

Event Report

“Bangladesh: New Investment Potentials”

EIAS Briefing Seminar

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Having experienced a stable economic growth amidst a relatively calm political environment as well as boasting a young workforce with competitive labour costs and a strategic location at the heart of South Asia, Bangladesh is being internationally recognised as an important contender for investor attention. The country has attained the criteria for graduation from the Least Developed Country category earlier this year, propelled by lower economic vulnerability and better health and education, and is set to officially become a developing country in 2024. Therefore, Bangladesh is described as one of the “Next 11” top emerging economies by Goldman Sachs. This seminar offered a unique opportunity for exploring Bangladesh’s economic potentials, promoting its products and services and discussing ways to attract more EU investments in Bangladeshi strategic sectors such as RMG and textiles, ICT, agriculture and infrastructure.

Opening Remarks

Dr Alexander Spachis, Member of the Advisory Board of EIAS, opened the event explaining the economic situation of Bangladesh and introduced the core topic of the seminar: the new investment potentials in Bangladesh. Dr Spachis stressed the fact that the South Asian country is gaining wider attention internationally thanks to its remarkable economic growth. Thus, Bangladesh is becoming a lucrative destination for FDI, especially in some growing sectors such as RMG and textiles, ICT, agriculture and infrastructure. Dr Spachis also mentioned a number of agreements and initiatives jointly promoted by the EU and Bangladesh, such as the EU-Bangladesh Cooperation Agreement and the EU-Bangladesh Business Climate Dialogue, highlighting the close relationship between the two partners and the EU's willingness to support the South Asian country in its continued economic development.

Keynote Addresses

Mr Faruque Hassan, President, Dutch-Bangla Chamber of Commerce and Industry

Mr Hassan opened his speech by praising the long-standing and friendly partnership between the EU and Bangladesh and thanked the EU for its commitment to cooperating with and supporting the South Asian country throughout its development path for over 40 years. During this period, the EU has played a major role in Bangladesh's journey to progressively elevate itself from a war-torn country to a country with lower middle-income status. Mr Hassan stressed the importance of the EU as a major trading partner for Bangladesh. In the last decade, EU imports from Bangladesh have trebled from EUR 5.4 billion in 2008 to EUR 15 billion in 2015 and nearly half of Bangladesh's total exports go to the EU. Lastly, Mr Hassan drew attention to various instruments and incentives being developed under its industrial policy and export-oriented growth strategy and, therefore, he called upon European businesses to invest in the South Asian country.

Mr Kazi M. Aminul Islam, Executive Chairman, Bangladesh Investment Development Authority (BIDA)

Mr Kazi M. Aminul Islam provided the audience with a nuanced overview of Bangladesh's economic and socio-political context. Firstly, he stressed a significant achievement of Bangladesh, which this year attained all three criteria for graduation from LDC category for the first time. He went on mentioning the positive and stable macroeconomic fundamentals of the country. In the last decade, Bangladesh has made commendable progress with a robust GDP annual growth rate averaged 6 percent, one of the fastest growth rates in the world in recent years. Furthermore, per capita income has increased from USD 463 in 2005 to USD 1,466 in 2016.

Mr Islam also praised the Government's commitment to developing pro-business policies. The Bangladeshi economy has undergone major transformations over the last decades. Thanks to a significant array of reforms, deregulation and liberalization carried out by the Government over recent years, the economy of the country has faced globalization challenges through the introduction of international competitiveness and productive efficiency. This change, Mr Islam stated, has been spearheaded by the rapid expansion of the garment and textile industry. Bangladesh has earned a reputation in the global market for low-cost, high-quality manufacturing through its garments sector. Today, Bangladesh

is the second largest RMG exporter in the world, trailing only China, and is set to become an important manufacturing hub. Other strategic sectors that Mr Islam mentioned include electronics, pharmaceutical industry, agro-processing industry and infrastructure.

The Executive chairman of BIDA went on stressing how the sustained growth has helped Bangladesh to make significant strides in meeting several of the UN Millennium Development Goals such as reducing income disparity ratio, providing greater access to health facilities and increasing enrolment at primary schools. The government of Bangladesh, he stated, is now investing heavily on human capital and is extremely proud of the country's educated, dynamic and young workforce which Mr Islam referred to as "the most important resource of Bangladesh".

