

# A Brief on Trade and Investment Opportunities in Bangladesh

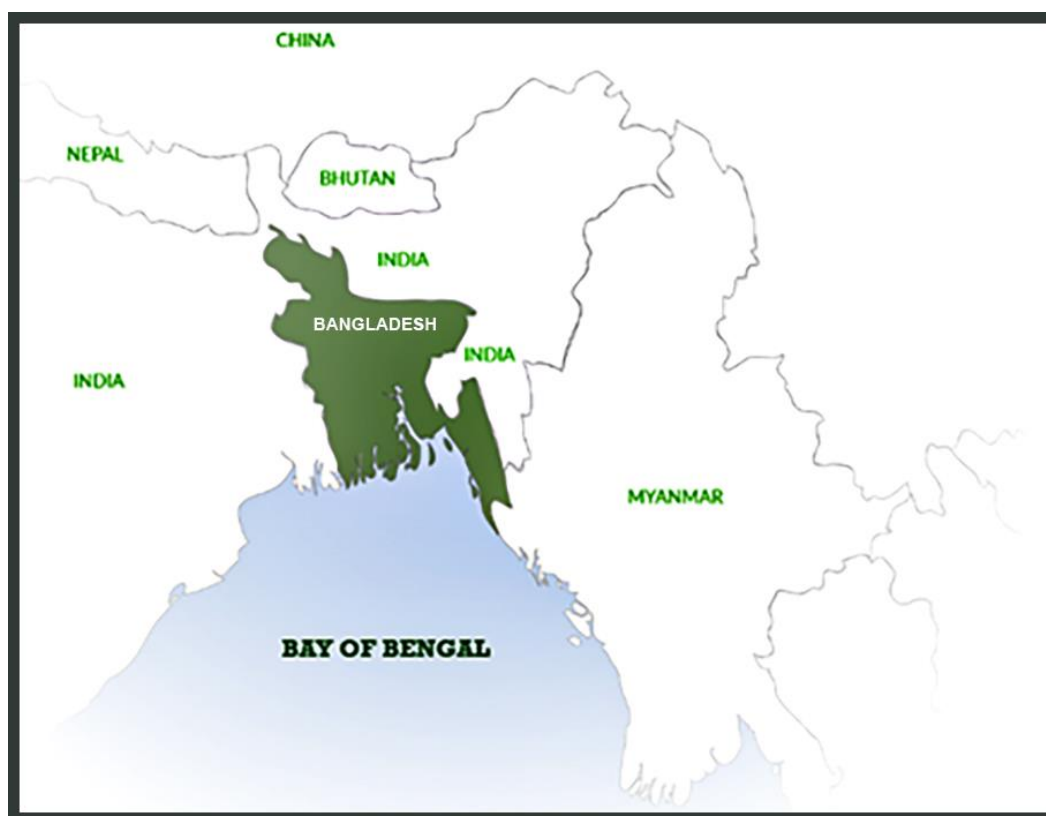
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## 1. Bangladesh: An Emerging Economy

Bangladesh is in the north-eastern part of South Asia. Bangladesh belongs to the largest river delta in the world with a total area of 1,47,570 sq. km. The country is ethnically homogeneous where over 98 percent of the people speak in Bangla. English is widely spoken as well. The country is covered with network of rivers and canals forming a maze of interconnecting channels and rich waterways.

Bangladesh has demonstrated rapid progress since independence; continues to show its resilience through the Asian Financial crisis in the '90s, the global financial crisis in 2008, and even COVID-19 pandemic. It has been among the fastest growing economies in the world over the past decade, thanks to demographic dividend, strong ready-made garment (RMG) industry, and stable macroeconomic conditions.



2021 is a special year for Bangladesh. We are celebrating the birth centenary of our Father of the Nation Bangabandhu Sheikh Mujibur Rahman. This is the year we celebrate the golden jubilee of our independence, built on our innate strength and resilience. The 50<sup>th</sup> year of independence also marks the year where Bangladesh has been nominated to graduate from LDC status, a testament to the sustainable growth potential of the country.

## 2. Bangladesh-Fast Facts

### Official Name

People's Republic of Bangladesh

### Capital City

Dhaka

### Geographical Location

Latitude between 20°34' and 26°38' North

Longitude between 88°01' and 92°41' East

### Boundaries

North- India (West Bengal and Meghalaya)

West- India (West Bengal)

East- India (Tripura and Assam) and Myanmar

South- Bay of Bengal

### Demography

Population: 152 million (Census 2011)

166 million (Estimated 2019)

### Life Expectancy (yrs), 2019

72.6

### Literacy Rate, 2019

74.4%

### Religion

Muslims- 86.6%

Hindus- 12.1%

Others-1.3%

### Gross Domestic Product (GDP)

(at current market price, 2020)

BDT 27963.8 Billion

USD 330.54 Billion

### GDP growth

5.24 (2020)

8.15 (2019)

### GDP per capita

USD 1,970 (2020)

### **Gross Investment**

(at current market price, 2020)

BDT 8879.9 Billion

Private: 6608.4 Billion, Public: 2271.5 Billion

### **Export**

USD 33.7 Billion (2020)

### **Import**

USD 54.8 Billion (2020)

### **Remittance**

USD 18.2 Billion (2020)

### **Foreign Exchange Reserve**

USD 36.04 Billion (2020)

### **Inflation**

5.65% (2020)

### **Exchange rate (BDT/USD)**

84.60 (2020)

### **Principal Crops**

Rice, Jute, Tea, Wheat, Sugarcane, Pulses, Mustard, Potato, Vegetables.

### **Principal Industries**

Garments & Textiles (2<sup>nd</sup> largest in the world), Tea, Ceramics, Pharmaceuticals, Cement, Leather, Jute (largest producer in the world), Chemical, Fertilizer, Electrical and Electronics, Agriculture, Fishing, etc.

### **Principal Exports**

Garments, Knitwear, Frozen Shrimps, Tea, Leather and Leather products, Jute and Jute products, Ceramics, Pharmaceuticals, IT Services, etc.

### **Principal Imports**

Wheat, Fertilizer, Electrical and Electronics, Petroleum goods, Cotton, Edible Oil, etc.

### **Export Processing Zones (EPZs)**

Total- 8, Chittagong EPZ, Dhaka EPZ, Mongla EPZ, Ishwardi EPZ, Comilla EPZ, Uttara EPZ, Adamjee EPZ, Karnaphuli EPZ

### **Economic Zones (approved)**

Total: 98

Public: 69

Private: 29

### 3. Global Ranks of Bangladesh

- Bangladesh is 2nd largest garments exporter in the world.
- 8th largest country in the world in terms of population.
- 4th largest Muslim country in the world in terms of population.
- Bangladesh is the world's fourth biggest rice producer.
- Bangladesh ranks 3<sup>rd</sup> in inland fish production.
- Bangladesh ranks 3<sup>rd</sup> in global vegetable production.
- Cox's Bazaar is the longest natural sea beach in the world.
- Largest producer of Jute fibre in the world.
- Sundarbans (hosted by both Bangladesh and India) is the largest mangrove forest in the world.

