

Why Invest in Bangladesh

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Bangladesh, (xi) no restriction on issuing work permits to foreign nationals, (xii) no discrimination in duties and taxes for similar industries in public and private sectors and also within private sector between local and foreign investments, (xiii) no duty on imported capital machinery by 100% export-oriented industries, (xiv) Bangladesh currency Taka made convertible for current account transaction and so forth.

Given the high population and lack of sufficient productive opportunities, Bangladesh offers one of the cheapest labour in the world. Indeed for particularly labour intensive industries, foreign entrepreneurs find Bangladesh highly attractive. Also, owing to privatization and denationalization policies, discipline and work ethic among industrial labourers have been largely restored. The present Government has succeeded in restoring discipline in the industrial sector. Bangladesh workers are hard working. They are motivated and the experience of foreign investors shows that they are also easily trainable and highly adaptable to new technology.

The labour force in Bangladesh is estimated at present to be around 51 million. Of these, the labour force is estimated to be 21 million. The female labour force is on the increase especially due to the establishment of Garments/Electronics industries in the country.

Foreign Private Investment Opportunities:

- Direct (100%) foreign investment or joint venture investment in Export Process Zones (EPZ) or outside EPZs to set up any industry with the exception of five industries reserved for public sector investment only.
- Portfolio investment by purchasing shares in publicly listed companies through the stock exchange.
- Investment in infrastructure projects such as power generation, oil, gas and mineral exploration.

telecommunications etc. — Outright purchase or through purchase of shares of SOEs owned companies which are under the process of privatization.

Bangladesh is an exciting and affordable place to live and visit. Historical and archaeological sites dot the countryside, some dating as far back as the third century BC. Bangladesh is home to some of the major religions of the world, namely, Islam, Hinduism, Buddhism and Christianity. Owing to long tradition of tolerance complete communal harmony exist in the country. The constitution of the country also guarantees full freedom of religion and there is no discrimination based on race, religion, caste, sex or place of birth. Bangladesh endowed with enchanting scenic beauty, mighty rivers, sunny beaches, historical relics and colourful tribal life.

Bangladesh has established a congenial economic and political atmosphere for foreign investment with necessary legal protection, administrative re-organization, simplification of rules and procedures and attractive incentive. Our developing infrastructure and abundance of adaptable work force combined with technology and capital from abroad will permit production at low cost. The Board of Investment (BOI) (including the erstwhile Department of Industries) approved/registered about 8,600 investment projects upto December, 1994 including 414 joint venture 100% foreign investment projects.

Period-wise and sector-wise position of the foreign investment (100% and Joint Venture) projects under BOI are shown below:

Period	Total No. of Units	Total Investment (in Million)	
		Taka	US Dollar
Pre-Liberation	21	390	40
After Liberation			
(i) Upto February, 91	139	15593	389
(ii) From March, 91 to December, 94	253	44277	1107
KAPCO	1	9000	225
Total	414	69260	1761

During the last three and half years the flow of foreign investment has been increased significantly compared to the investment made during the pre-liberation period and a period covering 20 years after liberation (December, 1971 to February, 1991). The present investment figure shows almost three times higher than that of those periods. Out of 414 foreign investment projects, 245 are in operation and the rest are in different stages of implementation.

A number of multinational companies are operating in Bangladesh for many years and as a result of the Bangladesh Government's liberal industrial policies a number of foreign entrepreneurs are showing keen interest for investment in Bangladesh. During the last three and half years 2301 industrial units have been registered with Board of Investment (BOI) involving a total investment of US\$2241 of which 253 are foreign investment projects accounts for a total investment of US\$1107 million. The investing countries are USA, Canada, Norway, UK, France, Spain, Germany, Sweden, Netherlands, Italy, Switzerland, Georgia, Turkey, Greece, Finland, New Zealand, Japan, South Korea, North Korea, China, Philippines, Hongkong, Singapore, Taiwan, Thailand, Malaysia, India, Pakistan, Sri Lanka, Kingdom of Saudi Arabia.

Bangladesh is poised to emerge as South Asia's next success story. It is at the fringe of emerging markets. Government of Bangladesh policies and programme are directed to achieve success in rapid industrialization of the country as an 'Emerging Tiger' in South Asia.

The Resilient Economy

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cushioned with such resilience, a sustainable and continuous reform in policies and sound governance are bound to have a multiplier effect on the economy for a higher growth path.

