

Proceedings

Seminar on

Promote Investment Climate to Establish Industries for Export Diversification in Bangladesh for Sustained Economic Growth

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**NATIONAL DEFENCE COLLEGE
BANGLADESH**

**Seminar on
Promote Investment Climate to Establish
Industries for Export diversification in
Bangladesh for Sustained Economic Growth**

**Organized by
National Defence Course 2018
on 20 June 2018**



**NATIONAL DEFENCE COLLEGE
BANGLADESH**

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Foreword

Foreign Direct Investment (FDI) is recognised as a powerful engine for economic growth. It enables capital-poor countries to build up physical capital, create employment opportunities, develop productive capacity, enhance skills of local labour through transfer of technology and managerial know-how, and help integrate the domestic economy with the global economy.

Bangladesh is a developing country. It is being developed gradually. For its gradual development, the government has fixed some visions. Vision 2041 is one of them. The Prime Minister of the present government, Sheikh Hasina told the parliament that her government will soon turn the Vision 2021 into Vision 2041 as a long-term perspective plan in the context of her party's election manifesto titled: 'Bangladesh marching ahead'. She also said that after implementing the Vision 2041, Bangladesh will be a peaceful, prosperous, happy and developed nation comparable with the developed world.

If the Vision 2041 is materialized, Bangladesh will become a developed country like all other developed countries of the world. So, in order to make the "Vision 2041" successful, we, all should come forward to help the government.

At the end, I sincerely pay my special thanks to all contributors and do humbly acknowledge the persistent efforts of the editorial board for making the paper a success.



Lieutenant General Sheikh Mamun Khaled, SUP, rcds, psc, PhD

Commandant

National Defence College

Editorial

The term FDI refers to investment that is made to acquire a lasting interest in an enterprise operating abroad, the investor's purpose being to have an effective voice in the management of the enterprise. In other words, FDI is an international financial flow with the intention of controlling or participating in the management of an enterprise in a foreign country.

Bangladesh, a densely populated, agro-based, developing South Asian country having per capita income of US\$ 690 and GDP growth rate around 5.88%, wants to boost its economic performance for better future. Bangladesh is distinguished among the LDCs because of its relative success in economic and rural development.

No doubt, rapid industrialization is necessary in this country to keep pace with the developmental needs. But the low rate of Gross Domestic Savings and Gross Domestic Investment as well as low level technology base hamper the expected industrialization process.

We benignly acknowledge the extraneous endeavour of all members of the editorial board for extending their selfless support behind this publication.



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Overview of the Seminar

As part of the course curriculum, National Defence College (NDC) arranges a good number of seminars and other individual and group research works for the course members.

The seminar on “Promote Investment Climate to Establish Industries for Export Diversification in Bangladesh for Sustained Economic Growth” was held at NDC on 11 June and 20 June 2018 as part of the course curriculum of National Defence (ND) Course 2018. The seminars were participated by four groups of Course Members of ND Course 2018. All groups presented their keynote papers on 11 June 2018 and critique groups provided their comments and suggestions to the respective groups. Finally, a group of selected Course Members presented the paper on 20 June 2018 combining all four themes.

The panel of presenters covered four sub-themes, namely: Investment Scenario in Bangladesh, Investment by Local Entrepreneurs, FDI-Challenges and Prospects; and Way forward to Bolster Investment for a Developed Bangladesh by 2041.

Dr. A. H. Wahiduddin Mahmud, Former Adviser to the Caretaker Government in 1996 and Professor of Dhaka University, has kindly consented to grace the seminar on 20 June 2018 as the Chief Guest.

The topic of the seminar was very much effective for the present context of Bangladesh. All the keynote speakers upheld important sides of the themes and the discussion contributed a lot to fulfill the aim of the seminar. At the end of the presentation there was an interactive session where Commandant NDC, Resource Persons, Faculty, Sponsor Senior Directing Staffs and all Course Members of National Defence Course 2018 participated and contributed.

Executive Summary

A favorable invest climate is essential for the development of Small and Medium-size Enterprises (SMEs) and for attracting foreign direct investment (FDI). National and transnational enterprises prefer to invest in enterprises with a healthy business climate where cost, delay and risk are minimized. Bangladesh has been experiencing a steady economic growth over 6.5-7.4 % since 2015. Presently industrial sector constitutes about 28.15% (FY 2015-16) of the economy in Bangladesh. Therefore, a sustained economic growth would entail maintaining a growth rate over 7 % in the coming years and setting a target of achieving even a double digit growth for becoming a developed country by 2041. Presently the Government institutions like BEZA, BIDA, BEPZA, PPPA, EPB etc., are working to facilitate both local and foreign investment in Bangladesh. Bangladesh exports though approximately 34.84 billion in FY 2016-2017, yet remain heavily dependent on RMG sector totaling 81% of total exports. By broadening the export base, diversification can stabilize and expand export revenues, enhance value addition and boost economic growth. The various industries like pharmaceutical, leather, jute, agro-based products and RMG could be simultaneously used to enhance the economy through massive export drives, especially to African markets which are yet to be tapped by Bangladesh. In order to ensure the expansion of external trade, the diversification of export is one of the most important government objectives. Bangladesh need to make all out efforts for “market penetration”. A triple strategy for Bangladesh can include (a) To upgrade natural resource-based industries (such agro based industries and fish products), (b) To encourage labor-intensive manufactured exports, most notably clothing, ship building and electronics and (c) Technology intensive products like medicine with special emphasis as per priority to product diversification, geographical diversification, goods to service diversification, intermediate goods diversification and quality diversification. Bangladesh should strengthen existing Export Promotion Bureau and rename as Bangladesh Export Promotion and Diversification Authority (BEPDA) to expedite inclusive industrialization, export promotion and export diversification. The government should also adopt an ‘Equal Opportunity for all Policy’ to attract all inclusive entrepreneurs within country through BEPDA.

Promote Investment Climate to Establish Industries for Export Diversification in Bangladesh for Sustained Economic Growth

Keynote Paper Presenters



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Jt Secy Md Ismiel Hossain



**Col Mohammed Dahiru
Danja**

CONSOLIDATED KEYNOTE PAPER ON

PROMOTE INVESTMENT CLIMATE TO ESTABLISH INDUSTRIES FOR EXPORT DIVERSIFICATION IN BANGLADESH FOR SUSTAINED ECONOMIC GROWTH

Introduction

A favorable investment climate in a country is a precondition for creating an enabling environment for growth of industries. Investment climate refers to economic and financial conditions in a country that affect whether individuals, banks and institutions are willing to lend money and acquire a stake in the businesses operating there. Investment climate is affected by many factors, including: poverty, crime, infrastructure, workforce, national security, political instability, regime uncertainty, taxes, and rule of law, property rights, government regulations, government transparency and government accountability. According to EBRD, the investment climate in a country or region can be defined by a wide range of factors that determine whether domestic and foreign investment happens: by the soundness of macroeconomic policies, the strength of economic and political institutions, the functioning of the legal and regulatory framework, the quality of infrastructure and other services, amongst others.

Presently industrial sector constitutes about 28.15% (FY 2015-16) of the economy in Bangladesh. An export oriented industrial base is again a fundamental requirement for sustained economic growth. “Sustained” refers to growth that is maintained over the long term. Sustaining a higher rate of growth requires continuing improvements in the quality of a country’s resources. Bangladesh has been experiencing a steady economic growth over 6.5-7.4 % since 2015. Therefore, a sustained economic growth would entail maintaining a growth rate over 7 % in the coming years and setting a target of achieving even a double digit growth for becoming a developed country by 2041.

Presently the Government institutions like BEZA, BIDA, BEPZA, PPPA, EPB etc., are working to facilitate both local and foreign investment in Bangladesh.

But the local investment climate and the FDI in recent years in Bangladesh is far from expectation. Our exports though approx. 34.84 billion in FY 2016-2017, yet remain heavily dependent on RMG sector totaling 81% of our total exports. Therefore there was a need to carry out an in-depth study on the investment climate and diversification of exports in order to have a sustained economic growth in the coming years.

Context Analysis

Sustained Economic Growth

Definition: Sustainable economic growth means a rate of growth which can be maintained without creating other significant economic problems, especially for future generations. There is clearly a trade-off between rapid economic growth today and growth in the future. Rapid growth today may exhaust resources and create environmental problems for future generations, including the depletion of oil and fish stocks and global warming.

Advantage of Growth

- **Higher GDP Per Capita:** A rise in real national income means that wages and profits are likely to rise. Assuming a stable population, this will raise GDP per capita.
- **More Public and Merit Goods:** A growing economy means that the public sector can receive more tax revenue and more resources can be allocated to public and merit goods, such as more roads, hospitals and schools.
- **Positive Externalities:** Public and merit goods generate considerable external benefits. More hospitals and schools mean a healthier and better-educated population, which generates other economic benefits in terms of the effectiveness of the labour force, and increases in long-term aggregate supply.

- **More Employment:** Growth will likely stimulate demand for labour. This means that more people will be employed than unemployed.

Disadvantage of Growth

- **Negative Externalities:** As production and consumption increase, negative externalities, such as pollution and congestion, are likely to arise. There is also the likelihood of increased depletion of non-renewable resources, such as fossil fuels.
- **Inflation and Balance of Payments Difficulties:** Too rapid a rate of growth can also lead to two significant economic problems; inflationary pressure and a balance of payments deficit, as imports rise to satisfy an increasingly active household sector.
- **Widening Income Gap:** Growth can also widen the distribution of income, because some groups may benefit much more than others. Certainly in Bangladesh, the relative income gap has widened during the last decade of steady economic growth.

Investment Climate Promotion

General Definition/Explanation

- There is no precise definition of “business and investment climate”. The World Bank defines a business and investment climate as “the opportunities and incentives for firms to invest productively, create jobs and expand”. Investment climate promotion is defined by the United Nations Conference on Trade and Development (UNCTAD) as a set of policies and actions that seek to make it easier for investors to establish and expand their operations and conduct their day-to-day business in host countries. Governments do this through investment promotion agencies (IPAs). The Bangladesh equivalent to IPA is the Bangladesh Investment Development Authority (BIDA).

- The business and investment climate is made up of much more than just the tax rates and fiscal incentives available to businesses. Other critical components include: political stability, rule of law, macroeconomic conditions, perceptions of government and the regulatory environment.

Types of Industries Suitable for Diversification

The Garment Industry: has been a key driver of the Bangladeshi economy. It provides over 4 million direct jobs and in 2017, contributed 28.1 percent of the country's GDP, with annual revenues in excess of US\$19 billion. It also represents nearly 80 percent of the country's export market. Within the global garment market (including RMG and all other forms of clothing), the country ranks fifth, behind China, India, Germany and Italy as top exporter. Bangladesh has key advantages in this market, including a large low-cost labour pool, vast internal manufacturing capacity, strong supply chain networks and favourable trade agreements. It also has far more factories (5,000) than do Indonesia (2,450) and Vietnam (2,000). Bangladesh's emerging industries hold the potential to expand economic growth even further.

Information Technology: has seen increased demand, both domestically and via export opportunities. The industry generates an estimated US\$600 million in annual revenues and employs roughly 250,000 people. Currently, the majority of IT in Bangladesh targets software development and maintenance, but as the industry expands along with the talented pool of new entrepreneurs; the country should be able to tap into its higher-value sectors.

The Production of Leather Goods: has increased over the past few years, with companies like JC Penny, Marks & Spencer, and Walmart sourcing products from Bangladesh. Diversified jute products also represent a growing industry and could provide investment opportunities for domestic and foreign investors since Bangladesh is the second-largest producer of jute in the world behind India.

The Pharmaceutical Industry: It has also grown over the past few years, with a 24 percent increase in revenue from 2010 to 2011. In fiscal 2015-16, the annual sales of pharmaceutical products stood at Tk 15,600 crore. This is

a huge jump for the sector as the industry size was only Tk 170 crore in 1982. Exports of pharmaceutical products registered 14.6 percent growth from 2011-2016, while the industry logged in receipts of \$90.3 million for fiscal 2016-17.

However, to diversify and grow these industries and others, Bangladesh must consider a number of market and regulatory issues that could derail its advancement. Bangladesh has one of the lowest gross national incomes per capita and is ranked toward the bottom of the World Bank's Ease of Doing Business ranking, which measures such factors as dealing with construction permits, protecting investors, getting electricity, registering property and enforcing contracts. Without addressing these challenges, Bangladesh risks losing global competitiveness in its current industries and stifling investment in new sectors.

Export Diversification

There is the need for Bangladesh to accelerate its growth in an inclusive manner in order to have the maximum poverty reduction impact. The experiences of Taiwan and South Korea in the 60's and 70's, Malaysia, Thailand, and Singapore in the 70's, China in the 80's and eventually India in the 90's, provide strong evidence that exports can play a leading role in supporting rapid growth, boosting the emergence of a modern manufacturing sector, providing employment, and reducing poverty. With the labour cost advantage that Bangladesh enjoys, there exists good prospect for extending into exports of labour intensive products other than RMG. By broadening the export base, diversification can stabilize and expand export revenues, enhance value addition and boost economic growth.

Export concentration mistake is not a new phenomenon for Bangladesh. For many decades prior to the emergence of RMG exports, jute and jute goods dominated the export sector making up 70 percent of exports in 1981. The multi-fiber 2 arrangement of 1974 offered a lifeline for the emergence and rapid expansion of the RMG industry. Meanwhile, policy errors domestically and the emergence of jute substitutes globally, soon led to a rapid decline in the export of jute and jute goods. By 1990, RMG exports had overtaken Bangladesh's

traditional exports and by the close of the 1990s, export concentration emerged afresh, with RMG exports reaching a share of 81 percent in 2014. Therefore, export diversification is key for Bangladesh to ensure a multi-faceted approach to economic growth and development. The various industries like pharmaceutical, leather, jute, agro-based products and RMG could be simultaneously used to enhance the economy through massive export drives, especially to African markets which are yet to be tapped by Bangladesh. Export of Goods for FY 2016-17 and target for 2017-18 is shown at Annex A.

