

# NATIONAL DAY of the REPUBLIC OF KOREA

## SOUTH KOREAN INVESTMENT IN BANGLADESH - LEADS THE WAY

Developing countries compete to attract local and foreign direct investment (FDI) because of its potential benefit for the local economy, which includes, employment generation, technology transfer, stronger managerial and organizational skills, increased access to foreign markets, foreign exchange earnings, setting up backward and forward linkage industries, export diversification, increase service-oriented industries, FDI can enhance productivity, increase investment in research and development, and create better paying and more stable jobs in host countries. South Korean investors have started investing in Bangladesh especially since 1988 and day by day increasing.

Investment is the prime vehicle for the country's overall development and progress especially in the developing countries like Bangladesh. The contribution of Foreign Direct Investment (FDI) and local investment in the economic sector is inevitable. The investment provides earning of foreign currency, poverty alleviation, employment generation, transfer of technology, skill development, boost up export, develop backward and forward linkage industries, establishing satellite town, service oriented and supportive service industries and overall economic emancipation of the country. So, rapid growth of the private sector through FDI and local investment is dominant for the massive economic development for Bangladesh. Visualizing this necessity of FDI and local investment, the Government took the decision to set up Export Processing Zones (EPZs) in Bangladesh initially and Private Export Processing Zones-1996. After the astounding success of EPZs, the present Government has decided to establish 100 Economic Zones (EZs) in Bangladesh rapidly. The Government has decided to establish Private Export Processing Zones in Bangladesh so that any foreign or Bangladeshi companies can set up Private Export Processing Zones and accommodating more and more FDI and local investment and diversification of types of industries and sector of investments, the government has enacted Bangladesh Economic Zones Act-2010 with a vision of establishing 100 Economic Zones in Bangladesh.

### South Korean Investors should invest in Bangladesh for following reasons

- a) Investment friendly Law & order situation.
- b) Good Infrastructure Facilities.
- c) Reduction of Lead Time.
- d) Political stability.
- e) Low Cost of Doing Business & Ease of Doing Business.
- f) Investment friendly policies of the government.
- g) Incentives - Fiscal and Non-Fiscal are attractive.
- h) Tax holidays.
- i) Success Story of EPZs, EZs, South Korean EPZ, exports and overall investment climate.
- j) Signatory of MIGA (Multilateral Investment Guarantee Agency).
- k) Signatory of ICSID (International Centre for Settlement of Investment Dispute).
- l) Member of WIPO (World Intellectual Property Organization).
- m) Member of OPIC (Overseas Private Investment Corporation).
- n) Asia's Low-Cost Production Base and also low cost of labor.
- o) Abundance of manpower.
- p) Easily trainable workforce.
- q) GSP facilities about 37 countries.

### Bangladesh may sign FTA (Free Trade Agreement) with South Korea after graduation

Bangladesh explores a free trade agreement (FTA) with South Korea after the South Asian country graduates from the club of least developed countries (LDCs). South Korea already has FTAs with around 70 countries including China, the Association of Southeast Asian Nations, and Europe. Bangladesh and South Korea have close trade ties. The East Asian nation is the fifth-largest source of FDI for Bangladesh, and most of the investments come from the manufacturing sector. About 93% of Bangladesh products got duty and quota-free market access in South Korea. There is a huge potential for South Korean nationals to invest in the textile, electronics and electrical products, garments, tent, leather & leather goods, metal products, jute and jute goods, sports shoes, construction equipments and materials, ceramics, glass, high tech & light engineering, food & food products, mobile phone, laptop, computers, pharmaceutical and ICT sectors in Bangladesh. Also, we encourage for more export competitiveness numerous product diversifications. For massive development in investment we need business to business contacts, exchange of delegations, and chamber to chamber interactions crucial for increasing bilateral trade and narrowing the trade gap with South Korea.

There is a steady increase in bilateral trade between the two countries, which currently stands at approximately \$1.6 billion. "Of the total bilateral trade, Bangladesh's export to the Republic of South Korea stood at \$398.66 million in the fiscal year 2020-21. The cumulative stock of FDI from South Korea to Bangladesh reached \$1030.67 million." The South Korean investors to invest in leather and footwear, shipbuilding, pharmaceuticals, backward linkage of apparel, automotive and infrastructure, agro-processing, power sector,

and electronics sectors. South Korean investors from China & South Korea or other countries relocate South Korean. The Youngone Corporation of South Korea has investment about 600 million in Chittogram EPZ (CEPZ), Dhaka EPZ (DEPZ) and also in Korean EPZ (a foreign Private EPZ) in Chittogram, Bangladesh. Other big Korean business conglomerates like Samsung Electronics, Samsung C&T, LG Electronics, Woori Bank, POSCO E&C, Halla Corporation, Pyunghwa Engineering, Kunhwa Engineering, LS C&S, South Korea Expressway Corporation, Yupoong, Bankotex, Miranetwork, GEOMEX Soft, Jonghyun HighTech, Philko Sports, and many more have invested in Bangladesh.