### 4. Making strides in growth and development

Despite the pandemic, the government of Bangladesh has been able to maintain the growth pace by achieving the real GDP growth of 5.2 percent which is the highest in Asia. In the last 12 years, the average growth of GDP was 6.6 percent which was above 7 percent in FY2017-2018, 2017-2018 and 2018-2019 and exceeded 8 percent in FY2018-2019.

Figure 1: Growth in South Asian Countries in FY19

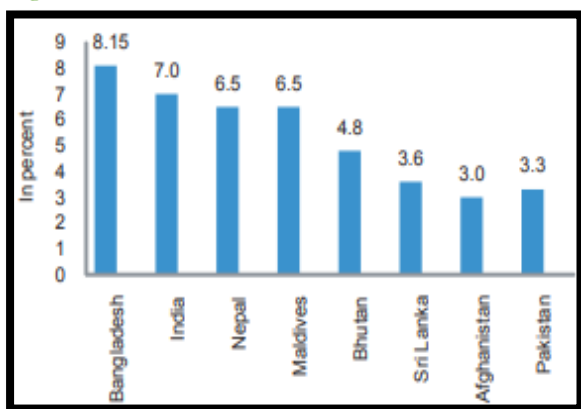
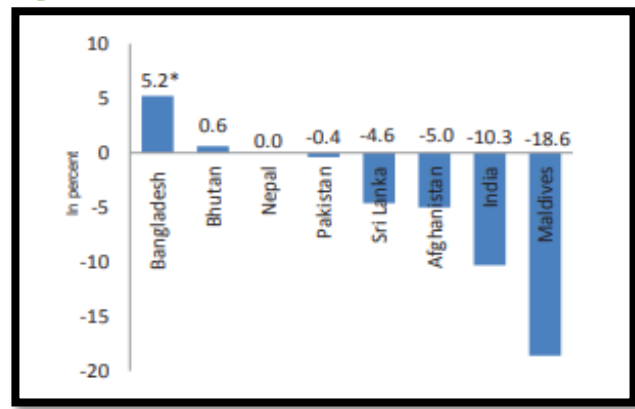


Figure 2: Growth in South Asian Countries in FY20



Source: IMF

Like elsewhere, the global COVID-19 pandemic has adversely affected the economy of Bangladesh. Growth in export and import in FY2019-20 experienced negative. However, remittance inflows grew by 10.87 percent that contributed to reduce the current account deficit. Foreign exchange reserves have increased significantly. As of June 30, 2020 the foreign exchange reserve stood at US\$ 36.04 billion, the highest ever. To keep the country's

economy afloat in the face of the ongoing COVID-19 pandemic, the government has already announced a financial package of about Tk. 1.2 lakh crore for economic recovery.

## 5. Bangladesh's Performance in Goods Trade

Export portfolio of Bangladesh is dominated mainly by RMG, woven and knitwear garments. RMG accounts for more than 80 percent of total export earnings. Other important export products are jute and jute goods, agricultural products, leather, frozen food and engineering products. Commodity-wise share of export earning of recent 3 years are shown in the following table.

Table 1: Commodity-wise share of export earning

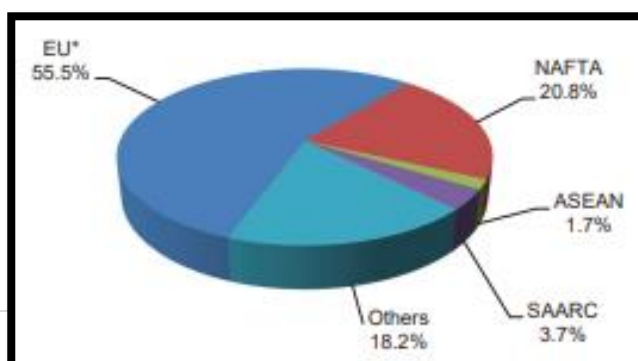
(in million USD)

| No.                      | Commodities                       | Export earnings |              |              |
|--------------------------|-----------------------------------|-----------------|--------------|--------------|
|                          |                                   | FY 2018         | FY 2019      | FY 2020      |
| <b>A.</b>                | <b>Primary Commodities</b>        | <b>1338</b>     | <b>1521</b>  | <b>1318</b>  |
| 1                        | Raw Jute                          | 156             | 112          | 130          |
| 2                        | Frozen Food                       | 508             | 500          | 456          |
| 3                        | Agricultural Products             | 381             | 437          | 472          |
| 4                        | Other Primary Commodities         | 293             | 472          | 260          |
| <b>B.</b>                | <b>Manufactured Goods</b>         | <b>35330</b>    | <b>39014</b> | <b>32356</b> |
| 5                        | Jute Goods                        | 870             | 704          | 752          |
| 6                        | Leather                           | 183             | 165          | 98           |
| 7                        | Ready-made Garments<br>(woven)    | 15426           | 17245        | 14041        |
| 8                        | Ready-made Garments<br>(knitwear) | 15189           | 16889        | 13908        |
| 9                        | Shoe                              | 241             | 272          | 277          |
| 10                       | Engineering Products              | 356             | 341          | 293          |
| 11                       | Other Manufacturing Products      | 3065            | 3398         | 2986         |
| <b>Grand Total (A+B)</b> |                                   | <b>36668</b>    | <b>40535</b> | <b>33674</b> |

Source: Bangladesh Economic Review (2020), Ministry of Finance

Concentration of export markets is extremely high for Bangladeshi products. In FY 2020, 55.5 percent of exports were destined for the EU area while 20.8 percent entered in the NAFTA bloc. Exports to the SAARC, ASEAN and other countries were 3.7, 1.7 and 18.2 percent respectively of the total exports in FY 2020 (Figure 3).

Figure 3: Market Share of different regions



Source: Export Promotion Bureau (EPB)

Country-wise export data shows that USA is the main destination of our export. In FY 2020, USA secured the top position with a share of 17.32 percent of country's total export earnings. The other major destinations of our exports are Germany (15.14%), UK (10.26%) and France (5.06%).

Table 2: Country-wise Export Earnings of Bangladesh  
(in million USD)

| No. | Country      | Export earnings |              |              |
|-----|--------------|-----------------|--------------|--------------|
|     |              | FY 2018         | FY 2019      | FY 2020      |
| 1   | USA          | 5983            | 6876         | 5832         |
| 2   | Germany      | 5891            | 6173         | 5099         |
| 3   | UK           | 3989            | 4169         | 3454         |
| 4   | France       | 2005            | 2218         | 1704         |
| 5   | Italy        | 1560            | 1643         | 1283         |
| 6   | Japan        | 1132            | 1366         | 1201         |
| 7   | Canada       | 1119            | 1340         | 1000         |
| 8   | Netherlands  | 1205            | 1279         | 1099         |
| 9   | Belgium      | 878             | 947          | 723          |
| 10  | Others       | 12906           | 14524        | 12279        |
|     | <b>Total</b> | <b>36668</b>    | <b>40535</b> | <b>33674</b> |

Source: Bangladesh Economic Review (2020), Ministry of Finance

Bangladesh imports critical and necessary inputs. A large share of imports is geared toward the export sector. Imports are dominated mainly by consumer and intermediate goods. Commodity-wise import payments of recent 3 years are shown in Table 3.

