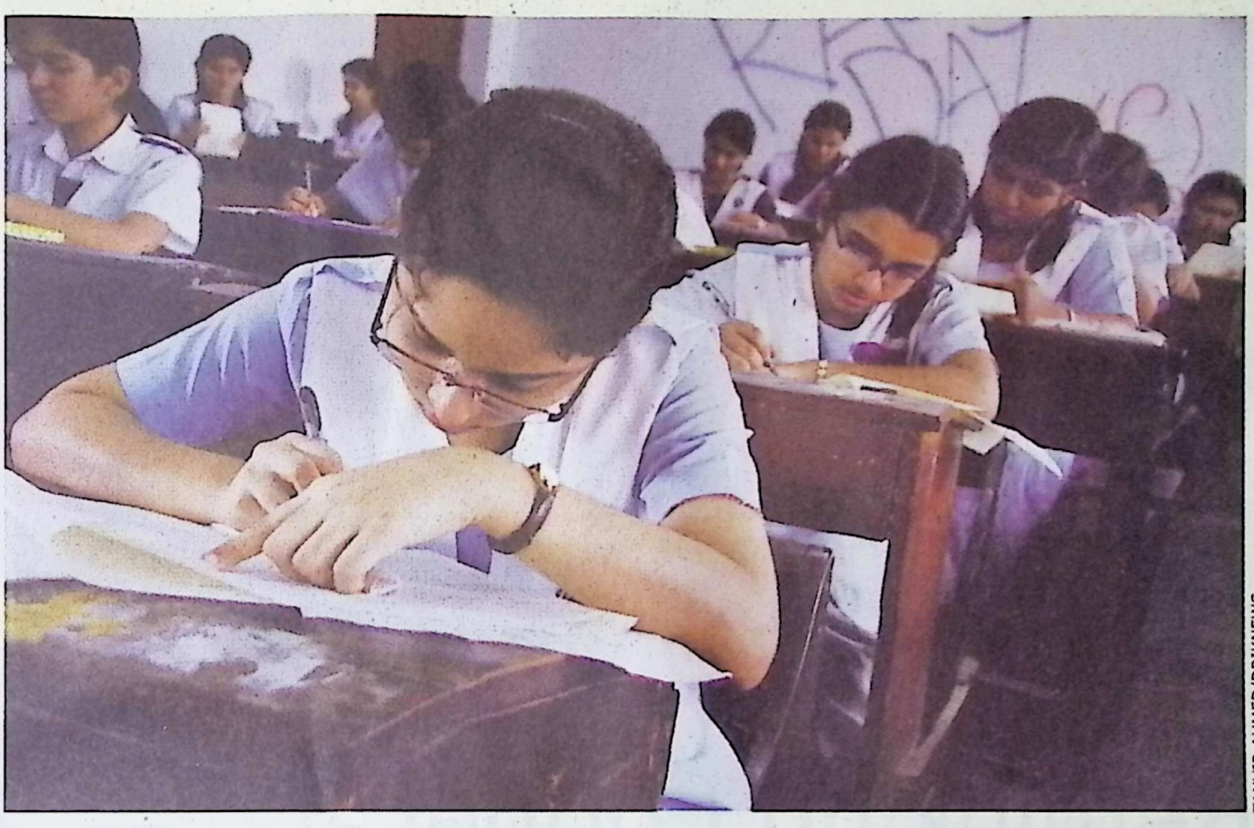


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Recommendations and Conclusions

Results presented in preceding sections point to a set of policy recommendations. Given that corruption and bureaucracy are big hurdles to attracting FDI into Bangladesh, policymakers must make it a priority to reduce corruption at all levels of the government and improve the efficiency of the administration. Bureaucratic red tape must be cut down by privatising and outsourcing many of these processes, if necessary.

In a democracy, there are always elements in the political spectrum adamantly opposed to rapid liberalisation of the investment climate for foreign investors. The analysis in this paper shows that foreign investors are sophisticated and look for markets that are friendly for the long run security of their investments. The risk elements -- political instability and conflict must be controlled.

An educated and skilled labour force is the key to success for attracting foreign investors. Therefore, adequate investment in education should become high priority. Private universities have done well to create some competition for the public institutions that have been hopelessly mired in politics. These educational institutions must be provided security and to the extent possible, protected from the forces of violence and instability.

Bangladesh can learn a valuable lesson from India and China where an important source of FDI has been their expatriate nationals. The numbers for India are also impressive, but not nearly as large as for China given that the Indian policymakers until 2002 were not welcoming of their expatriate citizens.

The lesson for Bangladeshi policymakers is to welcome the non-resident Bangladeshi (NRB) citizens, especially those interested in investment and business opportunities.

An educated and skilled labour force is the key to success for attracting foreign investors.

It is clear, therefore, that there are many factors that drive the global flows of FDI. This information is important for policymakers and central banks to devise strategies to promote foreign investment and economic development. Given the intense global competition for these investment funds, there is much at stake not only for Bangladesh and South Asia, but also for developing countries as a whole.

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