Economies of Bangladesh: Past, Present and Future

Economy of Bangladesh during 1980-90s

According to the World Bank in 1990, Bangladesh was one of the poorest and least-developed economies in Asia. The country's average Gross Domestic Product (GDP) growth of only around 3.5- 4.4 percent was not sufficient. Contribution of agriculture to the country's GDP was 39.4% in 1990. Income Per Person (IPP) was merely \$540 in 1990.

Bangladesh Economy in 2017-18

Bangladesh economy has been growing steadily, gaining momentum with GDP increasing by 7.65% and 6-7% on average over the past decade. According to World Bank it is now the 27th largest economy in the world and GDP is poised to have GDP growth of 6-7% over the next two decades.

Bangladesh is one of the Next Eleven Emerging economies. Bangladesh is also one of the 'Frontier Five' economies. Bangladesh got her GDP \$250+ billion; GDP per Capita \$1,754 in 2017-18 and 6-7% average GDP growth over a decade; the current per capita income of USD 1,610 (2016-2017) has already enabled Bangladesh to graduate to low middle-income country from low-income country. Bangladesh is experiencing record high foreign reserve position, currently standing at USD 33.1 billion (March 2017). The current reserve can comfortably cover nine months of country's import.

Moody's affirms Bangladesh's rating at Ba3 with stable outlook.

- Driven by healthy outlook for economic growth.
- Progress on policy reform.
- Limited vulnerability to fiscal and funding stress.
- Local currency country risk ceiling is affirmed at Baa3.

Financial Times in August 2017 stated that Bangladesh has achieved ‘economic miracle’ over the past two decades. According to WB President (Mr. J Y Kim) "Many developing countries in the world can learn important lessons from Bangladesh to reduce extreme poverty and to promote sustainable development"

Growth Performance of Bangladesh

Bangladesh had a GDP growth of averaged 3.8% during 1980-1985; 5.9% during 2000-2010 and 6.2% during 2011-2015; 6.9% during 2016-2017. If we take sample of 12 countries: Bangladesh, Cambodia, China, India, Indonesia, South Korea, Laos, Malaysia, Pakistan, Singapore, Sri Lanka and Vietnam. Six countries are above Bangladesh during 2000-2010; five countries are above during 2011-2015 and three countries are above during 2016-2017.

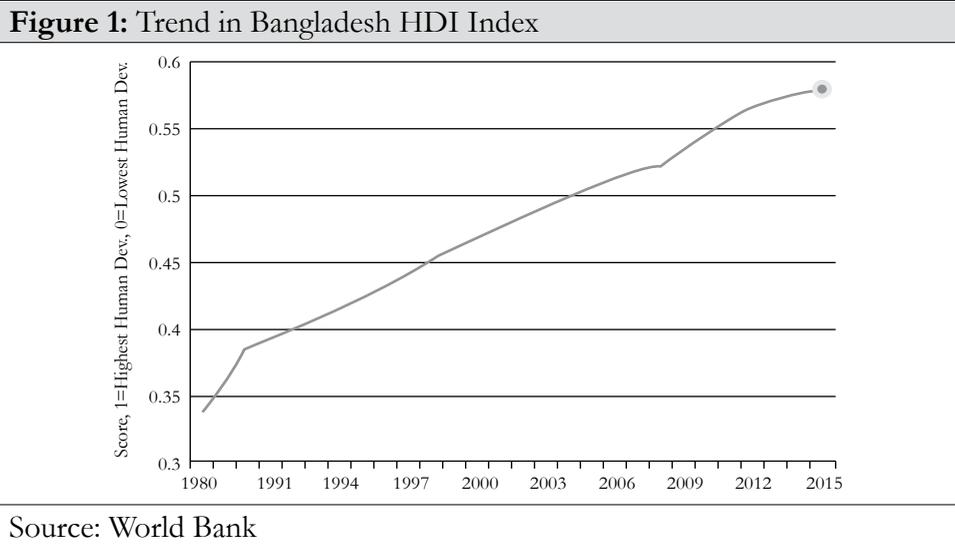
Indicators of Economic Development

The development of a country is not only improvement in economic figures, rather it should be all encompassing. The extent to which a country has developed may be assessed by considering a range of narrow and broad indicators, including per capita income, life expectancy, education and the extent of poverty. In 1990, the Human Development Index (HDI) was introduced as part of the United Nations Development Program (UNDP) to provide a means of measuring economic development in three broad areas - per capita income, health and education.

The Human Development Index (HDI)

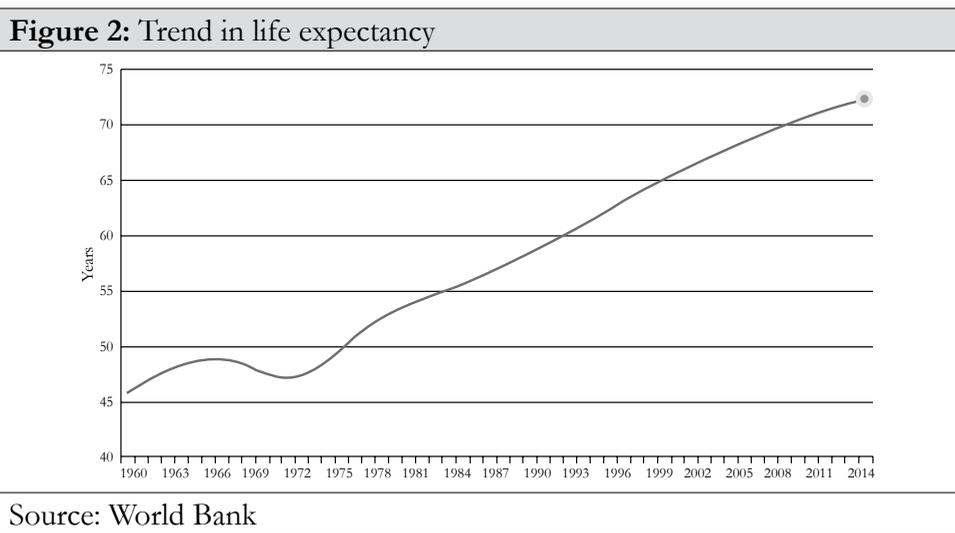
According to Human Development Report (HDR) 2016, Bangladesh is categorized as “medium human development” country, and achieved an HDI value of 0.579 in 2015. With this HDI value, Bangladesh ranked fifth in South Asia, lagging behind Sri Lanka (73rd), the Maldives (105th), India (131st) and

Bhutan (132nd). Overall it ranked 139th jointly with Ghana and Zambia out of 188 countries in the HDI, where list is topped by Norway (with 0.949 HDI value). The trend of HDI in last decades are shown below:



Life Expectancy

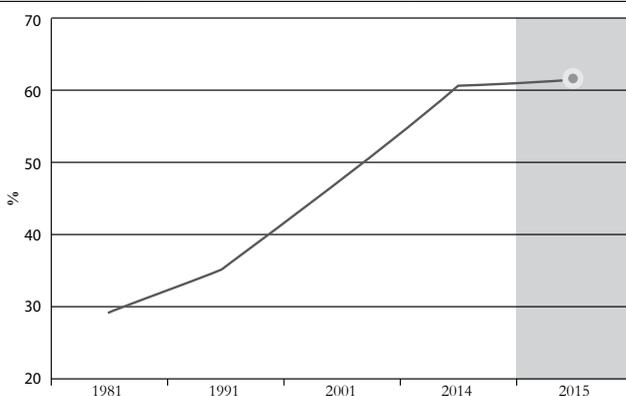
According to World Bank figures, life expectancy at birth in developing countries over the past 40 years has increased by 20 years. As per HDR 2016, life expectancy at birth in Bangladesh stood at 72 years.



Adult Literacy

In Bangladesh, expected years of schooling is 10.2 years, mean years of schooling 5.2 years and adult literacy rate 61.5. However a recent report by Bangladesh Bureau of Statistics depicts the literacy rate has increased to 72.3% in 2016.

Figure 3: Trend in Bangladesh Adult Literacy Rate

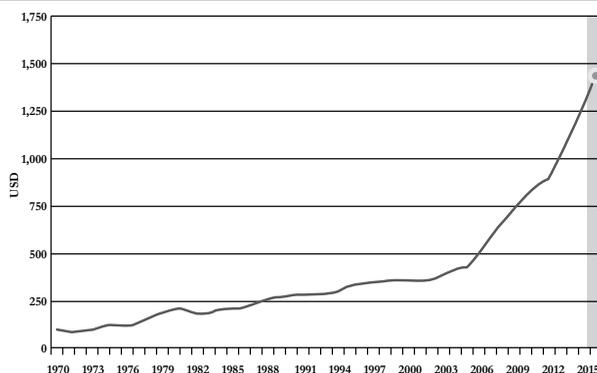


Source: World Bank

GDP/ GNI Per Capita

GDP per capita is the commonest indicator of material standards of living, and hence is included in the index of development. GNI per capita is the gross national income divided by the midyear population. As per World Bank, current GNI per capita of Bangladesh is US \$ 1330 as of 2016.

Figure 4: Trend of Bangladesh GNI per capita



Source: World Bank

Underlying Factors and Challenges of Bangladesh Economy

Investment

Investment grew positively, though at a slow rate rising from 24% of GDP in 2000 to 30% in 2016. Recent stagnation of private sector investment as proportion of GDP is a serious concern for our economies. Need to address deficiencies in physical infrastructure, energy, political uncertainty, poor governance, low score in ease of doing business, competitiveness index, and human resource development, particularly education. Public investment (mainly ADP) suffers from lack of prioritization, delayed implementation, cost overrun. Too many projects are taken in a go. So inadequate allocation for individual project makes it incomplete at the end of the day. For example, in FY 15 out of 1034 projects- it was estimated that 154 projects would be completed between 6-10 years; 106 between 11 to 100 year; 32 projects in more than 100 years. Need to increase investment and also its productivity. For example Cambodia with lower Investment/GDP ratio had higher growth in each of the three periods.

Labor

We have a demographic dividend that means a high proportion of population in working age group. Participation of our women in labor force (29% in 2016) is still lower than most other countries. Our education system needs an overhauling. Need to impart skills in different level. Our secondary enrollment is 63%, lower than many countries. Tertiary is 13%, slightly higher than lowest in Pakistan 10%. We have very high drop-outs. Our education suffers from quality and market relevance. Here comes the role of the private sector in imparting “on the job training” emerging new technologies (artificial intelligence, robotics) and implications for employment.

Exports

Our export was 4.9% of GDP in 1985 and 17% in 2016. Higher than only Pakistan (9%). In recent year it has slowed down (FY 17 growth only 1.72%). Up scaling of existing ones is of a grave need. Here comes the crying need that is diversification of products (some 1300 products exported by Bangladesh) and markets.

Remittance

Remittance was 2% of GDP in FY 85 and 8.2% in FY 14. In recent years it has a negative growth (FY16 -2.52%; FY 17 -14.48%). Oil price changes and exchange rate were two contributing factors. Diversification in human capital markets and imparting skill can contribute to enhancing per capita remittance. We have to do a lot for reduction of outward remittances by foreigners employed in Bangladesh through indigenization based on skill transmission.

External Balance

We are facing recent drastic deterioration in current account balance—from a surplus of \$4.26 billion in FY16 to a deficit of \$1.48 billion in FY17 and \$4.77 billion during July-December of the current fiscal year. It has direct implications for exchange rate and inflation.

Inflation

In 2010 Bangladesh has 6.8% of inflation. At that time only three countries had higher rate (India, Pakistan and Vietnam). In 2016 Bangladesh had 6.2%; no country had higher rate. In 2017 December Bangladesh had Inflation 5.8% point to point. Causes are: money supply, exchange rate, international prices of imports. Policy action needed in the areas of containing money supply growth, stable exchange rate, stable domestic food price.

Poverty Alleviation

Bangladesh continued progress in poverty alleviation. Contributing factors are economic growth, social safety net, role of NGOs. But we observe slowdown in the rate of reduction 1.8% per year between 2000 and 2005; 1.7% per year between 2005 and 2010; 1.2% per year between 2010 and 2016. Bangladesh economy is also observing 'Rising inequality of income distribution' and declining phenomenon in Gini Coefficient. It had Gini 0.465 in 2010 and Gini 0.485 in 2016.

Emerging Global Scenario

Bangladesh got her Graduation from LDC category. Factors like loss of duty free/quota free access to Europe and other countries based on LDC status need to be considered. Factors also comes in like Terms of ODA, Intellectual property obligations, commitment to climate change assistance.

Bangladesh: After Effects of LDC Graduation

For Bangladesh, achieving its benefits of middle income status by 2021 will require more than business as usual. The average annual GDP growth rate will have to rise from the current 6 percent to 7.5-8 percent. We need to sustain a remittance growth at 8 plus percent. Faster growth will depend on four main factors:

- Increased investment (FDI).
- Faster human capital accumulation (HRD).
- Enhanced productivity growth (Technology).
- Increased outward orientation (Diplomacy).

Issues in Bangladesh's Fiscal Policy

Bangladesh economy also suffers from following fiscal policy issue

- Low tax/GDP ratio.
- Narrow tax base.
- Dominance of indirect tax.
- Collection of revenue: dependency on one/two sources.

Sources: tax revenue, non-tax revenue, foreign aid and grants.

- Growth in non-development expenditure.
- Dependence on deficit financing.
- Heavy dependence on foreign aid.

Issues in Bangladesh's Monetary Policy

Bangladesh economy also suffers from following monetary policy issue:

- Large informal sector (80-90%) of GDP.
- Limited access of small firms to credit.
- The effects on real activity are with 18 month lag.
- The effects of monetary policy are even less easy to decipher.
- Non-performing loans.
- Money laundering.
- Low private sector credit growth.
- Underdeveloped capital market.
- Low financial inclusion.