To attract and encourage local and FDI and to attract more and more investment following Legal Framework enacted by the Government -

- The Bangladesh Export Processing Zones Authority Act
- The Bangladesh Economic Zone Act
- The Bangladesh Private Export Processing Zones Act
- The Bangladesh Investment Development Authority (BIDA) Act
- The Foreign Private Investment (Promotion and Protection) Act
- The Hi-Tech Park Authority Act

The present investment friendly Government is offering a very competitive and wide range of packages of incentives and facilities for the investors. The overall investment climate low cost production base and low cost of doing business which is favorable for foreign investment. Bangladesh has been consistently updating and modernizing its foreign and local investment policies. The existing investment and Industrial Policy have put greater emphasis on free economy, deregulation, promotion of private sector, overall macroeconomic structural adjustment. To ensure speedy economic development the Government is going to implement "One Stop Service" (OSS) for simplification of the investment procedures and operation.

### South Korean Investors are encouraged to invest in Bangladesh especially in the following organizations:

Mirsarai government EZ, a gigantic zone at Bangabandhu Shilpa Nagar, Mirsarai, Chittogram has started operation with number of industries and also ongoing infrastructural development going on. About 70 govt. EZ and Private EZs got permission to set up EZs in the country.

The Japanese EZ at Arailhazar, Narayanganj, and Dhaka is on full swing construction stage and also expecting 100 Japanese investors will set up industries there. Meanwhile, the Meghna EZs (Meghan Group) has started 2 EZs with number of industries are in operation. Abdul Momen EZ, City group EZ, Jamalpur EZ (Nitol Nikoy) group, Bashundhara EZ, has started operation.

### Export Processing Zones (EPZ): A success story in Bangladesh

The Bangladesh Export Processing Zones Authority Act was passed in the Parliament. Bangladesh EPZs Authority is an organization which has been working under guidance and leadership of the Honorable Prime Minister of the country. BEPZA has been empowered for creation, development, operation and management of Export Processing Zones (EPZ).

### Types of Investment

- Type A: 100% Foreign Ownership.
- Type B: Joint Venture between Bangladesh and Foreign investors (no limit on extent of equity share).
- Type C: 100% Bangladeshi Ownership.

### Package of incentives

#### Fiscal

- 7 years Tax holiday for Uttara, Ishwardi and Mongla EPZ; first 03 years 100% exemption, next 03 years 50% exemption and last 01 (7th) year 25% exemption
- 5 years Tax holiday for Chittogram, Dhaka, Comilla, Adarjaje and Kamaphuli EPZ; first 02 years 100% exemption, next 02 years 50% exemption and rest 01 year (5th) 25% exemption
- Duty free import of raw materials, machinery, equipment and construction materials
- Duty free export of finished goods
- Relief from double taxation
- Exemption from dividend tax for tax holiday period
- Exemption from income tax on salaries of foreign technician for 3 years (Project approved before March 22, 2009)
- Duty free import of two/ three vehicles for A & B type industries subject to certain condition (Project approved before March 22, 2009)
- Full repatriation of profit, capital and establishment

#### Non-Fiscal

- No ceiling on foreign and local investment
- 100% foreign ownership permissible
- Enjoys GSP benefits in EU countries, Japan, Australia, Canada
- Foreign currency loan from abroad under Off-Shore Banking Unit (OBC) facilities

- Medium/long term external borrowing facilities
- Non-Resident Foreign Currency Deposit (NFCD) allowed for 'A' Type industries
- Operation of FC account by 'B' and 'C' Type industries allowed
- 100% backward linkage, raw materials, accessories are allowed to sell for export-oriented industries inside and outside EPZs and many more.