Moving on to talk about Bangladesh's investment potentials, Mr Islam affirmed that the South Asian country is actively seeking for FDI to make its economic growth sustainable, offering an excellent incentive package. These include equal treatment for local and foreign investors, legal protection against nationalization and expropriation, guarantee for repatriation of capital and dividend, protection of intellectual property rights, corporate tax holidays, concessionary duty on the import of machinery, export subsidies and unrestricted exit policy. Moreover, the industrial policy offers special fiscal incentives in strategic sectors such as RMG and textiles, agriculture, ICT, infrastructure, energy and pharmaceutical industry. Then, Mr Islam highlighted BIDA's role as the leading government agency for encouraging investment in Bangladesh. The agency promotes, protects and facilitates FDI assisting the Government in framing new policies as well as providing investors with counselling service and specialized support for establishing operations in Bangladesh. On a final note, the Executive chairman of BIDA thanked Belgium for helping Bangladesh in its multifaceted transformations and called upon both Belgium and the EU to continue to be supportive and engage in Bangladesh's development.

Panel Discussion

Mr Syed Afsor Hasan Uddin, CEO, Public Private Partnership (PPP) Authority, Prime Minister's Office

The seminar continued with a presentation by Mr Uddin, who shared his perspective as the CEO of the PPP Authority. Once again, attention was drawn to Bangladesh's steady economic growth and its aim to become a middle-income country by 2021 as well as a developed country by 2041. Mr Uddin gave an overview of the PPP policy and strategy, which is part of the Government's Vision 2021 goal to ensure a more rapid, inclusive growth trajectory and to better meet the need for enhanced, high-quality public services in a fiscally sustainable manner. The PPP Office, he stated, supports sector line ministries to facilitate identification and development of PPP projects to a standard attractive for international competitive bidding. Moreover, the Office facilitates tendering and financing for PPP projects and oversees and monitors the commercial negotiations as well as the implementation phase to assure that the projects remain on schedule and perform as agreed. For interested investors and lenders, the PPP Office provides a professional, transparent and centralized portal to high-quality PPP projects. Lastly, Mr Uddin mentioned some of the sectors which are strategic for potential, future projects such as tourism, real estate, power and energy, health, transport and infrastructure.

Mr Daniel Seidl, Senior Advisor on Bangladesh, Amfori

Shifting from a government to a business perspective, Mr Seidl introduced Amfori's vision and mission. As a leading global business association which promotes the values of international trade and sustainable supply chains, he stated, Amfori brings together over 2,000 retailers, importers, brands and associations from more than 40 countries. In 2003, Amfori created the Business Social Compliance Initiative (BSCI) to provide companies with a practical and efficient system to improve social compliance in global supply chains. Furthermore, in 2014, the association developed the Business Environmental Performance Initiative (BEPI) to support companies committed to improving environmental performance in their supply chains.

One of the countries where Amfori has been working in for several years is Bangladesh. Drawing on his first-hand experience in Bangladesh, Mr Seidl offered his insights into the South Asian country's economic environment. Firstly, he highlighted the fact that Bangladesh is performing in-line with the world's major emerging markets and praised the country's successful development. Then, he gave some feedback of his customers who did business in Bangladesh. Most of the investors, he affirmed, witnessed numerous positive factors including strong entrepreneurship, dynamic companies creating employment and opportunities for investors and high level of enthusiasm and commitment among the Bangladeshi people.

Mr Seidl moved on to speak about BSCI's activities regarding Bangladesh. BSCI encourages stakeholders to take part in crucial initiatives such as the National Action Plan to support stronger safety in the factories and it facilitates round-tables meetings in Bangladesh to bring together all stakeholders to engage in constructive dialogue on the root causes of labour issues. Today, Mr Seidl asserted, stakeholder network is very strong and includes trade unions, businesses, NGOs, media and the Government of Bangladesh. Moreover, BSCI takes part in discussions at the political level engaging in dialogue with European Parliament and European Commission representatives to support the continuing benefit by Bangladesh of the EU's Generalized Scheme of Preferences, namely the Everything But Arms arrangement, which grants duty-free quota and free access to the EU for exports of Bangladeshi products.

The last issue touched upon by Mr Seidl was the critical role played by women in Bangladesh's economic development, especially in the growth of the RMG and textile industry, where women constitute the vast majority of the labour force. The economic empowerment of women has been central to Bangladesh's growth. Therefore, Amfori has launched a number of women empowerment projects with the aim to improve and increase productivity and business sustainability.

