to a high of 40% in the Gazipur district adjacent to Dhaka. In as many as 26 out of the 64 districts in the country, this share is below 5 %.

Such regional variations matter. Data shows that there are strong links between the degree of industrialization and per capita incomes -- districts with

Greater industrialization is associated with higher income

Share of manufacturing in GDP	Number of districts	Average population (in mil.)	Average per capita GDP 1999 (Tk)
Above 25%	5	3.84	27,536
10% to 25%	7	2.14	14,817
5% to 10%	26	1.87	12,779
Below 5%	26	1.51	13,215
All	64	1.91	14,332

higher share of manufacturing in GDP tend to have higher per capita incomes (see Table 1). This relationship is less pronounced at low levels of industrialization but becomes significant when income rises above a threshold level.

Of course, it is difficult to identify the direction of causation. Is it that districts become richer when they are more industrialized or is it the other way round, i.e., that districts which are richer to start with attract more industrial investment because more income means more demand for industrial products. I suppose both factors are at work and, if so, we are likely to see a snow-ball effect with the more industrialized regions becoming even more industrialized over time. For the more advanced districts there is a virtuous cycle in play. The rest may be caught in a trap. Thus, if we would like to see greater regional balance in Bangladesh's development, we have to start thinking about a more regionally balanced industrialization strategy. But we need to be cautious here. Perfect regional balance is neither feasible nor desirable. Some regions, reflecting their comparative advantages, will inevitably be more industrialized than others, and any attempt to artificially promote regional balance will be futile. However, it appears that the existing regional disparity in industrialization in Bangladesh is far greater than what would follow from the comparative advantages of various regions. It is no surprise then that Bangladesh's PRSP places considerable emphasis on achieving a greater regional balance in industrialization.

In order to devise strategies, policies, and operational interventions to promote regional balance, it is necessary first to obtain an idea of the regional patterns in industrialization. As would be expected, manufacturing GDP per capita is highest in the four districts (Dhaka, Gazipur, Narayanganj, and Chittagong) which account for two-thirds of the industrial output in Bangladesh. Here per capita manufacturing GDP was greater than Tk 20,000 in 2000.

It is important to note the contiguity of the districts with low manufacturing activity. These are not districts randomly scattered all over Bangladesh but, with the exception of CHT, are located next to each other. This suggests that particular regional factors could be at play behind the low manufacturing activity in these areas.

They are followed by Khulna and Jessore in south-western Bangladesh and Sirajganj, Pabna, and Kushtia in western Bangladesh. Khulna has been the most important industrial center after Dhaka and Chittagong. While some of the traditional industries, especially jute, have declined, the Khulna area has seen the main concentration of the shrimp industry. The Sirajganj-Pabna area has historically been a major concentration of the handloom industry.

There are two large "non-industrialized" regions in Bangladesh where per capita manufacturing GDP was less than Tk 1,000 in 2000 (see map). The first consists of 19 contiguous districts located in the northern part of the country, starting from Sunamganj and Habiganj in the north-east, and including almost the whole of the old districts of Mymensingh and Rajshahi, and all of the north-western part of the country, i.e., the old districts of Bogra, Rangpur, and Dinajpur.

The second "non-industrialized" region is in the central-southern part of the country and consists of 15 contiguous districts covering almost the whole of the old Barisal and Noakhali districts, the entire old Faridpur district and the eastern parts of the old Kushtia, Jessore, and Khulna districts. A third area with low incidence of manufacturing is, not surprisingly, the Chittagong Hill Tracts (CHT) area to the south-east.

It is important to note the contiguity of the districts with low manufacturing activity. These are not districts randomly scattered all over Bangladesh but, with the exception of CHT, are located next to each other. This suggests that particular regional factors could be at play behind the low manufacturing activity in these areas. This subject is explored below.

What explains these patterns? Why is industry concentrated in a few areas? This is partly a result of inadequate investment in public services in the smaller cities and partly due to a regulatory system where the important decisions and approvals are made or reviewed in the major cities, in many cases in Dhaka. Proximity to the central regulatory offices thus becomes an important factor in locational decisions. Major industries want to be located where they have easy access to major infrastructure (main highways, electricity, gas, communication) and services (financial services, public agencies), and export links (Chittagong port and Dhaka airport).

Data support these assertions. The