Road Map of Our Economy

Taking all these development indicators, contributing factors, challenges and policy issues we hope to walk through the Road Map of our economy.

Prevailing Investment Climate

Investment Climate

There is no precise definition of “business and investment climate”. The World Bank defines investment climate by three broad sets of variables:

- Macroeconomic policies such as fiscal, monetary and trade policies;
- Governance and institutions; and
- Infrastructure.

The Importance of a Favorable Business and Investment Climate

A favorable invest climate is essential for the development of small and medium-size enterprises (SMEs) and for attracting foreign direct investment (FDI). FDI is the largest source of external finance in developing economies. Transnational enterprises prefer to invest in enterprises in countries with a healthy business climate where cost, delay, and risk are minimized. In addition, SMEs are more likely to flourish in a climate where they are not overburdened by taxes and regulations. The World Bank website puts it as follows: “A good investment climate is an essential pillar of a country’s strategy to stimulate economic growth, which in turn generates opportunities for poor people to have more productive jobs and higher income.”

Negative Consequences of an Unfavorable Business and Investment Climate

Investors seek a predictable and acceptable return on their investment: “Money is a coward,” is a common catch phrase. In order to attain a competitive return, an investor will seek to avoid three key obstacles: cost, delay, and risk. If a poor investment climate through taxes, fees, fines, corruption and added need for services (lawyers, accountants, consultants, etc.) increases the cost of the investment transaction, an investor may look elsewhere even though labour, transport and energy costs may be competitive. Likewise, if the impediments brought by the system delay the commencement of profit-making activity significantly, investors may seek to invest elsewhere despite competitive costs. Finally, even if the initial costs and delays are not a factor but the investor is worried about political upheaval, seizure of assets, or legislative changes that could diminish the return, the investor may be willing to accept a slightly less attractive return in another destination in order to minimize the risk.

Factors of Production

4 Factors of Production are Land Labour Capital and Enterprise		
Factor	Characteristics	Reward
Land	<ul style="list-style-type: none">• Land and sea• Extracted materials• Cultivated materials	Rent
Capital	<ul style="list-style-type: none">• Fixed capital i.e. production infrastructure & equipment• Working capital i.e. componentes/ materials	Interest
Labour	<ul style="list-style-type: none">• The workforce of an economy• Physical and mental input by humans	Wages
Entepreneurship	<ul style="list-style-type: none">• Take the risk of starting a productive process• Organisation of other factors of production	Profit

Source: <http://kalyan-city.blogspot.com>

Land

Finding suitable land at a reasonable cost is a big concern of investors. Recently government has announced that 100 new EPZ and SEZ will be established by 2030 on 100000 acres of land with a view to catch more investment and generating employment in a large scale (www.thedailystar.net). The BEZA has already selected 37 economic zones for establishment which consists governmental, non-governmental and Specialized Economic zone. Bangladesh government Establishing Science and technology based Economic zone. As massive development work including, establishing deep-seaport and other infrastructural works, will be done in Cox's Bazar, foreign and local investors will prefer investing at the EZ. Of the approved 37 economic zones, six economic zones were given to private companies.

Labour

Talking of our potential strengths:

- Bangladesh is known for having one of the largest young-aged labor forces in the world.
- Comparatively cheaper labour force offering better and inexpensive productivity.
- Strong reputation for hard work, entrepreneurial spirit and an optimistic attitude.
- Contented mindset of their standard of living. They usually don't complain about prevailing working conditions, instead continue to deliver with optimum efficiency.
- Strong will is yet another distinct quality. It's this spirit of steadfastness, which at times enables our countrymen to achieve unimaginable goals.

Weakness of Man Power

- There are huge shortages of skilled / trained manpower to meet up the demands from a modern industry.
- Inadequate educated and unskilled workforce is getting a major constraint for businesses.

Financial Institutes and Their Performances

The financial sector of Bangladesh, according to Bangladesh Bank, is dominated by banking sector accounting 65% of total financial assets in the financial sector, followed by nonbank financial institutions 15% and capital market by 7% and remaining accounted by informal financial institutions. Financial sector development of Bangladesh not only expediting financial performance but also contributing a noticeable amount in GDP, accounting 12% having substantial growth rate at 7% from 2015 to 2016.

Capital Market

The primary segment of the capital market is operated through private and public offerings of equity and bond instruments. The secondary segment of the capital market is institutionalized by two stock exchanges-the Dhaka Stock Exchange and the Chottogram Stock Exchange. The stock market is very unstable in Bangladesh that de-motivated thousands of small investors.

Foreign Exchange Market

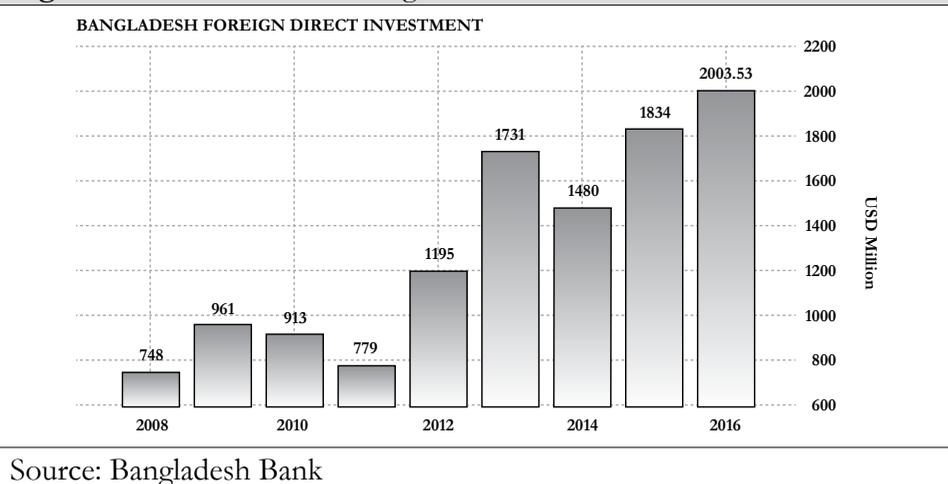
The foreign exchange market is where currencies are traded. This market determines the foreign exchange rate. Bangladesh's foreign exchange market is extended to Dhaka, Chottogram, Khulna, Sylhet and other important cities. All the banks are allowed to deal in foreign exchange. Dealers of hundi also form part of this market. A sizeable amount of foreign currencies is channeled through this market every year.

Banking sector

The image of the banking industry has been tarnished by numerous scandals. Non-performing loans of eight state-owned banks, 40 privately-owned banks and nine foreign-owned banks, stood at Tk 80,397 crore as of September 2017. That is 10.67 percent of all outstanding loans. And if restructured or rescheduled loans were included, NPL in the banking sector goes up even more than 17 percent. Due to a number of scam and instability in the sector, the confidence of people over banks is also being diminished.

FDI Scenario of Bangladesh

Since independence, Bangladesh has been trying to be a suitable country for FDI. But the flow is slow. In 2016 the FDI was US \$ 2003.53 and with 26.85% increase, the FDI reached to US \$2.5 billion in 2017.

Figure 5: FDI Scenario of Bangladesh

Infrastructure Support for Investment

Despite huge public and private investment for building infrastructure slow progress of ‘fast track’ infrastructure projects are causing delay in creating better enabling business environment. Bangladesh has been ranked 111 out of 137 countries in 2017-18 for infrastructure in Global Competitiveness Index (GCI) (Dhaka Tribune, September 2017).

Table 1: Global Competitiveness Index (Moazzem, CPD 2017)

Bangladesh in Global Ranking 2017-2018

Indices	Rank		Score (out of 7)		% Change in score
	2016-17(out of 138 countries)	2017-18 (out of 137 countries)	2016-17	2017-18	
GCI	106	99	3.80	3.9	2.6
Institutions	125	107	3.15	3.4	7.9
Infrastructure	114	111	2.77	2.9	4.7
Macroeconomic Stability	65	56	4.79	4.9	2.3

Source: CPD

Power and Energy Sector: Table below shows the overall demand and supply gap of electricity in Bangladesh from 2010-2014.

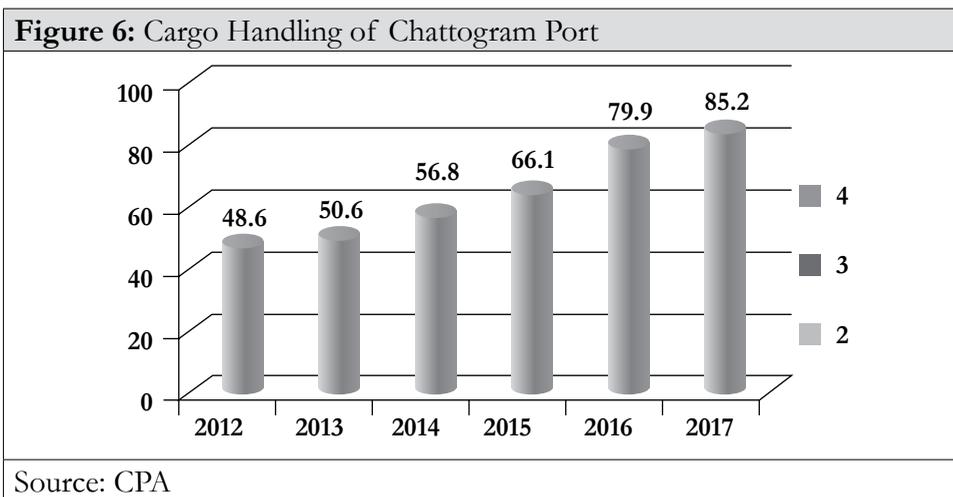
Table 2: Demand and Supply of Electricity in Bangladesh					
Year	2010	2011	2012	2013	2014
Demand	6454	6765	7578	8349	9288
Generation Capacity	5060	6612	8138	8642	10287
Dependable Capacity	3846	5091	6348	7654	8372
Shortfall	-2608	-1674	-1170	-835	-960
Percentage of Shortfall	-40%	-25%	-16%	-10%	-11%

Transport System: The importance of transport sector along with regional connectivity that helps improve the competitive environment of the country. Transportation sector of Bangladesh heavily relies on road network, traffic flow and a smooth integration among various transport modes. In inland waterways during dry season navigation is not possible or the vessels have to struggle to negotiate in many waterways which require dredging. Poor transport system increases time and cost, seriously affecting competitiveness of doing business. The container terminal constructed at Pangao beside the River Buriganga in November 2013, is expected to share about 40% of the total container transportation to and from Chattogram to Dhaka. Another such terminal at Ashuganj inland port is likely to reduce huge road traffic, transportation cost, commodity cost and container transportation will be free from strike and blockade.

Ports Facilities

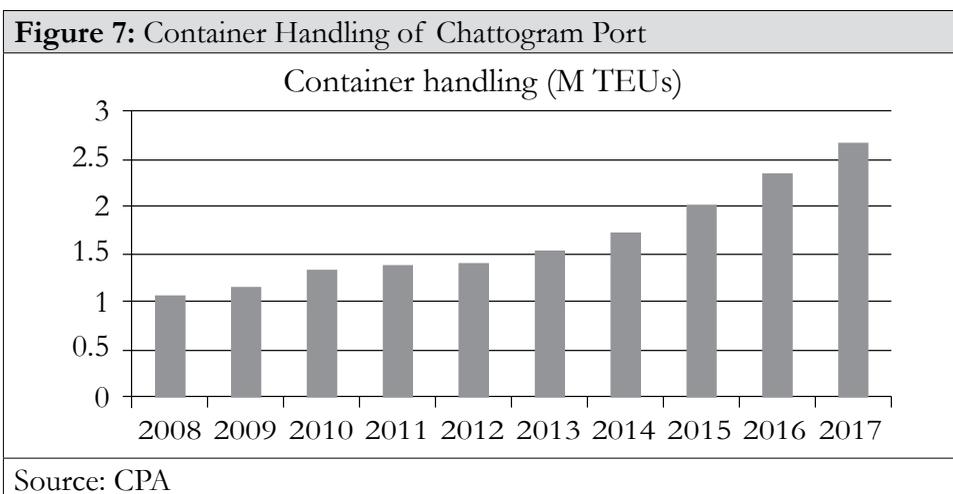
Cargo Handling: The cargo handling of Chattogram port has risen significantly over the last few years. It rises from 48.6 million tons in 2012 to 85.2 million tons in 2017.

Increase trend from 2012 to 2017 is stated below:



CPA Cargo Handling in M Tons

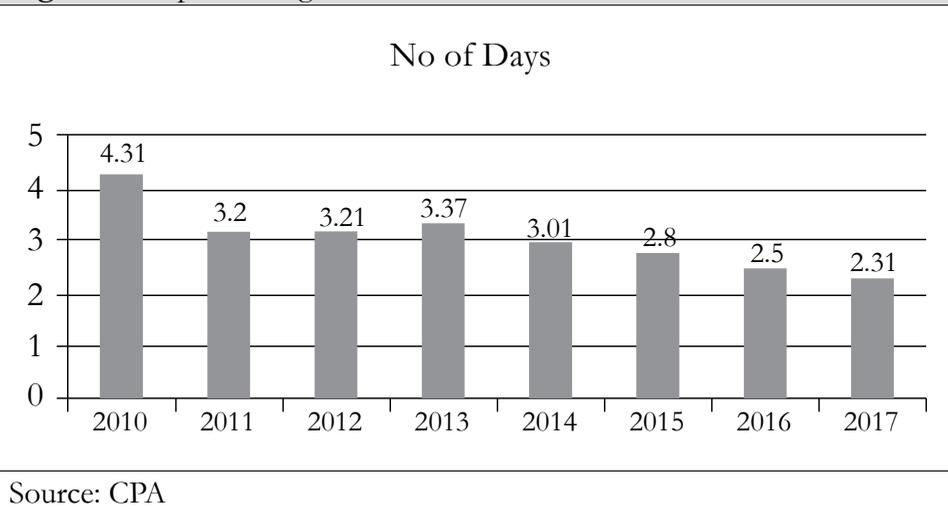
Container Handling: Similarly container handling of Chattogram Port also rose from 1 million containers in 2008 to 2 million in 2015.