Mr Johan Verstraete, Vice-President of Marketing, Sales & Service, Picanol

After providing a brief overview of Picanol's activities and products, Mr Verstraete shared his perspective about doing business in Bangladesh. As a major company specialized in the development, production and sales of weaving machines and technology for textile industry, the Picanol Group has heavily invested in Bangladesh's textile industry, one of the most productive sectors in the South Asian country. Today, he stated, Picanol is the biggest exporter from Belgium to Bangladesh, delivering a large number of weaving machines every year. Last year it was reached a peak of more than 1,400 machines delivered, a big achievement compared to the 500 machines delivered in 2016. As a final

note, Mr Verstraete affirmed that Bangladesh has been one of the top five countries for Picanol business for several years and continues to be an attractive destination for investments thanks to its several incentives.

Mr Syed Sadat Almas Kabir, President, Bangladesh Association of Software and Information Services (BASIS)

Mr Kabir briefly summarized some background information about Bangladesh's history and economy that previous panellists already pointed out, before offering an expert perspective on Bangladesh's technology sector. Firstly, Mr Kabir stressed the Government's commitment to making Bangladesh digitalized, promoting the development of the Information Technology enabled Services (ITeS) industry and increasing IT exports, as reported in the government's Vision 2021. He then set the scene with compelling facts and figures about the ITeS market development. Today, Bangladesh has 147 million of mobile phone users, more than 80 million of internet subscribers, a local market size of around USD 1 billion and 2,000 technology firms of which 1,076 are BASIS members. These numbers, Mr Kabir stated, are expected to rise in the next years supporting the development of a robust, domestic digital economy.

Mr Kabir highlighted that the adoption of technology by ever more citizens has driven the Government's spending on technology infrastructure. It has also tremendously changed the scenario of doing business in Bangladesh and created large opportunities for companies bringing technology to the financial institutions, education and health sectors. Mr Kabir affirmed that companies investing in Bangladesh's technology industry can benefit from low start-up costs, skilled workforce, favourable government policies and good investment incentives. These include, among other things, 100 percent tax exemption for software and ITeS companies, 50 percent tax exemption on personal income, guarantee for full repatriation of invested capital and profit and intellectual property protection.

On a final note, Mr Kabir noted that the technology sector's development is supported by the emergence of a young, talented and educated population looking to technology to enhance their personal and professional life. Thus, he stressed the importance of investing in human capital and mentioned that BASIS has already launched several capacity building programmes with the aim to train young people and make them more employable.

Mr Mohammed Ayub, Executive Member, Bangladesh Economic Zone Authority (BEZA)

Mr Ayub stressed the importance of establishing Economic Zones in Bangladesh for fostering industrial development. BEZA, he stated, was established by the Bangladesh Economic Zones Act 2010 with the broad objective of structural transformation of the economy of Bangladesh through attracting FDI, developing and diversifying exports, generating employment and ensuring dynamic economic benefits for the domestic industry. BEZA has a mission of developing 100 EZs in the next 15 years and today there are already 79 approved EZs, among which 23 are private EZs. The Authority also aims to create 10 million new job and to increase exports by USD 40 million per annum.

Mr Ayub affirmed European investors can take part in EZs via the PPP route, Private EZs development or Government-to-Government (G2G) initiatives for zones development. He

also stressed that Bangladesh's Economic Zones are regionally competitive thanks to several fiscal and non-fiscal incentives granted to investors. To name a few: income tax exemption for the first 12 years, exemption from customs duty on all imports for development of EZs, tax holiday for 10 years, full repatriation of capital and dividend. Lastly, Mr Ayub mentioned some potential sectors for investment in the EZs such as pharmaceutical industry, RMG and leather sectors, power and agro-processing industry.

Ms Hosne Ara Begum, Managing Director, Bangladesh Hi-Tech Park Authority

Ms Begum's presentation focused on the development of Hi-Tech parks. After iterating some of the most remarkable figures about Bangladesh's economic and social development, Ms Begum highlighted the Government's commitment to promoting IT industry through the establishment of IT parks. The Bangladesh Hi-Tech Park Authority, she explained, is a government agency dedicated to creating, managing and operating technology business parks throughout the country. BHTPA has already established 7 IT parks, the first of which was Bangabandhu Hi-Tech City, and is now implementing other projects including Kaliakoir Hi-tech Park in Gazipur District, Jessore Software Technology Park and Janata Tower in Dhaka. To conclude, Mr Begum listed some of the favourable incentives for investors that other panellists already mentioned and called upon European businesses to engage in thriving Bangladesh's ICT industry.

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