etc.

Spain is one of the world's largest agricultural equipment producers in the world. Machines, engines and pumps are the top exporting sector of Spain. Every year they export a huge number of this equipment to different countries. If Spain tends to export to Bangladesh, as farming is the main livelihood, there is demand for this equipment; Spain can gain

economic facility through expanding export. Most of the Bangladeshi farmers are illiterate. The ignorance of using agricultural equipment may lead to failure of such projects. To become aware and make interest for using these equipment among farmers, Bangladesh govt. can launch project such as training, publicity etc.

### **Import Decision for Spain from Bangladesh**

**RMG (Ready-Made Garments):** By 2013, about 4 million people, commonly women, worked in Bangladesh's export-oriented ready-made garment (RMG) industry. Bangladesh is the world's second largest clothing exporter only after China with 60% of the export treaties are with European purchasers and about 40% with American purchasers (Latifee, 2015) [23] which is now controlling the Bangladesh's export trade. In less than a decade it amplified its exports, foreign exchange earnings, and contribution to the GDP by 4.39%. RMG exports touched a steadfast figure of US\$ 17.91 billion in fiscal year 2010-2011. In 2012 Bangladesh's garment exports mostly to the US and Europe gained nearly 80% of the country's export earnings. By 2014, RMG signified 81.13% of Bangladesh's total export. Because the country's labor cost is very low, customers are attracted to the garments sector of Bangladesh. A comparison by Institute for Global Labor and Human Rights displayed that the labor wage to make a Denim Shirt is only US\$ 0.22 in Bangladesh whereas it is US\$ 7.47 in USA. In a study from January to March, 2015 found that Spain is the 5<sup>th</sup> export destination of Bangladeshi clothes from where US\$ 453.89 million earned (Hasin, 2015) [8]. Long distance as well as order delivery delay, political instability, workers' strike cause barriers that discourage investors to invest in Bangladesh.

**Manpower:** Manpower export is one of the important sectors of receiving foreign exchange. Labor migration has become a vital issue for Bangladesh in respect of employment creation, GDP growth, and poverty reduction. Ahamed and Karim (2015) [3] denoted Bangladesh as one of the biggest manpower exporting states in the world. It is the 8<sup>th</sup> biggest remittance acceptance state in the world and 2<sup>nd</sup> largest remittance acceptance state among the SARC countries (SUR, 2013). Remittances in Bangladesh augmented to US\$ 1,137.54 Million in November from US\$ 1,098.46 Million in October of 2015 (Tradingeconomics.com, 2015) [38]. The contribution of Bangladesh to the world remittance flows was 1.45% in 2000 & it stands at 2.5% in 2011. Manpower export has been growing since 1976 except a few years. Number of migrant workers was 6,087 in 1976 but currently it stands at 8.7 million and the flow of total remittances to Bangladesh stands at US\$ 16,566 million in 2013 (BMET, 2013). Around 382,298 people went to overseas by the year of 2014. Bangladesh currently exports manpower to 159 states. In fact, trained manpower enlarges the remittance basket.

The number of foreign migrants by main acceptance countries from 1976 to October 2008 is 2,554,879 in Saudi Arabia, 1,266,287 in UAE, 667,383 in Malaysia (BMET, 2009) [10]. Unemployed man power of Bangladesh is accounted for about 15 million. Beside a huge number of unskilled manpower, skilled, semi-skilled and professional manpower are also available for overseas employment. From the numerous sorts of available manpower, we highly recommend Spain that it can bring skilled and semi-skilled manpower from Bangladesh for the industrialization and agricultural development. In Bangladesh, there are massive unemployed graduates. Spain can use this skilled educated

manpower in its industrial, tourism and hotel sectors where there need English literate people. In Spain, of 50.5 million hectares of land, 20.6 million, or about 40% are appropriate for farming where only about 17% cultivated land was irrigated. Again, there are livestock, forestry, fishing areas that require manpower. In Spain, the labor wage comparatively high. The minimum monthly salary of a domestic laborer is about US\$ 872. Spain can utilize the labor force of Bangladesh that would acquire at or below only about US\$ 490 per month. By these labor forces, Spain can advance the agricultural sector as well as other sectors to ensure the proper utilization of its vast land and create new industry that requires skilled or semi-skilled people (BMET, 2009) [10]. From the new manpower migration contract of Bangladesh it is found that (VOA, 2015) [41] Malaysia employed 500,000 low-skilled labors from Bangladesh under the new business-to-business (B2B) mechanism that involves manpower agencies. The minimum labor wage was US\$ 315, which is equivalent to 25,000 Bangladeshi Taka. Around 600,000 laborers from Bangladesh are currently working in Malaysia, one of the largest labor markets of Bangladesh.