CPA Container Handling in M TEUs

Ship Dwelling Time: Ship dwelling time also reduced to 2.31 days in 2017 compare to 4.31 days in 2010.

Figure 8: Ship Dwelling Time



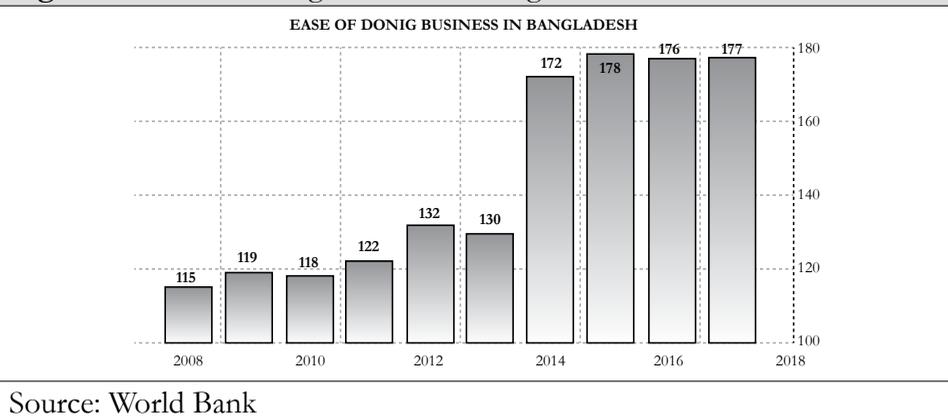
CPA is constructing two more multi-purpose jetty near Patenga and plan to make Karnaphuli Container Terminal to handle much more cargo and containers.

Technology Infrastructure: Despite various efforts, Bangladesh could not still developed technological infrastructure which is vital for modern era business.

Image Crisis of Doing Business

Bangladesh ranked 177th out of 190 economies, down two places from last year.

Figure 9: Ease of Doing Business in Bangladesh 2008-2018



From the table below, it is very well perceived that the situation is not at all favourable.

Table 3: Indicators of Ease of Doing Business in Bangladesh 2018				
Topics	DB 2018 Rank	DB 2018 DTF	DB 2017 DTF	Change in DTF (% points)
Overall	177	40.99	40.84	0.15
Starting a Business	131	80.67	81.51	0.84
Dealing with Construction Permits	130	61.97	61.60	0.37
Getting Electricity	185	16.97	16.16	0.81
Registering Property	185	27.67	27.58	0.09
Getting Credit	159	25.00	25.00	..
Protecting Minority Investors	76	56.67	56.67	..
Paying Taxes	152	56.13	55.76	0.37
Trading across Borders	173	34.86	34.86	..
Enforcing Contracts	189	22.21	22.21	..
Resolving Insolvency	152	27.71	27.02	0.69
Source: http://www.doingbusiness.org/data/exploreeconomies/bangladesh/				

The distance to frontier (DTF) measures regulatory performance where 0 represents the lowest performance and 100 represents the frontier.

Problematic Factors: The reports identified ‘Corruption and lack of adequate infrastructure’ are the most problematic factors impeding its business development (Moazzem, CPD 2017).

Table 4: Bangladesh in Global Ranking Most Problematic Factors for Doing Business

Factor	Rank	2016	Rank	2017	State
Corruption	2	16.5	1	15.70	↓
Inadequate infrastructure	1	20.4	2	4.50	↑
Inefficient government bureaucracy	4	9.6	3	11.7	↓
Inadequately educated workforce	5	8.5	4	11.5	↓
Poor work ethic in national labor force	13	3.1	5	8.3	↓
Limited access to financing	3	9.8	6	7.5	↑
Policy instability	7	4.4	7	5.8	↔
High tax rates	6	4.6	8	4.5	↓

Source: CPD

Corruption: Corruption and speed money in every sector discourages investors to invest in this country. The cost of doing business in Bangladesh is high compared to other countries. A frightening news published in a national daily recently that a truck moving to Chattogram from Bogura has to pay Tk. 22,500 to the extortionists. Corruption Perceptions Index 2017 shows unfavorable situation in Bangladesh.

Table 5: Corruption Perceptions Index 2017

Date	Value	Change, %
2017	28.00	7.69 %
2016	26.00	4.00 %
2015	25.00	0.00 %
2014	25.00	-7.41 %
2013	27.00	3.85 %

Source: Corruption Perceptions Index (2017) by Transparency International

CPI Score ranges between 100 (highly clean) and 0 (highly corrupt).

Governance and Bureaucracy: About 37 permissions/registrations required from different government agencies to start an enterprise in Bangladesh. Again cost of doing business is increasing by the unofficial cost of bureaucracy. A complicated system of approval and lack of good governance make the investors uninterested to make any investment. Governance issue is particularly critical in the use of public resources, law enforcement and judiciary as these are deemed inefficient and corrupt service-providers.

Tax structure: Higher corporate tax rate among the Asian countries (35%) after end of tax holiday.

Government Initiatives for Creating Investment Climate

There are number of official organization/ authority have been formed to provide uninterrupted and hassle free support to encourage investment and doing business in Bangladesh.

The Bangladesh Investment Development Authority (BIDA) is the principal authority tasked with supervising and promoting private investment. BIDA will make sure some 150 activities under 34 agencies by one stop services (OSS).

The Bangladesh Economic Zone Authority (BEZA) is the highest authority to administer, manage and regulate all the economic zones within Bangladesh.

The Bangladesh Export Processing Zone Authority (BEPZA) acts as the investment supervisory authority in Export Processing Zones (EPZs). BEPZA is the one stop service provider and regulatory authority for companies operating inside EPZs.

Bangladesh Hi-Tech Park Authority (BHTPA) was established to manage and operate technology business parks throughout the country.

Public Private Partnership Authority (PPPA) facilitates the development of core sector public infrastructure and services vital for the people of Bangladesh.

Incentives for Local Investors

- The government provides numerous incentives for investors for opening factories in EPZs.
- New factories enjoy tax holidays for 5 years.
- Labour unions and other activities that are often viewed detrimental to productivity, are banned inside the EPZs.
- Bangladesh government also announced 50 pc tax relief in Hi-Tech parks, Economic Zones.
- The financial institution will give loans for 10 years at 5 percent interest in the first three years and 9 percent interest for the remaining years.

Incentives for Foreign Investors

- Remittances of up to 50% of salaries of the foreigners employed in Bangladesh and facilities for repatriation of their savings and retirement benefits at the time of their return.
- Corporate tax holiday of 5 to 7 years for selected sectors.
- Accelerated depreciation on cost of machinery is admissible for new industrial undertaking (50% in the first year of commercial production, 30% in the second year, and 20% in the third year).
- Cash incentives and export subsidies ranging from 5% to 20% granted on the FOB value of the selected products.
- 90% loans against letters of credit (by banks).
- Permission for domestic market sales of up to 20% of export oriented companies outside EPZ (relevant duties apply).

Export Diversification in Bangladesh

Dimensions of Export Diversification

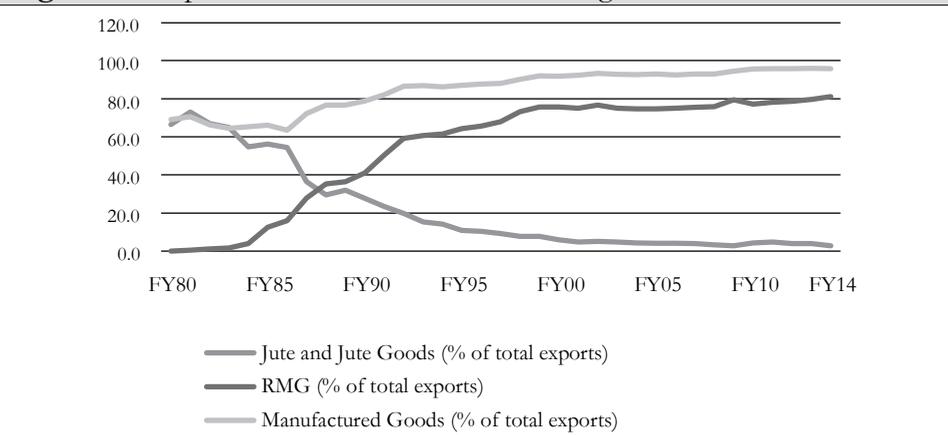
Diversification can be in two forms. Namely intensive margin and extensive margin. The concept of the margin is explained using the simple model of Product/Market Matrix. The intensive margin of export refers to the expansion of export in goods currently exporting. We define this as “market penetration”. The extensive margin includes the growth of export in at least one category i.e., in extensive margin at least any one of export item and export destination will be added with the present one. The figure shown below present the dimensions of export diversification considered for the study.

Figure 10: Dimensions of Export Diversification		
Export Sector		
	Present	New
Present	Market Penetration	Commodity Diversification
New	Market/Destination Diversification	Complete Diversification
Source: DU Journal of Marketing, 2014		

Diversification in Bangladesh

Export concentration is not a new phenomenon for Bangladesh. For many decades prior to the emergence of (Readymade Garments) RMG exports, jute and jute goods dominated the export sector making up 70 percent of exports in 1981. With development practitioners advising the need to diversify exports, developing non-traditional exports became the dominant. Non-traditional exports implied a shift into manufactures. This shift materialized for the Bangladesh economy thanks largely due to an external event that offered a lifeline for the emergence and rapid expansion of the RMG industry. RMG exports reaching a share of 82 percent in 2017. Export Diversification Trend in Bangladesh is shown in the figure below:

Figure 11: Export Diversification Trend in Bangladesh

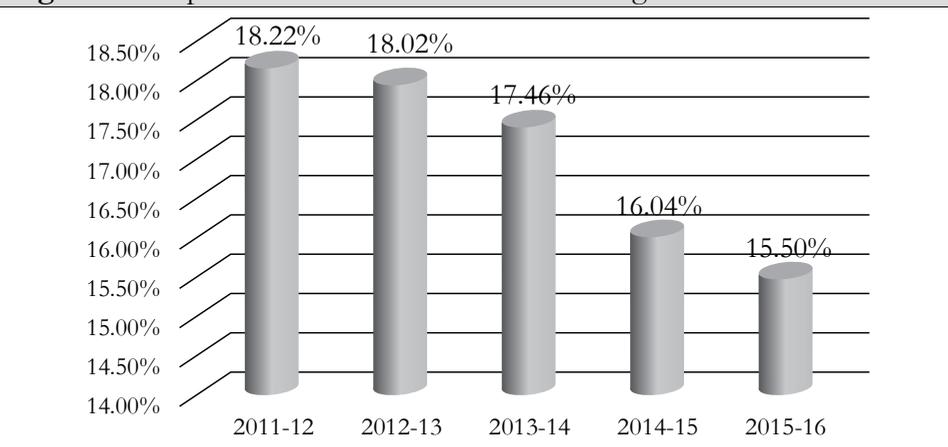


Source: Export Processing Bureau Data

Export Contribution to Gross Domestic Product (GDP)

Trade analysts and business people have blamed that slow growth of export compared to the economic growth, higher dependency on RMG and decreasing the export on other sectors are the causes of export decline. According to Export Promotion Bureau (EPB) data, in the last fiscal year Bangladesh earned Tk 2,66908.44 crore, which is 15.50% of total GDP of Tk 17,29567 crore (Dhaka Tribune, 2016).

Figure 12: Export Contribution to GDP Declining

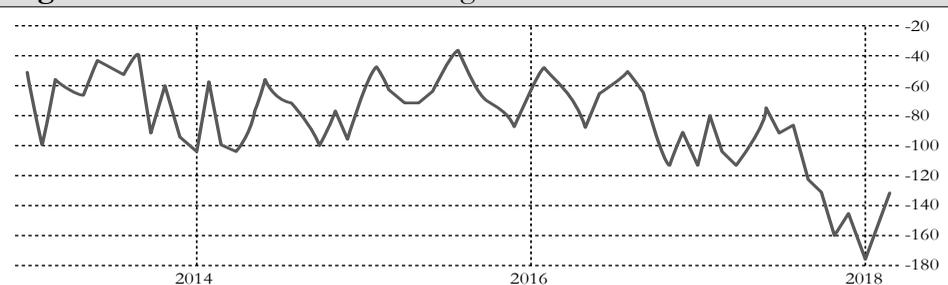


Source: Dhaka Tribune

Balance of Trade

Export of Bangladesh is increasing every year and reached to a level of US\$ 34 Billion. Though the export figure is very encouraging even then the balance of trade is in negative figure and that is very high. Bangladesh should try to reduce the gap by increase of trade (Trading Economics, 2018).

Figure 13: Balance of Trade of Bangladesh

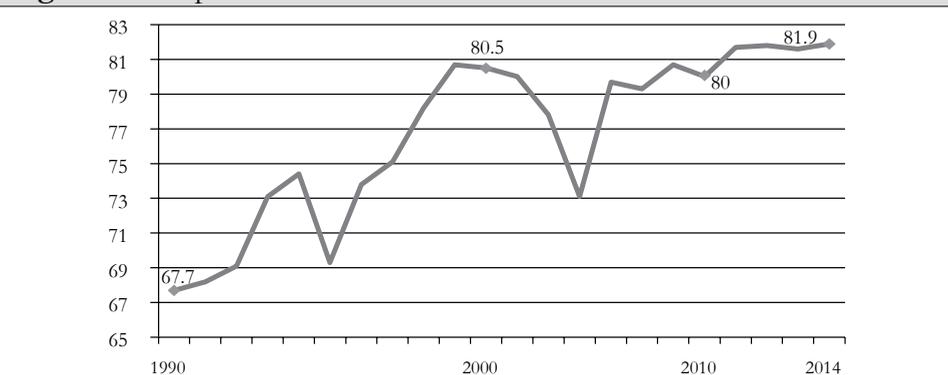


Source: Trading Economics

Trend and Concentration of Export

Export concentration trend of the top 15 items at the HS 4 digit level. The share of the top 15 export items in 1990 was 68 percent of the export basket and this value now stands at 82 percent. This implies Bangladesh is increasing its concentration in the export of these selected items.