Table 3: Commodity-wise Import Payments of Bangladesh  
(in million USD)

| No.       | Commodities                         | Import payments |              |              |
|-----------|-------------------------------------|-----------------|--------------|--------------|
|           |                                     | FY 2018         | FY 2019      | FY 2020      |
| <b>A.</b> | <b>Major Primary Commodities</b>    | <b>7270</b>     | <b>5430</b>  | <b>5815</b>  |
| 1         | Rice                                | 1605            | 115          | 22           |
| 2         | Wheat                               | 1494            | 1437         | 1651         |
| 3         | Oil Seeds                           | 571             | 796          | 1183         |
| 4         | Crude Petroleum                     | 365             | 416          | 731          |
| 5         | Cotton                              | 3235            | 3082         | 2961         |
| <b>B.</b> | <b>Major Industrial Commodities</b> | <b>10818</b>    | <b>12186</b> | <b>11144</b> |
| 6         | Edible Oil                          | 1863            | 1656         | 1617         |
| 7         | Petroleum Products                  | 3652            | 4562         | 4627         |
| 8         | Fertiliser                          | 1006            | 1301         | 1035         |
| 9         | Clinker                             | 766             | 993          | 879          |
| 10        | Staple Fibre                        | 1180            | 1228         | 1086         |
| 11        | Yarn                                | 2351            | 2445         | 1901         |
| <b>C.</b> | <b>Capital Machinery</b>            | <b>5462</b>     | <b>4513</b>  | <b>3581</b>  |
| <b>D.</b> | <b>Other Commodities</b>            | <b>35315</b>    | <b>37786</b> | <b>34244</b> |

|                              |              |              |              |
|------------------------------|--------------|--------------|--------------|
| <b>Grand Total (A+B+C+D)</b> | <b>58865</b> | <b>59915</b> | <b>54785</b> |
|------------------------------|--------------|--------------|--------------|

Source: Bangladesh Economic Review (2020), Ministry of Finance

Bangladesh depends on Asia for much of its imports. In FY 2020 China tops the list with 26.9 percent, followed by India with 12.9 percent and USA with 5.2 percent. Country-wise import payments of recent 3 years are shown in the following table.

Table 4: Country-wise Import Payments of Bangladesh

(in million USD)

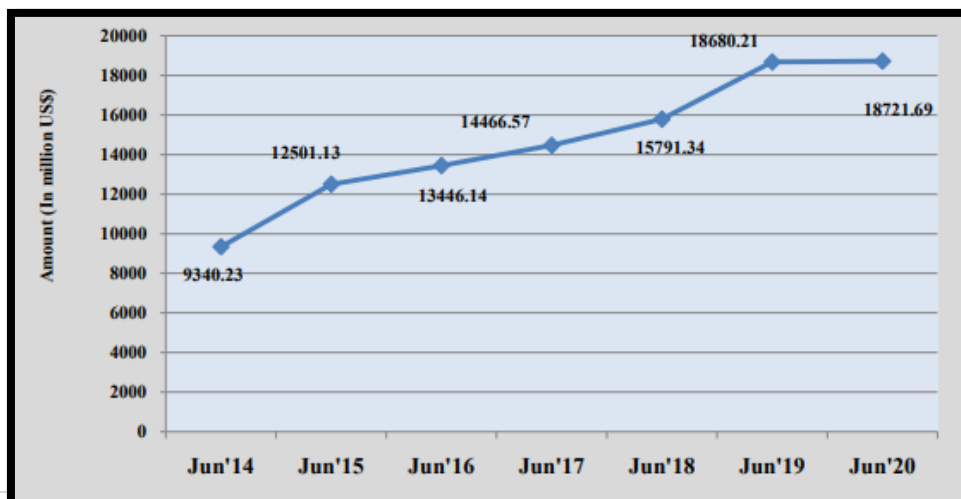
| No. | Country      | Import Payments |              |                       |
|-----|--------------|-----------------|--------------|-----------------------|
|     |              | FY 2018         | FY 2019      | FY 2020<br>(July-Feb) |
| 1   | China        | 15937           | 17265        | 10573                 |
| 2   | India        | 8941            | 8242         | 5082                  |
| 3   | Singapore    | 2255            | 2274         | 1288                  |
| 4   | Japan        | 2422            | 2254         | 1492                  |
| 5   | USA          | 2160            | 2370         | 2050                  |
| 6   | South Korea  | 1907            | 1618         | 1093                  |
| 7   | Malaysia     | 1342            | 1520         | 1148                  |
| 8   | Taiwan       | 1129            | 1175         | 798                   |
| 10  | Others       | 22772           | 23197        | 15784                 |
|     | <b>Total</b> | <b>58865</b>    | <b>59915</b> | <b>39308</b>          |

Source: Bangladesh Economic Review (2020), Ministry of Finance

## 6. Bangladesh Foreign Direct Investment Scenario

Bangladesh is quite successful in attracting Foreign Direct Investment (FDI) inflows since the inception of economic reform in 1995. The inflow of FDI has contributed significantly to the economic development of Bangladesh. During the period FY 2019-20, FDI net inflow of Bangladesh was USD 2.4 billion as against USD 3.9 billion at FY 2018-19. As on end of June, 2020 total FDI stock of the country was USD 18.7 billion which was increased by 0.2% over its level in June 2019. While at the end of June, 2019 total FDI stock was increased by 18.3% over the end of June, 2018 (Figure 4).