Migration process for the migrant workers is a complex task and full of hazards. Some of the barriers and bottlenecks are discussed in brief. Firstly, the process of exporting manpower from Bangladesh to foreign countries is complex and time consuming. Around 60% of migrant workers migrate self-reliantly, 39% with the help of recruiting agencies and about 1% migrate through government and other channels (WB, 2012) [44]. Secondly, the cost of exporting manpower from Bangladesh is the uppermost among the South Asian States which is greater than Nepal, Pakistan and Sri Lanka (Ketheri, 2007). IGS (2010) states that Bangladeshi migrants often pay double what their counter parts in neighboring countries pay for migration (WB, 2012) [44]. Thirdly, most of the unskilled workforces belong to poor families. In the absence of formal financing the migrant workforces have to borrow at the rate of interest about 25-30%. The 67% of the total migrant workers take loan, 24% sale landed property, 20% sale other assets and 23% mortgage land for funding to achieve migration expenses.

**Leather:** Around 1990s, the export market for Bangladeshi leather rose at an average of 10-15% per annum. The average annual exports accounted for US\$ 225 million. Fine grain leather of Bangladesh appreciates special demand in Western Europe and Japan (Asiafoundation.org, 2015) [6]. In May 2014, the Bangladeshi leather sector crossed US\$ 1 billion mark in yearly exports for the first time. Prior US Ambassador to Bangladesh Dan Mozena stated the leather sector would be one of the four legs upon which Bangladesh will stand as the following Asian Tiger.

**Other Sectors:** In Spain, Polythene is widely used for carrying products from the retail shop and also for other purposes. But it is very detrimental to the Environment. 3 million plastic bags end up in the Atlantic Ocean every day that is very dangerous for the sea life. It makes the soil infertile that minimizes the food sources. The chemical used in the plastic bags affect the human skin, thyroid hormones and sex hormones. About 100,000 animals like dolphins, turtle, and penguins are killed due to these bags because many animals ingest plastic bags mistaking them for food and die (Putatunda, 2015) [28]. As a solution, Spain can import raw jute or jute related products from Bangladesh because in every year Bangladesh produces a huge amount of raw jute

that overly fulfills the country demand. The products of jute are user friendly and without any confusion environment friendly which can minimize the extensive dependency on polythene. Again, there are other exporting goods that have demand in Spain including tea, paper etc.

### Concluding Remarks

Through the extensive analytical research, we found that the Spain-Bangladesh International Trade for SMEs will provide Spain with a strong destination country of their several products like vehicle, machineries, fruits, energy, infrastructure etc. There is potentiality of international trade between Spain and Bangladesh that will strengthen the bilateral relationship which in turn will create more job opportunities and reduce the unemployment rate. Bangladesh is poor in case of technology. But it needs huge infrastructure development e.g. transport, building, energy and industry, permanent steel bridges and flyovers, water and environment. Spain is enriched for this type of technology. In this regard, Spain has a great opportunity of foreign investment in Bangladesh. The emerging international trade between these two countries will increase the domestic competitiveness that may, in turn, raise the overall production, help to expand the businesses rapidly and ensure sustainability and thus assist in reducing economic recession of the country. Bangladesh's government has already offered a special economic zone (SEZ) to Spain, the country's 4<sup>th</sup> export destination that indicates the earnest interest of Bangladesh to deal with Spain. It is very clear that Spain has a growing demand of Bangladeshi textile products that Spain can consider for its low cost and better quality. Bangladesh is a densely populated country where labor cost is very low. Spain can bring labor force from Bangladesh for its greater production and industrialization. Spain may import jute related products from Bangladesh to reduce the extensive use of plastic bags. Finally, Spain-Bangladesh international trade will ensure the overall economic development of both countries and ensure a closer tie between the two nations.

At the end of the report, we highly appreciate and recommend the government of both countries to take initiative for making contact and contract between Spain and Bangladesh regarding international trade. It is necessary to reduce some restrictions for the betterment of both countries in dealing international trade. In this case, Bangladesh can reduce the tariff and tax rate on importing Spanish goods and services where Spain can take initiative to encourage exporting Bangladeshi RMG and leather goods to Spain by giving market access allowing like USA's Generalized System of Preferences (GSP) scheme facility. Again, for importing manpower, there should be a specified agenda regarding labor law, remuneration, and duration of residence permission, visa fee etc. and a clear and easier way of entry into Spain for this manpower. On the other hand, Bangladesh should ensure a congenial environment for international trade by reducing its excessive political turbulence.

There is a little trade relation between Bangladesh and Spain although there exists a great opportunity to increase this relationship. This study shows the sectors where the trade is possible between these two countries. The overall discussion clarifies that the potential international trade relationship will create job opportunity, develop economy, tie relationship, bring product variety, reduce economic recession and raise GDP, GNP in great extent. From the overall study, we find that the most prominent opportunity for Spain is to provide Bangladesh with vehicle, technology regarding agricultural,

road construction, Metro rail, Flyover etc. and for Bangladesh the opportunity to create markets for its readymade garments, leather, and Jute products and provide its low cost labor force to Spain. We do believe that the study will play a vitally important role in facilitating the trade relationship between these two countries.

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