### BEPZA - Economic Zone, Mirsarai, Chittogram

The Economic Zone activities have already started and many local & foreign investors are taking plots in the zone. Presently, investors from 38 countries have invested US\$ 138.87 million in the eight EPZs of BEPZA. Despite high demand, it was not possible to allot land to local and foreign investors for the last few years due to scarcity of land in the EPZs located in Dhaka and Chittogram regions. In this fact, it would be possible to allocate land to the potential investors of BEPZA whether the BEPZA Economic Zone starts at Mirsarai nearby Chittogram. Moreover, proven expertise of BEPZA in setting up EPZs, operational experience and professional knowledge will accelerate the activities of development of the BEPZA Economic Zone. BEPZA is relentlessly working to increase and diversification of export, generation of employment by attracting investment in the country. In the last fiscal year, the EPZs gained US\$ 404.36 million investment and exported goods worth US\$ 6676.32 million. BEPZA has been contributing around 20% of FDI and total national export for the last consecutive years. Presently around 4,63,000 Bangladeshi nationals are working in the 462 operational enterprises of EPZs, among them 64% are female. BEPZA is playing an outstanding role in socio economic development of the country alongside economic development and women empowerment.

### Govt. EZs, foreign EZs and Private EZs started operation and under construction stage

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### Bangladesh Economic Zones Authority (BEZA)

Bangladesh Economic Zones Authority (BEZA) has established with the enactment of Bangladesh Economic Zones Act, 2010 with the objective to develop regional and lagging areas of the country by developing industrial land attract investment in export and import substitute industries, foster and generate employment and thereby ensure economic development of the country. BEZA has targeted to establish 100 Economic Zones throughout the country with the objectives to create 10 million jobs and ensure United States \$40 billion-dollar additional production and export within the time frame of 15 years.

### The following Incentives & Benefits for Developers for EZ Developer

Incentive - Approved Incentives by Governing Board  
Tax holiday - Income tax exemption on income derived from the business development of EZ in a block of 12 years in 15 years. After expiry of 10th year tax exemption will be 70% in 11th year and 30% in 12th year. But the tax exemption will not be applicable from 13th year.

Vat on - electricity Exemption of VAT on electricity or taxes on sale, of self generated or purchased

Electricity - electric power for use of processing area of EZ (for 10 years).

Vat on - All purchase excluding petroleum product from local purchase - (DTA) shall be exempted from VAT, sales tax etc.

Custom duty - Exemption from custom/excise duties for development of EZs.

Stamp duty - Exemption of stamp duty and registration fees for registration of EZ land but limited to first transaction only.

Stamp duty - Exemption of stamp duty for registration of loan/credit document.

Income tax others - Exemption from dividend tax.  
Income tax others - Exemption of income tax on service charges

### Fiscal Incentives & Benefits for individual Unit Investors (Individual industry)

Incentive - Approved Incentives by Governing Board  
Tax holiday - For all Economic Zones Income Tax Holiday (ITH) - 1st and 2nd year 100%, 3rd year 80%, 4th 70%, 5th 60%, 6th 50%, 7th 40%, 8th 30%, 9th 20% and 10th year 10%.

Custom duty - Duty free import of raw materials, construction materials, capital machineries, finished goods.

Income tax others - Exemption from dividend tax (After tax holiday over)

Repatriation - Full repatriation of capital and dividend.  
Free flow FDI - No ceiling of FDI.

Backward - 100% backward linkage raw-materials and accessories to sell for export-oriented

linkage - industries (EOI) in Domestic Tariff Area (DTA).  
Local sale - 20% sale of finished product to DTA (From Export Processing Area - EPA).

Subcontracting - Sub-contracting with DTA allowed.  
Stamp duty - 50% exemption of stamp duty and registration fees for registration of leasehold land/ factory space.

Vat - 80% exemption of VAT on all utility services consumed inside the zone.

Custom duty - Duty exemption on Export and many more.

### Bangladesh Investment Development Authority (BIDA)

Established under Bangladesh Investment Development Authority (BIDA) Act 2016, the Bangladesh Investment Development Authority (BIDA) is the principal private investment promotion and facilitation agency of Bangladesh.

The act is created on September 01, 2016. The act mandated BIDA for providing diversified promotional and facilitating services with a view to accelerating industrial development of the country. In addition, the government also entrusted BIDA with some more functions in its service list. Combining all, BIDA's present functions can be categorized as follows:

• Investment Promotion: BIDA is responsible for the attracting of FDI into the country

• Local Support: We provide key information only a local can know.

• Post-establishment service: We provide specialized support for strategic aspect once settled.

• Extensive experience: It is key static sectors of the country's industry.

