

## EPZs: A success story

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**T**HE idea to establish EPZs in Bangladesh gained momentum when in September, 1976, the President of the World Bank Mr. Robert McNamara held a meeting with the then President of Bangladesh Ziaur Rahman and explained to him the benefit of Export Processing Zones in view of the prevailing investment scenario and forced situation in the country. In order to stimulate economic development, it was quite natural for the government to lay emphasis on industrial development of Bangladesh in the late 70s. In pursuance of this policy, one of the important measures initiated by the government was to promote and attract Foreign Direct Investment (FDI) in the country, particularly by setting up several Export Processing Zones (EPZs) in phases. In the process, an Act of Parliament created the Bangladesh Export Processing Zones Authority (BEPZA) in 1980 and entrusted it with the responsibility of establishment, management and operation of Export Processing Zones in Bangladesh.

### Objectives

The main objectives of EPZs are, economic development through investment promotion, to increase the source of foreign exchange earnings through exports, to boost the country's economy through industrialisation, generate employment and to increase efficiency of the workers through modern technology.

Bangladesh is a small country but has enormous potential for industrial advancement and economic growth. It has a large domestic market of about 140 million people and one of the cheapest human resource in the region as well as in the world. With all the positive factors for development, Bangladesh can emerge as one of the most successful countries in south Asia in the field of industrial development in near future. Within a short period Bangladesh has already drawn attention of foreign investors. In this region, Bangladesh offers the most attractive incentives and facilities to foreign investors while foreign investment is fully protected by law.

### Factors of success

While identifying the factors responsible for the success of EPZs, it may be borne in mind that there are two different sets of factors, one is internal and the other external. Internal factors are mainly the incentives and facilities offered by the zone authority and the support provided by the government. These are: Attractive tax incentive, irrespective of type and size of the industry, ideal location of EPZs and good infrastructure facilities, congenial production atmosphere and good labour-management relations in the zones, land and factory building are offered on lease and rental basis: resulting in comparatively minimum involvement of initial cost of investment of the enterprises, the investors are provided with one window one stop same day service by the EPZ authority, good administration and quick management decision by the EPZ authority.

There are some external factors that influence the operation and development of certain type of industries in EPZs. These are: Abundant supply of skilled, unskilled and easily trainable labour force to cater to the need of the enterprises in the zones, liberal quota policy on garments export from Bangladesh, decision in offering GSP facilities and reduced duty access of some Bangladeshi products to American, Japanese, Canadian and some of the European markets.

### Mode of investment

Bangladesh Export Processing Zones Authority is a statutory body but very different from other autonomous organisations. It enjoys complete freedom of action in its decision making process independent of any Administrative Ministry.

BEPZA pursues an open door policy in matters of foreign investment in its EPZs. Investment with 100 per cent ownership (Type - 'A') or joint ventures ('Type-B') with no limit to the extent of equity sharing by the foreign partner and 100 per cent Bangladeshi ownership (Type-C) are allowed in the EPZs. BEPZA ensures one-stop service to its investors. Starting from the processing of the project proposal, the approval of the

export, investment and employment of the enterprises in EPZs have been increasing every year. The average growth rate of the last five years for investment, employment and export stands at 20 per cent, 21 per cent and 30 per cent respectively, which indicates the future growth potential of the EPZs in Bangladesh. A large number of female workers are working in the EPZs - the percentage of female workers stands at about 61 per cent of the total number of employees. With the increase of export, the contribution of EPZs to the total national export quantum is also increasing every year. In the 2003-2004 financial year the export from EPZs contributed about 18 per cent of the total national export. The



project and allotment of land and factory building are done by the executive office. Rules, regulations and documentation procedures have been made easy and simple with minimum formalities. With its commitment to provide prompt service to investors, BEPZA has been able to earn a good reputation, business houses and investors.