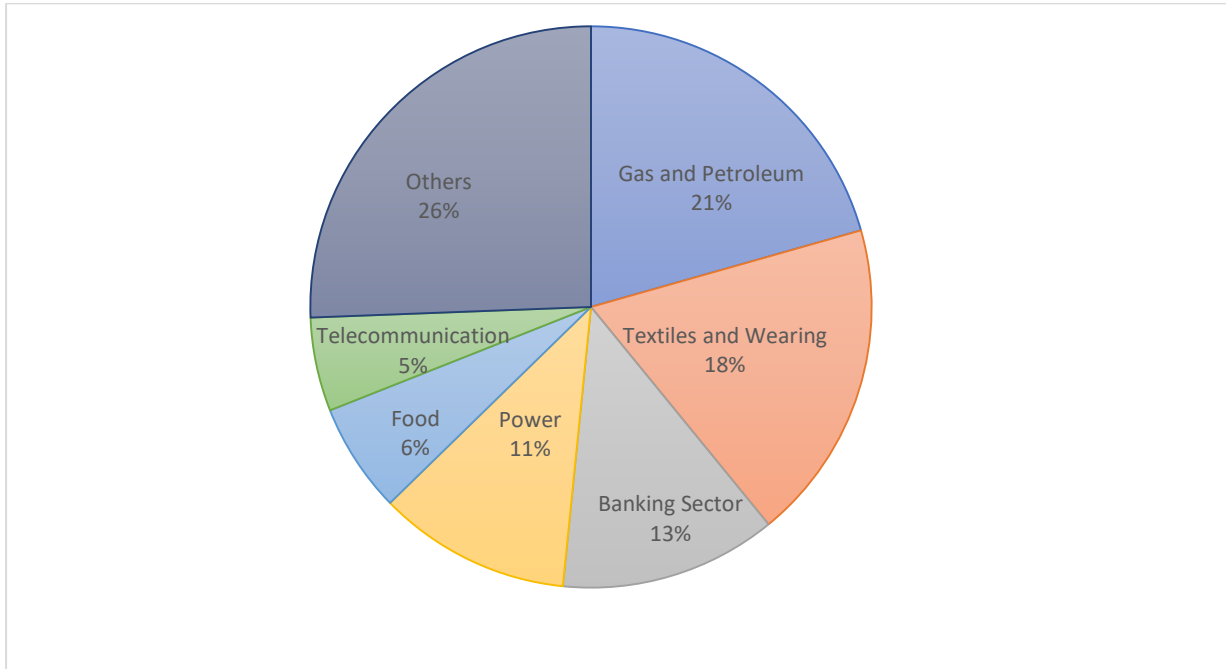
Figure 4: Trends in FDI Stock



Source: Bangladesh Bank

Major sectors of FDI stock are gas and petroleum, textiles and wearing, banking sector, power, food and telecommunication.

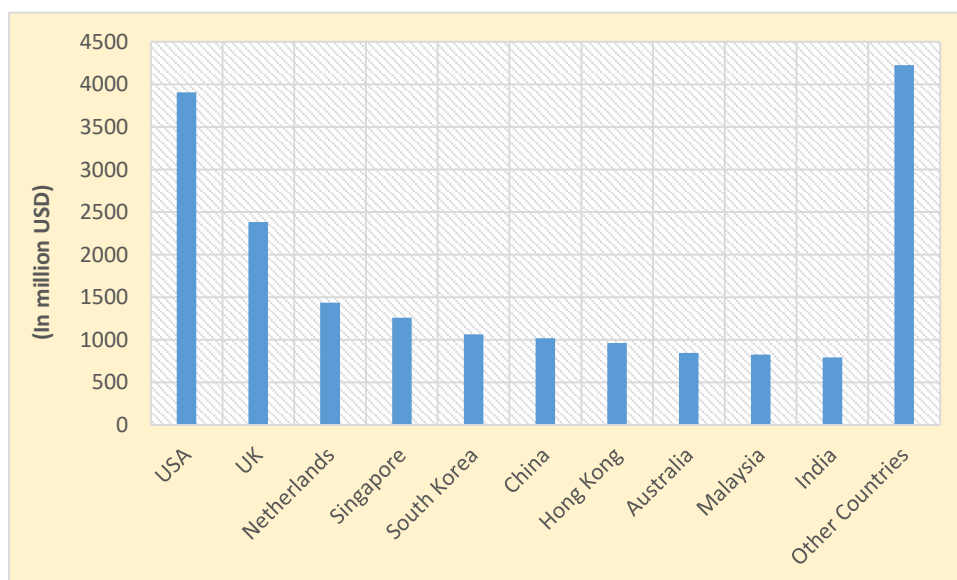
Figure 5: FDI Stock by Major Sectors



Source: Bangladesh Bank

As on end June, 2020 USA has the highest amount of investment in Bangladesh with an amount of USD 3.9 billion followed by UK (2.3 billion), Netherlands (1.4 billion), Singapore (1.2 billion) and Malaysia (825 million).

Figure 6: FDI Stock by major countries during FY 2020





## 7. Bangladesh- Malaysia Bilateral relations

Both Malaysia and Bangladesh have come a long way to consolidate their bilateral relation since the establishment of diplomatic ties between the two countries after Malaysia recognized Bangladesh on 31 January 1972. Besides, location of Bangladesh and Malaysia in the South and the Southeast Asia respectively have brought these two countries closer. Mutual respect, fraternity and co-operation particularly on development activities are increasing with the passage of time.

Malaysia and Bangladesh share common views on a wide range of international issues, as both are being the members of organizations like D-8, G-77, OIC, and Commonwealth. More importantly, Malaysia has stood by Bangladesh as a tested friend throughout the outbreak of the Rohingya crisis particularly in setting up a field hospital in Cox's Bazar.

As a testament of strong bilateral relations both Bangladesh and Malaysia have agreed to sign a bilateral Free Trade Agreement (FTA) that would encourage trade and cross border investment between the two friendly nations. At the moment, both sides are ready to start FTA negotiation at a mutually convenient time. Besides, a recent Memorandum of Understanding (MoU) signed between Bangladesh and Malaysia on 13 July 2021 to supply Liquefied Natural Gas (LNG) to Bangladesh will pave the way for further economic engagement between Bangladesh and Malaysia.

## 8. Bilateral Trade between Bangladesh and Malaysia

In South Asia Bangladesh is the second largest trading partner for Malaysia, after India. Although the balance of trade is heavily tilted towards Malaysia, the total trade between Bangladesh and Malaysia has increased to a significant level and our export to Malaysia is also increasing in recent years.

Table 5: Bilateral Trade between Bangladesh and Malaysia  
(in million USD)

| Financial Year | Export | Import  | Balance     |
|----------------|--------|---------|-------------|
| 2011-12        | 56.11  | 1406.70 | (-) 1350.59 |
| 2012-13        | 100.11 | 1903.10 | (-) 1802.99 |
| 2013-14        | 135.64 | 2084.10 | (-) 1948.46 |
| 2014-15        | 140.09 | 1287.50 | (-) 1147.41 |
| 2015-16        | 191.05 | 952.30  | (-) 761.25  |
| 2016-17        | 211.52 | 1017.50 | (-) 805.98  |
| 2017-18        | 232.42 | 1410.40 | (-) 1177.98 |

|         |        |         |             |
|---------|--------|---------|-------------|
| 2018-19 | 277.23 | 1496.21 | (-) 1218.98 |
| 2019-20 | 236.37 | 1671.30 | (-) 1434.93 |

Source: Bangladesh Bank

Malaysian market for Bangladeshi products is not widely diversified. Readymade Garments (knit wear and woven garments) is the main export item that account for more than 70 percent of our total export earnings. The other exportable items are vegetables, potato, food and beverage, footwear, spices etc.

In 2018-19, just before the COVID-19 pandemic, goods exports to Malaysia reached to USD 277 million with a growth of 19 percent. But when the pandemic began in early 2020 the Malaysian economy faced significant challenges coupled with the collapse of the global oil prices and US-China trade war. This impacted Bangladesh's exports to Malaysia by declining it to USD 236 million in 2019-20. Again, in FY 2020-21 exports picked up and reached an all-time high of USD 306.57 million.

Major import items from Malaysia are mineral fuels and oils, vegetable fats and oils, machinery and mechanical appliances, plastics, chemicals, cotton, rubber, electrical and electronics etc.