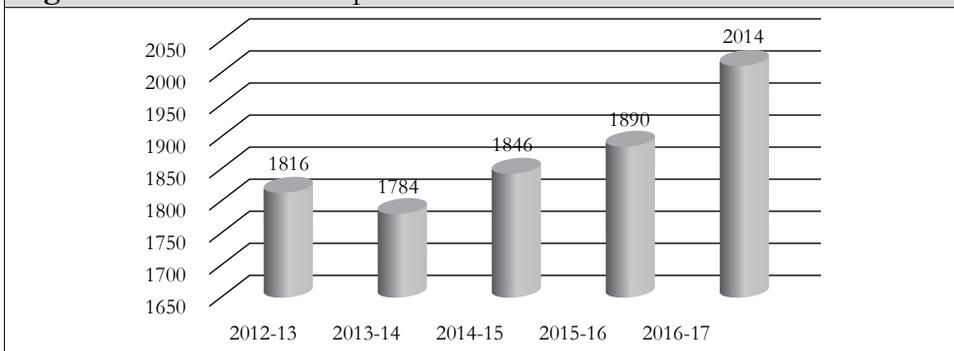
Figure 14: Export Concentration Trend



Source: National Board of Revenue

Despite the growing dependence on certain export items, Bangladesh has been successful in increasing the number of export items within these broad categories.

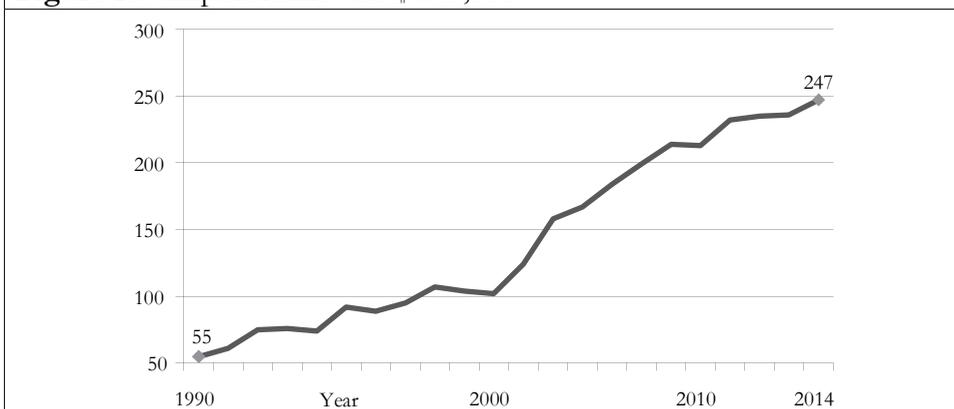
Figure 15: Number of Exported Items



Source: Export Processing Bureau Data

These following figure show the reason why export diversification remains an acute problem even though numerous new items entered the export basket. Because the new entrants have not shown dynamism. As such they are small in quantitative terms and their shares in total exports are insignificant. The fact that emergence of these smaller export items failed to have an impact on the export structure suggests that there are policy-related constraint that impedes growth of new exports. Items exported more than US\$ 500,000 are shown in the following figure:

Figure 16: Export items > US \$ 500,000



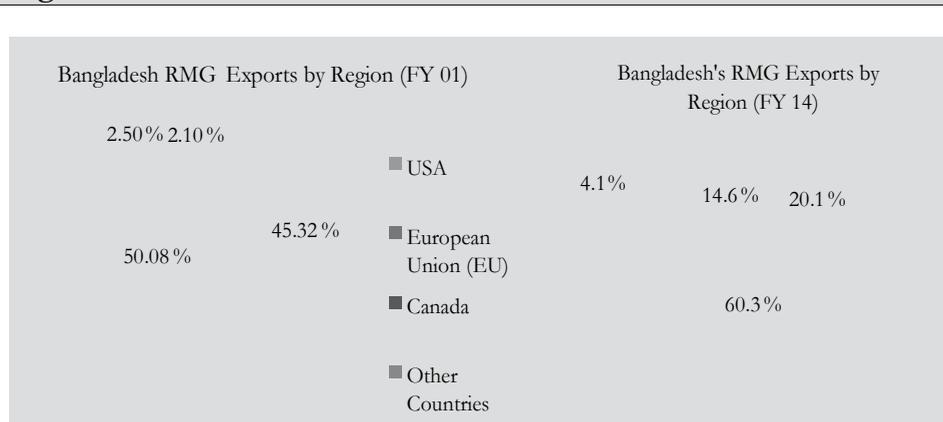
Source: National Board of Revenue

Present Need for Diversification

The RMG sector’s expansionary effect is slowing. First the increase in domestic contribution has more or less come to an end. There is room for further progress but the weaving factories are still limited in providing cloth of required quality for export. Second, the prospects for growth in production capacity are slowing with difficult infrastructure problems and shifting demands from traditional markets. Third, rapidly changing technology will result in shifting some production back towards the countries where purchase takes place.

Diversification in the RMG sector has also taken place in terms of extensive diversification. The market of RMG has shifted a lot from 2001-2014.

Figure 17: Diversification of RMG



Source: Bangladesh Bank

Nevertheless the RMG sector will be the core of the manufacturing sector for the next 25 years and support for its growth and competitiveness is essential. To achieve 8 percent real growth for 25 years; ratio of RMG to other exports equal to 50 percent after 25 years; exports to GDP ratio reaches 40 percent after 25 years. All of this means that exports grow at 12 percent; RMG exports grow at 10 percent and other exports at 17 percent. To achieve such results requires a strong program. To reach and maintain 8 percent growth will require tremendous growth of exports to provide the foreign exchange and the high level of industrial productivity required (The Independent, 2017).

Constraints to Export Diversification in Bangladesh

Considerable research has been done on the constraints to exports performance in Bangladesh. Some are generic to the entire economy or the manufacturing sector, but some factors are specific to the export sector. Some others relate to the challenge of export diversification. These constraints can broadly be grouped as under:

- Trade Infrastructure.
 - Infrastructure deficiencies.
 - Technology and labor productivity.
 - Ease of doing Business.

- Trade Policy and Export Incentives.
 - Trade policy.
 - Exchange rate management.
 - Fiscal policy.

Potential Role of FDI in Promoting Exports through Diversification

Export diversification is often constrained by limited domestic capital, technology and market knowledge. It is not surprising that the role of in promoting exports has attracted considerable attention in recent times. FDI with their better technological and managerial skills and knowledge about international marketing conditions, are expected to improve the productivity as well as export performance of host country firms by creating certain positive externalities known as ‘spillovers’. Spillovers can take place when FDI improves the productive efficiencies of domestic firms, making their products efficient in price and quality in the international market and thus improving their export performance. Such spillovers may occur either to domestic firms in the same industry group of foreign firms through competition, known as ‘horizontal spillovers’, or to firms in the upstream supply chain through buyer-supplier linkages, known as ‘backward spillovers’. FDI can help to channel capital and

technology into industries that have the potential to compete internationally, and the global linkages of multi-national corporations can facilitate their access to foreign markets. In addition to exports that are generated directly by foreign affiliates, FDI can also promote exports of domestic firms through the teaching of proper marketing strategies, methods, procedures, and channels of distribution.

Import of Emerging Economies from Bangladesh

The emerging economies in Asia are one of the major importing countries in the world. According to the Wikipedia, China, Hong Kong and South Korea are among the top 10 importing countries in the world while India, Singapore and Taiwan are among the top 20 importing countries. China's import crossed well over USD 1 trillion followed by South Korea (USD 524 billion), Hong Kong (USD 510 billion) and India (USD 462 billion). Unfortunately, none of these economies consider Bangladesh as a major source of their import. Bangladesh's export to these economies comprises only a miniscule share of their total import (Golam, 2017).

Table 6: Import of Emerging Economies from Bangladesh			
Countries	Total Import (In US\$ Billion)	Import from Bangladesh (In US\$ Billion)	% of Total Import from Bangladesh
China	1743.4	0.38	0.03
Hong Kong	510.9	0.22	0.04
South Korea	523.9	0.20	0.04
Singapore	365.8	0.15	0.04
India	462.4	0.47	0.1
Indonesia	177.2	0.29	0.02
Malaysia	187.6	0.05	0.03
Thailand	228.5	0.05	0.02
Source: Centre for Policy Dialogue			

Bangladesh has limited manufacturing capacity of major imported products. These include electrical machinery and equipment, minerals, mechanical appliances, ores, mineral oils, organic chemicals, optical, photographic, medical products, iron and steels and related products and vehicles. Without developing the manufacturing base for the above mentioned products, Bangladesh's potential to enhance manufacturing exports in these markets is limited.

Export Diversification Potentiality of Bangladesh

It is already established that increased production and expansion of trade is one of the ways of increasing the wealth of the nation. Increased export earnings could lead to creation of employment opportunities which will encourage savings and facilitate investment resulting in the alleviation of poverty. And in order to ensure the expansion of external trade, the diversification of export is one of the most important government objectives is to strengthen the economy and make it vibrant.

Market Diversification

- Initiate discussion for bilateral Free Trade Agreement (FTA) with economies where Bangladesh's export products have potentials under preferential market access (FTAs with Malaysia and Thailand).
- Bangladesh could explore comprehensive partnership arrangement with major emerging economies such as South Korea and China which will focus beyond trade and explore opportunities in investment and services.
- Bangladesh along with other regional member countries should take steps to make effective and functional different sub-regional and regional trade and connectivity initiatives such as Bangladesh-Bhutan-India-Nepal Motor Vehicles Agreement (BBIN MVA), Bangladesh-China-India-Myanmar (BCIM) Forum for Regional Cooperation, SAFTA, BIMSTEC and SAARC Motor Vehicles Agreement.
- Bangladesh should negotiate with emerging economies to make the rules of origin more flexible such as from 40 percent to say 25 percent of local value addition.

- Bangladesh should strongly raise the issue of Non Trade Barrier (NTB) at bilateral discussion with emerging countries as well as improve its domestic institutional base of monitoring the technical standards.
- Bangladesh should closely monitor the strategic shift of the emerging economies particularly that of China and South Korea as regards their structural transformation in case of industrial sector. Bangladesh should invite foreign investors of these industries from these economies to Bangladesh.
- Bangladesh will graduate from least developed countries (LDC) within the next few years (2024) and will face further competition in major markets. Bangladesh should set negotiation strategies to retain similar level of preferential market access in the emerging markets after graduation. Both the Ministry of Commerce and Ministry of Foreign Affairs need to enhance their technical capacity for better negotiation with these economies.

Product / Service Diversification

Export products / services can be categorized into four groups:

- **Traditional Exports:** First the traditional exports, in which value addition to the agro based products and pharmaceuticals with indigenously produced APIs are worth mentioning.
 - Home Textile Products.
 - Leather and Leather Goods.
 - Jute and Jute Products.
 - Agro-based Industry (with value added competitive products).
 - Light Engineering (Intermediate Goods).
 - Pharmaceuticals with indigenously produced APIs.
 - Software, ICT products and Services.
 - Fish and Fishery products.
 - Ship Building.

- **Skilled HR Export:** Bangladesh earns a handsome amount of remittances from its expatriates, which can increase manifold through a well-planned and focused skill development program. There is a need to concentrate on exporting skilled manpower, as per the requirement of selected destination countries (e.g., technicians, chefs, lab assistants, paramedics, seamen, nurses etc.).
- **Intermediate Goods:** International subcontracting of components and accessories (e.g., IC, semi-conductors, auto parts etc.) is common for most labor-intensive production processes. They outsource components or parts from some other countries where it is cost effective. Most of the South East Asian countries focus on such exports (e.g., Vietnam, Philippines, Taiwan, Thailand and Malaysia). The requirement is small space, skilled labor, reasonable capital and technology that can be easily arranged. The HR of Bangladesh can be easily trained to undertake such an innovative export venture.
- **Exporting Non-Factor Services:** When we talk of non-factor services, there are number of success stories in the region. Despite having lot of potential, Bangladesh has to go a long way in exploring this sector:
 - **Health Tourism:** We spend around USD 2 billion for health tourism abroad, which is growing at 2% annually. In 2016, more than 165,000 personnel went to India and spent 343 million dollars for treatment. It can become an important export, if required infrastructures are developed within.
 - **Education:** Currently there are good number of public and private education institutions, which are hosting foreign students, e.g., Nepal, Malaysia and certain other African countries (108 universities, 83 medical colleges and 126 engineering colleges students). If we further improve on the quality and world ranking of our universities, it can definitely generate huge revenue for the country.
 - **Tourism:** There is again great potential in the tourism industry. If focused tourism infrastructure, e.g., communication, desired security and related facilities are ensured, it can attain a thriving status in the existing service sector.

Global Experience

India

- **Economy Overview:** Indian economy maintained 7.2% GDP growth and improvement of 42 notches in the World Bank's (WB) business index in just four years [142 (2014) to 100th] is indeed very impressive.

