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AN INVESTMENT GUIDE TO BANGLADESH

Opportunities and conditions
AUGUST 2000



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UNCTAD

The United Nations Conference on Trade and Development (UNCTAD) was established in 1964 as a permanent intergovernmental body. Its main goals are to maximize the trade, investment and development opportunities of developing countries, to help them face challenges arising from globalization, and to help them integrate into the world economy on an equitable basis. UNCTAD's membership currently includes 190 member States. Its secretariat is located in Geneva, Switzerland, and forms part of the United Nations Secretariat.

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The International Chamber of Commerce (ICC) is the world business organization. It is the only body that speaks with authority on behalf of enterprises from all sectors in every part of the world, grouping thousands of members companies and associations from 130 countries. ICC promotes an open international trade and investment system and the market economy in the context of sustainable growth and development. It makes rules that govern the conduct of business across borders. Within a year of the creation of the United Nations it was granted consultative status at the highest level (category A) with the United Nations Economic and Social Council. This is now known as General Category consultative status.

Note

The term "country" as used in this study also refers, as appropriate, to territories or areas; the designations employed and the presentation of the material do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries. In addition, the designations of country groups are intended solely for statistical or analytical convenience and do not necessarily express a judgement about the stage of development reached by a particular country or area in the development process.

Reference to "dollars" (\$) means United States dollars, unless otherwise indicated.

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Preface

Foreign direct investment has come to be widely recognized over the past decade as a major potential contributor to growth and development. It can bring capital, technology, management know-how and access to new markets. In comparison with other forms of capital flows, it is also more stable, with a longer-term commitment to the host economy.

The project of which this publication – *An Investment Guide to Bangladesh* – is the third concrete product is a collaborative venture by the United Nations Conference on Trade and Development (UNCTAD) and the International Chamber of Commerce (ICC). Its objective is to bring together two parties with complementary interests: *firms* that seek new locations and *countries* that seek new investors. This is not always a straightforward exercise, for firms are driven by their global strategies as much as lured by specific opportunities, and countries have economic and social objectives that transcend attracting foreign investment.

The UNCTAD-ICC investment guides are thus properly seen as parts of a process, a long-term process at the heart of which is an ongoing *dialogue* between investors and governments. The guides *themselves* are the product of a dialogue, including that occurring among and between the representatives of business and government during the workshops that precede the completion of each guide. It is our hope that the guides will in turn *contribute* to the dialogue, helping to strengthen and sustain it, for we are convinced that in the long run it is this alone that will create conditions increasingly conducive to greater flows of foreign investment.



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We also want to take the opportunity to thank those most directly involved in the process leading up to this publication and without whose co-operation the project could not have been implemented: the Board of Investment of Bangladesh and in particular its Executive Chairman, M. Mokammel Haque, and ICC Bangladesh and in particular its President, Mahbubur Rahman. Our thanks are also owed to the Permanent Mission of Bangladesh to the United Nations in Geneva, which played a facilitating role.

This guide was prepared, with the assistance of consultants and advisors both internal and external, by an UNCTAD-ICC project team that included Vishwas P. Govitrikar, Torbjörn Fredriksson, Ludger Odenthal, Åsa Fennessy, Mohiuddin Babar, Anne Miroux, Bartolomeo D'Addario and Aleksandar Stojanoski. Overall guidance was provided by Karl P. Sauvant and Martin Wassell.

Note to the Reader

This booklet is published as part of the UNCTAD-ICC series of investment guides. The publications in this series are intended for the use of foreign investors who are largely unfamiliar with the countries covered. They are thus designed to offer overviews of potential locations for investment, rather than constitute exhaustive works of reference or provide detailed practical instructions. They do, however, offer pointers to sources of further information, in the private as well as the public sector.

There are two further features of these publications that the reader will find worth noting. One is that they are third-party documents, intended to offer a balanced and objective account of investment conditions. Their principal advantage in drawing the attention of investors to the countries they cover is credibility. The second feature is that both their general structure and some of their specific content are the result of consultations with the private sector.

After the Executive Summary and a brief introductory chapter, the bulk of the contents of this guide is organized into three chapters. The first, 'The Investor's Environment', describes the general conditions in which investors must operate: macro-economic conditions, infrastructure, human resources, et al. The second, 'Areas of Opportunity', offers a brief description of areas of potential interest to foreign investors. The third, 'The Regulatory Framework', focuses on regulations governing investment and *foreign direct investment* in particular. The final chapter provides a summary of the feedback received from the private sector in workshops that preceded the finalization of the guide.

The primary source of further information for an investor wishing to explore investing in Bangladesh is the Board of Investment (BOI) – see box on page 8. Contact details of other selected sources of information, including websites, are provided in appendix 4. A box on business association appears on page 23. Appendix 3 also provides a list, including contact details, of 60 major foreign investors in Bangladesh.

“The investment policies of the Government of Bangladesh are excellent. Bangladesh has already created one of the most attractive and liberal investment regimes in the region.”

Wali Bhuiyan

President

Foreign Investors ' Chamber of Commerce &&Industry

&Managing Director,BOC Bangladesh Limited

(a member of The BOC Group plc.UK)

Foreign direct investment is welcome

Since the beginning of the 1990s, Bangladesh has adopted a number of policies to facilitate the expansion of the private sector and increase the inflow of foreign investment. The private sector is recognized as the engine of growth. Although the transition process from an agrarian to an industrial economy has only started, there is a consensus among the political parties on promoting a market-oriented economic policy. Foreign companies are welcome. In fact, a recent assessment showed that the country offers perhaps the most liberal FDI regime in South Asia, with no prior approval requirements or limits on equity participation or restrictions on the repatriation of profits and income.

Significant investment opportunities

Notwithstanding the obstacles that face foreign investors in countries with low levels of economic development, Bangladesh offers important investment opportunities for foreign companies. These opportunities are reflected in the inflows of foreign direct investment (FDI), which increased from virtually zero in the 1980s to over \$300 million in the late 1990s. The international investor may consider investing in Bangladesh to access a growing market, low-cost production facilities or abundant natural resources.

With its nearly 130 million inhabitants, Bangladesh is one of the most populous countries of the world and potentially a sizeable market. Thanks to relatively high growth rates in recent years, there is a growing middle class with increasing purchasing power and a growing demand for various products and services. In terms of GDP, when adjusted for purchasing power, the Bangladesh economy amounts to over \$170 billion.

Besides representing a potential market in itself (and potential access to the much larger South Asian market) Bangladesh also offers considerable potential as a base for *labour-intensive manufacturing*. Low-cost labour is the factor most often cited by the private as well as the public sector in Bangladesh when asked to name the most attractive features of the country. For example, in 1998, the average hourly labour cost in apparel manufacturing was a mere \$0.43, which is competitive even by regional standards. For export-oriented activities, the Government has set up two export-processing zones (EPZs) in the two largest urban areas, Dhaka and Chittagong, and a further four are being developed. The advantages of EPZs include facilitation services and a variety of fiscal and non-fiscal incentives.

In addition to its large population and low-cost labour, Bangladesh offers major reserves of natural resources, in particular natural gas. According to the United States Geographical Survey, proven gas reserves are in excess of 10 trillion cubic feet (tcf) and private estimates of probable reserves go as high as 50 tcf. These resources have attracted the attention of major corporations such as Cairn

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