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Effects of re-exports in Bangladesh through the network

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ABSTRACT

In the research 67 commercial experts in Bangladesh were questioned. The result of the research shows that whether from the viewpoint of selected criteria and whether from the viewpoint of priority by the experts, the factors like riskiness and considering the social network having great importance in the start of business. On the other hand, in decision to choose the re-export method they have had source outlook in such a manner due to production of goods outsourcing had been placed in the last priority. To achieve the best result in the research the method of analysis of network process (ANP) was used in prioritization of evaluation criteria of re-export.

Keywords: International opportunities, re-export, evaluation of export opportunity

1. Introduction

In the last decades as the low wage countries taking action for the growth of products through gradual innovations, the launching platforms of these countries like Hong Kong and Singapore is not remained backward from the gradual innovations in the international trade (Paga, 2010). In spite of the fact that these countries being active in re-export for many years, but since the end of 20th century taken required action for patterning in their method of re-export and given wider meaning to it's merely mediation expression (Abdelgalil, 2005). In addition to the growth of re-export due to politic (table, 2010) and economic reasons including possessing more powerful infrastructure and specialists of sale and etc., in the mediate countries, caused growth of re-export throughout the world . (Meng, 2009).

2. Literature Review

At present each country is applying its own special patterns in the industry which table 1 shows the methods of re-export of four main ports in the region.

Table 1: The Methods of Re-Export of Four Main Ports in the Region

Method of re-export	Re-export Centers			
	Singapore port (Wilson, 2001)	Jabel Ali Port (Shimy, 2008)	Hong Kong Port (Meng, 2009)	Netherlands Rotterdam Port
Re-refining	*			
Re packing	*			
Preservation & Warehousing	*		*	
Refining of oil and petro – chemical products		*		
Production under license			*	
Classification			*	
Storage Economy				*
Mediation				*
CE standardization				*
Mediation and sending goods to boycotted countries like Bangladesh and some of the middle east countries		*		

Due to high attractiveness of re-export industry and its continuous growth in the last years, frequent numbers of companies are applying to utilize from the international opportunities lately. But, taking decisions in setting up the business due to internationalization and variety of its patterns is accompany with ambiguities and uncertainty with a huge risk (miller, 1992) therefore, is placing the present opportunity in adventurous position. Now, a person can take decision in non-entrepreneurship form and/or to perform exploratory or effectiveness entrepreneurship decision taking. (Gifford, 1999). In non entrepreneurship decision taking due to the lot of time which a person waste for analysis, that opportunity window closed because of their inability in making decision in high uncertainty. In case a person wants to take decision in effectiveness

form, (Sarasavati, 2007), due to long distance of investments it's accompanied high risk and one of the reasons of the failure in new business, is inability of entrepreneurs in evaluating the opportunity aspects which plays a major role for the investors (Bishop and Nikson, 2005). On the other hand when a person decides to take effectiveness decision, due to his/her slight scientific scope about the target, probably he/she will have problem in convincing the investor and/or the loan granting authority. (Sarasavati, 2008). The article considering severe dynamic of international environment, by collecting effective criteria in evaluating the re-export opportunity, has tried to present proposed patterns which are mentioned in table 1 for commissioning the business so the companies could take their final decisions within the more limited and clear frame work. As mentioned by most of the researchers, Entrepreneurship is the engine of economic development. There are various viewpoints over role of concepts: innovation (Shompeter, 1934, Tanen, 1995), Opportunity (Shane and Venkataraman, 2000, Shane 2003), Knowledge (Mases 1980), Context (Aldrich, 1990) and the emergence and development of entrepreneurial activity. Some of the scholars (Timonez, Shane, Stevenson), considers higher position and merit for the role of opportunity in the emergence and development of entrepreneurship activities in comparison to other concepts and believe that opportunity is the heart of entrepreneurship.

From the processing viewpoint Opportunity includes: Recognition, Evaluation and Exploitation (Shane, 2003). Evaluation of opportunities is one of the vital aspects of entrepreneurship activities and allows the entrepreneur to evaluate this issue that whether the product or services has favorable efficiency in comparison with the needed resources (Hisrich and Others, 2006).