The programmed structural adjustment in the areas of financial, industrial and trade sector reforms of the recent years were in general comprehensive, elaborate and were immensely painstaking initially. The reforms are now well underway which have given the country an enviable record of macro-economic stability and the overall economic performance is also highly commendable by any standard. GDP growth rate of nearly 5%, inflation rate stable at less than 2%, Prime Bank interest rate 5.5%, Growth of investment 14%, Export is growing at an impressive rate of 20%. Fiscal deficit has come down to 5% of GDP and Current Account Deficit below 2% of GDP. The Foreign Exchange Reserve has gone up to US\$2.6 billion. Which is equivalent to 6 months import bill. All these figures demonstrate a sound economic policy and good governance which is a big assurance for the would be investors.

With the reforms and liberalisation of investment related policies, simplification of procedures an array of incentives and benefits for the investors were introduced.

Simultaneously efforts were

tration of investment by Board of Investment in case of direct investment. The direct investment or the portfolio investment also showing a bullish trend. From an operation of insignificant level three years ago the growth in stock market had been phenomenal. The market capitalisation has exceed US \$1 billion mark in Nov 1994. It is predicted to rise to US \$3.5 billion by 1995.

The Board of Investment (BOI) (including the erstwhile Department of Industries) approved/registered about 8,500 investment projects upto October, 1994 including 394 joint venture/100% foreign investment projects.

During the period of present Government (from March 1991 to December 1994) a total number of 2301 industrial units have been registered with BOI involving a total investment of US \$2241 million of which 253 are foreign investment project accounts for a total investment of million US \$1106. Now response both from local and foreign investors has been growing gradually and upwards trend has started showing since 1993-94. The trend has started rising sharply from the month of March, 1994. During the last 9 months (from March, 1994 to Dec. 1994) a total number of 923 investment projects including 148 joint venture/100% foreign investment projects involving a total investment of Tk 60,619

million (US \$1,515 million) have been registered with BOI. Out of which the project involving foreign investment is Tk 36,328 million US \$809 million. A Table showing the investment position from March, 1991 to December 1994 is given in Table-1

Investors from 38 countries have so far registered their investment projects with BOI. Table-II shows the position of major investing countries.

The table and data clearly show that in recent years Bangladesh has generated a tremendous interest among both the direct and indirect investors from various parts of the world. In a recent publication of December 1994 of 'The Emerging Stock Market Report' Virginia, USA it has been stated that 'Bangladesh has outgrown its image as a hopeless basket case. Its market is now much more of an investment bargain' in South Asia. In its write up on market focus section the report contains an article 'Bangladesh—Unexpectedly, the best investment Choice on the Indian Sub-Continent' Recently Niall Shiner, an analyst of UBS Securities in Hong Kong was quoted as saying that 'If you had to pick one market to double, it would be Bangladesh.'

It is therefore no wonder Euromoney the reputed publishing house of UK has described 'Bangladesh: The Emerging Tiger' which is 'poised to be the next success story of South Asia.'

TABLE-1

Period	Local Investment		Foreign Investment & 100% Joint Venture		Total	
	No of units registered	Investment (in million US\$)	No of units registered	Investment (in million US\$)	No of units registered	Investment (in million US\$)
March, 91-June, 91	77	72	11	5	88	77
91-92	233	91	24	25	257	116
92-93	353	90	28	53	381	143
93-94	846	457	100	804	946	1261
94-95 (July to Dec 94)	539-447-2048	125-333-1125	90-80-253	219-130-1106	629-527-2301	644-463-2241
Total	1956	1043	243	1017	2199	2060

March, 94 to Dec '94	867	689	158	997	1025	1696
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also taken very recently to raise the image of the country as one of the candidates for investment location through well orchestrated promotional campaign. These included visits of investment missions and delegations to target countries, inviting and receiving investment delegations from target countries, advertising campaign in internationally reputed business and economic magazines, about the incentives and benefits offered.

Consequent upon which the investors and businessmen have started to show their interest in Bangladesh which is demonstrated by the gradual trend in the rise of the regis-

TABLE-II

Sl. No.	Country	Investment in Private Sector (million US\$)
1.	Japan	387
2.	Malaysia	272
3.	UK	186
4.	Hongkong	118
5.	Singapore	81
6.	China	66
7.	South Korea	62
8.	USA	35
9.	Canada	34
10.	Germany	22
11.	Italy	21
12.	Switzerland	20
13.	India	20
14.	The Netherlands	20
15.	Greece	20
16.	Sweden	13
Total		1,377

BANGLADESH has been designated as a Least Developed Country with Bhutan and Nepal within the SAARC region. It is characterised by its high density of population, low per capita income, and excessive dependence on agriculture. In addition, the industrial sector is inherently inefficient and the public sectors are the permanent sources of huge financial losses to the country. Despite these adverse factors, however, a number of positive and encouraging signs have emerged in recent years. The government has achieved considerable success in stabilising the economy and economic growth has improved steadily since 1991. In this environment, the responsibilities of planners, economists, researchers, politicians become very crucial. So to perform their duties effectively, recent data of Bangladesh economy should receive uninterrupted attention. The present study is an endeavour to this end.