## 9. Malaysian Investment in Bangladesh

Malaysia is the 9<sup>th</sup> largest investor for Bangladesh. Total FDI stock of Malaysia in Bangladesh is 825.14 million USD as on end of June 2020. Telecommunication sector (508.69 million) dominates the FDI inflow followed by computer software and IT (244.11 million), construction sector, and textile and wearing sector etc. Too many Malaysian companies have shown their interest to invest in the newly-built Special Economic Zones (SEZs) of Bangladesh. Sector-wise investment statistics are stated below:

Table 6: Malaysian Investment in Bangladesh, June 2020

| Major Sectors                 | Investment (in million USD) |
|-------------------------------|-----------------------------|
| Telecommunication             | 508.69                      |
| Computer Software and IT      | 244.11                      |
| Construction                  | 23.7                        |
| Textile and Wearing           | 15.3                        |
| NBFI                          | 4.1                         |
| Power                         | 3.38                        |
| Chemicals and Pharmaceuticals | 2.54                        |
| Others                        | 23.32                       |
| Total                         | 825.14                      |

Source: Bangladesh Bank

To date, a total of 123 Malaysian companies are registered under the Bangladesh Investment Development Authority (BIDA). Some of them are as follows:

|   |  |
|---|--|
| <u>Telecommunication</u>  | <u>Computer Software and IT</u>  |
| <ul style="list-style-type: none"><li>➤ Robi Axiata Limited</li><li>➤ Orascom Telecom Bangladesh Ltd.</li><li>➤ TM International (BD) Ltd.</li><li>➤ People's Telecommunication &amp; Information Services</li></ul>  | <ul style="list-style-type: none"><li>➤ Nextel Bangladesh Ltd.</li><li>➤ Vu Mobile Ltd</li><li>➤ Frenclub Mobile Ltd.</li><li>➤ Digital Identity Solutis Limited</li></ul>   |
| <u>Power</u>  | <u>Textile and Wearing</u>   |
| <ul style="list-style-type: none"><li>➤ Westmont Power (Bangladesh) Pvt. Ltd.</li><li>➤ Edra Energy Bangladesh</li><li>➤ Powerpac Mutiara Keraniganj Power plant Ltd</li><li>➤ Banco Energy Generation Ltd.</li><li>➤ Solar TIF Bangladesh (Ctg) (Solar Module)</li></ul> | <ul style="list-style-type: none"><li>➤ Evergreen Discover Knitwear (BD) Ltd</li><li>➤ Khidmat Edar (BD) Ltd.</li><li>➤ Euco Solutions Ltd. (Dyeing)</li><li>➤ Integrity Apparels Ltd.</li></ul>   |
| <u>Food and Allied</u>  | <u>Engineering</u>   |
| <ul style="list-style-type: none"><li>➤ Biocera International (BD) Ltd. (Food and Allied)</li><li>➤ Kings Confectionery (BD) Pte Ltd.</li><li>➤ Dxn Health (BD) Ltd.</li><li>➤ Innovative Food (Pvt). Ltd.</li><li>➤ Kawan Food (BD) Ltd.</li></ul>                       | <ul style="list-style-type: none"><li>➤ Kai Project Management Services Ltd. (Aluminium products)</li><li>➤ Userix-Nirapad Ltd. (Automobile Servicing)</li><li>➤ Monomedi Bangladesh Ltd. (Disposable Medical Items)</li><li>➤ L&amp;G (Bangladesh) Limited. (Industrial Chemical)</li></ul> |
| <u>Others</u>   |  |
| <ul style="list-style-type: none"><li>➤ SVC Jhilmil Residential BD Ltd. (Construction &amp; Housing)</li></ul>  | <ul style="list-style-type: none"><li>➤ Malaysian Maritime &amp; Dredging Corporation SDN BHD (River Dredging)</li></ul>   |

- |  |   |
|--|---|
| ➤ CDG Plastic (BD) Ltd. (Plastic products) | ➤ Sin Lee Wah Furniture Limited (Furniture & Fixture) |
| ➤ SAS Gloves Industries Ltd. (Gloves)      |   |

Source: BIDA

## 10. Investment Opportunities in Bangladesh

Currently the FDI stock of the country is growing very rapidly because of its large population and impressive economic growth over the recent years that is matched by liberal investment policies. Bangladesh is potentially a significant market, especially with access to South Asia and South-East Asia. It presents a rare opportunity for investment. Initiatives to establish 100 Special Economic Zones (SEZs) by 2030 also gave FDI a great boost. Besides, in line with this the government is also implementing some mega infra-structure projects like Padma Bridge, Rooppur Nuclear Power Plant, Dhaka Metro-rail Project, etc.

**Investment Areas:** Foreign investment is welcome in all areas of the economy with the exception of the four reserved sectors (arms and ammunition, forest plantations, nuclear energy, and security printing). Such investments can be made either independently or through venture on mutually beneficial terms and conditions.

**Legal Protection for FDI:** In Bangladesh the policy framework for foreign investment is based on 'The Foreign Private Investment (Promotion & Protection) Act. 1980,' which ensures legal protection to foreign investment in Bangladesh against nationalization and expropriation. It also guarantees non-discriminatory treatment between foreign and local investment and repatriation of proceeds from sales of shares and profit.

**Bilateral Agreements:** To invest in Bangladesh Malaysian investors enjoy two existing bilateral agreements, one is for the avoidance of double taxation (April 1983) and the other one is the investment treaty for promotion and protection of investment (October 1994).

### Tax Holiday and Tax Exemption:

- 5 to 10 years of Tax Holiday and reduced tax.
- 100% tax exemption on income and capital gain for certain projects under Public Private Partnership (PPP) for 10 years.
- 100% tax exemption from software development, telecommunication and information technology enabled services.
- 50% of income derived from export is exempted from tax.

- Tax exemption on royalties, technical knowhow and technical assistance fees and facilities for their repatriation.
- Tax exemption on interest paid on foreign loan.

**Accelerated Depreciation:** Industrial undertakings not enjoying tax holiday will enjoy accelerated depreciation allowance. Such allowance is available at the rate of 100 per cent of the cost of the machinery or plant if the industrial undertaking is set up in the areas falling within the cities of Dhaka, Narayanganj, Chittagong and Khulna and areas within a radius of 10 miles from the municipal limits of those cities. If the industrial undertaking is set up elsewhere in the country, accelerated depreciation is allowed at the rate of 80 per cent in the first year and 20 per cent in the second year.

**Exemption on Import Duties:** Exemption of customs duties on capital machineries and exemption of import duties on raw materials used for producing goods for export.

**Bonded warehousing Facilities:** For export-oriented industries.

**Ownership:** 100% ownership is allowed with unrestricted exit policy.

**Work Permit:** Multiple entry visa will be issued to prospective foreign investors for 3 years. In case of experts, multiple entry visa will be issued for the whole tenure of their assignments.

**Repatriation of invested capital and dividend:** Full repatriation of capital invested is allowed. Similarly, profits and dividend accruing can be transferred in full. If foreign investors reinvest their dividends and/or retained earnings, those will be treated as new investment.