### Present scenario

A new era drawn in the industrialisation process in Bangladesh with the commissioning of the Chittagong Export Processing Zone. The first zone in Bangladesh was set up in South Halishahar in Chittagong in 1983. Following the tremendous success of the Chittagong EPZ, the government decided to establish the country's second EPZ at Savar near Dhaka a decade later in 1993. In view of the growing demand the government has established four new EPZs one at Mongla, another port city, one at Comilla, situated between Dhaka and Chittagong, one at Ishwardi, near the Jamuna Bridge, and the fourth one in the north at Nilphamari, named Uttara EPZ near Syedpur Airport. The infrastructural development work of these four new EPZs has been completed and the Authority has already started allotment of plots for setting up industrial unit in these EPZs and three of them have already started operation.

Enterprises in EPZs are performing well. New enterprises are springing up and the existing enterprises are expanding their operation. The growth and development of these industries in the zones are hastening advancement of EPZs in the country. Presently there are 210 industries in operation in EPZs, out of which 120 are in Chittagong, 75 in Dhaka, 07 in Mongla, 07 in Comilla and 01 in Uttara at Nilphamari. In addition about 100 industries are in different stages of implementation.

### Performance

So far BEPZA's performance is encouraging. It is obtaining a good response from foreign investors. The

government also earns a sizeable amount of foreign exchange through the operation of EPZs in the country.

### Progress

BEPZA has sanctioned so far 137 industrial units for EPZs of the country over the last three and half years till 2004. Of these 52 are 100 per cent foreign, 30 under joint venture and 55 fully Bangladeshi owned. The enterprises of EPZs have exported goods worth US\$ 9196 million. It was US\$ 4823.79 million till June 2001. During the last three and half years the export volume increased by about US\$ 4372.21 million. This shows an increase of 90.64 per cent. Despite worldwide recession FDI has increased in the EPZs over the said period. Up to June, 2001 the investment in EPZs was US\$ 475.20 million but up to June, 2004, the investment stands at US\$ 793.40 million. The volume of investment has increased by US\$ 318.20 million with a growth ratio of 66.92 per cent. BEPZA has embarked upon a new arena in the socio-economic development of the country through employment with 39,165 new job creation over that three and half years. In the year 2003-04 BEPZA has created new employment opportunity for about 10,071 Bangladeshi nationals. BEPZA has played a significant role in poverty alleviation with job creation in the six EPZs of the country.

It may be mentioned that the cumulative exports of EPZs stands at US \$ 9196 million. The enterprises of the Bangladesh Export Processing Zones have exported goods worth US\$ 1.3 billion during the 2003-2004 fiscal year against the targeted export of US\$ 1.225 billion. This shows an increase of about 12.83 per cent over the year before. This is for the 4th consecutive year that BEPZA's export earnings have crossed the billion dollar mark. Meanwhile, the cumulative investment in 210 operating industrial units of the EPZs now stands at US\$ 793.40 million. It may be mentioned that investment in the EPZs in the last fiscal year i.e. 2003-

04 stands at US\$ 115.05 million. This shows an increase of 12.10 per cent over the last year. The operating industries in EPZs have created employment opportunity for about 1,50,000 Bangladeshi nationals. With the commissioning of all the industries, the employment may rise upto four lakh.

### Investing countries

The countries which have invested in the EPZs of Bangladesh are South Korea, Japan, Hong Kong, China, USA, UK, Germany, Pakistan, Malaysia, Taiwan, India, Panama, Denmark, Thailand, Sweden, Italy, Belgium, Switzerland, the Netherlands, France, Singapore, Nepal, Australia, Canada, Sir Lanka, Mauritius, New Zealand and host Bangladesh.

### Products

The industries are producing readymade garments and its accessories, textile items, terry towel, knit wears, caps, tent, electronics and electrical goods, agro products, footwear and leather goods, metal and plastic products, paper products, fishing reels and golf, rope, and miscellaneous etc.