Ser	Categories	India (In USD Mn)	Bangladesh (In USD Mn)
1.	Exports	29,110.00	2505.96
2.	Imports	42,800.00	4282.50
3.	Balance of Trade	-13,720.00	-1773.00
4.	Foreign Direct Investment	4007.00	2003.53
5.	GDP Growth	7.2% (2017)	7.3% (2017)

Source: Centre for Policy Dialogue

Strengths

- **Recapitalizing the Public Sector Banks with an infusion of \$32 billion:** Although a temporary injection, but a step, which will definitely resuscitate the banking sector, enabling new investments in critical infrastructural and power projects.
- **Bankruptcy and Insolvency Act, 2017:** On the other hand, introducing a much wanted govt's act, is expected to control the non-performing assets (NPAs) arising from failed corporate ventures.
- Introduction of some spec reforms in areas such as protecting the minority investors and simplifying the process of taxation (electronic online system).
- India has diversified its export all over the world. Its top export mkts are highlighted in the table as flashed.

Fig 18: Diversified Indian Market

United States 16%	Hong Kong 5.1%	Vietnam 2.3%	Nepal 1.8%	Turkey 1.7%	Italy 1.7%	Malaysia 1.6%	Sri Lanka 1.6%	Japan 1.5%	Brazil 0.89
	China 3.5%	Bangladesh 2.2%	South Korea 1.3%	Australia 1.1%	Israel 1.1%				
		United Kingdom 3.3%	Belgium 2.1%	Mexico 1.3%	Egypt 0.81	Pakistan 0.62%	Oman 1.0%		
	United Arab Emirates 12%	Saudi Arabia 2.0%	Spain 1.3%	Canada 0.77%	Russia 0.71	Iraq			
Singapore 2.9%		South Africa 1.3%	Tanzania 0.69	Ethiopia	Qatar	Iran 0.94			
Netherlands 1.9%		Indonesia 1.2%	Nigeria 0.68%	Colombia			Ireland 0.55%		
Germany 2.8%		France 1.9%	Thailand 1.2%	Gibraltar	Sudan				

Source: Centre for Policy Dialogue

Weakness

- **Growing Regional Competition (NE and SE Asia):** In the larger Asia region, India has been outranked by a host of regional economies to include South Korea (4), Malaysia (24), Thailand (26), Vietnam (68), Indonesia (72), China (78) and even Bhutan (75).
- Starting the Business Index (Ranking 156th).
- Difficulty in enforcing Contracts / Registering a property with huge unresolved civil lawsuits.
- Improving the procedures, infrastructure and working efficiency on the ports to facilitate trading across borders (exports / imports).

The NITI (National Institution for Transforming India) Aayog (Hindi for Policy Commission)

- It is a policy think tank of the government of India, established with the aim to achieve Sustainable Development Goals and to enhance cooperative federalism by fostering the involvement of State Governments of India in the economic policy-making process using a bottom-up approach.

- Its initiatives include "15 year road map", "7 year vision, strategy and action plan", Digital India, Innovation Mission, Medical Education Reform, Agriculture reforms, Indices Measuring States' Performance in Health, Education and Water Management.
- The Prime Minister is the Ex-officio chairman. Sub-Group of Chief Ministers on Rationalization of Centrally Sponsored, Sub-Group of Chief Ministers on Skill Development, Task Forces on Agriculture and Elimination of Poverty, and Transforming India etc.
- It was established in 2015, by the NDA government, to replace the Planning Commission which followed a top-down model. It impacted very positively towards economic growth of the country.

Malaysia

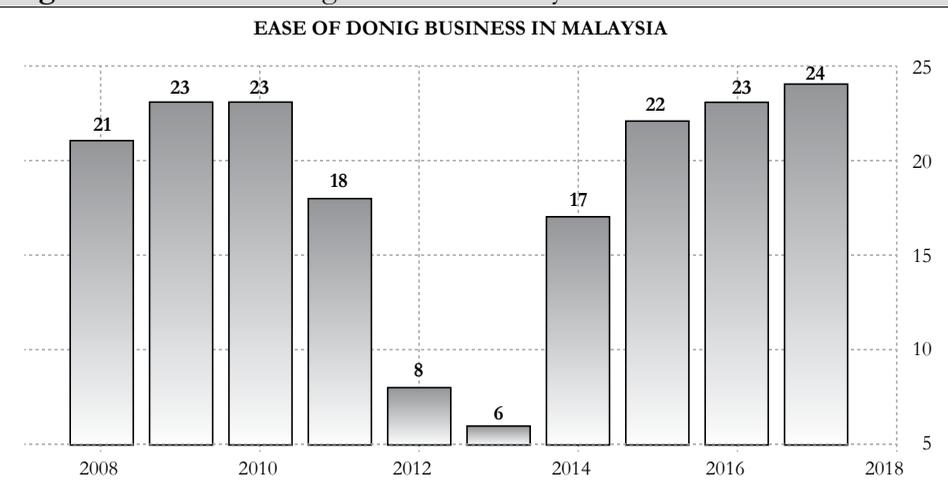
Economy Overview: Their exports are far more than their imports is a testimony to their sustained development:

Table 8: Economic Performance of Malaysia		
Ser	Categories	Malaysia (In USD Mn)
1	Exports	21,381.13
2	Imports	17,668.47
3	Balance of Trade	+3,718.06
4	Foreign Direct Investment	699.40
5	GDP Growth	5.9% (2017)
Source: Centre for Policy Dialogue		

Strength

- Malaysia has immensely benefitted from China's Belt and Road Initiative (BRI). For the last eight years, China continues to be Malaysia's largest trade partner.
- Post elections, Mr. Mahathir has sworn in a new Finance Minister and appointed a six-member council of elders to revive a relatively dropping business climate (i.e, from 6th in yr 2013 to 24th).

Figure 19: Ease of Doing Business in Malaysia



Source: Centre for Policy Dialogue

Weakness

- Considering top ten exporting destinations, (as shown), Malaysian exports are highly concentrated (86%) within fellow Asian countries.

Table 9: Export Destinations of Malaysia

Serial	Country	Value Billion US\$	Percentage of Total Export
1	Singapore	30.99	15%
2	China	29.19	14%
3	USA	20.58	9.8%
4	Japan	17.30	8.2%
5	Thailand	11.69	5.5%
6	Hong Kong	11.04	5.2%
7	Indonesia	8.05	3.8%
8	India	8.00	3.8%
9	Australia	7.5	3.6%
10	South Korea	6.6	3.1%

- A consistent of Chinese investment in large-scale non-manufacturing activities (especially in the real estate) generates domestic concerns in Malaysia.
- 1MDB Scandal has adversely affected the overall image of judicial transparency of the country. The new government is expected to conduct an impartial investigation and implement the findings very soon.

Global Strategy

China and several ASEAN Countries: Their pursued export diversification is a good example for us. These economies have been successful in first promoting low-skill manufactured exports (e.g. textiles, clothing and simple electronic parts and components), followed by technology intensive electronic and electrical goods that continued over last decade.

Thailand: Followed export diversification by adopting a dual strategy;

- To upgrade natural resource-based industries (such agricultural and fish products).
- To encourage labour-intensive manufactured exports, most notably clothing and electronics.

Proposed Strategy and Action Plan for Export Diversification

General: Our strategy should lead to the mechanism of export diversification that will lead Bangladesh to higher growth. It will overcome export instability or the negative impact in terms of trade in primary products and positive effect on per capita income growth.

Export Market Dynamics Analysis for Diversification

Commodity: Based analysis of market dynamics and growth performance are very good indicators to assess the export potentiality of a country in a particular market. The Revealed Comparative Advantage (RCA) estimates are

often used to gauge export diversification potential and competitive strength of particular item in an importing market.

For Example: To ascertain Bangladesh’s competitive edge in the Indian market an exercise was undertaken to compute the RCAs of exportable items to the Indian market.

Table 10: RCA to Indian Market		
Commodity Groups	Revealed Competitive Advantage (RCA)	Bangladesh's Export as Share of India's Import
Raw Jute	954.08	99.66
Cane Sugar	654.04	68.32
Coriander Seed	254.00	26.53
Frozen Fish	186.77	19.51
Betel Nuts	170.43	17.80
Soap Toilet	164.52	17.19
Cement	118.98	12.43
Glass Sheet	59.19	6.18
Jute Yarn	38.98	4.07
RMG	28.38	2.96
Chemical	18.63	1.95
Leather	18.30	1.91
Plastic Goods	.76	.08
Home Textiles	.30	.03
Pharmaceuticals	.27	.03

Source: Centre for Policy Dialogue

The index is known as ‘Balassa Index’. The following formula is used to obtain RCA index: $RCA = (\text{Bangladesh's total export to India}) / (\text{India's total import from world})$. The origin country (Bangladesh) has revealed its comparative advantage to export that particular product like Pharmaceutical, home textiles and plastic goods in the destination country (India).

Critical Examination of Existing Organizations for Export Diversification

Research group has critically examined the existing platforms that support the economic growth of the country through export promotion, FDI and local investment like Export Promotion Bureau (EPB), Bangladesh Investment Development Authority (BIDA), Bangladesh Economic Zone Authority (BEZA), Bangladesh Export Processing Zones Authority (BEPZA), Public Private Partnership Authority (PPPA), Bangladesh Hi-Tech Park Authority (BHTPA).

Relationship with Export Diversification: EPB, BIDA and BEZA have some relationship with new entrepreneurs, export promotion and diversification in the following way:

- **Export Promotion Bureau (EPB):** It is National Export Promotion Agency under Ministry of Commerce which is reorganized by promulgation of a Presidential Ordinance in 1977 as a semi autonomous body and administered by a Board of Management (BOM) comprising members from both public and private sector. Honorable Minister for Commerce is the ex-officio Chairman and Vice-Chairman is the Chief Executive Officer of the Export Promotion Bureau. They have following responsibilities:
 - Adoption of appropriate policy and program measures for active promotion of exports ;
 - Co-ordination of export development activities at various levels;
 - Co-ordination and monitoring of national export performance and progress;
 - Carrying out of promotional activities in product and supply development, Exploration of markets abroad, Collection and dissemination of trade information, Organizing private sector participation in international trade fairs abroad etc.

- Conducting studies, surveys, research etc on products and markets;
 - Selection of Firms for awarding National Export Trophy and Selection of Commercially Important Persons (CIP) based on annual export performance,
 - Issue required Certificates of Origin for export in favor of the private sector entrepreneurs for obtaining duty free/Partial duty free market access.
 - EPB also assists Ministry of Commerce in formulating export policy of the country. Export trade of Bangladesh guided by the export policy declared by the Ministry of Commerce, Government of Bangladesh. Export sector of the country is one of the main source of Bangladesh's hard earn foreign currency.
- **BIDA:** Its functions are broadly categorized as investment facilitation (approval, recommendations and aftercare), policy advocacy, ensure inclusive investment and creating entrepreneurs and creating necessary skill to complement local industry needs.
 - **BEZA:** It aims to establish economic zones in all potential areas in Bangladesh including backward and underdeveloped regions with a view to encouraging rapid economic development through increase and diversification of industry, employment, production and export.

Limitations

- They don't diagnose external destination markets and don't link external markets for different types of export diversifications.
- Failed to ensure equal opportunity to capital access through capital markets and financial institutions for liquidity crisis.
- Failed to ensure as one stop service for licenses, clearances, land authorization, approvals, untapped market analysis etc for new

entrepreneurs.

- Don't address the issue of quality mismatch through education and other related ministries.
- Don't have research and development wing for export diversification.
- Don't have any action plan for inclusive industrialization and export diversification

Proposed Strategy - "Equal Opportunity for Export Diversification"

SWOT Analysis

Strength (Internal)

- As per the statistics of 2017, Bangladesh is the 44th largest economy of the world, GNI per capita \$1754 USD, in GDP agriculture contributes 30%, small and medium industry 25%, service sector about 45%.
- Availability of talented pool of young, energetic and innovative entrepreneurs in different sectors, specially in IT sector.
- Availability of low cost unskilled/semi-skilled labours.
- Government's desire, promise and initiative to turn their potentials into human capital.
- Adopted ventures for making enabling business environment like making high way, metro rail, power supply, gas supply etc.
- Declaration of 100 New EPZ and 29 in the process of finalization.
- Formulation of EPB, BIDA, BEZA etc and efforts to expedite their initiatives with sufficient authority.
- Bangladesh is the second largest producer of Jute and has promising agro based industries.
- Bangladesh adult literacy rate has increased to 72.3% in 2016.

Weakness (Internal)

- Bangladesh has large informal sector (80-90%) of GDP, limited access of small firms to credit, the effects on real activity are with 18 month lag and effects of monetary policy are difficult to decipher.
- As per UN data of 2016, in Bangladesh 39 million people (40%) live under poverty level and 18 million (12%) people live under extreme poverty level. About 2.6 million young people are unemployed out of which 2.6 lakhs (10%) educated unemployed due education mismatch in job market.
- Huge Corruption (estimated about 2% of total GDP) at all level of bureaucratic process. Increased pollution and traffic congestion (total estimated opportunity cost of tfc congestion is \$ 10 billion USD i.e. 33% of total export earning and 2% of GDP) day-to-day phenomenon.
- Bangladesh has deficiencies in physical infrastructure, energy, political uncertainty, poor governance, low score in ease of doing business, competitiveness index, and human resource development, particularly education.
- Public investment (mainly ADP) suffers from lack of prioritization, delayed implementation, cost overrun.
- About 37 permissions/registrations required from different government agencies to start an enterprise in Bangladesh. A complicated system of approval and lack of good governance make the investors uninterested to make any investment.
- Non-performing loans of eight state-owned banks, 40 privately-owned banks and nine foreign-owned banks, stood at Tk 80,397 crore as of September 2017 which is 10.67 percent of all outstanding loans.
- Ineffective and corrupt capital market with frequent market manipulation by BIG FISHES.

- Existing critical condition include implementation of rule of law, macro-economic condition, absence of required regulatory and judiciary policy support.
- Lack of trade infrastructure, absence of latest technology, unfavourable trade policy and exchange rate management.
- Poor quality of education mismatching requirement of job market and lack mid level own managers.
- Bangladesh economy is observing ‘Rising inequality of income distribution’ and declining phenomenon in Gini Coefficient from 0.465 in 2010 to 0.485 in 2016.
- More than 80% of export is based on RMG sector which needs diversification.