## Others

- No restrictions on issuance of work permits to project related foreign nationals and employees.
- Provision of transfer of shares held by foreign shareholders to local investors.
- 100% FDI, Joint Ventures, Partnerships, PPPs, Non-equity mode (technology transfer, licensing franchising, contracting etc.), and Foreign Lending are allowed.
- 100% FDI or Joint Venture FDIs are allowed to participate in the primary and secondary stock markets.

- Foreign Investors are allowed to have access to local banks for working capital requirements.
- Citizenship by investing a minimum of USD 500,000/- or by transferring USD 1,000,000/- to any recognized financial institution and permanent residency by investing a minimum of USD 75,000/-.
- Special facilities and venture capital support are provided to export-oriented industries under "Thrust sectors". Thrust Sectors include agro-based industries, artificial flower-making, computer software and information technology, electronics, frozen food, floriculture, gift items, jute goods, jewelry, leather, sericulture and silk industry, stuffed toys, etc.
- Intellectual Property right is protected by law.
- Duty free market access to EU & most developed countries.

## **11. Potential Sector for FDI inflow in Bangladesh**

### **Readymade Garments (RMG)**

- Accounting for 81% of overall exports in FY 2020-21 with an amount of USD 31.45 billion.
- Contributes huge FOREX and provides employment of 4 million workers.
- Growing at average annual rate of about 10%.
- The garment and textile sector of Bangladesh has reached a unique height by setting up eco-friendly green garment factories.
- Till now there are a total of 135 LEED green garment factories certified by the U.S. Green Building Council (USGBC). 500 more factories are in the process of getting LEED certification.
- 9 out of the world's top 10 green garment factories are in Bangladesh.

### **Pharmaceuticals Industry**

- Pharmaceutical sector has succeeded in fulfilling close to 97% of the country's local demands.

- The pharmaceutical sector's market valuation grew to \$3 billion in 2019. However, it is expected to be worth around \$6 billion by the year 2025. [According to the 2019 report of Research and Markets, a Dublin-based Research organization].
- Exporting drugs to more than 140 countries including the USA, Australia, and EU.
- In FY 2020-21 pharmaceuticals export was USD 169.02 million.

### **Information technology**

- IT industry generated an estimated annual revenue of USD 1.1 billion.
- For the period of FY 2019-2020 export revenue accounting for USD 475 million, including the freelance outsourcing segment.
- Today, it accounts for more than 4,500 registered IT/ITES service provider employing over 750,000 ICT professionals.
- Software industry contributes more than 1 percent in GDP of Bangladesh.

### **Agro & food processing Industry**

- Employs around 40.6% of the labor force and contributes 14.23% to GDP.
- In FY2020-21, the export earnings worth USD 1.03 billion, share of total exports stands at around 2.6%
- Domestic agro-processed products market stood at USD 2.8 billion in 2019. The market estimated at growing at an average rate of 7.7%.

### **Jute and jute products**

- There are 22 jute mills in the public sector and around 200 in the private sector.
- In FY2020-21, the country exported jute and related products worth USD 1.16 billion. Of them, contribution of jute yarn and twine is 69%.
- Currently 25 million people are dependent on jute and related activities in various levels of production.

### **Leather and leather products**

- Providing direct and indirect employment to over 850,000 people.
- A large and growing domestic market of USD 2 billion, is supplemented by exports worth of USD 942 million in FY2020-21.

- In FY 2020-21, the leather industry experienced a growth of over 18%.
- Bangladesh produces 310 million sq. feet of raw hides annually.
- Bangladesh occupies about 3.0% of the world's leather and leather products market.

### **Light engineering**

- In 2020, the total light engineering market was estimated to be more than USD 12 billion.
- At present, there are around 50,000 light engineering companies operating in the country providing employment to more than a million people and producing more than 10,000 products.
- Automotive spares market is around US\$ 600 million.
- In FY2020-21 exports of engineering products were USD 529 million with a growth of 80.6%.
- The bicycle export industry is contributing about USD 131 million in 2020-21. Bangladesh manufactures around 2 million bicycles every year of which 1.2 million are exported.

### **Electronics & Electrical Equipment**

- The market size of the electronics industry both industrial and consumer electronics was estimated to be around USD 5.29 billion at the end of 2019.
- Expected to grow at rate of 15% per annum and reach around USD 12 billion by 2025.
- The size of the consumer electronics market to be around USD 2.38 billion in 2019.
- There are about 2500 electrical and electronics enterprises in Bangladesh employing more than 100,000 people.

### **Plastic Products**

- The domestic plastic market size stood at USD 2.95 billion as of June 2019.
- There are more than 5,000 plastic enterprises in Bangladesh, employing about 1.2 million people.
- Plastic is the 12th highest earning export sector in Bangladesh with export of USD 115.28 million in FY 2020-21. Indirect exports to garment factory stood at USD 467 million.



- Plastic exports from Bangladesh has been growing at a rate of 4.5 % per annum.

## **Automobile**

- The current domestic market size for the Automobile industry is approximately \$13.89 billion with an average positive CAGR of 21 percent in the last five years.
- The commercial vehicle market holds the highest market share worth more than \$7.2 billion.
- The private vehicle is placed second with a total market size worth \$6 billion.
- The market size of the motorcycle and three-wheelers are \$656 million and \$78 million respectively.
- There are approximately 5,000 employees directly connected to the factory level work and 50,000 employees in the post-production process such as retailing, repair shop.

## **Shipbuilding**

- In Bangladesh around 100 ship builders and over 120 registered shipyards of varying size, located mostly on the riverbanks.
- Annual gross production reaches 250,000 GT at present, of which 185,000 GT are said for domestic orders.
- Annual building capacity for export orders is estimated as more or less 20 vessels currently.
- Currently, the domestic market is valued at around \$2.14 billion and increasing every year.
- Bangladesh exported 43 ships till date sized at approximately \$170 million.