The enterprise are exporting brand products Nike, Reebok, Lafuma, H & M (Sweden), GAP, J.C. Penny, Walmart, Kmart, OSPIG (Germany), Mother Care (UK), Lee, Wrangler, Dockers, NBA, Tommy Hilfiger, Out Door, Adidas, Falcon (USA), Edie Bauer, Eagle, Raleigh (UK), Emmilee, Free Spiril (UK), Miles (Germany), Brooks, American Eagle, Hi-Tech (UK), Decathlon, Phillip, Maurice (UK), Federated, Styles Co, SAG Harbour (USA), Wins More, H & M (SWEDEN), Mother Care (UK), LL Bean, Target, Autica, Disney, Vans, Vifnfcamera Lens (IO Parts) Konika, Minolta, Golf Sharts, Abu Garcia, Mobile Parts of Sony, Automobile Parts of Nissan, Mitsubishi & Hino.

### Impact and prospect

The direct impact of EPZs are increasing foreign currency reserve, industrialisation in new bases, value addition in export, transfer of technology and employment generation. The indirect impact of EPZs are the creation of satellite township near the zones, establishment of backward linkage industries, the development of various trade, increase of activities in the ports, development of communication and enhancing the efficiency of workers.

It is expected that foreign investors will be attracted by the package of incentives and facilities offered by the government and will be encouraged to set up their industries in the EPZs of the country. It is also expected that the contribution of EPZs to the national economy will be higher in the coming years. Their contribution to the total national export quantum was 8.68 per cent in 1995-96, which has increased to about 18 per cent. With the increase of exports and industrial activities, the value addition of the exported goods will also be substantially enhanced in the years to come.

To maintain the increasing trend of development of the country and to fulfil growing demand of the investors government has decided to establish two more EPZs, one at Dhaka Adamjee Jute Mills area and the other at Chittagong Steel Mills area which will rehabilitate the industrial process and valuable workforce of the country.

EPZs of Bangladesh are called "Asia's low cost production bases and beacon for the investors". We are confident that the success of Export Processing Zones will take Bangladesh to the level of developed countries in the near future.

The author is Executive Chairman, BEPZA.

## Million steps beyond the South Plaza

M. SHAFIULLAH

**D**RAINED in the symbol of his motherland for which he fought in 1971 Shah AMS Kibria made his eternal journey from the green surroundings of Banani while the red sun in the western horizon in its last glow for the day bade him farewell. The late afternoon of 29 January was serene and sombre like the male mourners laid to rest. Reza Kibria performed the nerve breaking but most solemn duty of lowering the body of his affectionate father for "dust unto dust" while other members of family and innumerable admirers were just unable to check their tears.

A state honour was accorded to his mortal remains which a freedom fighter and a sitting member of the Jatiyo Sangsads deserves. In an apparent perfect setting only eyesore was absence of the custodian of the magnificent edifice at Sher-e-Bangla Nagar of which late SAMS Kibria was a distinguished member. Muddy culture of politics today forbids a high government representative even to pay his last respect to a departing colleague from the opposition bench! Not that the murdered eminent personality had no admirers among the ruling elite but to show personal mourning on their part was most likely to be regarded as crossing into enemy line with all resultant brickbats may be even from the party top notch. Discretion is no longer a better part of the valour.

However, the Speaker, who miserably failed in his primary responsibility to a Member, was not found wanting in launching a counter offensive. He accused Kibria family and AL leaders for keeping him in the dark about the gruesome attack. He added that if he was told of it during nightime he would have arranged helicopter to save the life of his Member! To the dismay of the custodian of the august House in Sher-e-Bangla Nagar, perhaps none between his friend and foe bought a single word of what he had laboured to deliver.



so much for this nation.

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Outburst in the media is no way to show respect to the dead or solace to the bereaved family. Neither the Speaker nor his Deputies even show up on the Qulhoni day! Then why make fuss over "tradition of Janajira prayer at the South Plaza"? Why not make it obligatory for the Speaker or

his Deputies to be present during burial ceremony and Qulhoni of a fallen Member of the Parliament? Ansarulhaq Master and Shah AMS Kibria rare breed of politicians these days but Graham's Law is fully in operation in this country. Ceremonial namaz-e-janaza at the South Plaza is not obligatory for such class of

nation builders who set shining tradition of serving their nation. Their souls move a million steps beyond the South Plaza towards the realm of the God.

Former Ambassador M. Shafiullah was an associate of SAMS Kibria