Opportunity (External)

- Easy access to globalized world having sufficient skill to compete.
- Increased E-commerce.
- Increased high tech and digitalized business skill diversification.
- Belt and Road Initiative (BRI) and ‘Neo inclusive paradigm of Globalization’ by China.
- Increased regional and sub-regional connectivity and ready to reap economic benefits from two economic giant China and India.
- Many untapped regional or international job markets.
- May derive benefits from blue economy.
- Military success of UN mission transforming into military diplomacy towards export diversification.

Threat (External)

- Competitive international market that requires skilled human capital.
- Incoming extensive use of Artificial Intelligence and Robotics in market or job places may affect labour intensive industries.
- The share of the top 15 export items in 1990 was 68 percent of the export basket and this value now stands at 82 percent.
- As per Pew Research Centre in 2017, total 85,486 foreign migrants workers (Out of which 75,786 are illegal without any permission) took away about \$6 billion USD from Bangladesh.
- In 2017, total 7.5 lakhs people visited Bangladesh with tourist VISA out of which many worked in Bangladesh illegally without any work permit.
- Available high tech, educated and qualified executives in external market.

Proposed Strategy and Organization with Action Plan

Proposed Strategy Declaration: Bangladesh Government should derive benefits from all the strengths and opportunities. At the same time should take adequate steps to overcome all the weaknesses and threats. In our proposition, we will try to take care of the maximum points related to export diversifications but Government should take care of all the points to ensure business enabling environment in Bangladesh through all the ministries and bestowed organizations. Research group proposes triple strategy for Bangladesh (a) to upgrade natural resource-based industries (such agro based industries and fish products), (b) to encourage labour-intensive manufactured exports, most notably clothing, ship building and electronics and (c) technology intensive products like medicine with special emphasis as per priority to product diversification, geographical diversification, goods to service diversification, intermediate goods diversification and quality diversification.

Proposed Organogram-Bangladesh Export Promotion and Diversification Authority (BEPDA): After critical analysis, taking all pros and cons in the consideration. Reaearch group proposes to strengthen existing EPB and rename as (BEPDA)- A new organization to expedite inclusive industrialization, export promotion and export diversification. Under BEPDA, existing EPB and new EDB (Export Diversification Bureau) will function. It will stimulate rapid economic growth of the country, particularly through different types of export diversifications. The government should adopt an ‘Equal Opportunity for all Policy’ to attract all inclusive entrepreneurs within country through BEPDA.

Mission: To act as the highest authority to strengthen the economic base to administer, manage and regulate all the export promotion and diversification activities within and outside Bangladesh.

Functions

- BEPDA will work as autonomous body directly under Prime Minister’s office with sufficient authority to inspire industrialization, export promotion and export diversification. It will be governed by a 2-level management structure – Governing Board and Executive Board. It will be composed of two major bureaus i.e. EPB and EDB.
- It will act as the local industrialization and investment supervisory authority to promote export promotion and diversification.
- It will be one stop service provider to all our home grown private new/old entrepreneurs to access to home/external market opportunities.
- It will have regulatory authority for effective operations of industries.
- It will make liaison with commerce ministry and coordinate with all required ministries to facilitate market business opportunities and job markets.
- It will work in-conjunction and facilitate BIDA, BEZA, BEPZA, PPPA, BHTPA etc.

- Promote employment, transfer of technology, up-gradation of skill / dexterity and development of management.
- It will guide and supervise market opportunities for export promotion and diversification through the offices in the embassy.
- It will broadcast media campaign with business information to facilitate local entrepreneurs.

Proposed Organogram (100) of BEPDA

7 Govrning Board: Honourable Prime Minister will be Ex-Officio Chairman. Members will be Minister of Foreign, Minister of Commerce, Minister of Industry and Executive Chairman (Member Secretary).

Executive Board: Executive Chairman (Bureaucrat/Businessman)

- Member (Operation)
- Member (Engineering/Technical Expert)
- Member (Finance)
- Member (Overseas)
- Member (Information, Media and Coordination)
- Secretary

Export Promotion Bureau (EPB): As per existing composition and responsibilities and will have close coordination with newly proposed EPB under BEPDA.

Export Diversification Bureau (EDB): Will be composed of 12 Wings/ Offices as follows:

- Product Diversification Wing.
- Geographical Diversification Wing.
- Intermediate Goods Diversification Wing.

- Quality Diversification Wing.
- Blue Economy Wing.
- Goods to Service Diversification Wing.
- Educational Quality and Work Force Skill Development Wing.
- Overseas Wing.
- Media and Information Wing.
- Clearance and Licensing Wing.
- Access to Capital Wing (For easy access to Capital market and Financial Institutions).
- Regulatory and Judicial Wing.

Action Plan based on Timeline

- **Short Term (Within 1 Year)**
 - Related policy formulations and approval.
 - Finalize authorization and approval of organogram.
 - Approval of required financial sanction.
 - Setting up the office at up executive board level.
- **Mid Term (2 Years)**
 - Setting up all the wings of the office.
 - Coordination and setting up office in all required embassies.
 - Activate media and information wing.
 - Gradual start of all the wings.
- **Long Term (3 years)**
 - Establishing all levels with full strength and functioning with full swing.

- Impact analysis.
- Review and development.

Recommendations

In light of in depth discussion, analysis and research, Research group recommends to execute our proposed strategy with immediate effect. Other recommendations are as follows:

Competency Based Governance

- Establishment of good governance is the foremost condition for economic growth and development. Due to lack of discipline in governance, Bangladesh could not get the expected success in attracting foreign investors and inspire local entrepreneurs. Government should change the present environment of ease of doing business by developing its competency.
- Availability of talented pool of young, energetic and innovative entrepreneurs in different sectors, especially in IT sector should be utilized to get optimum advantage out of it.
- Government's should take initiative to develop the available low cost unskilled/semi-skilled labours to turn their potentials into human capital by capitalizing the increase of literacy rate.
- Declared new EPZ should be developed as soon as possible.
- National urgency is to project of the positive image about government's initiatives. Bangladesh must focus on quality and equal opportunity for all.
- Recognizable Comparative Advantage (RCA) should be continuously analyzed, reviewed, measured and inform entrepreneurs for export diversification.
- All out efforts should be taken to reduce the trade barriers and improve the deficit enhancing our industrialization and export diversification based on set priority.

- Enhancing the existing meager resources at hand with our trade councilors abroad, there is a need to objectively evaluate their export promotion endeavors. The performance should be based on tangible improvements in exports diversifications based on our strategy. The output should become part of their annual career report.
- Systematic grooming of all office bearers is essential to revive competency based governance and business oriented leaders in our business sector. The responsibilities should be fixed and follow as per prescribed manner and no one should not be exempted from the eye of law.
- BEPDA should ensure effective operation of both EPB and EDB. It will concentrate on triple strategy as recommended to ensure maximum utilization of indigenous raw materials and revive traditional export industries and transform human resource to human capital.
- The motto, “Equal opportunity for all” will ensure easy access to capital market and financial institutions bringing proper financial accountability.
- Efforts must be taken to utilize the rregional and sub-regional connectivity to reap economic benefits from two economic giant China and India.
- Efforts must be taken to utilize the military success in UN mission transforming into military diplomacy towards export diversification.

Ensuring the Legal Framework

- To ensure reform of the land law, the registration law and also concern Criminal laws for implementing speedy, transparent and time-bound legal system for enforcing contracts / resolving connected insolvencies.
- Predictable investment policy and laws should be focused and ensure accountability and prevent corruption towards good governance.
- Legal actions, policy implementations, policy decisions, should be clear to all and information technology (IT) should be used as effective tools of transparency.

- Comprehensive tax reforms should be implemented in true letter and spirit focusing on seeking tax evaders and at the same time offer healthy incentives to regular tax payers.
- Bangladesh does not have proper law to protect the intellectual property and copy rights. Absence of such law discourages our young and intelligent entrepreneurs and many big investors to invest in Bangladesh.
- Number of permissions/registrations required from different government agencies to start an enterprise must be reduced to minimum and there must be a time frame for approval system.

Financial Reformation and Rearrangement

- Dhaka Stock Exchange and Chattogram Stock Exchange should stop manipulation for good and develop strong platform for entrepreneurs for raising capital and provide a fully automated trading system with most modern amenities to ensure easy and accurate transactions and easily accessible to all.
- Bond markets should be easily accessible for new, young and creative entrepreneurs. In order to facilitate industrialization and security of credit, it is essential that a high degree of liquidity be ensured, so that market risk is minimised. All profit making companies should compulsorily register in the capital market for inclusive national development.
- The government's policy actions should be communicated clearly and applied consistently.
- All efforts must be taken to prevent banking sector anarchy.

Enhance Enabling Business Environment

- Bangladesh should ensure adequate supply uninterrupted gas and electricity supply to the industries.

- Should speed up the implementation of Mega Projects/ Physical Infrastructures like expansion of national highways, metro rails, to improve the business facilitation further for export diversification.
- Efforts must be taken to take advantage of Artificial Intelligence and Robotics to increase market growth potentials.

Conclusion

In Bangladesh investment climate is affected by many factors, including: poverty, crime, infrastructure, workforce, national security, political instability, regime uncertainty, taxes, and of law, property rights, government regulations, government transparency and government accountability. According to EBRD, the investment climate in a country or region can be defined by a wide range of factors that determine whether domestic and foreign investment happens: by the soundness of macroeconomic policies, the strength of economic and political institutions, the functioning of the legal and regulatory framework, the quality of infrastructure and other services, amongst others.

Presently industrial sector constitutes about 28.15% (FY 2015-16) of the economy in Bangladesh. An export oriented industrial base is again a fundamental requirement for sustained economic growth. “Sustained” refers to growth that is maintained over the long term. Sustaining a higher rate of growth requires continuing improvements in the quality of a country’s resources. Bangladesh has been experiencing a steady economic growth over 6.5-7.4 % since 2015. A sustained economic growth would entail maintaining a growth rate over 7 % in the coming years and setting a target of achieving even a double digit growth for becoming a developed country by 2041. The local investment climate and the FDI in recent years in Bangladesh is far from expectation. Our exports though approx. 34.84 billion in FY 2016-2017, yet remain heavily dependent on RMG sector totaling 81% of our total exports.

The garment industry has been a key driver of the Bangladeshi economy. It provides over 4 million direct jobs and in 2017, contributed 28.1 percent of the country’s GDP, with annual revenues in excess of US\$19 billion. It also represents nearly 80 percent of the country’s export market. Within the

global garment market (including RMG and all other forms of clothing), the country ranks fifth, behind China, India, Germany and Italy as top exporter. Information technology has seen increased demand, both domestically and via export opportunities. The industry generates an estimated US\$600 million in annual revenues and employs roughly 250,000 people. Currently, the majority of IT in Bangladesh targets software development and maintenance, but as the industry expands along with the talented pool of new entrepreneurs; the country should be able to tap into its higher-value sectors. The production of leather goods has increased over the past few years, with companies like JC Penny, Marks & Spencer, and Walmart sourcing products from Bangladesh. Diversified jute products also represent a growing industry and could provide investment opportunities for domestic and foreign investors since Bangladesh is the second-largest producer of jute in the world behind India. The pharmaceutical industry has also grown over the past few years, with a 24 percent increase in revenue from 2010 to 2011.

To diversify and grow these industries and others, Bangladesh must consider a number of market and regulatory issues that could derail its advancement. Bangladesh has one of the lowest gross national incomes per capita and is ranked toward the bottom of the World Bank's Ease of Doing Business ranking, which measures such factors as dealing with construction permits, protecting investors, getting electricity, registering property and enforcing contracts. Without addressing these challenges, Bangladesh risks losing global competitiveness in its current industries and stifling investment in new sectors.

Finding suitable land at a reasonable cost is a big concern of investors. Recently government has announced that 100 new EPZ and SEZ will be established by 2030 on 100000 crores of land with a view to catch more investment and generating employment in a large scale. The BEZA has already selected 37 economic zones for establishment which consists governmental, non-governmental and Specialized Economic Zone. Bangladesh government establishing science and technology based economic zone As massive development work including, establishing deep-seaport and other infrastructural works, will be done in Cox's Bazar, foreign and local investors will prefer investing at the EZ. Of the approved 37 economic zones, six economic zones were given to private companies. Bangladesh is known for having one of the

largest young-aged labor forces in the world. Comparatively cheaper labour force offering better and inexpensive productivity. On the other hand there are huge shortages of skilled / trained manpower to meet up the demands from a modern industry. Inadequate educated and unskilled workforce is getting a major constraint for businesses.

Financial sector development of Bangladesh not only expediting financial performance but also contributing a noticeable amount in GDP, accounting 12% having substantial growth rate at 7% from 2015 to 2016. The primary segment of the capital market is operated through private and public offerings of equity and bond instruments. The secondary segment of the capital market is institutionalized by two stock exchanges-the Dhaka Stock Exchange and the Chottogram Stock Exchange. The stock market is very unstable in Bangladesh that demotivated thousands of small investors. All the banks are allowed to deal in foreign exchange. Dealers of hundi also form part of this market. A sizeable amount of foreign currencies is channeled through this market every year. The image of the banking industry has been tarnished by numerous scandals. Due to a number of scam and instability in the sector, the confidence of people over banks is also being diminished. Since independence, Bangladesh has been trying to be a suitable country for FDI. But the flow is slow. In 2016 the FDI was US \$ 2003.53 and with 26.85% increase, the FDI reached to US \$2.5 billion in 2017.