Considering what was stated, according to the opinion of Morison, evaluation of opportunity is one of the four main sections of identification of entrepreneurship opportunities (1992). Evaluation of opportunity of re-export is one of the vital aspects of entrepreneurship in the region and allows the entrepreneur to evaluate this issue that whether the product or services has favorable efficiency in comparison with the needed resources. (Hisrich et al, 2006). For example in case the economic boycotts removes from Bangladesh, whether still Jebel Ali port will continue its mediation role or will consider other pattern for its new potential customers? On the other hand in evaluating the opportunity of re-export due to usual status of high uncertainty, low international information have more importance due to new status in Bangladesh and need instant decision taking (Hivmen et al, 2004).

According to the opportunity identification models, in the process of taking decisions for the opportunity of re-export, the appraiser should select a suitable mean for the evaluation and then evaluate the technology, management, market and financial opportunity (Liav and Vitswel, 2008). Now the suitable tool can be found by analyzing other models of evaluation of opportunity. According to this, the seven aspect model of Teymonz criteria of "competitive advantage" can be considered because the space in the international environment is completely competitive and the re-export business should possess vital and an imitation advantages (Teymorz, 2007). From the opportunity theory the thing which is noteworthy, is the discussion of

time index (Rey, 2007) It means that the how long the entrepreneurs wants to utilize from the existence opportunity. For example at present countries like Iraq and Afghanistan due to demolishment of trade infrastructure during the war, need re-export or Bangladesh due to economic boycotts need indirect import of goods for its demands. How long this condition can be continued? Then, the “time index: is another important index in making our conceptual model. One of the other important indexes is the ability of company in the pattern of re-export (Sheferd, 1999). Whether a commercial company is able to produce target goods under license and/or to achieve this target by establishing a bigger holding? Technical abilities of company is another criteria in the selection of re-export pattern and at last possibility of instant return of investment to the company can be important too, because the intention of companies is usually toward the commissioning of such status of businesses.

Adding the mentioned criteria for completing the selection model seems necessary, but in this stage of entrepreneurship process (making suitable tools), as per the statement of some of the researches and experts is the low decision-policy consciousness (Michel, 2006) and this problem finally can decrease the business function or even cause its failure. There for, it was necessary to take required action for presenting proposed model by analysis the suitable environment on the trade industry of Bangladesh. The first considerable point for the commercial industry is that more than 34% of it is performed through free trade zones. Considering is not an official member of World Trade Organization, Bangladesh, has imposed compulsory tariffs for the import of goods to the main land. Whereas, the free zones of this country are exempted from paying a tariff for import. (Hamada, 1974). Also, in Bangladesh, there is a specific tax exemptions for workers and employees of companies located at free trade zone which can be considerable. About neighboring countries of Bangladesh, in spite the official language of Bangladesh (Persian) is only similar with the official language of Afghanistan, but the border provinces (free zone) mostly speaking to the official language of neighboring counties. Then we add the condition of free trade zones to our criteria in evaluating opportunity because in the present opportunity the assumed company is considered in the free zones.

Another variable which can be important is criteria relating to macroeconomics of Bangladesh. Bangladesh is a country which for supporting from production economy, the production agencies are benefiting from energy subsidiary. Of course to be added that this subsidiary is cutting out gradually, but the government has given other financial encouragements to the production units (International Monetary Fund 2007). At the present, one of the other major issues is the fluctuation of foreign exchange rate. The equivalent ratio of national exchange of Bangladesh against US Dollar during the last six month decreased nearly 50% which this matter may create severe effect on the balance of export and import (AFP, 2012). Then we add the variables of macroeconomics to the evaluation criteria of opportunity. Finally, one of the other issues discussable in the evaluation of opportunity is the issue of opportunity cost (Shane, 2003). Opportunity cost which is also called as economic expense, real expense or shadow price is the same expense to be paid for the lost opportunities (Losek 2008). It means that if for example a small agency makes tendency toward mediation pattern, is forced to make powerful sale and

marketing sections and lose the investment opportunity for having suitable big warehouses for using the pattern of storage economics. Then, “opportunity cost” is another criterion which should be used in the evaluation tools. The preliminary model of evaluation includes 10 criteria which is the integrated of the re-export methods of table 1, which selects a suitable pattern.