### Enhancing Competitiveness and Investment Facilitation

• Offers an attractive and competitive package of tax incentives.

• Imposes no foreign equity restrictions on manufacturing activities or on some service.

- Provide assistance in the provision of visas and work permits to facilitate entry and subsequent operation for a foreign-owned business.
- Waives restrictions on land ownership by foreign entities.

### Korean Export Processing Zones (Foreign Private EPZ)

The Government has enacted "The Private Export Processing Zone Act" in 1996 for setting up Private EPZs by foreign and local investors. Meanwhile, a South Korean investment conglomerate Youngone Corporation has set up Korean EPZ (KEPZ) Corporation (BD) Ltd. in Anowara on 2492 acres of land on the other side of Kamaphuly river in Chittogram. The Korean EPZ has already set up 32 factories on 6.5 million sq ft floor space after completion of the land development in the entire zone where more than 25 thousand people are working majority of hope are from the neighboring villages.

To support the local RMG Industry on sourcing quality MMF (Man Made Fiber) based backward linkage products a Textile Village comprising 5 separate factory units having 2 m sq ft floor space with the most technologically advanced technology.

Currently Youngone Corporation employs nearly 70 Thousand people in the country.

### Special Incentives for Investors of High Tech Parks

- 12 years exemption of Income Tax for park developers.
- 10 years exemption of Income Tax for investors.

• Exemption of Import Duty, Regularity Duty and Supplementary Duty for locally produced of ATM machine and CC camera;

• Exemption of Duties on importing Capital Equipment and Construction Materials by the Investors;

• Hi-Tech Parks are declared as Bonded Warehousing Station;

• Exemption of Income Tax on Dividend, Share Transfer, Royalty, Technical Fees for investors;

• Exemptions of Income Tax for Foreign Employees;

• Exemption of Income Tax on declared Dividend by Park Developers;

• Exemption of VAT during production level of goods by the Investors;

• Exemption of Duties on importing Goods/Materials to be used for the development of Hi-Tech Parks by the Park Developers;

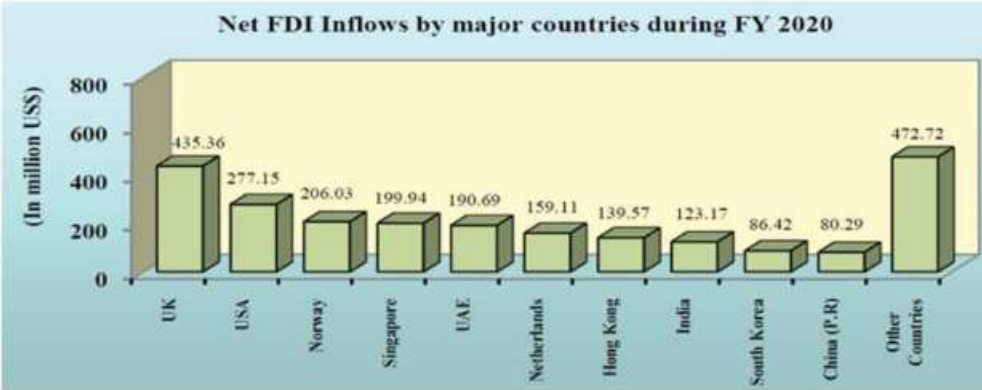
• Exemption of Duties on importing Transport by the investor;

• Exemption of stamp duty on the deed registration/ mortgage deed registration

• Investment in Bangladesh (EPZs) including South Korea

### FDI Inflows (Net) by Major Countries including South Korea

FDI Inflows in the fiscal year 2019-20. The major country-wise (Top 20) Net FDI Inflows arranged in descending order of magnitude were: U.K.: USD 435.36 million or 18.4%, USA: USD 277.15 million or 11.7%, Norway: USD 206.03 million or 8.7%, Singapore: USD 199.94 million or 8.4%, U.A.E.: USD 190.69 million or 8.0%, Netherlands: USD 159.11 million or 6.7%, Hong Kong: USD 139.57 million or 5.8%, India: USD 123.17 million or 5.1%, South Korea: USD 86.42 million or 3.6%, China (P.R): USD 80.29 million or 3.4%, Other Countries: USD 472.72 million or 19.4%.



South Korean investors are encouraged to invest in Export Processing Zones/ BEPZA Economic Zones/ Economic Zones/ Korean EPZs/ EZs, under BIDA, Hi Tech Park and anywhere in Bangladesh and enjoy the most competitive facilities and incentives.

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