## **Ceramic**

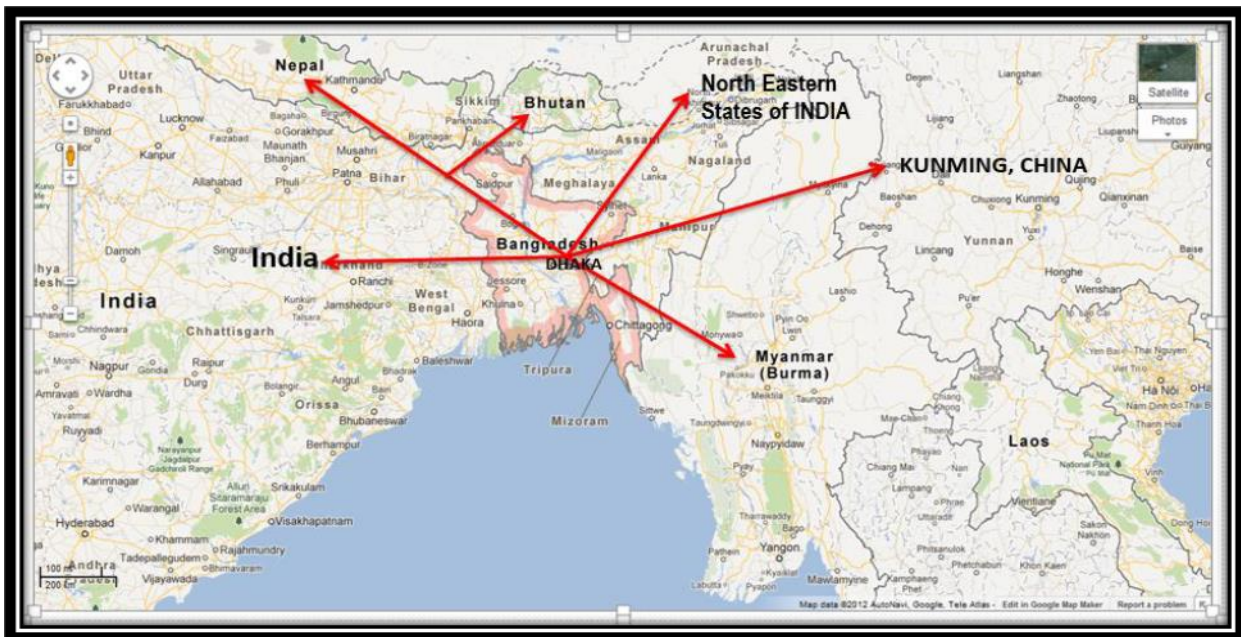
- At present, there are over 65 percent ceramic manufacturers in the country.
- The industry has started its journey in 1958 and currently caters to 87% of domestic demand, worth \$668.5 million.
- In FY 2020-21, ceramics export earnings were at USD 31.11 million.

- At present the sector employs around 5,00,000 people, including 55,000 direct employees and those from the backward linkage industry.

## 12. Reasons of recent surge in Foreign Direct Investment in Bangladesh

Bangladesh is now one of the most promising emerging markets in the world and foreign investors are recognizing it as a potential market to keep an eye on. Bangladesh has been hailed by The Economist as the 'New Asian Tiger'. And foreign investors' focus in recent times reflects this. A few of reasons of why foreign investors consider investing in Bangladesh are stated below:

**Strategic Location:** The geographic location of the country is ideal for global trade with its strategic location, regional connectivity, and worldwide access.



**Greater Integration:** Greater integration with regional and sub-regional blocs such as the South Asian Association for Regional Cooperation (SAARC), the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), the Association of South-East Asian Nations (ASEAN) is facilitating regional cooperation on a new level.

**Big Consumer Market:** With a population of just over 166 million, the country has a strong consumer demand and the consumer goods market, ranging from white goods and clothes to fintech, is growing fast. In Bangladesh, the Middle & Affluent Class (MAC) represents 19 million population in 2020 and will reach to 33 million in 2025.

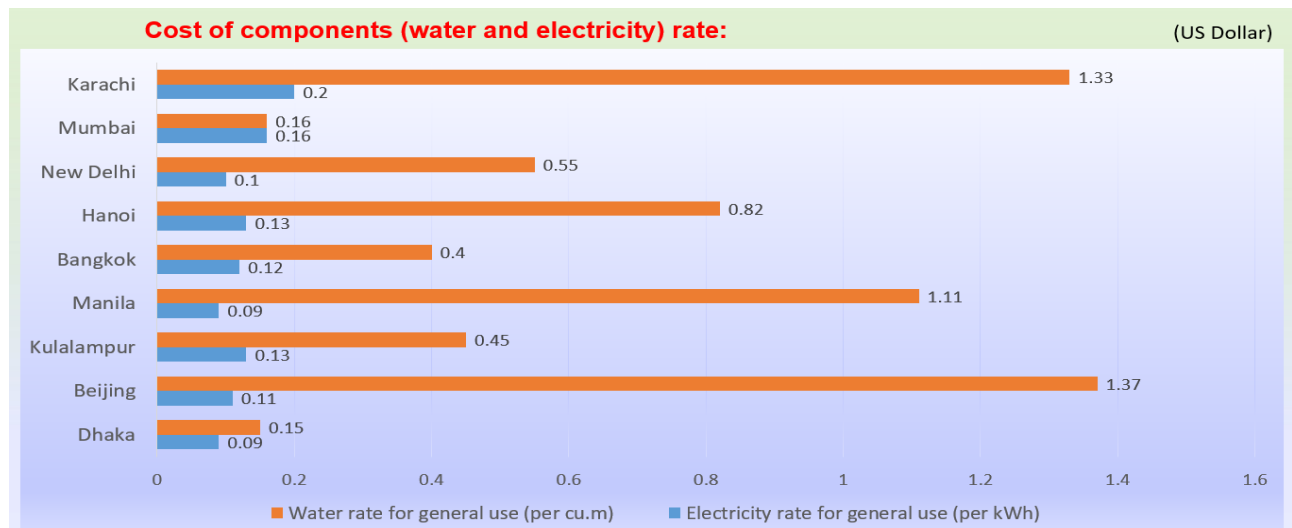
**One-Stop Service (OSS):** The One-Stop Service (OSS) puts all investment facilitation mechanisms under a single window. Currently, 21 services of 7 agencies are delivered from OSS. 150 services of 34 agencies will be offered through OSS soon.

**Young Workforce:** Highly adaptive and industrious workforce with the competitive wages and salaries are available in Bangladesh. About 57.3% of the population is under 25, providing a youthful group for engagement to meet global standards.

**Fast Scaling Infrastructure:** World-class Facilities are available in Bangladesh Export Processing Zones, Bangladesh Economic Zones and High-tech Parks.

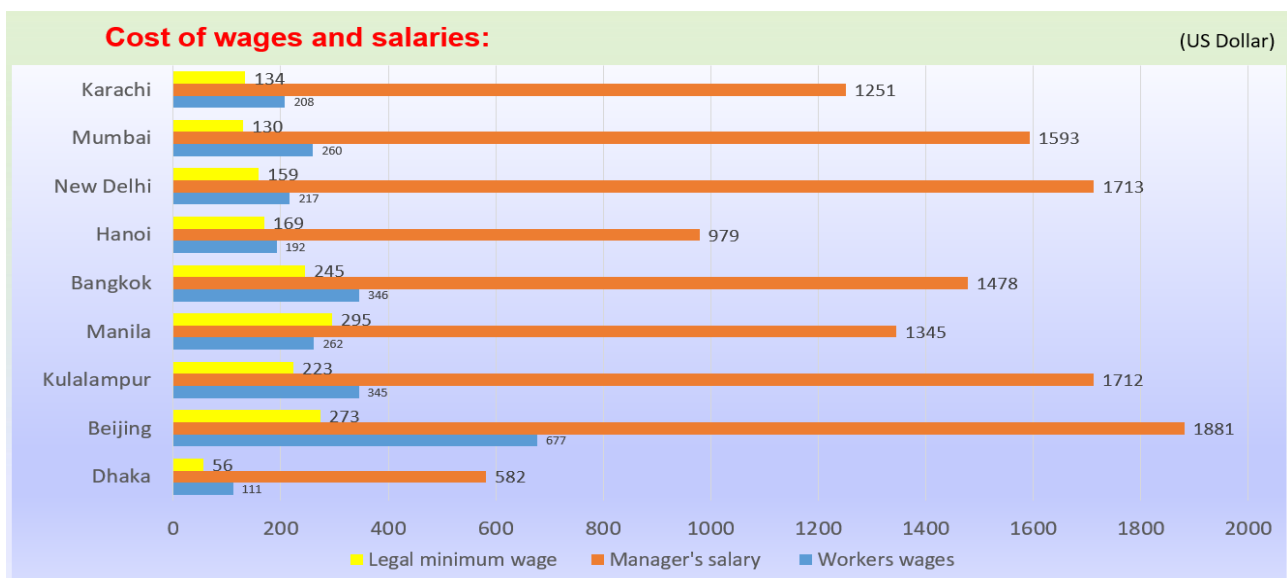
**Significant Cost Arbitrage:** Bangladesh provides 10-60 lower cost compared to its peers in terms of utility cost as well as labour wage.