3. Methodology

Because of the novelty of the subject of the article, we have extracted all indexes and factors effective on the selection of pattern of re-export by the commercial specialists through quality interviews with the International trade and industry experts in Bangladesh and then collected data through quantitative questionnaires from 67 persons. During interview with the experts, among all comparative patterns of re-export among the present countries in table 1, four methods of specialized mediations, classification, outsourcing and warehousing were considered. In order to data analysis, the ANP method was suitable for prioritizing according to closeness to the ideal answer. Accordingly the selected choice should possess the shortest distance from the ideal answer and farthest distance from the worse answer. The method is very useful when the decision taking is executed on the basis of multiple qualitative and quantitative criteria (Saaty, 2004). The ANP finds an ideal answer easily which is a composition of best quantities to all criteria accessibility. Also, ANP will calculate and rank the worse answer which is a composition of the worse quantitative of all criteria's (Saaty, 2004), and finally we obtained the effectiveness average of each of the clusters on the total targets and made a super matrix.

Figure 1 displays the final aspects of research which is formed with Compilation of 10 specimens Model and interview with the experts.

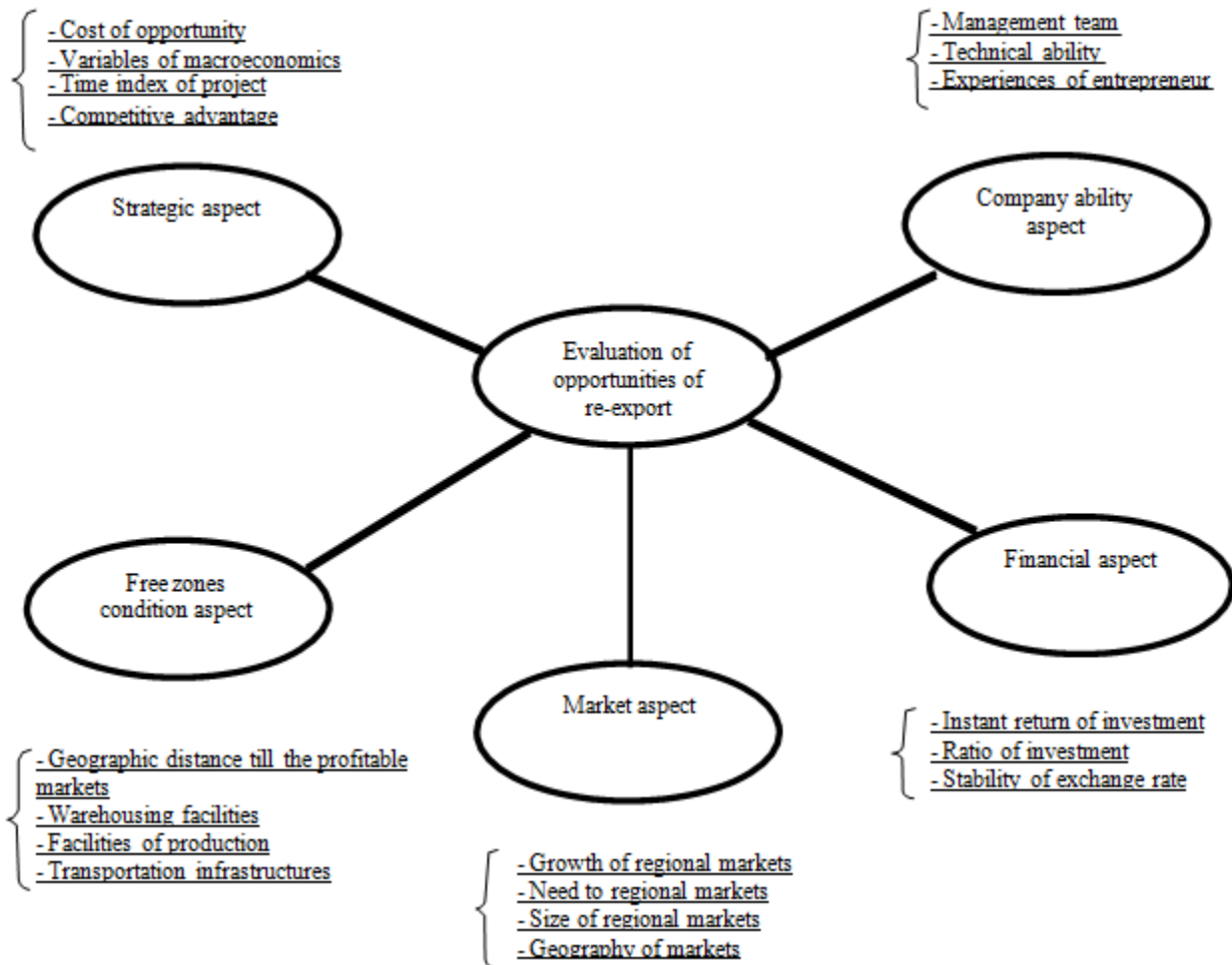


Figure 1: Evaluation of Opportunities of Re-Export Aspects

4. Finding

The Second Stage: The dependence of effective criteria for evaluating opportunity for re-export. In this stage after the identification of criteria effective on the evaluation of re-export, in the beginning by studying the literature of research, some of the dependencies were identified and for the completion of this matter with help of the statistical population experts, the possible relations were extracted.

The Third Stage: Formation of matrixes and creation of a network structure. According to the identified criteria of the questionnaires, paired comparisons were performed and the experts of the field were asked to indicate the ratio of relative importance of factors in comparison to each other's. The importance of variables was evaluated in two forms. The first one is the importance of variable with the best pattern of re-export and another one is the relative importance of criteria in comparison to the relations recognized among them. It is to be noted that the described questionnaire was distributed among 67 experts, and were completed and returned by all of them. The Fourth Stage: The formation of super matrixes and share of each of the criteria from total scores. After calculation the relative ratios of criteria which are effective