Gross Domestic Product

GDP is the total value of the economy's output or production in a year in the domestic economy. It is widely used as the basic measure of the performance of the economy in producing goods and services. Available documents say that GDP is expected to grow 5% in 1993-94, against the target rate of 9%. It is no doubt, better than 3.4% of 1991 but this rate is very close to 4.7% and 4.6 respectively of 1982-83, 1983-84, and 1992-93. So the pre and post reform growths do not indicate any significant growth of our economy. To obtain better understanding, important sectors of GDP are discussed below.

Agriculture Sector

Bangladesh is undeniably an agro-based country. So this sector is the mainstay of the Bangladesh economy. Over 80% of the population depend on agriculture directly and indirectly for their income. But it still uses primitive technology, depends completely on nature, resulting in low rate of production per acre. Our country's production per acre is 18.77 mds in comparison to 74 mds in North Korea, 69 mds in Australia and 68 mds in Japan respectively. As a result, though Bangladesh is predominantly agricultural but she is faced with a chronic shortage of food. But it makes substantial contribution to GDP earnings which is stated in Table-1 (right):

The above table reveals that though the total production amount of agriculture sector indicates an increasing trend but the percentage of agriculture sector to GDP shows a clear decreasing trend. If this decreasing trend was the result of increasing trend of other sectors to the GDP it could have been a good news for us. But in reality it is not true.

A number of measure have been suggested to overcome this situation. These are — use of manure and fertilizer, expand irrigation facilities, cooperative farming, to grow two or more crops in the same land, active research and experiments, peasants should be educated, loan should be given whenever they need and measures be taken to protect crops from draught, floods, pests and other hazards of nature. Last of all, it is required to give land to the actual tillers of the soil.

Industry Sector

Historically, industrialisation rates have been very low in Bangladesh. But without industrialisation, it is doubtful whether a country can break its cycle of poverty. In term of its contribution to employment, income generation and foreign exchange earnings, it is the most effective amongst the other sectors. But here our performance shows gloomy picture. This sector continues to contribute only around 10 per cent. Industrial production expanded by 7.4 per cent in 1993, slightly higher than the 1992 rate of increase.

In the early seventies the presidential orders Bangladesh government took over about 80% of the countries total mfg. sector. But later disinvestment policies were formulated in the mid-seventies and revised through 1982, 1986 and 1991 respectively. As a result, private sector plays a vital role in shaping up the economy and the private sector, textile and garments, chemicals registered the most rapid growth.

Our industrial sector as a whole become a synonym to mismanagement, bureaucratic complexities, inefficiency, corruption, industrial unrests, social irresponsibility, inadequate training, absence of management audit, lack of solvency and liquidity, load-shedding and also lack of suitable work environment.

To overcome these vicious obstacles steps are namely reduced to political & bureaucratic interventions, completely sell the more or less profitable units to the private sector after careful valuation of the respective units, to examine the

Bangladesh Economy — an Overview

by Prashanta Banerjee

background and the capability of the interested parties, market development, accountability and enforcement of commitment, product diversification should be recommended immediately.

Banking and Insurance

One of the crucial determinants of economic growth of any country is the vitality of its financial sector. Financial sector is responsible for systematic and continuous funding of the country's most profitable and efficient projects to generate output and employment. Available documents say that the financial sector of Bangladesh comprises B.B. 22 commercial bank, 4 Nationalised banks, 2 denationalised private banks, 10 domestic private banks, 6 foreign banks ICB, two leasing companies, 2 state owned insurance companies, several private insurance companies and DSE etc.

This sector contributes around 2% to the GDP which is slower than the increasing rate of GDP. Secondly, our financial sector could hardly be considered as friendly to economic growth.

So, here the legal framework for the financial sector and a full autonomous and effective central bank should emerge for rapid economic growth of our country in addition, further action is needed to strengthen the supervisory and regulatory role of the central bank.