Figure 7: Competitive Factor Cost (Water and Electricity) among the Peer Cities



Source: 27<sup>th</sup> Investment Cost Survey, JETRO 2017

Figure 8: Competitive Factor Cost (Wages and Salaries) among the Peer Cities



Source: 27<sup>th</sup> Investment Cost Survey, JETRO 2017

### **13. Investment Promotion and Facilitating Agencies in Bangladesh**

#### **Bangladesh Investment Development Authority (BIDA)**

- BIDA is the principal private investment promotion and facilitation agency of Bangladesh.
- First 'point of contact' guidance on doing business in Bangladesh.
- BIDA provides pre-investment information and counselling service.
- It facilitates potential foreign investors to match with local investors.
- Registration/approval of foreign, joint-venture and local project.
- It issues registration/approval of branch/liaison/representative offices.
- It approves work permit for the foreign nationals.
- BIDA facilitates utility connections (electricity, gas, water & sewerage, telecom etc.).
- It aids in obtaining industrial plots.
- It approves remittance of royalty, technical know-how and technical assistance fees.
- BIDA facilitates import of capital machinery & raw materials.
- Facilitation for getting work permission.
- Addresses issues relating to individual companies on their smooth operation.

#### **Bangladesh Export Processing Zones Authority (BEPZA)**

- BEPZA manages a total of 08 (eight) Export Processing Zones (EPZs) in the country.
- They are: Chittagong EPZ, Dhaka EPZ, Mongla EPZ, Ishwardi EPZ, Comilla EPZ, Uttara EPZ, Adamjee EPZ and Karnaphuli EPZ.
- An EPZ is a territorial or economic enclave in which goods are imported and manufactured and reshipped with a reduction in duties / and/or minimal intervention by custom officials.

- BEPZA allots fully serviced industrial Plots/Slandered Factory Building (SFB) for establishment of industry in EPZs.
- BEPZA manages connection of water and electricity and provides 24/7 security service.
- Investors enjoy duty free import of raw materials, machinery, construction materials and duty-free export of finished goods inside the EPZ.
- In the EPZ customs clearance is at the factory site.
- There is no need of IRC (Import Registration Certificate), ERC (Export Registration Certificate) in the EPZ.
- BEPZA facilitates investors to receive services, incentives, permission, NOCs, and certificates from a single window of its One Stop Service (OSS) Centre.
- BEPZA issues work permit for foreign expatriates involved in EPZs.
- To date, a total of 500 companies of 38 countries with a worth of USD 5.4 billion have invested in EPZs, of which 58% foreign ownership, 14% joint venture and 28% local venture.

### **Bangladesh High-Tech Park Authority (BHTPA)**

- BHTPA provides international standard infrastructure for developing IT/ITES based industrial ecosystem in the country.
- Through BHTPA the government targets an astounding export of USD 5 billion and promises to create employment for around 500,000 people by 2025.
- Nationwide Hi-Tech Parks 7 operational, 22 underway under BHTPA.
- As of June 2020, more than 13,000 people have been directly employed in various parks.
- Bangabandhu Hi-Tech City, Kaliakoir is the country's biggest Hi-Tech City with 355 acres of land. World class infostructures including Tier IV datacentre, hi-speed connectivity and R&D Centres are available there. Space/land have been allotted so far to 39 companies.
- Sheikh Hasina Software Technology Park has been established on 12.13 acres of land in Jashore district. Space has been allotted to 48 software and BPO companies.
- Under the One Stop Service Act, 148 types of services are provided to domestic and foreign investors and 10 of these services are now being provided through online

based system. So far over 250 services have been provided to the stakeholders through the online portal.

- Bangladesh Hi-Tech Park Authority has also been certified International ISO 9001: 2015 considering the achievements and success.
- The Bangladesh Hi-Tech Park Authority won the WITSA GLOBAL ICT EXCELLENCE AWARDS-2019 Award for its significant contribution to the implementation of Digital Bangladesh and the construction of high-tech park infrastructure.

### **Bangladesh Economic Zones Authority (BEZA)**

- BEZA aims to establish 100 Economic Zones on 30,000 hectares of land in the next 15 years with an employment generation for 10 million people.
- BEZA creates value for the investors by establishing attractive investment facilities in the economic zones through One-Stop Service and competitive incentive packages.
- BEZA has till now got approval to establish 98 economic zones countrywide comprising 69 Government and 29 Private EZs.
- Bangabandhu Sheikh Mujib Shilpa Nagar is one of the most suitable sites of Bangladesh for setting up industrial establishments. With 30,000 acres of land, it is along the strategic location of Dhaka-Chittagong industrial corridor and Chittagong Sea Port.
- Another important economic zone is Maheshkhali Economic Zone (Dalghata) located besides the Bay of Bengal with an area of 3500 acres. BEZA has already allotted 510 acre lands to SPL Petrochemical Complex Ltd. and SK Gas Korea where they are building petrochemical refinery, warehouse of petrochemical products and LPG terminal.
- A.K. Khan Economic Zone (AKKEZ) is a renowned Private EZ in Bangladesh located at Palash Upazila (Sub-district) near Dhaka. Total Area is approximately 250 acres where Industrial Plots cover 200 acres and 50 acres are reserved for A K Khan Container Terminal (AKKCT).
- Planned facilities of AKKEZ are Inland Container Terminal, Effluent Treatment Plant, Water Treatment Plant, Electric and Gas Supply, Telecommunication and Internet, Fire Brigade, Banks, Customs House, Bonded Warehouse, Residential

Facility, Project Office, Recreation Centre, Medical Centre, Mosque, Technical Training Centre, 24 hours elite security surveillance, etc.

Bangladesh, once one of the ten poorest countries in the world, is now the 41st largest economy in the world. According to the Center for Economic and Business Research (CEBR), a British economic research organisation, Bangladesh will become the 25th largest economy in the world by 2035. The extraordinary pace of development of Bangladesh has stunned the world today. The Wall Street Journal has published an article on 3<sup>rd</sup> March 2021 titled “Bangladesh is Becoming South Asia’s Economic Bull Case”. The New York Times published an op-ed article on 10<sup>th</sup> March 2021 titled “What Can Biden’s Plan do for Poverty? Look at Bangladesh”. Thus, Bangladesh is now a wonder of the wonders.

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