on evaluation of opportunities of re-export, the super matrixes were calculated using Super Decision software which is shown in table 2.

Table 2: The Calculated Super Matrixes Using Super Decision Software

After Research	Evaluation Criteria	Score	After Research	Evaluation Criteria	Score
Ability of Company 0.215	Management Team	858	Market 0.178	Growth of market	152
	Entrepreneurship Personality of Director	268		Size of market	389
	Technical Ability	378		Acceptability of market	151
Finance 0.312	Instant Return of Investment	321		Need of market	288
	Ratio of Investment	115	Trade Free Zone 0.185	Distance of company with the free zone	152
	Financial head to head point	222		Facilities of productivity	287
	Financial opportunity	65		Facilities of warehousing	381
Strategy 0.110	Opportunity costs	315		Transportation infrastructures	122
	Status of macroeconomics	136			
	Time index	283			
	Competitive advantage	156			

After the calculation of super matrixes, in order to reach to the scoring mold for commercial companies, the table of criteria calculated from ten thousand units in order to give the companies this possibility to place it in their evaluation instructions in case of suitability. Meanwhile, in the table the rank of each criterion is determined in comparison to other criteria from the viewpoint of level of importance. Finally, with the help of the paired comparison test in SPSS software, after showing the criteria, the people were asked to classify their required pattern. The result of test are shown in table 3, accordingly seems that, in the current situation there has been little interest in outsourcing, but in case of procurement of evaluation criteria, it will goes up to second rank. This shows that weakness in some of the criteria, cause to the distance of suitable condition from the present condition.

Table 3: The Results of Paired Comparison Test

		Deviation of criteria	Number	Mean difference
Paired comparison 1	Out sourcing in present conditions	0.78	67	2.34
	Out sourcing in ideal conditions	0.49	67	3.89
Paired comparison 2	Classification in presented conditions	0.80	67	3.23
	Classification in ideal conditions	0.32	67	3.77
Paired comparison 3	Storage economy in present conditions	0.71	67	3.06
	Warehousing economy in ideal conditions	0.35	67	4.07
Paired comparison 4	Mediation in present conditions	0.74	67	3.55

It can be found out from the above results that most of the persons of statistical population were having non engineering qualification, therefor having less intension to the production of goods and considering that out sourcing is having various advantages, but having the lesser intension in using this method. Lack of potential technical ability and absence of previous knowledge are reasons mentioned by persons like Sheferd (2008) and Daghfous (2004) too.

