

Bangladesh: New Investment Potentials

- Bangladesh is gaining wider attention internationally due to its growth potentials. Goldman Sachs has placed Bangladesh in its list of “Next Eleven” top emerging economies, J. P. Morgan in its “Frontier Five” and Pricewaterhouse Coopers foresees Bangladesh to be the 23rd largest economy of the world in 2050. Moreover, noble laureate Amartya Sen applauded Bangladesh’s respectable achievements in social sectors compared to its neighbours.
- Bangladesh’s macroeconomic fundamentals are very strong and have remained stable over a long period. In the last decade, Bangladesh has made commendable progress with a robust GDP annual growth rate averaged 6%, one of the fastest growth rates in the world in recent years. The industrial sector grew at more than 9% annual rate, services at 6% and agriculture maintained a growth rate around 4%.
- The economic growth played a positive role in alleviating poverty, increasing employment, providing greater access to health and education and improving basic infrastructure. This impressive performance was possible due to the Government’s pro-poor and inclusive growth strategy, which eventually resulted in a poverty rate decreasing from 48.9% in 2000 to 24.3% in 2016, as estimated by the World Bank.
- This year is a historic year for Bangladesh since the country has attained the criteria for graduation from the Least Developed Country category for the first time, propelled by an economic boom, lower economic vulnerability and better health and education. Bangladesh is therefore set to officially become a developing country in 2024 and has the vision to be a developed country by 2041. Moreover, in 2015 Bangladesh has been upgraded from Low Income Country to Lower-Middle Income Country as per the World Bank’s classification.
- 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 the recent years, the Bangladeshi economy has faced globalization challenges through the introduction of international competitiveness and productive efficiency. This change 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, it’s the second largest RMG exporter in the world, trailing only China, and is set to become a manufacturing hub.
- Agriculture, infrastructure and an emerging export-based IT sector are other strategic sectors contributing to the economic growth. Bangladesh looks to rapidly strengthen its infrastructure. The main emphasis is on energy, which has already seen a great improvement, having grown to 80% coverage. The Government is also boosting technology infrastructure. This has changed the scenario of doing business in Bangladesh, creating large opportunities for companies bringing technology to the financial institutions, education and health sectors.

- Today, Bangladesh is a lucrative destination for foreign investment. The presence of young workforce with very competitive labour costs, the strategic location and a positive investment climate create a win-win situation for investors and for Bangladesh continuous economic development. Strategically located between South and South-east Asia, close to China and India, the country is becoming a regional economic hub.
- Bangladesh is actively seeking for FDI for making its economic growth sustainable, offering several investment incentives under its industrial policy and export-oriented growth strategy. 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, as well as unrestricted exit policy. The industrial policy offers special fiscal incentives in strategic sectors such as RMG and textiles, agriculture, ICT, infrastructure, energy and power.

Bangladesh-EU economic relations

- The EU continues to be a strong partner of Bangladesh 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 of lower middle-income status.
- The EU works closely with Bangladesh in the framework of the EU-Bangladesh Cooperation Agreement. This agreement provides a broad scope for cooperation extending to trade and economic development, human rights, good governance and environment. Bangladesh also benefits from the most favourable regime available under the EU's Generalized Scheme of Preferences, namely the Everything But Arms arrangement. EBA grants duty-free quota and free access to the EU for exports of all products. With its liberal trade regime, the EU has provided Bangladesh with a platform to become the second largest exporter of RMG in the world.
- The EU is Bangladesh's main trading partner, accounting for around 12% of Bangladesh's total trade. From 2008 to 2015, EU imports from Bangladesh have trebled from EUR 5.4 billion to EUR 15 billion, which represents nearly half of Bangladesh's total exports. Bangladesh's main export industry, RMG and textiles, accounts for about 90% of the country's total exports to the EU, whereas EU exports to Bangladesh are dominated by machinery and transport equipment.
- The EU backs Bangladesh's aspiration to graduate to the developing country bracket in 2024. It also backs FDI and export diversification, in order to make Bangladesh's economic growth sustainable. Investment by European companies offers a number of opportunities, diversifying Bangladesh's economy and raising the level of Bangladeshi production, helping it compete internationally.
- To encourage European exports and investment, the EU and the Government of Bangladesh meet regularly in the form of the EU-Bangladesh Business Climate Dialogue. Bangladesh, for its part, is offering



a variety of fiscal and non-fiscal incentives to attract FDI and the Bangladesh Investment Development Authority (BIDA) is actively working on promoting and supervising private investments.