Despite huge public and private investment for building infrastructure slow progress of 'fast track' infrastructure projects are causing delay in creating better enabling business environment. We have demand and supply gap of electricity in Bangladesh. Transportation sector of Bangladesh heavily relies on road network, traffic flow and a smooth integration among various transport modes. The cargo handling of Chattogram port has risen significantly over the last few years. It rises from 48.6 million tons in 2012 to 85.2 million tons in 2017. About 37 permissions/registrations required from different government agencies to start an enterprise in Bangladesh. Again cost of doing business in increasing by the unofficial cost of bureaucracy. A complicated system of approval and lack of good governance make the investors uninterested to make any investment. Governance issue is particularly critical in the use of public resources, law enforcement and judiciary as these are deemed inefficient

and corrupt service-providers. Higher corporate tax rate among the Asian countries (35%) after end of tax holiday.

There are number of official organization/ authority been formed to provide uninterrupted and hassle free support to encourage investment and doing business in Bangladesh. The Bangladesh Investment Development Authority (BIDA) is the principal authority tasked with supervising and promoting private investment. BIDA will make sure some 150 activities under 34 agencies by one stop services (OSS). The Bangladesh Economic Zone Authority (BEZA) is the highest authority to administer, manage and regulate all the economic zones within Bangladesh. Considerable research has been done on the constraints to exports performance in Bangladesh. Some are generic to the entire economy or the manufacturing sector, but some factors are specific to the export sector. Some others relate to the challenge of export diversification. These constraints can broadly be grouped as under: Trade Infrastructure and Trade Policy and Export Incentives.

Our strategy should lead to the mechanism of export diversification that will lead Bangladesh to higher growth. It will overcome export instability or the negative impact in terms of trade in primary products and positive effect on per capita income growth. Research group has critically examined the existing platforms that support the economic growth of the country through Export promotion, FDI and local investment like Export Promotion Bureau (EPB), Bangladesh Investment Development Authority (BIDA), Bangladesh Economic Zone Authority (BEZA), Bangladesh Export Processing Zones Authority (BEPZA), Public Private Partnership Authority (PPPA), and Bangladesh Hi-Tech Park Authority (BHTPA). Research group proposes triple strategy for Bangladesh: (a) to upgrade natural resource-based industries (such agro based industries and fish products), (b) to encourage labor-intensive manufactured exports, most notably clothing, ship building and electronics and (c) technology intensive products like medicine with special emphasis as per priority to product diversification, geographical diversification, goods to service diversification, intermediate goods diversification and quality diversification.

Taking all pros and cons in the consideration our research group proposes to strengthen existing EPB and rename as (BEPDA)- A new organization to expedite inclusive industrialization, export promotion and export diversification. Under BEPDA, existing EPB and new EDB (Export Diversification Bureau) will function. It will stimulate rapid economic growth of the country, particularly through different types of export diversifications. The government should adopt an 'Equal Opportunity for all Policy' to attract all inclusive entrepreneurs within country through BEPDA.

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ANNEX A

Export of Goods for Fy 2016-17 and Target for 2017-18		
Products	Export for 2016-17	Export Target of 2017-18
All products (A+B)	34655.92	37500.00
Primary Commodities	1079.62	1111.00
• Frozen & Live Fish	526.45	535.00
• Agricultural Products	553.17	576.00
▪ Tea	4.47	5.00
▪ Vegetables	81.03	80.00
▪ Tobacco	46.62	45.92
▪ Cut Flower & Foliage	0.08	0.08
▪ Fruits	2.69	2.00
▪ Spices	34.95	40.00
▪ Dry Food	109.61	125.00
▪ Others	273.72	278.00
Manufactured Commodities	33576.30	36389.00
• Cement, Salt, Stone etc.	10.79	11.50
• Ores, Slag and Ash	5.70	6.00
• Petroleum bi Products	243.77	250.00
• Chemical Products	139.99	157.00
▪ Pharmaceuticals	89.17	100.00
▪ Chemical Fertilizer	5.58	7.00
▪ Cosmetics	0.71	0.90
▪ Others	44.53	49.10
• Plastic Products	116.95	148.00
• Rubber	28.46	35.00
• Leather & Leather Products	1234	1380.00
• Wood & Wood Products	5.77	6.80
• Handicrafts	14.48	16.00
• Paper & Paper Products	56.87	60.00
• Printed Materials	0.92	0.90
• Silk	0.01	0.01
• Wool & Woolen Products	0.32	0.40
• Cotton & Cotton Product (Yarn, Waste, Fabrics etc)	109.49	123.00
Source: Export Promotion Bureau of Bangladesh.		

Promote Investment Climate to Establish Industries for Export Diversification in Bangladesh for Sustained Economic Growth

Rapporteurs



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Gp Capt Md Towhidul Islam, BPP, psc, Engg



Jt Secy Kazi Enamul Hossan

NDC Participants (Faculty and Staff)

Ser	Rank and Name	Appointment
1	Rear Admiral Muhammad Anwarul Islam, NGP, ndc, afwc, psc, BN	Senior Directing Staff (Navy)
2	Major General S M Shafiuddin Ahmed, ndu, psc	Senior Directing Staff (Army)
3	Major General Mizanur Rahman Khan, ndc, afwc, psc	College Secretary
4	Brigadier General Abu Taher Muhammad Ibrahim, ndc	Senior Directing Staff (Army)
5	Air Commodore M Mortuza Kamal, GUP, ndc, psc, GD(P)	Senior Directing Staff (Air)
6	Additional Secretary Shahid Hasan, ndc	Senior Directing Staff (Civil)
7	Director General Shah Ahmed Shafi, ndc	Senior Directing Staff (FA)
8	Brigadier General Mohammad Mahbubul Haq, PBGM, ndc, afwc, psc	Chief Instructor
9	Brigadier General Md Mahbubul Haque, ndc, afwc, psc	Directing Staff (Army)
10	Brigadier General Md Rafiqul Islam, ndc, afwc, psc,	Directing Staff (Army)
11	Colonel Md Nishatul Islam Khan, afwc, psc	Directing Staff (Army)
12	Colonel Muhammad Ali Talukder, afwc, psc	Directing Staff (Army)
13	Commodore Khondkar Misbah-Ul-Azim, (TAS), afwc, psc, BN	Directing Staff (Navy)
14	Air Commodore Javed Tanveer Khan, afwc, psc, GD (P)	Directing Staff (Air)
15	Colonel Salahuddin Khaled	Colonel Administration
16	Colonel (Now Brigadier General) A K M Fazlur Rahman, afwc, psc	Director (Research & Academic)
17	Lieutenant Colonel S M Merazul Islam, afwc, psc, Engr	Senior Research Fellow
18	Lieutenant Colonel Syed Jamil Ahsan, afwc, psc	General Staff Officer-1 (Training)

19	Lieutenant Colonel Md Anwar Hossain Bhuiyan, psc, Arty	General Staff Officer-1 (Administration)
20	Lieutenant Colonel A S M Badiul Alam, afwc, psc, G+, Arty	Senior Research Fellow
21	Major Md Saiful Islam, psc, ASC	Mechanical Transport Officer
22	Major Md Masud Amin, Inf	General Staff Officer-2 (Administration)
23	Major Mohammad Tanvir Hasan Chowdhury, AEC	General Staff Officer-2 (Staff Duty)
24	Major Md Monowarul Karim, GL, Inf	General Staff Officer-2 (Accounts)
25	Major A S M Khairul Hasan, psc, Arty	General Staff Officer-2 (Planning & Coordination)
26	Major Humaon Kabir, Inf	General Staff Officer-2 (Coordination)
27	Major Tahmina Haque Munia, Sigs	General Staff Officer-2 (Network Administration)
28	Major Lasker Jewel Rana, Inf	General Staff Officer-2 (Coordination), AFWC Wing
29	Major Saquib Ibne Rashid, AC	Quarter Master
30	Lieutenant Commander Israth Zahan, (ND), BN	General Staff Officer-2 (Training Support)
31	Squadron Leader Mohammad Iqram Hossain, Edn, BAF	General Staff Officer-2 (Protocol)
32	Deputy Secretary Md Ismail Hossain	Research Coordinator
33	Flying Officer Rafat Zahin Ahmed, Admin	General Staff Officer-3 (AFWC Wing)
34	Lecturer (English) Farhana Binte Aziz	Research Fellow (BCS Education)
35	Md Nazrul Islam	Assistant Director (Library)

NDC Participants (Course Members of National Defence Course-2018)

Ser	Rank	Name	Country
Allied Course Members			
1	Brigadier	Bassem Mohamed Fattallah	Egypt
2	Brigadier	Sanjiv Singh Slaria	India
3	Air Commodore	IS Walia, F (P)	India
4	Commodore	Rituraj Sahu	India
5	Colonel	Marine Jasiman Purba, NRP	Indonesia
6	Staff Colonel	Sattam Bin Abdulaziz Ghaeb bin Ghaeb	KSA
7	Staff Colonel	Sultan Bin Hamad Al-Mohaimed	KSA
8	Brigadier General	Noor Mohamad Akmar bin Mohd Dom	Malaysia
9	Colonel	Homnath Dawadi	Nepal
10	Colonel	Boubacar Bako	Niger
11	Colonel	EC Obi-Osang	Nigeria
12	Colonel	UM Aliyu	Nigeria
13	Colonel	ASM Wase	Nigeria
14	Colonel	MD Danja	Nigeria
15	Group Captain	M Abdulraheem	Nigeria
16	Colonel	Saud Sulaiman Abdullah Al-Riyami	Oman
17	Colonel	Khalfan Al Rawahi	Oman
18	Colonel	Saif Al Rahbi	Oman
19	Brigadier	Syed Imran Raza Naqvi	Pakistan
20	Brigadier	P J P Gamage, RWP, RSP	Sri Lanka
21	Commodore	N P W Amaradasa, RSP, psc	Sri Lanka
22	Air Vice Marshal	WLRP Rodrigo	Sri Lanka
23	Colonel	HH Makanza, psc, hcds	Tanzania

Ser	Rank	Name
Bangladesh Army		
24	Brigadier General	Muhammad Ehteshamul Haque, afwc, psc
25	Brigadier General	Mohammad Omar Zahid, psc
26	Brigadier General	Hasan Md Shamsuddin, afwc, psc
27	Brigadier General	Mirza Md Enamul Haque
28	Brigadier General	Md Wahid-Uz-Zaman, psc, te
29	Brigadier General	Abul Fazal Md Sanaullah, SUP, hdmc, psc
30	Brigadier General	Kazi Taufiqul Islam, psc
31	Brigadier General	Sharif Ahsan, afwc, psc
32	Brigadier General	Abu Nur Md Shariful Alam, SUP, psc, lsc
33	Brigadier General	Abdullah Al Yusuf, BSP, psc, G
34	Brigadier General	A K M Saiful Islam, psc
35	Brigadier General	Md Wahidul Islam, psc
36	Brigadier General	A K M Iqbal Azim, psc, G+, PhD
37	Brigadier General	S. M. Kamrul Hassan, hdmc, psc
38	Brigadier General	Sajjad Hossain, psc
39	Brigadier General	Md Zamal Mahmood Siddiq, psc
40	Brigadier General	Md Habibur Rahman
41	Brigadier General	Mashiur Rahman, psc
42	Brigadier General	Omar Sadi, psc
43	Brigadier General	Abul Kashem Md Fazlul Kader, psc
44	Brigadier General	Md Muniruzzaman, psc
45	Brigadier General	A B M Shefaul Kabir, afwc, psc
46	Brigadier General	Md Abul Kalam Azad, afwc, psc, G+
47	Brigadier General	Md Main Uddin, psc, G
48	Brigadier General	Kazi Shameem Farhad, psc
49	Brigadier General	Md Mostagousur Rahman Khan, SGP, afwc, psc
50	Brigadier General	Md Rashed Iqbal, psc, G
51	Brigadier General	Khaled Shams, psc
52	Brigadier General	Md Mizanur Rahman
Bangladesh Navy		
53	Commodore	Mahmud Hossain, (ND), NPP, BCGMS, psc, BN
54	Commodore	M Zakirul Islam, (E), psc, BN
55	Captain	M Sharif Uddin Bhuiyan, (S), NGP, afwc, psc, BN
56	Captain	M Nayeem Golam Muktadir, (H), psc, BN
57	Captain	M Ali Chowdhury, (C), afwc, psc, BN
Bangladesh Air Force		
58	Air Commodore	M A Awal Hossain, GUP, awc, psc, GD (P)

59	Air Commodore	Md Shahrul Huda, psc, GD (P)
60	Group Captain	Md Zahidul Sayeed, psc, Engg
61	Group Captain	Mirza Sarwar Jahan, Engg
62	Group Captain	Md Towhidul Islam, BPP, psc, Engg
Bangladesh Civil Service		
63	Joint Secretary	Dr. Shahnaz Arefin
64	Joint Secretary	Rukhsana Hasin
65	Joint Secretary	Kazi Enamul Hassan
66	Joint Secretary	Md. Shahidul Hoque Bhuia
67	Joint Secretary	Maqsura Noor
68	Joint Secretary	Md Shahidul Alam
69	Joint Secretary	Munira Sultana
70	Joint Secretary	Md Rejaul Karim
71	Joint Secretary	Biswajit Bhattacharya Khokon
72	Joint Secretary	Md. Ismiel Hossain
73	Joint Secretary	Md Abdul Majid
74	Joint Secretary	Rashida Ferdouse
75	Director General	Masudur Rahman
76	Deputy Inspector General	Mohammad Abdullahel Baki, PPM

Moderator/Coordinators

1.	Air Commodore M Mortuza Kamal, GUP, ndc, psc, GD(P)	Senior Directing Staff (Air)	Moderator
2.	Colonel (Now Brigadier General) A K M Fazlur Rahman, afwc, psc	Director, Research and Academic	Coordinator
3.	Lieutenant Colonel A S M Badiul Alam, afwc, psc, G+, Arty	Senior Research Fellow	Associate Coordinator
4.	Lecturer Farhana Binte Aziz	Research Fellow	Assistant Coordinator
5.	Md Nazrul Islam	Assistant Director (Library)	Assistant Coordinator



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