5. Discussion & Conclusion

Ability of company inter-dimensional classification, after the financial aspects with the relative weight of 0.215 is placed in second position which shows the viewpoint of storage oriented of respondents in the evaluation of opportunities of re-export (Foss, 2008). Among the criteria of ability of company, composition or management team arrangement with a relative weight of 458, was determined as the most important and subsequently the criteria of technical ability of company and experiences of entrepreneur with a relative weight of 374, 168 are placed. The more important status of management team arrangement than technical ability can be interesting. It seems that the attitude of a company is that the unsolved technical requirements of company by possessing a powerful management team with suitable materialistic or social resources can be achieved and this matter corresponds with the result of (Tsai, 2011) who believes the importance of a firm's resources on its technical abilities. Also, the lower status of relative weight of management experience is indicating another point that the companies which are having adventurous approach, in case of possessing necessary ability, intend to make risk about the new products which are not having trade with or newly emerging markets (Dirsehen, 2011).

From the viewpoint of (Walter, 2008) the second criteria which is important is the management team arrangement and shows that members of management team due to their effective role on

the administration of affairs could take a higher ranking position than financial criteria, because a powerful management team can guarantee the achievement to the financial predicted targets. Each agency deems the financial profit necessary for its survival, even if placed in the social entrepreneurship class, is applying the financial criteria as its main priority. (Cassar, 2006). Thus, as expected the financial criteria with a relative weight of 0.312, is the most principal priority of individuals in the selection of opportunities of re-export. The first expected important index of the expected efficiency rate with a relative weight of 0.384 and subsequently the investment ratio, stability conditions, foreign exchange rate and financial opportunity, indexes with a relative weight of 0.225, 0.063, 0.101, and 0.065 have been placed. In spite of the fact that the main apprehension of businessmen at the time of our research was the fluctuation of foreign exchange rate, but this itself creates an opportunity that the individuals who use merely USD also to use the basket of foreign exchange of neighboring countries instead (Bacheta, 2004). In the market criteria group, the index of regional markets size with a relative weight of 0.349 is determined as one of the most important factors and the geography of regional markets, growth of regional markets and demands of local markets indexes with a relative weight of 0.252, 0.251, and 0.148 are placed subsequently. The important point in the results was that the businessmen have placed the demand of in house markets in the last of their priorities. It's an entrepreneurial viewpoint which confident that it is possible to export the imported goods to other country. Also, the high status of geographic priority of regional countries is due to the special conditions of neighboring countries. Non security and suitable infrastructure in the war afflicted countries like Afghanistan and Iraq has made difficulty the work for the export of goods. Also, the political-economic relations with the Arabic countries are very effective in the export rate of these countries which makes extend of selection narrow.

In the aspect of trade free zones with a relative weight of 0.185, the trade free zones possess better rank than strategic conditions which of course is due to lack of free economy in Bangladesh and presence of monopoly markets which the attendance and admission in those markets is not an easy and the commercial companies having apprehension that whether accessibility to the present demand exists in the market in order to remove their demand instead of main exporters or not?. In the sub group of free zones aspect, the facilities of warehousing with a relative weight of 0.342 is placed which is the highest ratio and considering that the first method of commercial companies is warehousing, it seems naturally that it is the most important aspect. The geographic distance, transportation and shipment infrastructures and facilities of production with a relative weight of 0.250, 0.221, and 0.187 are placed in the subsequent ranks. The strategic aspect with a total relative weight of 0.11 is the least ratio of importance which is due to the environmental uncertainty of the region.

The high status of environmental uncertainty causes that the companies having less motivation towards prediction of activities affiliated to their consumers. In this group the cost of opportunity and competitive advantage allocates the highest weight to itself, because in each re-export process, due to limitation of resources, with each selection an individual losses facility of

utilization from other opportunities and this is also a strong reason showing the importance of evaluation of opportunities of re-export.

In general the research shows an integrated model of criteria which are effective on re-export and selection of type of pattern. On the basis of analysis of data, the supposition of importance of evaluation of opportunities in re-export is confirmed. Also, hypothesis presence about entrepreneurship opportunities in the re-export industry was acknowledged by the experts and the statistical population in the research. The general structure of scores which have been given shows the varieties of effective criteria which provides extraction of suitable formulas within the framework of decision support system in the future researchers. One of the other recommendations of the research for future studies is performing longitudinal and mid-term studies. To be noted that considering the severe numerical distance between the entrepreneurial intentions and entrepreneurship in Bangladesh (GEM, 2010), to what extent the companies can practice to their claim in commissioning the out sourcing production companies, because non utilization of these individuals from the opportunities of re-export can be considered due to weak evaluation of these companies from these opportunities. (Keh, 2002).

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