Service Sector

Under capitalism, service sector is an important ingredient of GDP. But in the socialist economies, this sector is ignored in case of calculating the GDP. As we are following the

capitalistic system of economy, this sector lies in our GDP. It is a slight positive news for our economy that the performance of this sector improved gradually. The growth of this sector improved to 5.4 per cent from 4.8 per cent in 1992. To compete globally, Bangladesh will need to improve its service sectors up to an international standard. So for our existence in a liberalised trade environment, this sector should be given more emphasis.

Investment

Expansion of investment could act as a powerful stimulus to the development of national economy. Available documents say that a 20 per cent overall investment to GDP is necessary for significant growth in an economy. Bangladesh's investment rate is not so satisfactory. In 1992, the investment rate was 12.1 per cent of the GDP but increased to 12.7 in 1993 with a rise in both private and public sector investments. But investment rate to GDP of Nepal is 18 per cent, Bhutan 36 per cent, India 23 per cent and Pakistan 19 per cent.

In case of foreign investment, over the period 1988-

1993 there was nearly 200 million dollars of sanctioned foreign direct investment in Bangladesh where quite similar status country like Vietnam got 7.5 billion in foreign investment projects over this period of time. Limited access to credit, power shortage, high costs of raw-materials, image of the country to the outside world, labour productivity are a few of the reasons for this difference.

Foreign Trade

Effective foreign trade i.e. perfect combination of export and import promotes the welfare of the people of a country and it is the sole criteria to determine the status of a country in the international society. In foreign trade, though export growth was very weak before 1980, but growth in this sector was very strong and rapid in the latter half of the 1980. It is also noted that non-traditional goods currently account for over two-thirds of total exports. But the share of traditional exports has declined. On the contrary, rise of imported goods indicates very sharply. As a result Bangladesh has been facing chronic balance of payment problem, which is analysed in Table 2 (below):

Table 2

Year	Export Tk.	Increased amt Tk.	Import	Inc. amt	Balance of trade Tk. in crore
1988-89	4116		10,848		(6732)
1989-90	4893	777	12,374	1526	(7481)
1990-91	5956	1063	12,378	4	(6422)
1991-92	7263	1307	13,211	833	(5948)
1992-93	8371	1108	15,601	2390	(7230)
1993-94	6228		9903		(3675)

(upto February)
Source: Economic Trends, Vol. xx, No. 1, May, 1994.

Table 1

Year	GDP at MP	Contribution of agriculture sector	% GDP
1988-89	65959.8	24539.2	37.2
1989-90	73757.1	27179.0	36.84
1990-91	83439.2	30059.6	36.02
1991-92	90650.2	31243.8	34.46
1992-93	97019.2	32480.4	33.48

Source: Bangladesh Bank, Economic Trend (Jan 1994) Vol. XX, No. 1

Above table portrays that export growth during the first three years has been strong. But in 1992-93 growth of export is a bit less than previous years. Secondly, import growth varies in various year. But in 1992-93 import increased significantly. So balance of trade's trend continuously depicts us a very alarming situation.

Inflation

Inflation means an abnormal increase in the quantity of money, also resulting in an abnormal rise in prices. It represents a situation where demand for goods and services exceeds the available supply of the output. Most important cause of inflation is excessive public expenditure financed by deficit financing. On the other hand, lower rate of inflation represents a decrease in the community's aggregate spending on consumption and investment goods. The country's inflation rate is less than 2 per cent compared to 5.9 per cent in India, 5.8 per cent in Nepal, 13 per cent in Bhutan, 17.2 in the Maldives and 9.5 per cent in Pakistan. But the more rapid expansion in money supply has higher the inflation rate to about 2.5 per cent per annum in 1994 and 1995.

Conclusion

After twenty two years of political liberation, we in Bangladesh, are still facing various chronic economic problems. But now in a liberalised economy, we are trying hard to convert the fruits of our economic development into the

genuine benefits of affluence. For this, proper planning, goal setting, trouble-shooting, standard-setting, performance, monitoring and evaluation are urged immediately. Therefore, there might be an indepth study for pinpointing the major problems encountered in every sector of our economy and suggesting probable measure to solve the problems.

Bangladesh—the land of

deal innovative investments

This is the land which offers —

- Cheap labour leading to low production cost
- Liberalised industrial policy
- Generous tax holidays
- Easy repatriation of foreign investor's capital gain and profit
- Unlimited equity participation allowing both joint ventures as well as wholly owned foreign companies

Nationalised Commercial Banks namely Agrani Bank, Janata Bank and Sonali Bank form a wide banking network and work together to serve the nation.

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Our strong financial base can cater to all your banking requirements.

 **AGRANI BANK**

 **Janata Bank**

 **Sonali Bank**